Budget Execution and Performance Integration

ASMC PDI

Presented by:
Ricardo Aguilera
Chief Financial Officer
Federal Reserve Board of Governors

“The views expressed in this presentation/article are those of the author and do not reflect the official policy or position of the Federal Reserve, the Department of Defense, or the U.S. Government.”

May 2019
Course Topics

1. Federal Budget Process
2. Budget Execution Process
3. Budget and Performance Integration
4. Emerging Issue: The Data Act
5. Leadership Challenges & Responsibilities
Budget Execution and Performance Integration

Course Objectives

1. Evaluate the key interrelationships between budget formulation, budget enactment, and budget execution.

2. Assess the factors and tools in leading successful execution of an organization’s budget.

3. Examine the role of Congress in budget execution and the Constitutional and legal requirements set forth for this important financial management function.

4. Determine how to protect an agency’s integrity by providing advice and counsel on compliance with Congressional legislation including appropriations and authorization acts, proper use of funds, as well as the Anti-Deficiency Act.

5. Distinguish various uses of performance data and how it can be effectively used to report and monitor budget execution information used to make budget decisions.
Budget Execution and Performance Integration

Topic 1: Federal Budget Process
Budget Execution and Performance Integration

Power of the Purse

“Money is, with propriety, considered as the vital principle of the body politic; as that which sustains its life and motion, and enables it to perform its most essential functions.”

*The Federalist No. 30* (Alexander Hamilton).

A necessary corollary of Hamilton’s thesis is that the body that controls the government’s money also wields great power to shape and control the government itself by determining, for example, the purpose for which government may use money or the amounts that are available for its endeavors.

Source: GAO Red Book
Budget Execution and Performance Integration

**Federal Mandates (Laws, Rules, Directions, Regulations, ...)**

- Budget and Accounting Act of 1921
- Congressional Budget and Impoundment Act of 1974
- Anti-Deficiency Act
- The Supplemental Appropriations Act
- Office of Management and Budget (OMB) Circular A-11
- DoD Financial Management Regulation
Budget Execution and Performance Integration

The Budget and Accounting Act of 1921

- Established a government-wide budgeting system
- Required the President to submit an annual proposed budget to Congress
- Created the Bureau of the Budget (BoB), which is now the Office of Management and Budget (OMB)
- Created the General Accounting Office, which is now the Government Accountability Office (GAO)
Budget Execution and Performance Integration

**Congressional Budget and Impoundment Act of 1974**

- Modified the role of Congress in the budget process
  - Shifted some power back to the Congress
  - Created standing *budget committees* in both the House and in the Senate
- Created the Congressional Budget Office (CBO)
- Reduced the President’s *impoundment* authority
The **Anti-Deficiency Act** (amended)

1884
1950
1982

- Prohibits the obligation or expenditure of government funds *in excess* of the amounts appropriated by Congress or in excess of amounts permitted by regulations

- Forbids the obligation of any funds *before the appropriation* is passed

- Requires a **funds control system** for making obligations
Budget Execution and Performance Integration

The Supplemental Appropriations Act

Eight documentable forms of a valid obligation:
1. A binding written agreement in a manner, form and for the purposes authorized by law to be executed before the expiration of the appropriation for goods, services, or property
2. A valid loan agreement
3. An order to be placed with a government agency
4. An order issued pursuant to law for purchases necessitated by public exigency
5. A grant or subsidy in accordance with the law
6. A liability from pending litigation authorized by law
7. Employment or services of persons or travel authorized by law
8. Any other legal liability of the government against an appropriation or funds legally available
Office of Management and Budget (OMB) Circular A-11

- Provides guidance for budget formulation and instructions for budget execution
- Includes 7 Parts; Part 4 details budget execution requirements
- Revised annually
Budget Execution and Performance Integration

DoD Financial Management Regulation (FMR) Volume 3

- Provides guidance on the availability and use of budgetary resources
- Contains 19 Volumes with various chapters
- Re-enforces and supplements OMB Circular A-11
**Budget Process Overview**

President submits budget to Congress

Federal Agencies submit program and budget estimates

Budget Legislation provides funding

**Budget Execution and Performance Integration**
Budget Execution and Performance Integration

Budget “POP” Quiz:

Prior to 1921, Federal agencies first submitted their budget requests to _______.

a. The President
b. The Speaker of the House
c. The Congressional Budget Office
d. The Congress

ANSWER: d
Budget Execution and Performance Integration

Budget “POP” Question:

Prior to 1921, the President _______ the budget process.

a. played a significant role in
b. played a minor role in
c. played no direct role in
d. determined the nature of

ANSWER: c
The primary reason the budget process changed in 1921 was because ______.

a. the level of government expenditures was increasing
b. the President wanted more power
c. Federal agencies wanted less responsibility
d. World War II forced the military to get involved

ANSWER: a
Budget Execution and Performance Integration

**Topic 2: Budget Execution Process**
Budget Execution and Performance Integration

• “This phase lasts for at least five fiscal years and includes two parts. The apportionment part … the reporting and outlay part …”

• “While the act of budgeting is a planning process, budget execution is a management process. Budget preparation is planning for policy accomplishment and budget execution is managing the budget plan for policy implementation.”

