

Federal Budget Overview: Appropriations, Authorizations and Government Budget Process



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Part 1 – Budget Process Overview

- General Principles
- Major Phases of the Budget Process
 - Formulation and Budget
 - Congressional Action
 - Authorization/Appropriation
- Continuing Resolutions (CRs)
- Performance Budgeting

Part 2 – Budget Execution

- Core Requirements
- Types of Appropriations
- Office of Management and Budget (OMB) Apportionment Process
- Budget Office Responsibilities
- Funds Management
- Principles of Control

Budget Process Overview: General Principles

- U.S. Constitution provides “checks and balances” to control spending. *The President is Commander-in-Chief, but only Congress can appropriate funds.*
- President sets the total amount of the Budget, but Secretaries of Departments make major decisions for annual request.
- OMB allocates Congressional appropriations to Departments, generally, for each 3-month period, although some agencies get longer funding time periods.
- Control of expenditures with each Department rests primarily with individual agency staff.
- Independent accounting and auditing of appropriated funds.
- Oversight committees in Congress monitor agency’s budget execution.

Major Phases of the Budget Process

Planning and Budgeting Process Flow



- Departments and Agencies prepare budget estimates and proposals
 - *Planning Phase*
 - *Budgeting Phase*



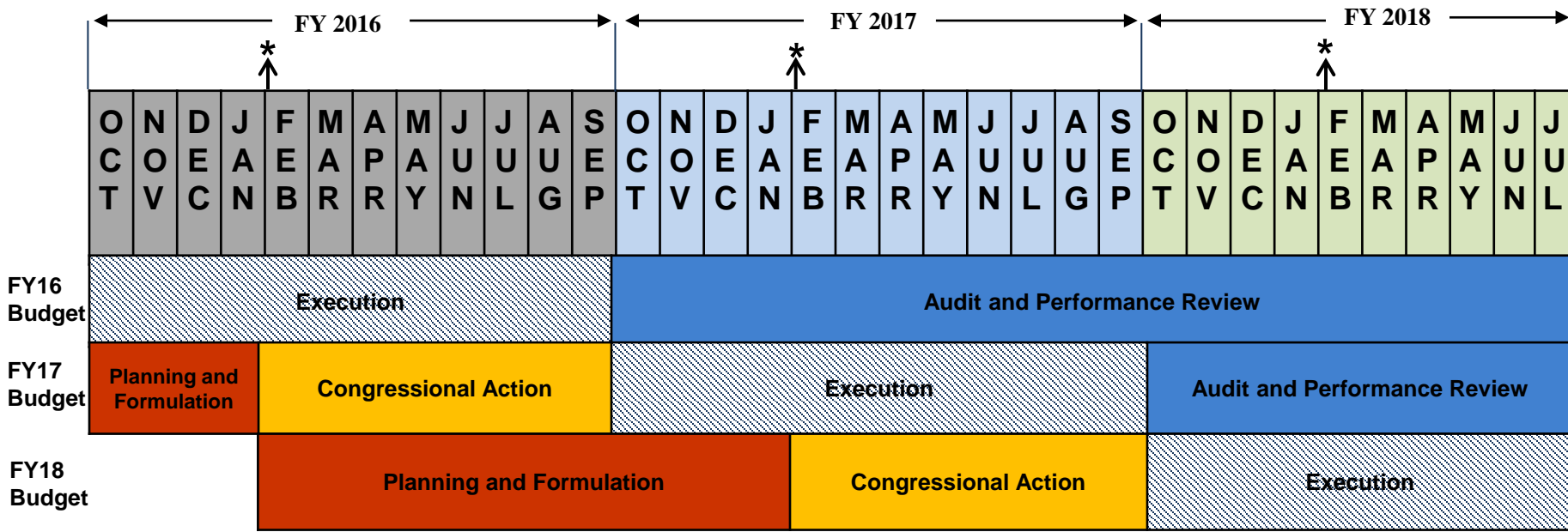
- OMB reviews submissions of Departments and Agencies – Recommends budget levels to President
- President submits budget to Congress



- Congress appropriates and authorizes funding for the Departments
 - *Budget Legislation*
 - (*Authorization & Appropriation*)

