

## SECTION 10—OVERVIEW OF THE BUDGET PROCESS

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**Summary of Changes**

Expands the explanation of budget execution (section 10.5).

Contains the explanation of the Mid-Session Review previously included in section 112.2 (section 10.6).

Describes how GPRA and audits affect agency budgets (section 10.7).

Describes the functions of the central financial agencies (sections 10.8 through 10.13).

**10.1 What is the budget?**

In this Circular, the term *budget* means the President's budget—*The Budget of the United States Government*. The budget consists of several volumes that set forth the President's financial proposal with recommended priorities for allocating resources. The main *Budget* volume contains the President's budget message and other broad statements of policy. The *Appendix* contains detailed information by agency, bureau or program group, budget accounts, programs, and activities. Other volumes, such as *Analytical Perspectives* and *Historical Tables*, provide complementary views of the budget. Most of the information contained in the budget is, or is based on, information you submit for your agency and programs in response to this Circular.

The term "budget" can mean other things in other contexts. It often refers to the full receipt and outlay proposals rather than the volumes in which these amounts are published. Some people refer collectively to the budget resolution and revenue and spending bills that Congress passes, which we describe below, as the "congressional budget." Ultimately, Congress and the President enact many laws that control the Government's receipts and spending, which we sometimes refer to collectively as the budget, as in "enacting the budget."

This section provides a broad overview of the budget process. You can read more about the budget process in a chapter of the *Analytical Perspectives* volume of the most recent budget, "Budget System and Concepts and Glossary," which is also available as a separate pamphlet. You can order budget documents, including the pamphlet, from the Government Printing Office, or you can view or download them at the following Internet addresses:

<http://www.access.gpo.gov/usbudget> (GPO), or

<http://www.whitehouse.gov/omb/> (OMB)

## 10.2 Why prepare a budget?

A law requires the President to submit a budget (see section [15.2](#)). The President formally transmits his proposals for allocating resources to Congress through the budget. Congress considers the recommendations and uses the information included in the budget as it drafts and passes laws that affect spending and receipts. Through this process the Government decides how much money to spend, what to spend it on, and how to raise the money it has decided to spend.

## 10.3 What kinds of information does the budget provide?

The budget focuses primarily on the budget year—the upcoming fiscal year for which Congress needs to make appropriations. However, it includes data for the most recently completed year, the current year, and at least the four years following the budget year (outyears) in order to reflect the effect of budget decisions over the longer term. In addition to proposed appropriations for the budget year, the budget may include proposed changes to appropriations for the current year (supplementals and rescissions), and legislative proposals that would affect the current year, the budget year, or the outyears.

The budget provides actual or estimated data (stated in millions or billions of dollars, depending on the context) for the following:

- The amount by account that each agency may obligate the Government to pay (budget authority) and estimates of payments (outlays) by agency and account;
- The amount of receipts each agency collects from various sources;
- Budget authority, outlays, and receipts by major function of Government, such as national defense; (This is why we assign each budget account a functional classification code(s).)
- Total budget authority, outlays, and receipts for the Government; and
- The actual or estimated surplus (when receipts exceed outlays) or deficit (when outlays exceed receipts).

The budget divides the Government totals for budget authority, outlays, and receipts into "on-budget" amounts and "off-budget" amounts. The off-budget amounts include the transactions of the Social Security trust funds and the Postal Service, which are excluded from the on-budget totals by laws.

The budget arrays data in many different ways. For example, one section of the budget discusses current operating expenditures versus capital investment. Also, while the budget focuses primarily on dollars, it also includes data on other resources, such as Federal employment levels.

#### 10.4 Which agencies does the budget cover?

The budget covers the agencies of all three branches of government—Executive, Legislative, and Judicial—and provides information on Government-sponsored enterprises. In accordance with law or established practice, OMB includes information on agencies of the Legislative Branch, the Judicial Branch, and certain Executive Branch agencies as submitted by those agencies without change. By longstanding practice, the budget presents information about the Board of Governors of the Federal Reserve System, but doesn't include amounts for the Board in the budget totals, even though it is a Government agency, because of the independent status of the System. The budget includes information about the Government-sponsored enterprises, such as the Federal National Mortgage Association (Fannie Mae), but doesn't include them in the budget totals because they are privately owned. (Section [25](#) discusses the applicability of Part 1 of this Circular to various agencies.)