• “… managing federal expenditures by spending available funds to carry out authorized activities and by accounting for their actions.”

• “Managers commit public money and must follow rules that guarantee funds are spent on intended purpose and fraud, waste, and misuse is avoided.”

Jones & McCaffery, 2008

Schick, 2007

Mutty & McCaffery, 1999

OMB A-11
Budget Execution and Performance Integration

**Budget Execution**

- Agencies must have appropriated funds by the start of the fiscal year (**October 1**) to operate.

- To keep the government from shutting down without an appropriations act, Congress passes a “**Continuing Resolution**” (CR) until the final appropriations are passed.

- OMB provides a **formula** for calculating amounts available for obligation under a CR.
**Fiscal Year 2020 President’s Budget**

(Outlays)

**TOTAL $4,746B**

- **Mandatory** $3,320B (70% of total)
  - Medicaid* 9%
  - Medicare 14%
  - Social Security 23%
  - Net Interest 10%
  - Other Mandatory** 11%

- **Discretionary** $1,426B (30% of total)
  - Defense 15%
  - Other Discretionary 15%

*includes Market-Based Health Care Grant

**includes Exchange Subsidies (Basic Health Program)**

Source: OMB
Fiscal Year 2020 President’s Budget
(Revenue)

TOTAL $3,645B

Source: OMB
The Budget Calendar and the PPBE Process

FY 2018 – 2020 Budget Status
The OMB budget review schedule

<table>
<thead>
<tr>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **July: OMB issued revised A-11 guidance**
- **Program/Budget Review with Agency HQ**
- **MAX Database: Prior Years**
- **MAX Database: Budget Years**
- **Budget Chapter Writing**
- **Passback/Appeals**
- **Review Agency Budget Justifications**
- **Review Proposed Authorizations with Budget impact**
- **State of the Union and Budget Submission**

- **State of the Union and Budget Submission**
- **Review of Congressional Testimony and Actions**
- **Ongoing Budget Oversight**
- **Mid-Session Corrections**
- **Apportionments**
### DoD Planning, Programming, Budgeting, and Execution (PPBE) System Overview

#### Yearly PPBE Process and Milestones

<table>
<thead>
<tr>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning</strong> <em>(QDR, DPG, JCS Chairman's Joint Planning Document)</em></td>
<td><strong>Program/Budget Estimates</strong></td>
<td><strong>Components submit estimates</strong></td>
<td><strong>Program Review</strong></td>
<td><strong>Cost Assessment and Program Evaluation (CAPE)</strong></td>
<td><strong>JCS Chairman’s Program Assessment</strong></td>
<td><strong>Program Decision Memo</strong></td>
<td><strong>Budget Review</strong></td>
<td><strong>3-Star SecDef Group</strong></td>
<td><strong>SecDef Group</strong></td>
<td><strong>Budget Justification</strong></td>
<td><strong>Resource Mgmt Decision</strong></td>
</tr>
<tr>
<td><strong>JCS Chairman’s Joint Planning Document</strong></td>
<td><strong>Budget Estimate Submission (BES)</strong></td>
<td><strong>Program Objective Memorandum (POM)</strong></td>
<td><strong>Program Review</strong></td>
<td><strong>3-Star SecDef Group</strong></td>
<td><strong>SecDef Group</strong></td>
<td><strong>Budget Justification</strong></td>
<td><strong>Resource Mgmt Decision</strong></td>
<td><strong>OUSD(C) performs an Execution review. Result: Omnibus Reprogramming</strong></td>
<td><strong>Under Secretary of Defense (Comptroller)</strong></td>
<td><strong>Budget Submission</strong></td>
<td><strong>Final JCS risk assessment</strong></td>
</tr>
</tbody>
</table>

#### PPBE Phases

- **Strategic Planning**
- **Execution Review**
- **Program Review**
- **Budget Review**
Congressional Process and Timeline