The Federal Budgeting Process

Major Phases of the Budget Process: FY 2016 – FY 2018 Timeline



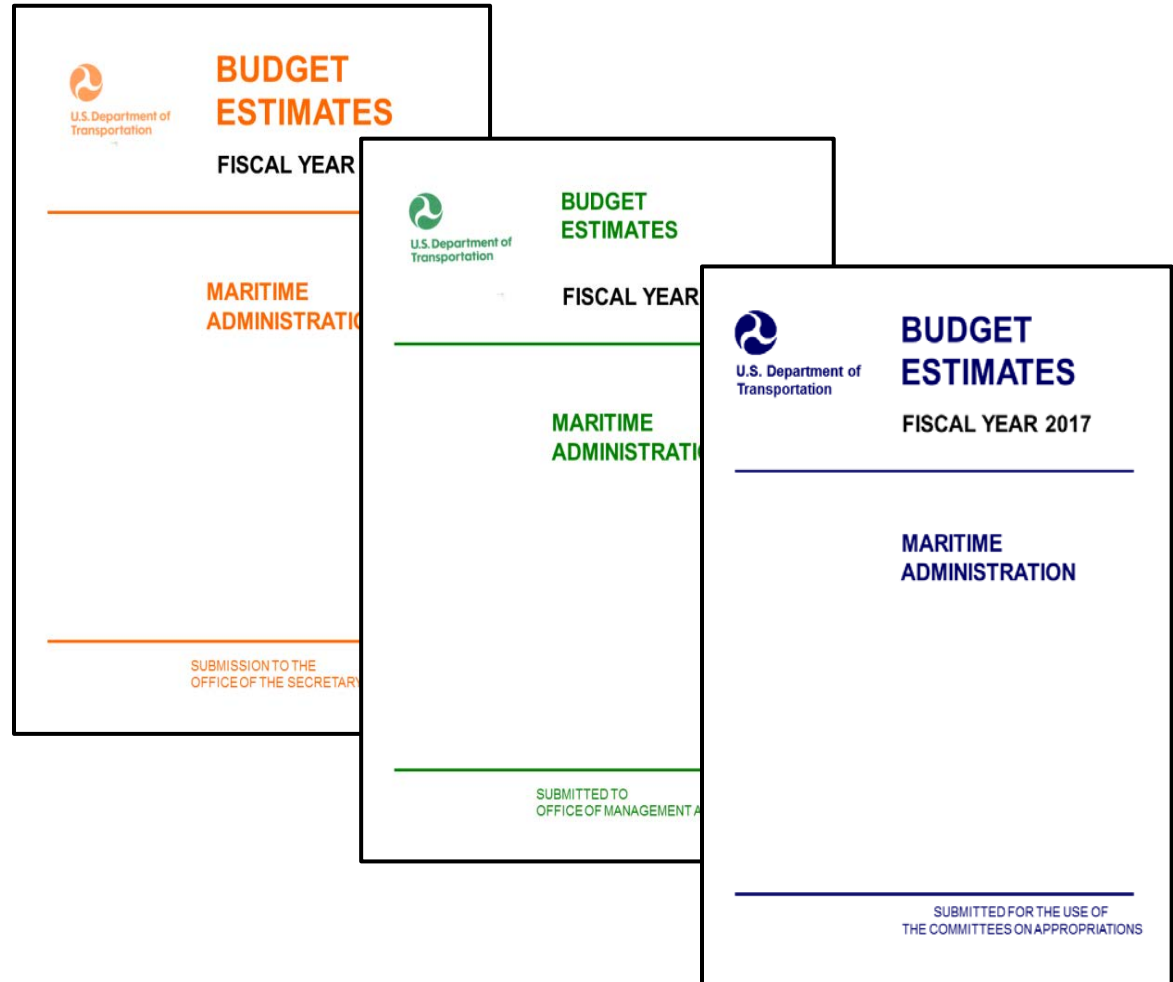
- **PLANNING AND FORMULATION** - Agency, Department and OMB Review and Decide
- **U.S. CONGRESSIONAL ACTION** - President's Budget; Agencies present to Appropriations Committees; Congressional Enactment of Appropriations; Congressional Budget Direction for Federal Spending
- **EXECUTION** - Apportionment and Allotment; Deferral and Rescissions; Program/Financial Performance
- **FINANCIAL AUDIT AND PERFORMANCE REVIEW** - Agency Evaluation of Programs and Finances; Independent Financial Statement Audit; GAO Conducts Audits and Prepares Reports

*President's Budget submission to Congress first Monday in February.