#### 10.5 What happens during the Federal budget process and when?

The budget process occurs in three main phases:

- *Formulation.* During this phase, the Executive Branch prepares the President's budget. OMB and the Federal agencies begin preparing the next budget almost as soon as the President has sent the last one to Congress. OMB officially starts the process by sending planning guidance to Executive Branch agencies sometime in the Spring. The President completes this phase by sending the budget to Congress on the first Monday in February, as specified in law, although occasionally Presidents have sent it later for various reasons. For example, in a year with a transition between outgoing and incoming Administrations, the timing of the President's budget transmittal changes. (President George W. Bush transmitted his first budget, the 2002 budget, in April 2001.)
- *Congressional.* This phase starts in late January or February, when Congress receives the President's budget. Congress doesn't vote on the President's budget itself, and it doesn't enact a budget of its own, as such. It considers the President's budget proposals, passes an overall revenue and spending plan called a "budget resolution," and enacts the thirteen regular appropriations acts and other laws that control spending and receipts.
- *Execution.* This phase lasts for at least five fiscal years and includes two parts.
  - ▶ The *apportionment* part pertains to funds appropriated for that fiscal year and to balances of appropriations made in prior years that remain available for obligation. At the beginning of the fiscal year, and at such other times as necessary, OMB apportions funds—that is, specifies the amount of funds that an agency may use by time period, program, project, or activity—to Executive Branch agencies. Throughout the year, agencies hire people, enter into contracts, enter into grant agreements, etc. in order to carry out their programs, projects, and activities. These actions use up the available funds by obligating the Federal government to make outlays, immediately or in the future.
  - ▶ The *reporting and outlay* part lasts until funds are canceled (one- and multiple-year funds are canceled at the end of the fifth year after the funds expire for new obligations) or until funds are totally disbursed (for no-year funds).

The following tables highlight the major events in each of the phases of the budget process. These tables show the planned timing or, when applicable, the timing specified in law. The actual timing may vary from the plan. For example, Congress frequently does not enact all appropriations acts by the start of the fiscal year, and on several occasions a President has submitted the budget later than specified for various

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reasons, including late enactment of appropriations for the previous fiscal year or a change in Administrations. Since budget cycles overlap, we must begin the next cycle before completing the last one.

**MAJOR STEPS IN THE FORMULATION PHASE**

<b>What happens?</b>	<b>When?</b>
<i>OMB issues Spring planning guidance to Executive Branch agencies for the upcoming budget.</i> The OMB Director issues a letter to the head of each agency providing policy guidance for the agency's budget request. Absent more specific guidance, the outyear estimates included in the previous budget serve as a starting point for the next budget. This begins the process of formulating the budget the President will submit the following February.	Spring
OMB and the Executive Branch agencies discuss budget issues and options. OMB works with the agencies to: <ul style="list-style-type: none"> <li>• Identify major issues for the upcoming budget;</li> <li>• Develop and analyze options for the upcoming fall review; and</li> <li>• Plan for the analysis of issues that will need decisions in the future.</li> </ul>	Spring and Summer
OMB issues Circular No. A-11 to all Federal agencies. This Circular provides detailed instructions for submitting budget data and materials.	July
Executive Branch agencies (except those not subject to Executive Branch review) make initial budget submissions. See section <a href="#">25.1</a> and <a href="#">25.5</a> .	September 9
Fiscal year begins. The just completed budget cycle focused on this fiscal year. It was the "budget year" in that cycle and is the "current year" in this cycle.	October 1
OMB conducts its Fall review. OMB staff analyze agency budget proposals in light of presidential priorities, program performance, and budget constraints. They raise issues and present options to the Director and other OMB policy officials for their decisions.	October–November
OMB briefs the President and senior advisors on proposed budget policies. The OMB Director recommends a complete set of budget proposals to the President after OMB has reviewed all agency requests and considered overall budget policies.	Late November
"Passback." OMB usually informs all Executive Branch agencies at the same time about the decisions on their budget requests.	Late November
All agencies, including Legislative and Judicial Branch agencies, enter MAX computer data and submit print materials and additional data. This process begins immediately after passback and continues until OMB must "lock" agencies out of the database in order to meet the printing deadline. See section <a href="#">25.6</a> .	Late November to early January *
Executive Branch agencies may appeal to OMB and the President. An agency head may ask OMB to reverse or modify certain decisions. In most cases, OMB and the agency head resolve such issues and, if not, work together to present them to the President for a decision.	December *
Agencies prepare and OMB reviews congressional budget justification materials. Agencies prepare the budget justification materials they need to explain their budget requests to the responsible congressional subcommittees.	January

What happens?	When?
President transmits the budget to Congress.	First Monday in February

\* OMB provides specific deadlines for this activity.