President’s Budget

Hearings, briefings, questions

Authorizers
House Committee
Senate Committee
Conference
Bill
President Signs

Congress: Budget Committees

Hearings, briefings, questions

Appropriators
HAC, Subcommittee
SAC, Subcommittee
Conference
Bill
President Signs

Feb Mar Sep‐Aug‐July
Budget Execution and Performance Integration

Budget Execution Timeline

Oct 1st

1. Continuing Resolution
2. Authorization
3. Appropriation
4. Treasury Warrant
5. Apportionment
6. Allotment
7. Operating Plan
8. Commitments
9. Sales Orders
10.Obligations & Adjustments

Sep 30th

1. Expenditures/Deliveries
2. Outlays/Collections
3. Obligation Adjustments
4. Reporting
5. Cancellation

Sep 30th + 5 Years

11. Sales
12. Expenditures/Deliveries
13. Outlays/Collections
14. Mid-Year Review
15. Reprogramming
16. Transfers
17. Supplemental
18. Rescission
19. Deferrals
20. Reporting
21. Year-End
Budget Execution and Performance Integration

Three Dimensions of Appropriation Law

• **Purpose**
  – Obligating/expending funds for goods/services not permitted by law

• **Time**
  – Obligating/committing to make payments for goods/services not available or within the time limits applicable to the appropriation

• **Amount**
  – Obligating/expending funds that exceed the amount available in an appropriation
Budget Execution and Performance Integration

Purpose, Time and Amount (Example)

Every appropriation contains limitations upon its availability; that is, federal agencies may spend appropriated amounts only in accordance with the conditions that Congress has placed upon the appropriation.

Appropriation: “Operation And Maintenance, Air Force - For expenses, not otherwise provided for, necessary for the operation and maintenance of the Air Force, as authorized by law, $36,247,724,000: Provided, That not to exceed $7,699,000 can be used for emergencies and extraordinary expenses, to be expended on the approval or authority of the Secretary of the Air Force, and payments may be made on his certificate of necessity for confidential military purposes.”

Fine Print: “Sec. 8040. Notwithstanding any other provision of law, none of the funds appropriated or otherwise made available by this or any other Act may be used to consolidate or relocate any element of a United States Air Force Rapid Engineer Deployable Heavy Operational Repair Squadron Engineer (RED HORSE) outside of the United States until the Secretary of the Air Force—
(1) completes an analysis and comparison of the cost and infrastructure investment required to consolidate or relocate a RED HORSE squadron outside of the United States versus within the United States;
(2) provides to the congressional defense committees a report detailing the findings of the cost analysis; and
(3) certifies in writing to the congressional defense committees that the preferred site for the consolidation or relocation yields the greatest savings for the Air Force”

Sources: GAO Red Book and 2017 Omnibus Appropriation
## Budget Execution Reporting: SF 133

<table>
<thead>
<tr>
<th>Section</th>
<th>shows whether...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgetary Resources</strong></td>
<td>Budgetary resources are available for obligation or not</td>
</tr>
<tr>
<td><strong>Status of Budgetary Resources</strong></td>
<td>Budgetary resources have been obligated or not</td>
</tr>
<tr>
<td><strong>Change in Obligated Balances</strong></td>
<td>Obligated balances changed</td>
</tr>
<tr>
<td><strong>Net Outlays</strong></td>
<td>Obligated amounts have been outlayed or not</td>
</tr>
</tbody>
</table>
Budget Execution and Performance Integration

**Budget Execution**

**Combining Statements of Budgetary Resources by Major Budget Account**

<table>
<thead>
<tr>
<th>FY2021 (in thousands)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Budget</td>
<td>Final Used</td>
</tr>
<tr>
<td>Appropriations received</td>
<td>$104,000</td>
</tr>
<tr>
<td>Less transfers, current year authority and other</td>
<td>627</td>
</tr>
<tr>
<td>Total available</td>
<td>104,627</td>
</tr>
<tr>
<td>Appropriations, enacted</td>
<td>59,306</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>7,360</td>
</tr>
<tr>
<td>Change in advance expenditures</td>
<td>5,371</td>
</tr>
<tr>
<td>Available before prior year adjustments</td>
<td>-</td>
</tr>
<tr>
<td>Total budgetary resources</td>
<td>-</td>
</tr>
<tr>
<td>740,070</td>
<td>107,906</td>
</tr>
</tbody>
</table>