Major Phases of the Budget Process: Planning and Formulation

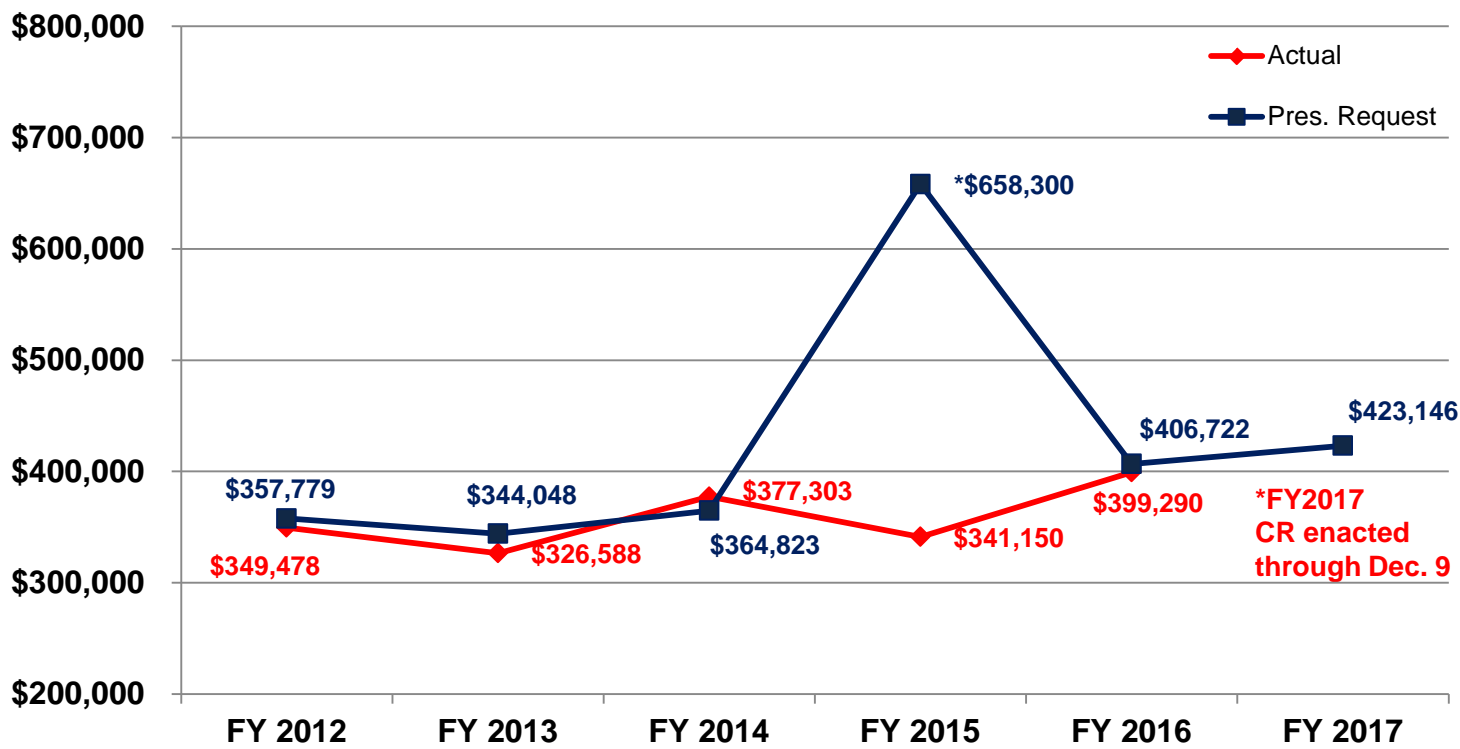
Three separate submissions of the budget are formulated for each Fiscal Year:

