

Budget Execution and Performance Integration

ASMC PDI

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Budget Execution and Performance Integration

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

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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

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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



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The Budget and Accounting Act of 1921

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)

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Congressional Budget and Impoundment Act of 1974

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

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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

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The Supplemental Appropriations Act

1955

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

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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

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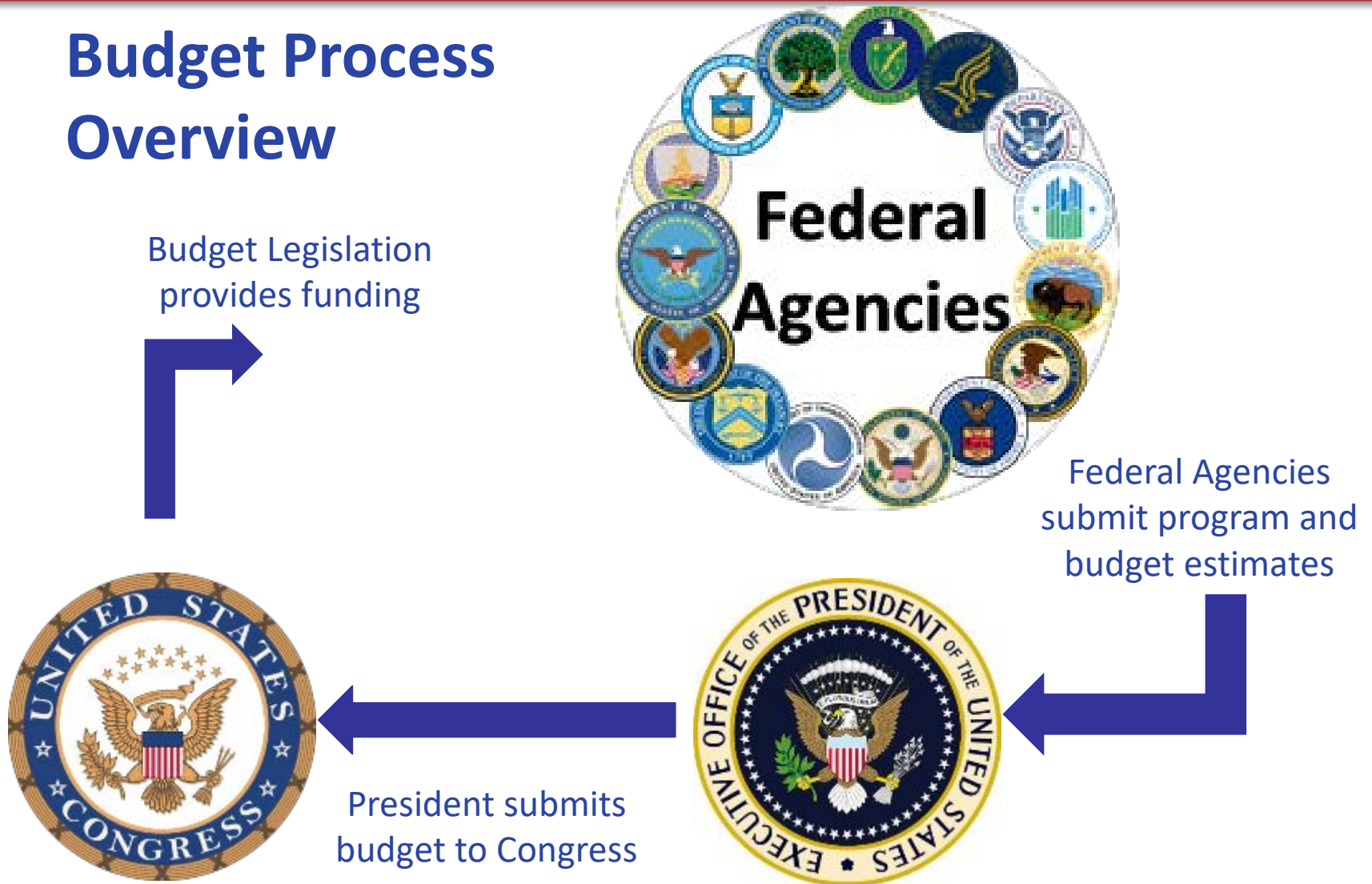
DoD Financial Management Regulation (FMR) Volume 3



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

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Budget Process Overview



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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



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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



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Budget “POP” Question:

The primary reason the budget process changed in 1921 was because _____.