**Status of Budgetary Resources**

<table>
<thead>
<tr>
<th>FY2021 (in thousands)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations incurred</td>
<td>$894,306</td>
</tr>
<tr>
<td>Excess financed</td>
<td>-</td>
</tr>
<tr>
<td>Available</td>
<td>894,306</td>
</tr>
<tr>
<td>Available prior year</td>
<td>627</td>
</tr>
<tr>
<td>Total available</td>
<td>894,933</td>
</tr>
<tr>
<td>Budgetary resources used</td>
<td>49,893</td>
</tr>
<tr>
<td>Total available</td>
<td>845,040</td>
</tr>
<tr>
<td>Total resources of budgetary account</td>
<td>$845,040</td>
</tr>
</tbody>
</table>

**Budgetary Resources**

- **Fulfills a legal requirement for reviewing appropriations 4 times/year**
- **Allows monitoring of apportioned funds**
- **Provides consistent budgetary reporting**
- **Provides historical data** for better planning, execution and tracking
- **Forms the basis of obligation patterns** used to calculate continuing resolution amounts
Budget “POP” Question:

When Congress does not pass the necessary appropriations by October 1\textsuperscript{st}, they need to pass a ______ in order to keep agencies operating.

a. budgetary extension  
b. continuing resolution  
c. continuing extension  
d. emergency budgetary declaration

ANSWER: b
Budget Execution and Performance Integration

Budget “POP” Question:

Agencies initial budgetary requests to OMB are typically large because ______.

a. demand for government services is always increasing
b. they want to make the President happy
c. they know that their final budget will be smaller than their requests
d. of “logrolling”

ANSWER: c
Budget “POP” Question:

Responsibility for developing the President’s Budget lies with _____.

a. the Congressional Budget Office
b. the Treasury Department
c. the Council of Economic Advisors
d. the Office of Management and Budget

ANSWER: d
Topic 3: Budget and Performance Integration
Budget Execution and Performance Integration

Government Performance and Results Act (GPRA) of 1993

AND

Government Management Reform Act of 1994

AND

GPRA Modernization Act of 2010

• Requires **Strategic Plans, Performance Plans and Performance Reports**

• Requires all Executive agencies to produce **annual audited financial statements**

• Adopts a more **coordinated and cross-cutting approach** to common goals

• Addresses weaknesses in major management areas

• Focuses on sustained leadership commitment and accountability
Budget Execution and Performance Integration

Performance Budgeting
- WHAT???

Performance Links

Accountability

Transparency

100% Obligated

Mission Met

“Clean” Audit

Planned vs Actual Targets

Positive/Negative Reactions

SUCCESS

Budget Execution and Performance Integration
Budget and Program Execution are linked, however...

- Standard budgetary execution reports do not include performance data

- Program management depends on metrics and other management reports
  - There is more budget data in program execution than there is performance data in budget reporting

- Program management considers budget as another variable to be managed
Budget “POP” Question:
______ helps Congress evaluate the President’s budget.

a. The Treasury Department
b. The Office of Management and Budget
c. The Congressional Budget Office
d. The Joint Economic Committee

ANSWER: c
Budget Execution and Performance Integration

Budget “POP” Question:

______ has the primary responsibility for developing the early stages of the government’s budget.

a. The Executive Branch  
b. The Treasury Department  
c. The House of Representatives  
d. The Senate

ANSWER: a
Budget Execution and Performance Integration

Budget “POP” Quiz:

Prior to the Congressional Budget and Impoundment Act of 1974, the fiscal year started on _______.  

a. 1 January  
b. 1 June  
c. 1 July  
d. 1 October  

ANSWER: c
Budget Execution and Performance Integration

Topic 4: Emerging Issues
Budget Execution and Performance Integration

“Whenever the people are well-informed, they can be trusted with their own government.”

-- Thomas Jefferson

Source: Steinhoff, Jeff CFF 16-04 Presentation dated May 2016
“Transparency is critical to our democracy. ... Policymakers and taxpayers should be able to quickly answer some basic questions about federal spending, like how much did we spend, and who received the money? Determining this very basic information can take countless hours of work, if it is to be determined at all.

.... The Digital Accountability and Transparency Act, or the DATA Act, will shed additional light on the federal government’s finances and leverage modern technology to give the taxpayers the transparency over federal spending they deserve.

The DATA Act will ensure that the information collected by the budget analysts, accountants, and grant and contract officers is combined, reconciled, and presented in an easy-to-use way.


Source: Steinhoff, Jeff CFF 16-04 Presentation dated May 2016
Budget Execution and Performance Integration

Can You Say “Yes” to These Questions?

DATA
- Does your data contain the common data elements that enable unique identifiers for federal awards, entities, grantees, and contractors? Are they consistent with Office of Management and Budget (OMB) and Treasury requirements?