- Department
- OMB, and;
- Congressional Justification/
President's Budget



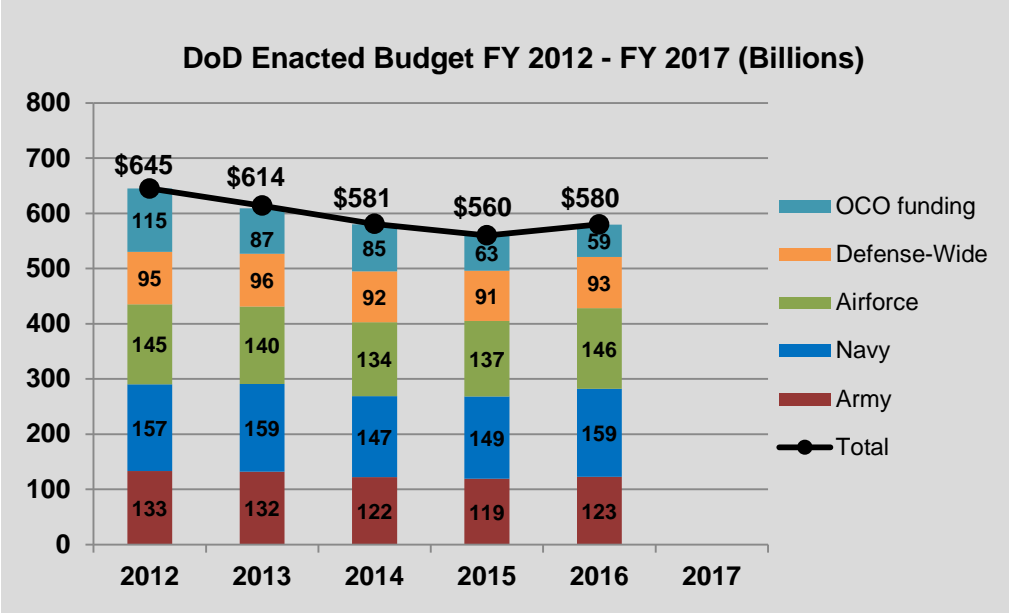
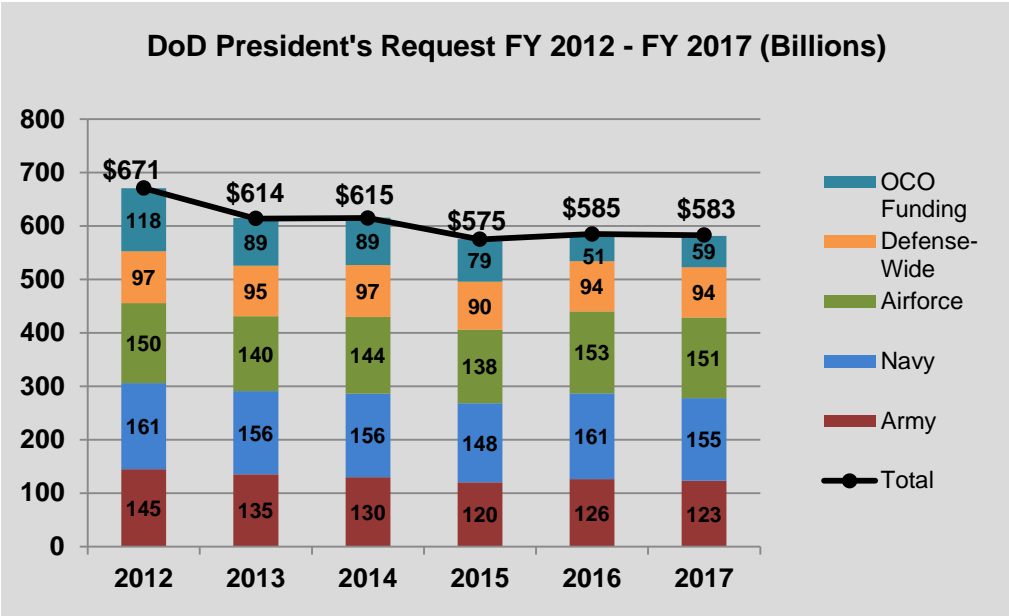
Major Phases of the Budget Process: Planning and Formulation

Maritime Administration's Historical Budget Request and Appropriations - FYs 2012-2017



* Reflects transfer from DOD in FY2015 for Ready Reserve Force (RRF)

Major Phases of the Budget Process: DoD Historical Budget Request and Appropriations



Departmental Budget Submission

- Budget Kickoff – Agency Head identifies funding priorities (March)
- Review guidance - OMB Circular A-11 and Departmental budget guidance (April)
- Agency initiates budget call to Program Offices on formulation of request aligned with priorities and OMB/Departmental guidance (April-May)
- Finalize budget tables, narratives, and appropriation language for Departmental submission (June)
 - Agency briefs Department and responds to inquiries
 - Department Passback (mid-July)
 - Agency submits Appeal (24-48 hr turnaround)
 - Department Budget settlement (early to mid-August)

DETAILED JUSTIFICATION

- What is the request and what funds are currently spent on the program?
- What is the program and why is it necessary?
- Why should the program be funded at the requested level?
- What benefits will be provided to the American Public through this request?