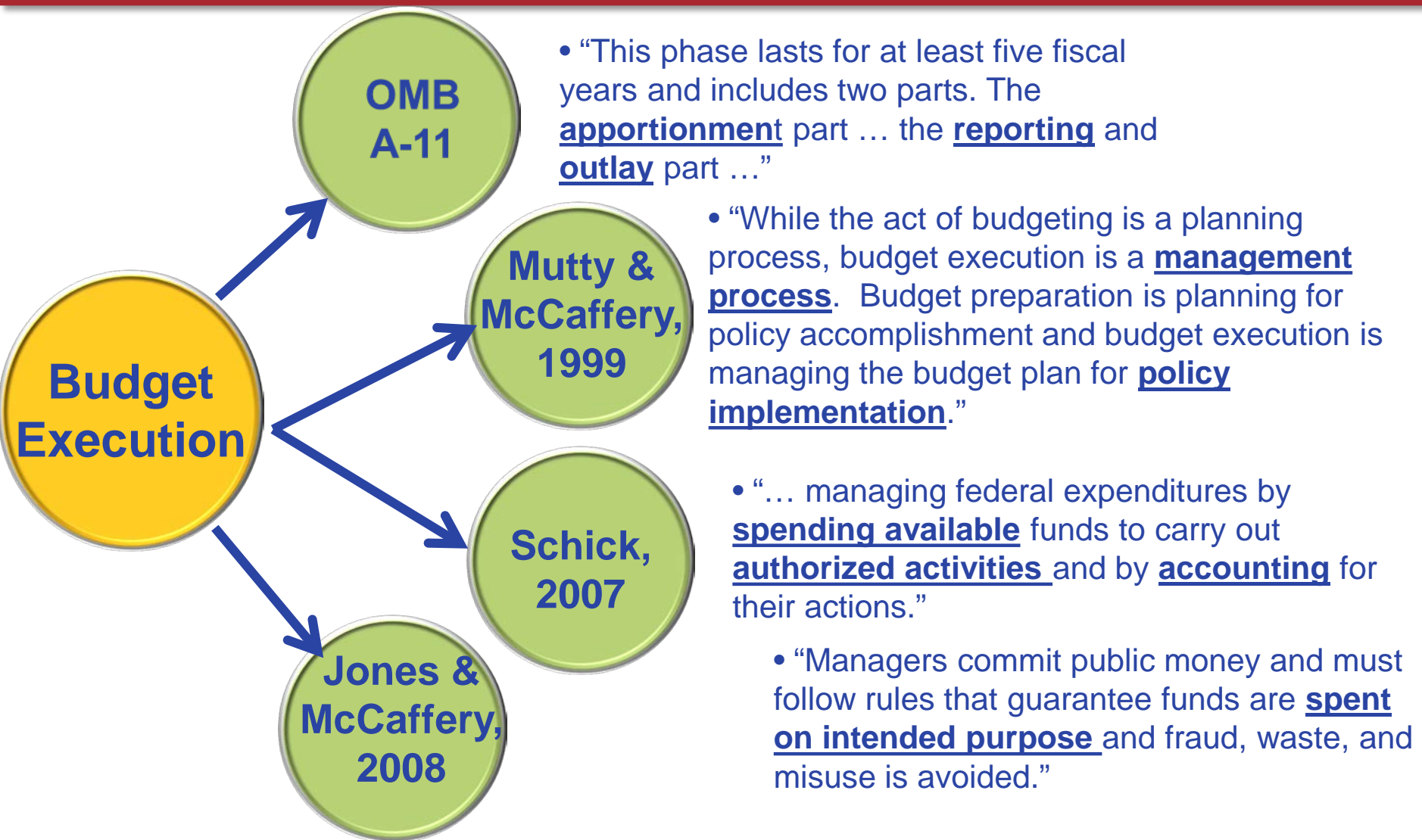
- a. the level of government expenditures was increasing
- b. the President wanted more power
- c. Federal agencies wanted less responsibility
- d. World War II forced the military to get involved

