

CRS Report for Congress

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The Role of the Office of Management and Budget in Budget Development

Bill Heniff Jr.

Analyst in American National Government
Government and Finance Division

The Office of Management and Budget (OMB) assists the President in carrying out his budgetary duties. Originally created by the 1921 Budget and Accounting Act as the Bureau of the Budget, it was reconstituted as OMB in 1970. Its primary function is to oversee the development and implementation of the federal budget. For more information on budget process, see [<http://www.crs.gov/products/guides/guidehome.shtml>].

The OMB and its director play a unique role in the preparation of the President's budget submission to Congress. As the overseer of budget development for the President, OMB sets forth the framework by which agencies formulate their budget requests, and is responsible for ensuring agency budget requests are consistent with the President's agenda and policy goals. As a consequence, the OMB director potentially can wield a great deal of influence over agency budget requests and the final shape of the President's budget.

Each spring, approximately 10 months before the President's budget is submitted to Congress, the initial formation of the budget begins at the agency level. At the same time, OMB reviews major policy issues and updates its multi-year forecasts for spending and revenue. Once OMB completes its review, the budget outlook and policy alternatives are presented to the President. After the President makes his initial policy decisions regarding the budget, OMB is responsible for notifying federal departments and agencies. These decisions may include specific budgetary guidelines and spending ceilings to be used by agencies in the preparation of their budgets. Generally, these instructions vary from year to year depending on current budgetary and political conditions.

OMB communicates process and policy guidelines to agencies through circulars, bulletins, and other detailed communications. In particular, OMB Circular No. A-11 contains detailed instructions and schedules for submission of agency budget requests and other material to ensure that budget requests adhere to standardized conventions and formats. OMB staff also maintain ongoing contact with agencies as they formulate their budget requests to provide guidance and to keep apprised of agencies' budgetary concerns.

Agencies submit their formal budget requests to OMB in early fall, usually about five months before the President submits his budget to Congress (and about 13 months before the start of the fiscal year). OMB staff responsible for each particular department or

agency review the initial budget requests and clarify any policy and technical questions with agency officials. If an agency includes legislative initiatives in its budget request, OMB determines whether the proposals are consistent with the President's policy goals. Then, based on these evaluations, OMB staff make recommendations regarding program policy and spending levels to the OMB director. Final decisions are made by the OMB director, and agencies are notified of these decisions through what is known as an OMB "passback." If an agency disagrees with aspects of the passback, it may appeal to the director, or in some cases, directly to the President. Once a final decision is made, the agency must revise its budget request accordingly.

The finalized agency budgets, as modified, are then incorporated into the budget the President submits to Congress. OMB is responsible for preparing the accompanying budget documents that provide an explanation and justification of the President's government-wide budget policy. The budget documents then are printed and submitted to Congress and the public.

OMB also assists in the integration of program performance and budgeting. For instance, under the Government Performance and Results Act (GPRA) of 1993 (P.L. 103-62), OMB is required to have agencies prepare annual performance plans along with their budget requests. The annual performance plans set out measurable performance goals for the fiscal year, a description of the operational processes and resources necessary to meet the performance goals, and a description of how the measured values will be verified and validated. Like agency budget requests, agency performance plans are submitted to OMB for review in early fall. OMB staff review the agency performance plans, and the OMB director gives final approval to these plans. Agencies must revise their performance plans to reflect these decisions. Based on these agency annual performance plans, OMB is required to prepare a government-wide performance plan as a part of the President's budget.

In addition, as part of President George W. Bush's Management Agenda, OMB has developed the Performance Assessment Resource Tool (PART) to evaluate the performance of programs. The "accountability tool" is intended to assist OMB budget examiners and agency program managers in making "evidence-based funding decisions." For further information on GPRA and PART, see CRS Report RS20938, *Performance Management and Budgeting: Benchmarks and Recent Developments*.