OMB Budget Submission

- Agency updates the Budget to align with Department settlement and feedback (August)
 - Coordinate with Program Offices and Department on updates to tables and program narratives

- Final budget due to OMB (2nd Monday in September)
 - Leadership briefs OMB (September/October)
 - Respond to Budget inquiries (October/November)
 - Receive OMB Passback (end of November)
 - Agency submits Appeal (24 hr turnaround)
 - OMB Budget settlement (early December)

President's Budget/Congressional Justification (CJ) Submission

- Agency updates Budget to align with OMB settlement and guidance (December)
 - Coordinate with Program Offices, Department and OMB on updates to tables and narratives
- Final budget due to Congress (1st Monday in February)
- Budget Rollout (February – March)
 - Congressional Staff briefings
 - Departmental and Agency Budget Hearings
 - Respond to Questions for the Record (QFRs) and any other budget inquiries

Major Phases of the Budget Process: Congressional Action

<p>Budget Resolution - House and Senate Budget Committee conduct hearings, Conference Committee held; Vote out Resolution Report</p>	<p>Complete by April 15</p>
<p>Budget Reconciliation - House and Senate Budget Committees set target limits for each appropriation bill, House initiates process; then to Senate; finally to Conference Committee; Vote out Bill</p>	<p>Complete by June 15</p>
<p>Authorization - House and Senate Legislative Committees authorize programs/revenues for appropriations House initiates process; then to Senate; finally to Conference Committees; Vote out Bills</p>	<p>Complete before Appropriations</p>
<p>Appropriation - House and Senate Appropriation Committees take action to fund 12 appropriations. House initiates process; then to Senate; finally to Conference Committees; Vote out Bills.</p> <p><i>* Intent is to complete all action on Appropriations by October 1*</i></p>	<p>Passed by House of Representatives by June 15</p> <p>Passed both House and Senate and signed by the President by September 30</p>



Congressional Budget Office (CBO) Budget and Outlook

CBO Analysis of President's Budget

OMB Mid-Session Review

Budget Resolution and Reconciliation

- Agreement between House and Senate
- Provides framework and establishes priorities for subsequent budget-related legislation
- Includes spending and revenue totals, and allocations to committees (Authorization AND Appropriations), enforced through points of order which are designed to enforce spending allocations adopted in the budget resolution (i.e. prevent over expenditures)
- Does not require the President's signature and does not become law
- **Triggers the Authorization and Appropriations process**

Authorization

- A statutory provision that establishes or continues a Federal agency, activity, or program
- It may establish policies and restrictions and deal with organizational and administrative matters
- It may also, explicitly or implicitly, authorize Congressional action to provide appropriations for an agency, activity, or program
- Authorizations Committee authorizes a Federal agency to conduct business
- Committee can establish upper limits of funds appropriated for a specific program

Authorization Does Not Mean a Program is Funded

Appropriations

- Represents legislative language that provides budget authority
- Permits a Federal agency to incur obligations and make payments from the Treasury for specified purposes, usually during a specified period of time
- All monies appropriated are for a 12-month period unless specified differently in the language (annual, multi-year and no-year)
- An appropriation gives an agency the legal authority to spend money
- Appropriation Committees (and subcommittees) determine the level of funding requested in the President's Budget, which will actually be submitted to the full House and the Senate for approval

Programs can be Authorized in Appropriations

- **Office of Legislative Affairs (OLA)** – Take Documentary tasking from Congress (except from Appropriations Committees). Submission of legislative proposals and provide technical assistance. Coordinate and execute travel for Authorization subcommittee members, professional staff, and associate staff members.

- **Appropriations Matters Office (FMBE)** - Supports the President’s Budget request with Congressional Appropriations Committees
 - Assist in formulation of Congressional Budget engagement Strategy
 - Support Budget Hearings and Congressional Testimony
 - Aid in preparation of Program Budget Briefs
 - Respond to Defense and Military Construction Subcommittee requests for program information
 - Coordinate Services appeals for Authorization and Appropriation committee adjustments to President’s Budget request
 - Coordinate and execute travel for subcommittee members, professional staff members, and associate staff members

- As result of legislation passed in 1983, FMBE required to be separate from OLA
 - “The Committee directs that the budget liaison structure be returned to a status independent from legislative liaison influence and control and given the authority and manpower to respond directly to the Committee’s factual information requirements.”