ANSWER: a



Topic 2: Budget Execution Process

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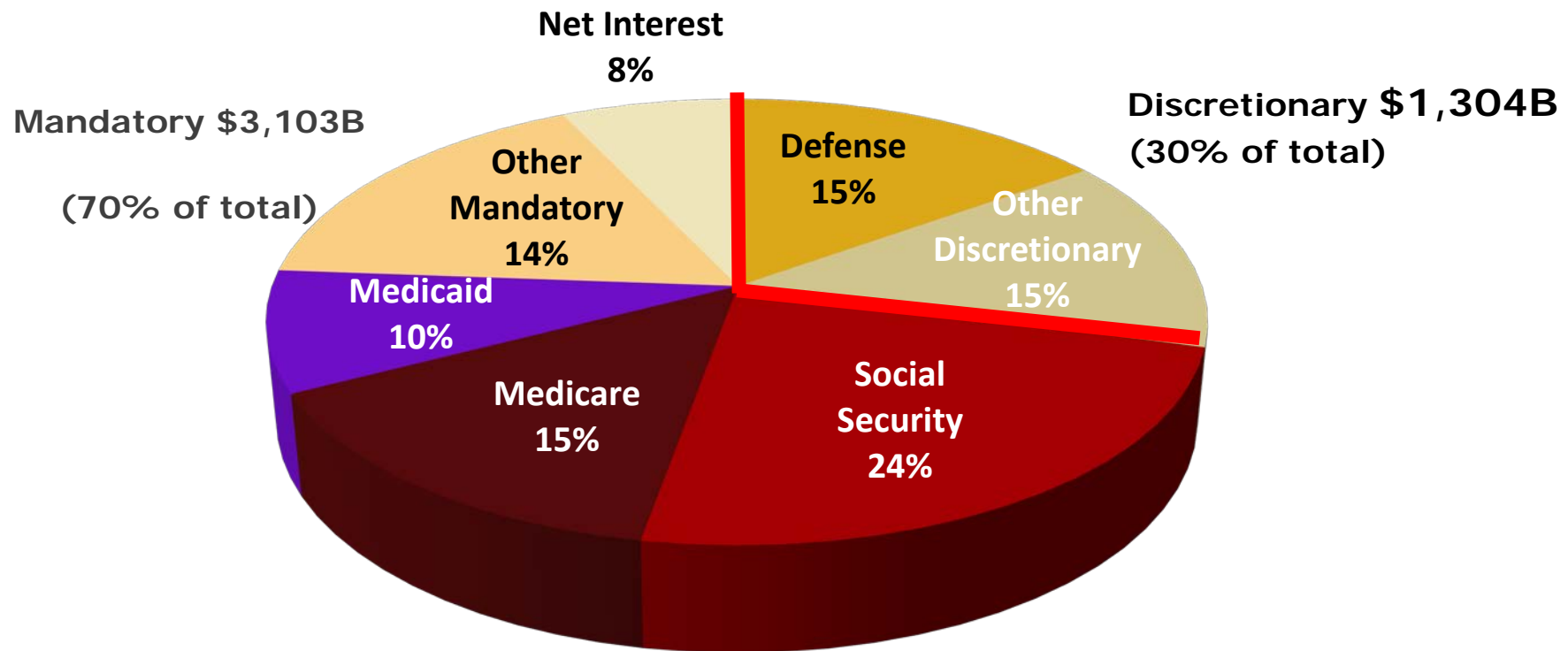
Budget Execution



- 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

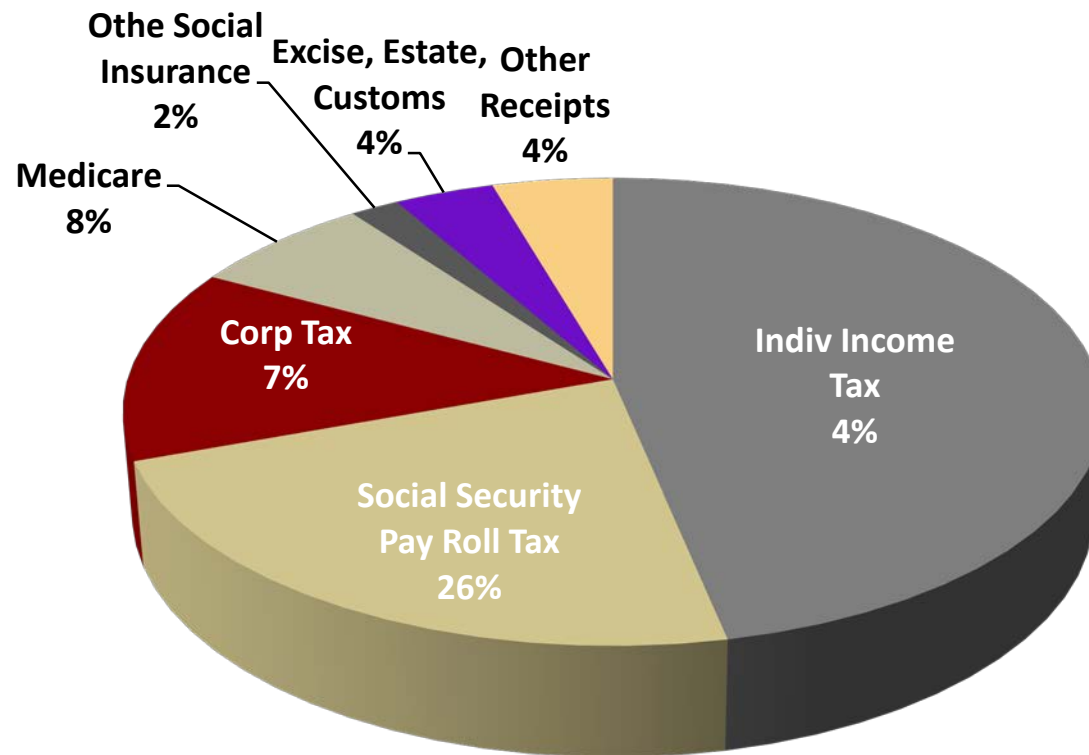
Fiscal Year 2019 President's Budget (Outlays)