#### MAJOR STEPS IN THE CONGRESSIONAL PHASE

What happens?	When?
Congressional Budget Office (CBO) reports to Budget Committees on the economic and budget outlook.	January
CBO reestimates the President's budget based on their economic and technical assumptions.	February
Other committees submit "views and estimates" to House and Senate Budget Committees. Committees indicate their preferences regarding budgetary matters for which they are responsible.	Within 6 weeks of budget transmittal
Congress completes action on the concurrent resolution on the budget. Congress commits itself to broad spending and revenue levels by passing a budget resolution.	April 15
Congress needs to complete action on appropriations bill for the upcoming fiscal year. Congress completes action on regular appropriations bills or provides a "continuing resolution" (a stop-gap appropriation law).	September 30

#### MAJOR STEPS IN THE EXECUTION PHASE

What happens?	When?
Fiscal year begins.	October 1
OMB apportions funds made available in the budget process and other available funds. Agencies submit apportionment requests to OMB for each budget account by <i>August 21</i> or within <i>10 calendar days</i> after the approval of the appropriation, whichever is later. OMB approves or modifies the apportionment specifying the amount of funds agencies may use by time period, program, project, or activity.	September 10 (or within 30 days after approval of a spending bill)
Agencies incur obligations and make outlays to carry out the funded programs, projects, and activities. Agencies hire people, enter into contracts, enter into grant agreements, etc. in order to carry out their programs, projects, and activities.	Throughout the fiscal year
Agencies record obligations and outlays pursuant to administrative control of funds procedures (see <a href="#">Appendix H</a> ), report to Treasury (see the Treasury Fiscal Requirements Manual and section <a href="#">130</a> ), and prepare financial statements.	
Fiscal year ends.	September 30

What happens?	When?
Expired phase (no-year funds do not have an expired phase). Agencies disburse against obligated balances and adjust obligated balances to reflect actual obligations during the period of availability.	Until September 30, fifth year after funds expire.
Agencies continue to record obligations and outlays pursuant to administrative control of funds procedures (see <a href="#">Appendix H</a> ), report to Treasury (see the Treasury Fiscal Requirements Manual and section <a href="#">130</a> ), and prepare financial statements.	

### 10.6 What is the Mid-Session Review?

The law requires the President to send a report to Congress updating budget estimates on or before July 15th. This report contains revised budget estimates resulting from changes in economic assumptions, technical reestimates, Presidential initiatives, and completed congressional actions that have occurred since transmittal of the budget. Your OMB representative will provide guidance on the development of these estimates at the appropriate time.

### 10.7 How do GPRA and audits affect my budget?

*GPRA* requires agencies to prepare strategic plans, which set the framework for budget formulation, annual performance plans, and annual performance reports. These plans and reports forge a strong link between resources (obtained through the budget process) and performance. For further information, see section [200.1](#).

*Audits* begin after the close of a fiscal year. Audits are performed by agency audit staffs contained in an Office of Inspector General or by private auditing firms. These audits may identify deficiencies in the implementation of programs. Audits may identify Anti-deficiency Act violations, which may lead to a review of agency fund control systems and changes in agency budget execution procedures.

*Program evaluations* are performed by agency evaluation staff or contractors, sometimes in response to particular issues identified during the budget process.

### 10.8 What are the central financial agencies?

The central financial agencies are:

- The Office of Management and Budget (OMB), in the Executive Office of the President;
- The Department of the Treasury, Financial Management Service (FMS);
- The Congressional Budget Office (CBO), in the Legislative Branch; and
- The General Accounting Office (GAO), in the Legislative Branch.

### 10.9 What are the responsibilities and functions of OMB?

OMB's predominant mission is to assist the President in overseeing the preparation of the Federal budget and to supervise its administration by the Executive Branch agencies. OMB evaluates the effectiveness of agency programs, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities. OMB ensures that agency reports, rules, testimony, and proposed legislation are consistent with the President's budget and with Administration policies.