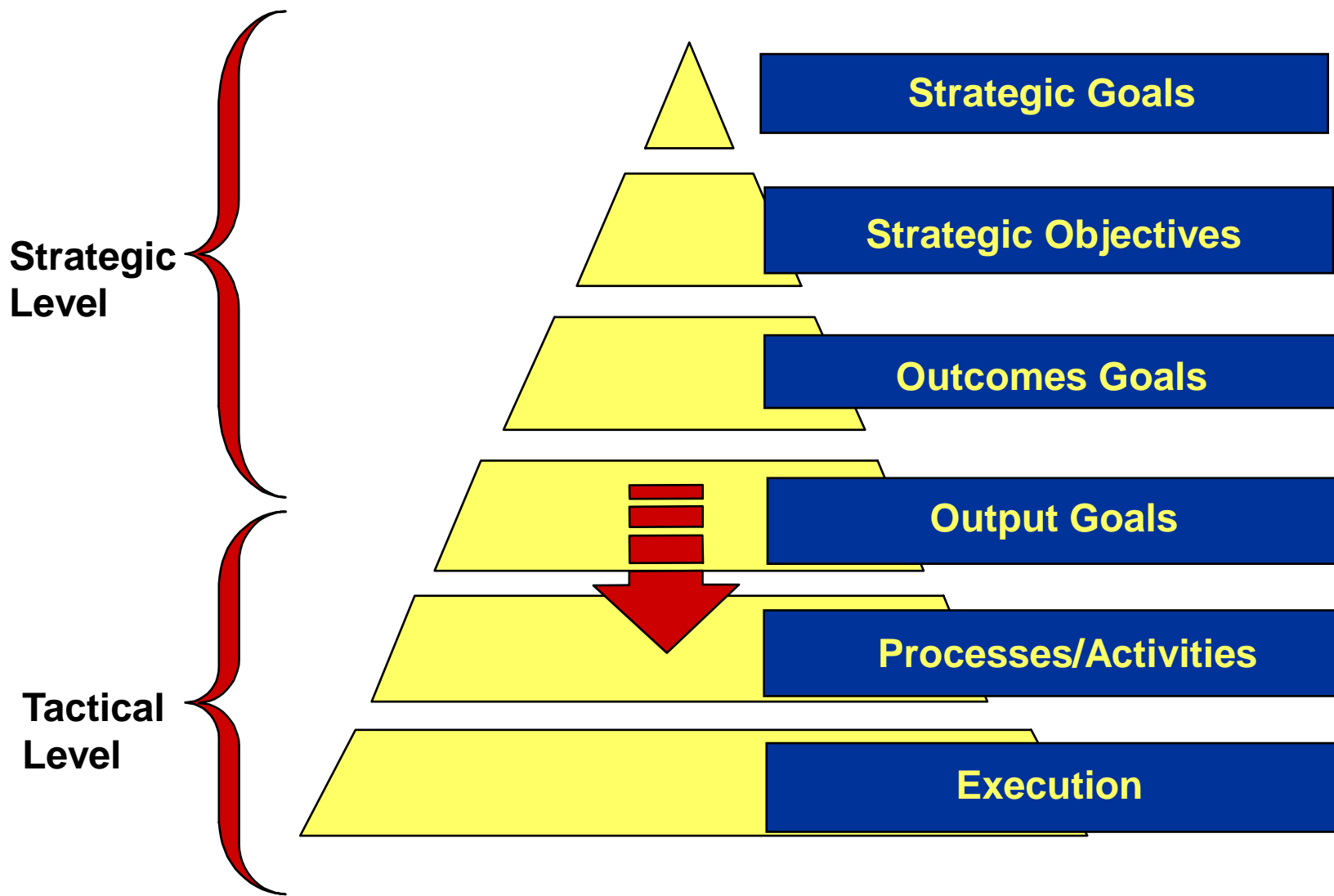
Continuing Resolution History

- Between 1977 and 2016, Congress passed all regular appropriations bills only four times – FYs 1977, 1989, 1995 and 1997.
- Between calendar 1976 and 2013, numerous “Lapses in Funding”
 - Between 1976 and 1980, there were six lapses -- NO furloughs were implemented
 - Department shutdowns revolved around budget issues and debt ceilings, and have led to furloughs of certain 'non-essential' personnel
 - Majority lasted 1–2 days (1995/1996); a few lasted more than a week 2013 (16 days).
 - Longer CRs include:
 - 2008 - 227-day CR for remainder of FY
 - 2012 -168-day remainder of FY
 - In FY 2001, there were 21 CRs; 14 in 1996; Most other years average between 5-8 CRs