TOTAL \$4,407B



Fiscal Year 2019 President's Budget (Revenue)

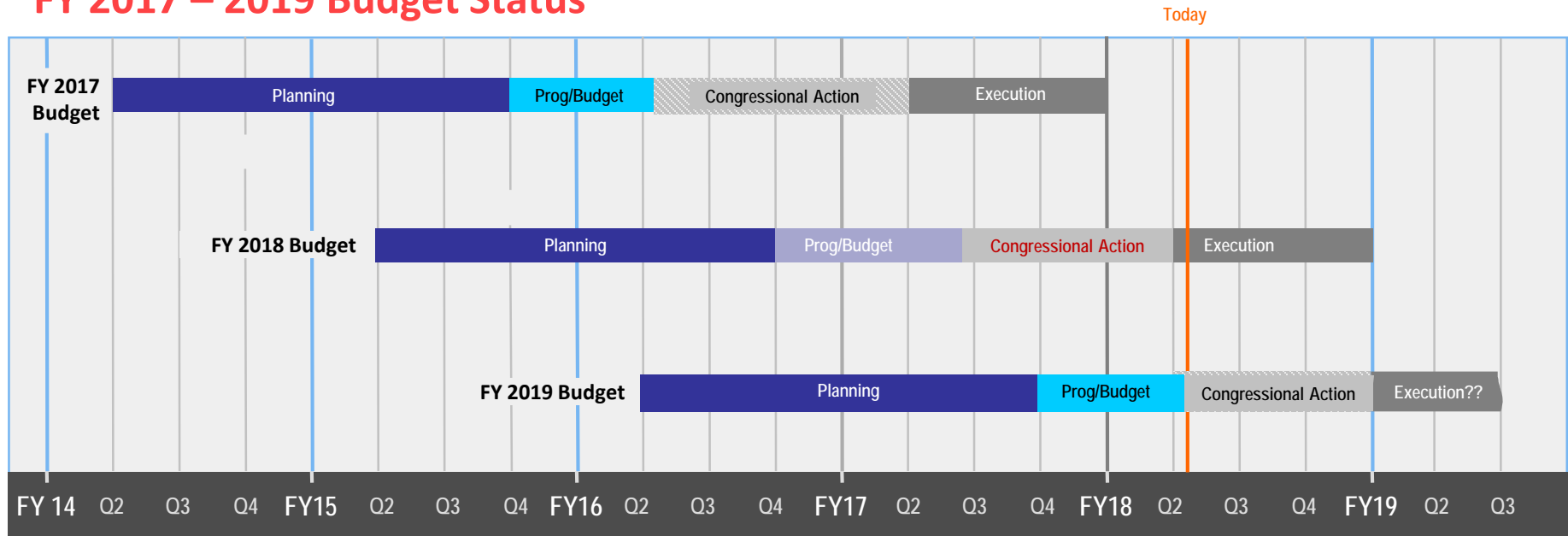
TOTAL \$3,422B



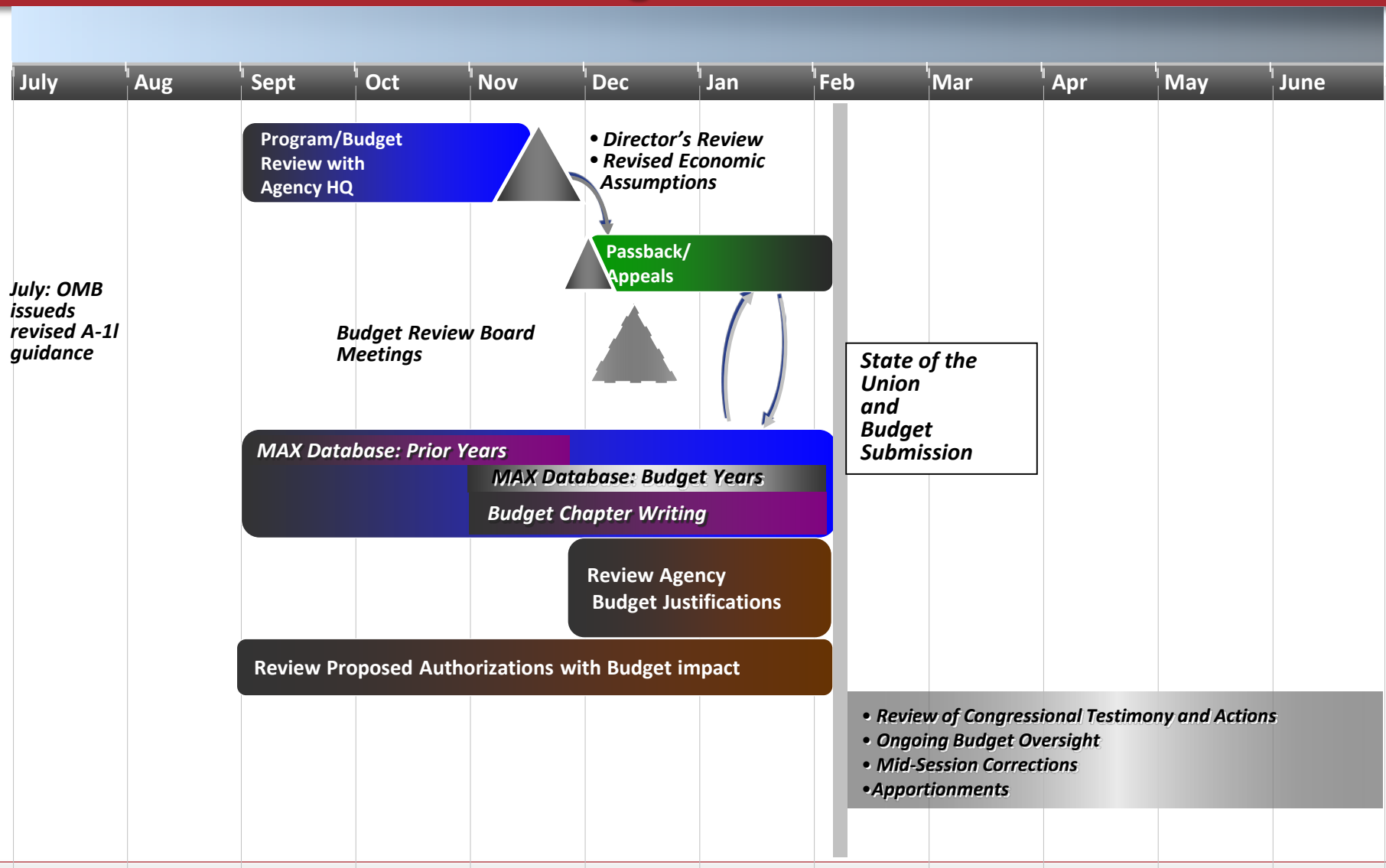
Source: OMB

The Budget Calendar and the PPBE Process

FY 2017 – 2019 Budget Status

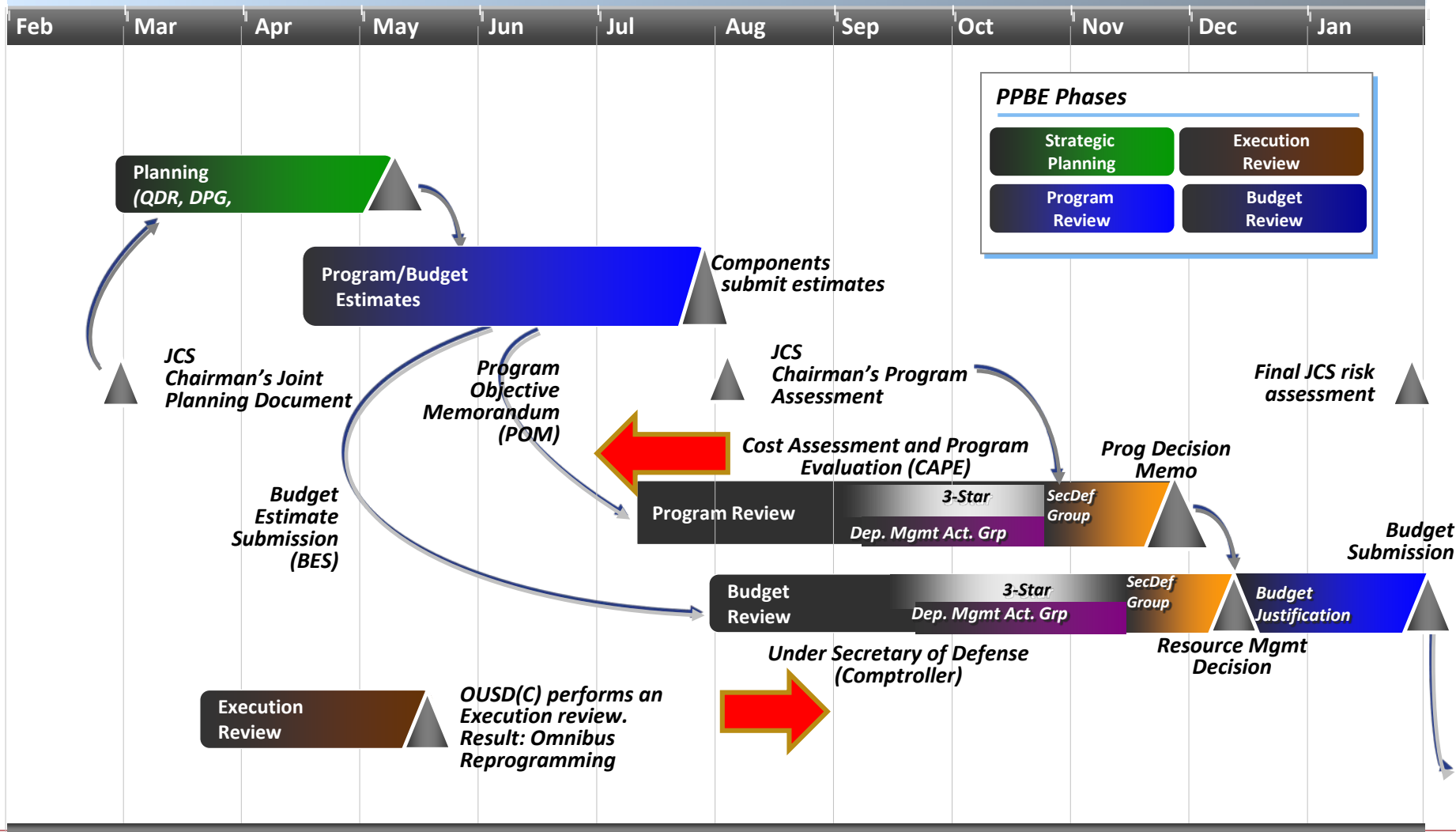


The OMB budget review schedule

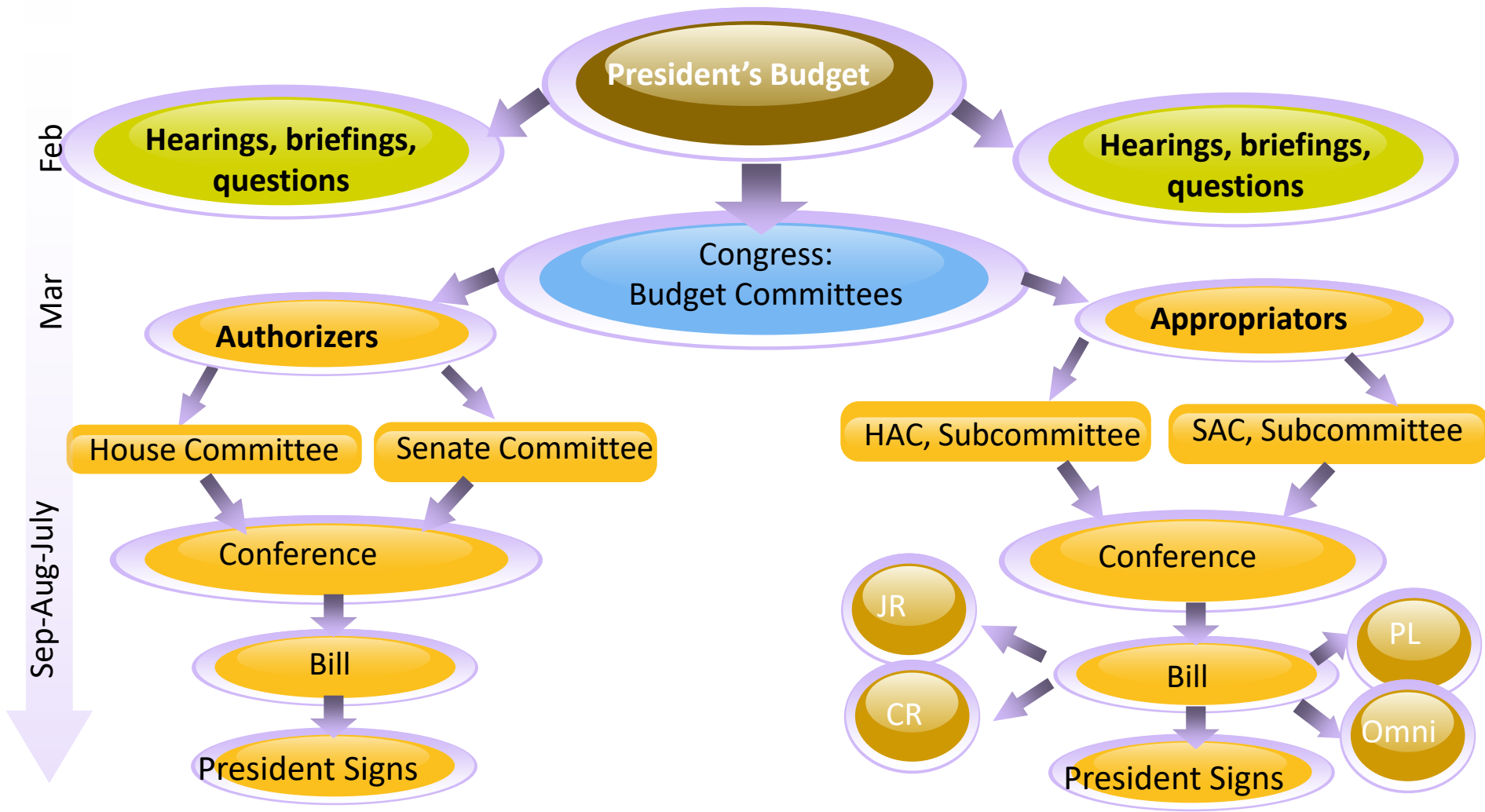


DoD Planning, Programming, Budgeting, and Execution (PPBE) System Overview

Yearly PPBE Process and Milestones



Congressional Process and Timeline



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Budget Execution Timeline



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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

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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

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Budget Execution Reporting: SF 133

Section...	shows whether
Budgetary Resources	Budgetary resources are available for obligation or not
Status of Budgetary Resources	Budgetary resources have been obligated or not
Change in Obligated Balances	Obligated balances changed
Net Outlays	Obligated amounts have been outlaid or not

