

## The Budget Cycle

From the time of the conception of the budgets of the individual departments and agencies to the signing of the appropriation bills into law requires about 18 months. The process involves a large number of individuals and organizations, a great many decisions, and numerous procedures.

The first steps are taken in the executive branch by the various departments and agencies. In the spring, program offices in executive agencies begin compiling material necessary for the budget submission that will culminate in the President's budget request to Congress the following February. [So, for example, for the fiscal year 2009 budget request that was submitted in February 2008, agencies began the process in the spring of 2007.] Budget formulation officially begins in March or April when the Office of Management and Budget (OMB), as the overseer of budget development for the President, issues its spring guidance outlining the administration's program priorities and overall funding levels. Departments in turn issue guidelines to subordinate agencies; these guidelines are consistent with the administration's policy positions and provide instructions on the departmental budget decision-making process. Typically a department's budget is built from the bottom up. At each stage, agency and department budget staff review requests and make recommendations to senior managers who are responsible for policy and funding decisions.

The Government Performance and Results Act requires that OMB have agencies prepare annual performance plans along with their budget requests. These annual performance plans set out performance goals for the fiscal year, a description of operational processes, and the measures used to show progress towards meeting planned objectives. Like agency budget requests, agency performance plans are submitted to OMB for review in early fall.

As agencies engage in their internal decision making process during the late spring and summer, OMB prepares for the next stage of budget formulation with the submission of department budgets for OMB's review. Although the specifics vary, this typically consists of three principal activities: (1) development of position papers by OMB staff on issues that are likely to be raised in OMB's fall reviews, such as administration program priorities, initiatives, or agency management, (2) preparation of the Mid-Session

Review, which provides an update to the budget request pending before Congress and informs OMB's review of the departments' submissions in September, and (3) issuance of further guidance on the content, format, and deadlines for department budget submissions. From September through most of November, OMB conducts budget reviews—which can include department or agency hearings and requests for further information—that culminate in Director's Reviews. Director's Reviews are internal OMB sessions in which final decisions are usually made on what the President will request for departments and agencies. Departments are informed in late November of the outcome of these sessions and have a brief period to appeal. Once decisions are final, the departments and agencies conform their budget submissions accordingly. From December on, OMB and the agencies prepare the President's budget, which by law must be submitted to Congress between the first Monday in January and the first Monday in February. In recent years, the President's budget has been submitted on the first Monday in February. This marks the end of the executive branch budget formulation process in the budget cycle.

Meanwhile, the congressional budget process begins in January with the Congressional Budget Office's [CBO] report on The Budget and Economic Outlook. Currently this outlook covers 10 years. Shortly after the submission of the President's budget, the House and Senate Budget Committees begin the process of preparing a congressional budget resolution. This is a concurrent resolution containing the Congress' views on the appropriate level of spending and revenues—i.e. the appropriate fiscal position of the Government—and of broad funding priorities. The resolution allocates budgetary resources by budget function—such as national defense or transportation or education and training, et cetera. The reports accompanying the resolution (including the conference report) also identify allocations by committee, including the House and Senate Appropriations Committees. The Appropriations Committees then subdivide these resources among their 12 subcommittees to fund Federal Government operations and other activities under the Committees' jurisdiction. Agencies are required to submit to the relevant Appropriations subcommittees budget justifications consistent with the Presidents budget, but at a level of detail that meets the Appropriation subcommittee's needs.

The Senate and House Appropriations subcommittees set up schedules for the hearing of departmental and agency officials, usually starting with the secretary of the department, with the subordinate heads of the agency following. All administration statements are submitted to OMB for clearance before being sent to the subcommittees; these statements, and the justifications of esti-

mates, are examined by members and staff. The testimony, which is transcribed by an official reporter, is subsequently released by the committee. The House and Senate Appropriations hearings often occur during the same time frame.

Hearings before the Senate Appropriations subcommittees are usually held in open session with the public invited. Under the normal practice, only matters involving national security are heard in executive session and, even then, an attempt is made to keep the public informed by releasing at the time of the hearing unclassified versions of the classified statements made by officials, and publishing at a later date "cleared" versions of the testimony. Because much of the committee's work involves information available only to the executive agencies, the preponderance of testimony is provided by officials of these agencies. However, representatives of other groups and informed individuals may appear before the committee, and their testimony is given due weight.

In the 110th Congress, each of the 29 members of the Senate Committee on Appropriations is assigned to six or seven subcommittees, although, in the past, members have sometimes been assigned to as many as eight subcommittees. Membership on the subcommittees currently ranges from 5 to 21 regular members. Hearings on appropriations bills range from a minimum of a few days to a normal maximum of several weeks, although they may extend over a period of months, depending on the magnitude of the submission and the importance attached to the presentation. For many years the committee has usually made it a practice to review the budget requests in their entirety, as distinguished from considering only appeals from previous House action.

The members of the subcommittees are experts in the areas over which they exercise authority. Their long tenure on the subcommittees, the interests of their States, their own national interests, and frequently their membership on related legislative committees provide them with a rich background of knowledge and experience, thus enabling them to deal skillfully with a wide variety of unique and recurring problems of National, State, or local import. This exacting and time-consuming work carried on by the members is in addition to their work on other committees, the necessity for their frequent floor appearances on other legislative matters, and the work they must accomplish in their own offices in connection with the requests and interests of their constituents.

After the hearings, an appropriation bill is "marked up" by the subcommittee. That is, the subcommittee members make decisions about the levels of budget authority to be given to the entities under the subcommittee's jurisdiction. They also make any decisions about any restrictions or flexibilities they wish to provide re-

garding the use of appropriated funds. It is at this session that the members of the subcommittee decide the amounts to be provided in the bill for each segment of the particular executive agency under consideration. Subcommittee meetings, including mark-up sessions, are open to the general public, except when the subcommittee, in open session by majority vote, decides to close a meeting because discussions will involve national security, law enforcement agents or information, or other confidential or sensitive information.