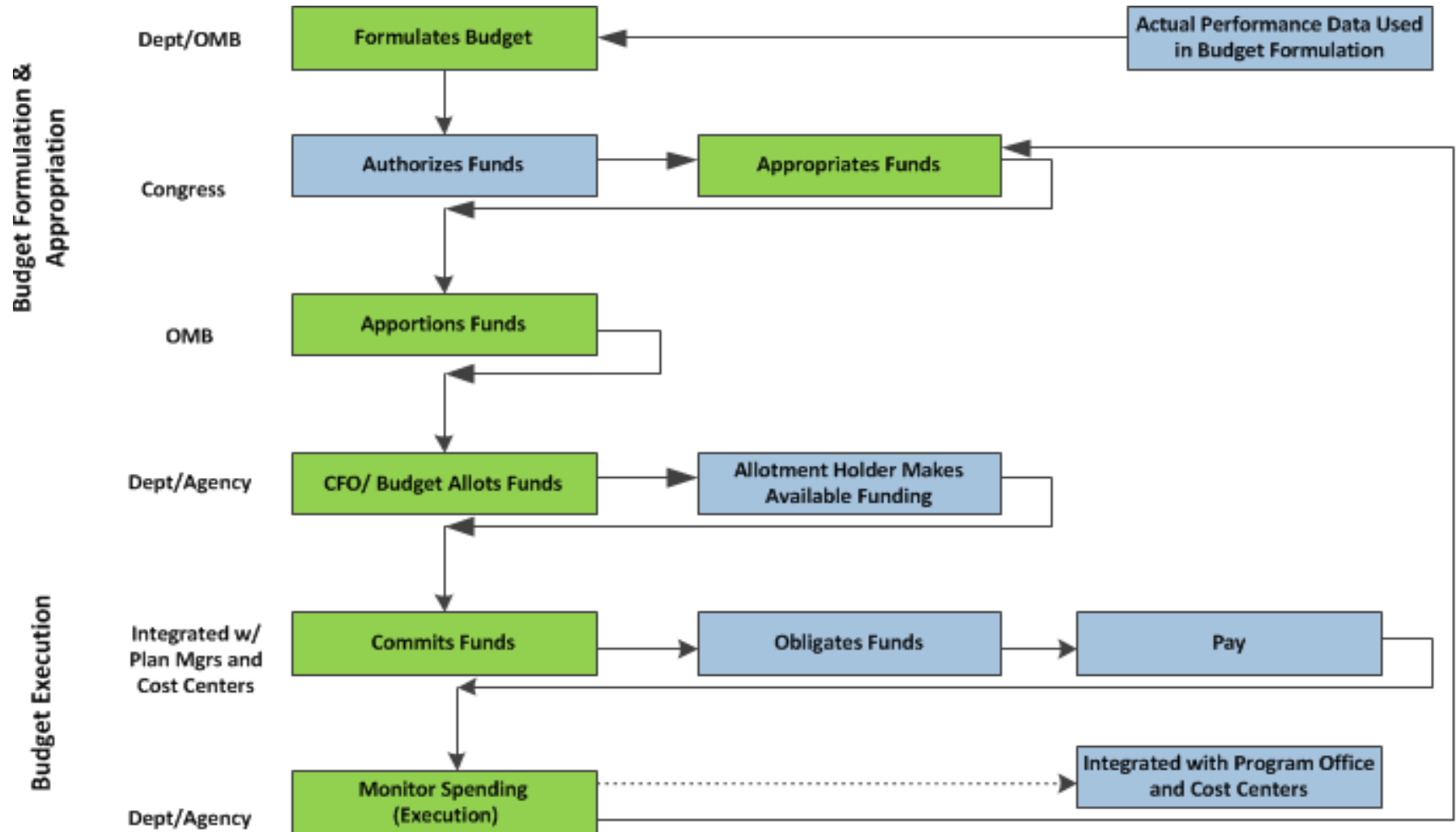
Continuing Resolution History

- 1995 Shutdown (FY1996 Appropriations) was first major government shutdown.
 - Shutdown – Conflict between President and House on entitlements and domestic allocations – resulted in two shutdowns
 - Lasted 26 days -- one for 5 days, a second for 21 days, due to lack of funds
- In 2013 (FY2014) Congress failed to agree on any regular appropriations bills prior to the start of FY
 - Shutdown occurred October 1- 16, 2013 primarily related to early implementation surrounding the Affordable Care Act
 - After agreements on funding totals and policies, along with postponement of Sequestrations, Omnibus appropriations were finally enacted in February 2014
- In FY2014 (FY2015), delays again occurred, with Omnibus Appropriations eventually being enacted in December 2014
- In FY2017, CR enacted October 1 – December 9, 2016

Hierarchy of Goals



Following Budget to Execution



- OMB's formal process (also known as apportionment) makes funds available to agencies appropriated by Congress for subsequent obligation and expenditure.
 - Process represents administrative control of funds measures required by Anti-Deficiency Act (ADA) to help prevent agencies from overspending
 - OMB can apportion funds by month, quarters, programs, projects, activities or any combination thereof
 - Restrictions imposed by OMB on apportionments constitute “legal controls” and therefore are subject to ADA violations
 - New budget authority, un-obligated balances, reimbursements and other income, and recoveries of prior-year obligations must all be apportioned by OMB prior to obligation

Rules of ADA - Purpose, Time and Amount

- **Purpose:** Specifies what is authorized with appropriated funds (taxpayers money) and non-appropriated funds
- **Time:** Obligation must occur before expiration of obligational availability of appropriation (i.e. “Color of Money”)
- **Amount:** Obligation must be within amounts enacted by Congress, apportioned by OMB, or Department
- Purpose determined through evaluation of:
 - Authorization or appropriation language
 - Enabling or organizational legislation
 - House, Senate or Conference Reports
 - Budget submission materials; Congressional testimony
- Obligations cannot exceed Congressional appropriations, OMB apportionment, Department allotment, or legal limitations contained therein
- **Color of Money** - refers to an appropriation category for a financial account. The type of account can range from Procurement, Research and Development (R&D), Operations and Maintenance (O&M) and others with specific purpose and availability.