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Budget Execution

Combining Statements of Budgetary Resources by Major Budget Accounts
For the Years Ended September 30, 2003 and 2002
(in thousands)

FY2002 (Unaudited)				
	Fund 0804	Fund 4556	Small Funds	Total
Budgetary resources:				
Budget authority:				
Appropriations received	\$ 914,002	-	747	\$ 914,749
Net transfers, current year authority and other	827	-	-	827
Unobligated balance:				
Beginning of fiscal year	48,261	65,107	7,048	120,416
Spending authority from offsetting collections:				
Earned:				
Collected	377,859	42,966	-	420,825
Receivable from federal sources	7,368	(2,338)	-	5,030
Change in unfilled customer orders:				
Advance received	5,371	4,379	-	9,750
Without advance from federal sources	(8,115)	(2,374)	-	(10,489)
Anticipated for rest of year, without advances	-	-	-	-
Recoveries of prior year obligations	7,280	-	-	7,280
Previously not available	(6,783)	-	-	(6,783)
Total budgetary resources	\$ 1,346,070	107,740	7,795	\$ 1,461,605
Status of budgetary resources:				
Obligations incurred:				
Direct	\$ 901,306	-	3,395	\$ 904,701
Reimbursable	391,040	38,527	-	429,567
Subtotal	1,292,346	38,527	3,395	1,334,268
Unobligated balance available, apportioned	33,318	69,213	4,400	106,931
Unobligated balance not available	20,406	-	-	20,406
Total status of budgetary resources	\$ 1,346,070	107,740	7,795	\$ 1,461,605
Relationship of obligations to outlays:				
Obligations incurred	\$ 1,292,346	38,527	3,395	\$ 1,334,268
Obligated balance, net, beginning of fiscal year	113,248	1,886	6,840	121,974
Obligated balance, net, end of fiscal year:				
Accounts receivable	176,410	1,854	-	178,264
Unfilled customer orders from federal sources	23,611	3,713	-	27,324
Undelivered orders	(174,401)	(3,712)	(1,921)	(180,034)
Accounts payable	(136,829)	(3,967)	(483)	(141,279)
Less: Spending authority adjustments	(6,533)	4,711	-	(1,822)
Outlays:				
Disbursements	1,287,852	43,012	7,831	1,338,695
Collections	(383,230)	(47,345)	-	(430,575)
Subtotal	904,622	(4,333)	7,831	908,120
Less: Offsetting receipts	-	-	(748)	(748)
Net outlays	\$ 904,622	(4,333)	7,083	\$ 907,372

- 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

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Budget “POP” Question:

When Congress does not pass the necessary appropriations by October 1st, 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



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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



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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

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**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

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Performance Budgeting
– WHAT???



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Budget and **P**rogram
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

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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



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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



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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



Topic 4: Emerging Issues

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

-- Thomas Jefferson

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“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.