“Committee prints” of the bill and report are developed by the staff under the supervision of the subcommittee. These are then submitted to the full committee. At these sessions, the burden of proof no longer rests on the witnesses but upon the chairman of the subcommittee, the ranking minority member, and the other Senators on the subcommittee, who work together in the formulation of the policy of the subcommittee. This is normally accomplished in 1 day, although on occasion more time is required. Once the full committee has agreed to the items and amounts to be contained in the bill and report, the bill and report are transmitted to the parent body, House or Senate, as the case may be. The bill and report then are made available to all interested parties.

Historically, it has been the custom for appropriation bills to be considered first in the House of Representatives, although there is no statutory or constitutional requirement for this procedure. Debate on the bills may be limited to a few hours or may last several days. If the House acts first, its bill is messaged over to the Senate, where it is referred to the Senate Committee on Appropriations. There it is studied by the subcommittee charged with the responsibility for the bill, and there, as previously described, the subcommittee takes such action and makes such changes as are deemed advisable. Action by the subcommittee, the full committee, and the full Senate is roughly comparable to consideration in the House with one major procedural exception. It has become the custom in the House for the Rules Committee to provide a special rule for the consideration of appropriations bills which may place limits on amendments to be considered on the House floor.

Once both the House and the Senate have passed an appropriations bill, the two Houses must work out their differences. This is accomplished in a conference committee. Only such items as are in disagreement between the two Houses are considered to be in the scope of the conference. In recent years, the chairmanship of the conference has alternated between the two Houses.

Conferees are appointed from the membership of the committee. The conference may be concluded in one session, but frequently

several meetings are required before full agreement on all differences is reached. There is no rule as to the number of conferees. There have been generally between seven and nine conferees representing the Senate on appropriations bills, although in earlier years the number was typically smaller. Since action in conferences is decided on a unit basis, with one vote for each House, the number of conferees has no weight in the determination.

After full agreement has been reached in conference, the results are presented to the House of Representatives. Once agreed upon there, the measure is sent to the Senate. Approval by both Houses on the conference agreements concludes congressional action on the bill.

The bill is then messaged to the President for his approval or disapproval. Once the President signs the bill, it becomes a public law.

The third phase of the budget cycle, known as budget execution, begins once an appropriation act becomes law. Before funds provided in statutes are available to agencies for obligation, they must be apportioned by OMB. The apportionment process is a way of ensuring that agencies do not obligate funds in excess of levels provided in law. Apportionments control the rate at which budget authority is made available either by time period, by program or by activity. Typically, agency funding is apportioned by quarter—although not necessarily evenly divided—so that an agency can obligate only up to the amount available in the first quarter. At the beginning of the second quarter, additional budget authority becomes available as well as any amounts in the first quarter that were not obligated, and so on for the third and fourth quarters. OMB is responsible for reviewing and approving apportionment requests and making funds available to departments and agencies. Agencies are required to set up internal control systems that establish accountability for funds as they are allocated to subordinate entities and to periodically monitor obligations to ensure that they are made for authorized purposes and recorded properly.

Under the Anti-Deficiency Act, an officer or employee of an agency who obligates/expends in excess or advance of an appropriation, accepts voluntary services, or obligates/expends in excess of an apportionment or administrative subdivision as specified by regulation shall be subject to appropriate administrative discipline. In addition, an officer or employee who “knowingly and willfully” violates any of the three provisions of the Anti-Deficiency Act cited above “shall be fined not more than \$5,000, imprisoned for not more than 2 years, or both.” Once it is determined that there has been a violation of the Anti-Deficiency Act, the agency head “shall report immediately to the President and Congress all rel-

evant facts and a statement of actions taken.” A copy of each report must also be transmitted to the Government Accountability Office. A compilation of these reports is available on GAO’s website at <http://www.gao.gov/legal/antideficiency.html>.

Occasionally, spending adjustments may be needed during the year; however they often require additional reporting and approval by OMB or the Congress. Spending adjustments after enactment of an appropriation may be made in several ways: First, while an agency may not transfer funds between two accounts unless specifically authorized by law (31 U.S.C. § 1532), heads of departments or agencies are sometimes given authority in the appropriations act to transfer amounts at their discretion, usually up to a certain percentage, or subject to other limitations or restrictions. Second, agencies have inherent authority to reprogram funds from one purpose to another within the same appropriation account; however, reprogrammings above an established threshold usually require 15 days notification to the cognizant appropriations subcommittees. Third, departments may impound funds, that is, withhold funds from obligation. Impoundments include both deferrals—the temporary withdrawal of budget authority within a fiscal year—and rescissions—a permanent cancellation of budget authority. The Impoundment Control Act requires that all executive branch impoundments be reported to Congress in a special message from the President. Deferrals are effective when proposed and, generally speaking, the President may continue to withhold funds throughout the fiscal year unless Congress passes legislation disapproving the deferral. A deferral may not extend beyond the end of the fiscal year of fund availability. If the funds are multi-year, the deferral can be repropounded in the next fiscal year. Funds proposed for rescission may be withheld for 45 days of continuous congressional session. If Congress has not approved the rescission, by law, during this 45-day period, the President must release the funds. The Government Accountability Office is responsible for overseeing the President’s compliance with the Impoundment Control Act and is also responsible for monitoring the status of impounded funds.

Finally, a department may request supplemental funding, which must be approved by OMB before submitting the request to Congress for its consideration. For the most part, departments and agencies are expected to manage their funds within available resources with only limited monitoring by OMB and Congress during this phase of the budget process.