TECHNOLOGY
- Are you able to obtain data in an efficient and effective manner? Is the data accurate and complete for all funds, object classes, or other required reporting elements?

- Do systems for obtaining, accumulating, processing, and reporting data have the appropriate level of information security?

BUSINESS STRATEGY AND GOVERNANCE
- Does your agency have a strategy to evaluate gaps in your data sources and a plan for managing the effort? Does your agency have an agile process for incorporating any subsequent revisions to federal data structure standards?

- Do you have a validation process to ensure your organization can withstand an independent audit in accordance with the DATA Act?

PEOPLE
- Do you have people available with the right skills to analyze your budgeting and spending information, and to map your data in accordance with required data structures?

- Do you have the right personnel who can lead the required implementation effort? Can you assess what data is relevant, where it needs to come from and whether the data is reliable?

PROCESS
- Do you have processes in place to help ensure the required data is accumulated, processed, and reported on time and accurately?

- Do you have the necessary business rules to adjust to Treasury’s and OMB’s data standards?

Source: Steinhoff, Jeff CFF 16-04 Presentation dated May 2016
## Budget Execution and Performance Integration

### Traditional Costing View

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>11,693,664</td>
</tr>
<tr>
<td>Travel</td>
<td>793,878</td>
</tr>
<tr>
<td>Transportation of Things</td>
<td>140,291</td>
</tr>
<tr>
<td>Rents, Communication, Utilities</td>
<td>187,210</td>
</tr>
<tr>
<td>Printing and Reproduction</td>
<td>330,864</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>10,912,984</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>652,011</td>
</tr>
<tr>
<td>Equipment</td>
<td>921,824</td>
</tr>
<tr>
<td>Grant and Subsidies</td>
<td>362,491</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$25,995,217</strong></td>
</tr>
</tbody>
</table>

### Activity Based Costing View

<table>
<thead>
<tr>
<th>Activity</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation Land Use Plan (LUP)</td>
<td>1,715,684</td>
</tr>
<tr>
<td>Develop LUP Strategy</td>
<td>6,615,783</td>
</tr>
<tr>
<td>Develop Scoping Report</td>
<td>3,392,224</td>
</tr>
<tr>
<td>Develop Draft LUP/EIS</td>
<td>3,795,302</td>
</tr>
<tr>
<td>Draft LUP amendment (EIS level)</td>
<td>4,738,928</td>
</tr>
<tr>
<td>Complete Proposed LUP/EIS</td>
<td>93,583</td>
</tr>
<tr>
<td>Prepare Final Record of Decision</td>
<td>369,132</td>
</tr>
<tr>
<td>Prepare Amendment (EA level)</td>
<td>1,432,336</td>
</tr>
<tr>
<td>Prepare Amendment (EIS level)</td>
<td>842,245</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$25,995,217</strong></td>
</tr>
</tbody>
</table>

Source: AGA CPAG Research Series: Report No. 22
September 2009
Topic 5: Leadership Challenges and Responsibilities
Budget Execution and Performance Integration

The Budget Process (Another View)

- **Strategic Planning**
  - Define recommendations for funding and priorities

- **Budget Formulation**
  - Prepare budget estimates and budget justifications
  - Reviewed and approved by DoD Comptroller & OMB

- **Budget Presentation**
  - Congressional hearing, respond to formal questions form appropriation subcommittees

- **Budget Execution**
  - Apportionment of funds, obligations incurred

- **Evaluating Results**
  - Cost/Benefit assessment
  - What produces the best value?

- **Performance**
  - Track the progress of achieving outcomes

- **GPRA develops measures and indicators**
Budget Execution and Performance Integration

Leadership Challenges and Opportunities

• Budget Execution represents activities associated with the legal and managerial uses of budgetary resources to achieve results that comply with the enacted budget policies

• Leaders can:
  - Connect budget execution with Strategic Plan
  - Follow an execution timeline
  - Execute as early as possible
  - Conduct Mid-year reviews
  - Consider unfunded lists early
  - Prepare planning documents in case budget becomes available
  - Establish relationships with requirements owners and contracting officers

Source: OMB Circular No. A-11
Budget Execution and Performance Integration

When presenting the Budget Execution “story” leaders SHOULD:

- Know the audience (staff, internal/external stakeholders)
- Identify and understand the budget and performance links (metrics tied to cost, cost fully burdened, reporting of metrics)
- Establish trust and creditability
- Let’s look at an example of how the story SHOULD NOT be told!!!!
Budget Execution and Performance Integration

Contact for Questions or Information (NOW and/OR LATER)

Ricardo Aguilera
ricardo.a.aguilera@frb.gov
202-872-7535