* “The DATA Act will shed light on government spending,” by Senators Warner and Portman and Representatives Issa and Cummings, co-sponsors of the DATA Act, Congressional Blog, December 16, 2013

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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?

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Traditional Costing View

Salaries and Benefits	11,693,664
Travel	793,878
Transportation of Things	140,291
Rents, Communication, Utilities	187,210
Printing and Reproduction	330,864
Contractual Services	10,912,984
Supplies and Materials	652,011
Equipment	921,824
Grant and Subsidies	362,491
TOTAL:	\$25,995,217

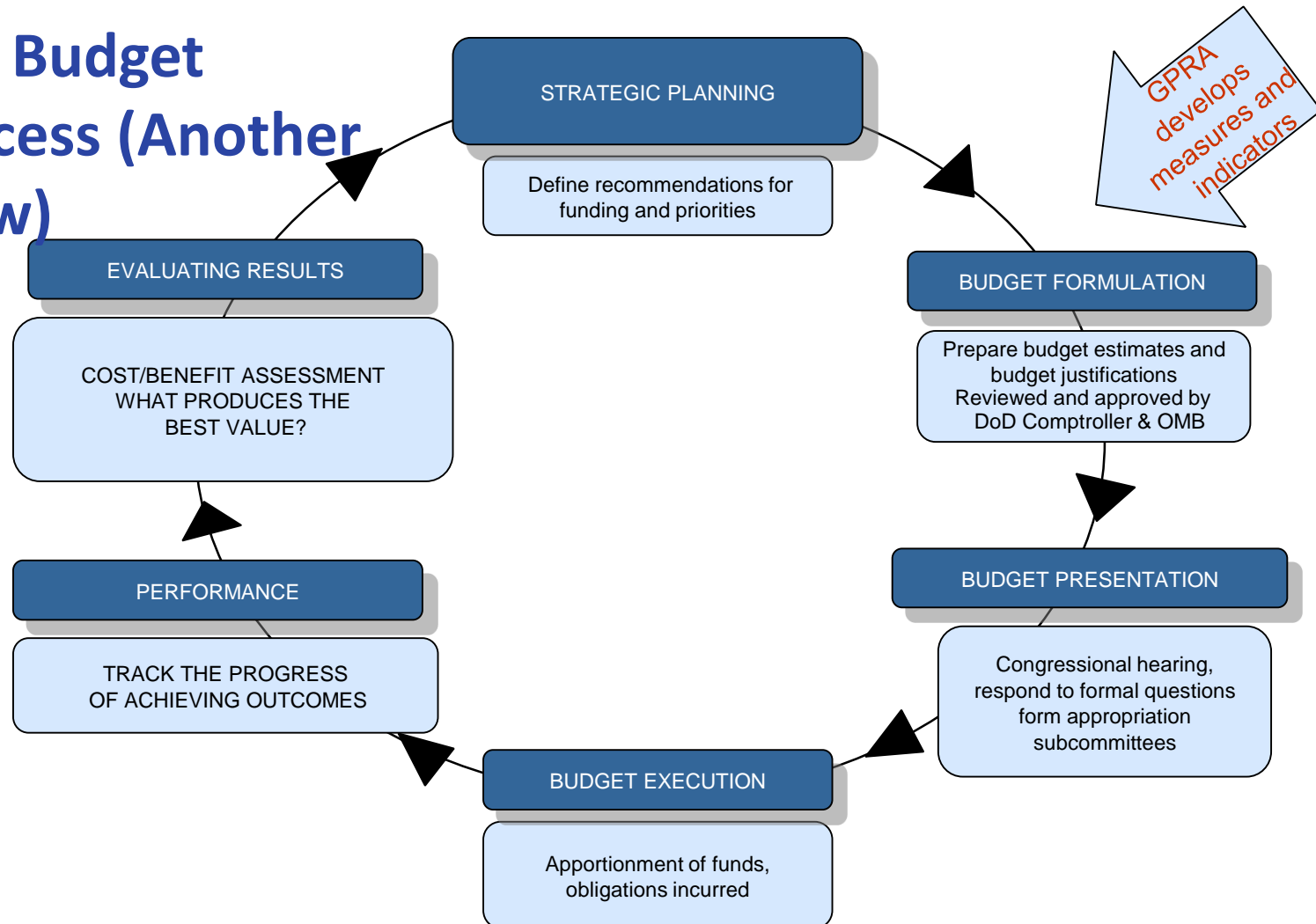
Activity Based Costing View

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

Topic 5: Leadership Challenges and Responsibilities

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The Budget Process (Another View)



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Leadership Challenges and Opportunities



Budget Execution

- 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

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Leadership Challenges and Opportunities ...



Budget Execution

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 credibility
- Let’s look at an example of how the story SHOULD NOT be told!!!!

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



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