In addition, OMB oversees and coordinates the Administration's procurement, financial management, information, and regulatory policies. In each of these areas, OMB's primary roles are to improve administrative management, develop better performance measures and coordinating mechanisms, and reduce any unnecessary burdens on the public.

For further information, please refer to the OMB web site at <http://www.whitehouse.gov/omb>.

### **10.10 What are the responsibilities and functions of the Treasury?**

Treasury, acting through the Financial Management Service (FMS):

- Disburses 950 million Federal payments like Social Security, veterans' benefits and income tax refunds to more than 100 million people; (The Defense Department does not use FMS to disburse its funds.)
- Collects more than \$2 trillion in Federal revenues;
- Oversees a daily cash flow of \$10 billion;
- Provides centralized debt collection services to most Federal agencies; and
- Provides government-wide accounting and reporting.

FMS gathers and publishes government-wide financial information that is used by the public and private sectors to monitor the government's financial status and establish fiscal and monetary policies. These publications include: the Daily Treasury Statement; the Monthly Treasury Statement; the Treasury Bulletin; the Combined Statement of Receipts, Outlays and Balances of the United States Government; and the Financial Report of the U.S. Government, which is the Federal government's first set of audited financial statements, a requirement of the Government Management and Reform Act of 1994.

For further information, please refer to the FMS web site at <http://www.fms.treas.gov/>.

### **10.11 What are the responsibilities and functions of CBO?**

CBO was created by the Congressional Budget and Impoundment Control Act of 1974. CBO's mission is to provide the Congress with the objective, timely, nonpartisan analyses needed for economic and budget decisions and with the information and estimates required for the Congressional budget process.

For further information, please refer to the CBO web site at <http://www.cbo.gov/>.

### **10.12 What are the responsibilities and functions of GAO?**

The General Accounting Office is the investigative arm of Congress. GAO helps the Congress meet its Constitutional responsibilities and helps improve the performance and accountability of the Federal government for the American people. GAO examines the use of public funds, evaluates Federal programs and activities, and provides analyses, options, recommendations, and other assistance to help the Congress make effective oversight, policy, and funding decisions. In this context, GAO works to continuously improve the economy, efficiency, and effectiveness of the Federal government through financial audits, program reviews and evaluations, analyses, legal opinions, investigations, and other services. GAO's activities are designed to ensure the executive branch's accountability to the Congress

under the Constitution and the government's accountability to the American people. GAO is dedicated to good government through its commitment to the core values of accountability, integrity, and reliability.

For further information, please refer to the GAO web site at <http://www.gao.gov/>.

**10.13 Do OMB, CBO, FMS, and GAO have any overlapping responsibilities?**

Yes. Here are a few examples:

- After OMB submits the President's Budget, CBO is responsible for re-estimating the Budget.
- Both OMB and CBO score the costs of legislation (both appropriations and direct spending included in authorization bills). Congress uses the CBO estimates during congressional consideration of individual bills to ensure that they are consistent with the budget resolution totals. The President uses OMB estimates to determine whether budget-related legislation exceeds the limits set by the Budget Enforcement Act. If they do, this triggers an across-the-board cut (sequester) of spending. OMB reconciles or explains differences between the two sets of estimates.
- OMB and FMS work together to establish any new Treasury accounts, both during the preparation of the Budget and after bills become laws.
- OMB provides its scoring to FMS to assist in FMS' responsibility to prepare warrants.
- OMB and FMS work together to estimate actual outlays during the course of a year.
- FMS gathers financial information through FACTS II (Federal Agencies' Centralized Trial-Balance System) that allows agencies to submit one set of accounting data (mostly budgetary, some proprietary) that fulfills the needs of the SF 133 Report on Budget Execution and Budgetary Resources, the FMS 2108 Year-End Closing Statement, and the prior-year column of the Program and Financing schedule in the President's Budget.
- OMB and FMS worked together to develop the FACTS II systems. FMS develops U.S. Standard General Ledger guidance to comply with OMB definitions.
- Both FMS and GAO provide guidelines used by financial managers as they account for Federal finances.
- OMB uses GAO audits and evaluations as part of its review of agency programs.