- Types of appropriation based on obligational availability:
 - Annual appropriation (Available for obligation - 1 year)
 - Multi-year appropriation (Available for obligation - 2 or more years)
 - No-year appropriation (No time limit on obligational availability)

Funds Process - Key Elements

- OMB apportionment process
- Department/Agency funds distribution and control process:
 - Establishment of Control Levels
 - Allotment and approved funding process
- Authorization and control system for application of funds:
 - Commitment (reservation of funds)
 - Obligation of funds
 - Incur cost (i.e. pay the bill)
- Accounting system for recording and reporting on status of funds

Summary

- **Seven As of Budget Execution:**
 - **Authorize**
 - **Appropriate**
 - **Apportion**
 - **Allotment**
 - **Allowance**
 - **Actual Expense**
 - **Audit**

U.S. House of Representatives Roles and Responsibilities

- 435 members; each state's delegation is determined by its population (average based on 2010 census is 710,767)
- Elected directly by the voters of a district; Elected every two years
- Led by the Speaker of the House
- Has the power to impeach elected/government officials
- Responsible for electing the President in the event of an electoral tie
- Must initiate all revenue related bills (i.e. taxes, spending)

Presidential Line of Succession

- Vice President
- Speaker of the House
- President pro tempore of the Senate
- Secretary of State
- Secretary of the Treasury
- Secretary of Defense
- Attorney General
- Secretary of the Interior
- Secretary of Agriculture
- Secretary of Commerce
- Secretary of Labor
- Secretary of Health and Human Services
- Secretary of Housing and Urban Development
- Secretary of Transportation
- Secretary of Energy
- Secretary of Education
- Secretary of Veterans Affairs
- Secretary of Homeland Security

U.S. Senate Roles and Responsibilities

- 100 members; Equal Representation – Two Senators per state
- Elected to six-year terms with staggered elections by the voters of a state; 1/3 of the members elected every two years
- Vice-President of the U.S. assigned by the Constitution to be the “President of the Senate”
- Acts as jury in impeachment trials (2/3 vote needed – Super majority)
- May choose the Vice President, if no majority in the electoral system
- Must ratify treaties with foreign nations (2/3 vote needed – Super majority)
- Must approve Presidential appointments (majority needed)

How a Bill Becomes a Law

