

CRS Report for Congress

Received through the CRS Web

Overview of the Executive Budget Process

Bill Heniff Jr.
Analyst in American National Government
Government and Finance Division

The executive budget process consists of three main phases: development of the President's budget; interaction with Congress; and execution of the budget. This fact sheet provides a brief overview of each of these phases. For more information on budget process, see [<http://www.crs.gov/products/guides/guidehome.shtml>].

Development of the President's Budget

The legal framework originally established by the Budget and Accounting Act of 1921 requires the President to submit annually a comprehensive budget to Congress that covers the full range of federal activities. Current law requires the President to submit his budget proposal no later than the first Monday in February (31 U.S.C. 1105(a)).

The formulation of the budget usually begins approximately 10 months before the President submits his budget to Congress (about 18 months before the start of the fiscal year). During the early stages of the budget's formulation, federal agencies prepare their budget requests following their own procedures. OMB plays a coordinating role in this process and provides policy guidelines through circulars, bulletins, and other detailed communications. In particular, OMB Circular No. A-11, available on OMB's Web site at [<http://www.whitehouse.gov/omb/index.html>], 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.

Agency budget requests are submitted to OMB in early fall, often in September. These requests then are reviewed by OMB staff, with the agencies notified of the OMB director's decisions through a "passback." Agencies may appeal these recommendations to the director, and in some cases, directly to the President. Once final decisions on the budget requests are made by the President, agencies revise their budget requests accordingly, and prepare supporting material for inclusion in the President's budget submission. The President's budget then is compiled and submitted to Congress.

Interaction with Congress

The President's budget does not have any legally binding effect, but rather initiates the congressional budget process and provides a statement of the budgetary goals of the President. After the President submits his budget proposal, OMB and other administration officials testify before congressional committees. Individual federal

agencies also justify and explain their specific budget requests at congressional hearings as budgetary legislation is formulated. Agencies submit extensive written justifications, usually focusing on the proposed increase or decrease in spending, to the responsible appropriations subcommittees of each chamber. OMB ensures that agency budget justifications, testimony, and other submissions are consistent with the President's policies by requiring agencies to clear any material through OMB before providing it to Congress.

The President is required to submit a *Mid-Session Review* by July 15 of each year. This budget update must reflect changes in economic conditions, any legislative actions taken by Congress, and other factors affecting the President's initial budget submission. For a more comprehensive discussion of the mid-session review, see CRS Report 98-768, *The President's Budget: Requirement for a Mid-Session Review*. The President also may revise his budget recommendations any time during the year.

OMB communicates the administration's position on budgetary legislation during the congressional budget process by issuing "Statements of Administration Policy," commonly referred to as SAPs (also available on OMB's Web site). Typically, the President and his aides will negotiate with congressional leaders in order to have an impact on budgetary legislation. These negotiations may involve overall budget policies or program details, and may occur at any point during congressional consideration. As with any other legislation, the President may sign or veto the appropriations acts and any other budgetary legislation enacted by Congress.

Execution of the Budget

Once appropriations acts and any other budgetary legislation, such as revenue or reconciliation measures, become law, they are executed by the appropriate federal agencies. However, funds provided in statutes are not automatically available to agencies for obligation. Appropriated funds first must be apportioned by fiscal quarter or by activity as appropriate. OMB is responsible for reviewing apportionment requests and making funds available to agencies. The Antideficiency Act (31 U.S.C. 1341-42; 1511-1519) prohibits agencies from obligating funds in excess of levels provided in law.

Any withholding of funds must follow impoundment procedures established by the Impoundment Control Act (ICA) of 1974 (Title X of P.L. 93-344). The act defines two types of impoundments: deferrals and rescissions. Deferrals delay the spending of funds, while rescissions permanently cancel budgetary resources. The President must report any deferrals to Congress, but may only propose rescissions. Congress usually acts on rescission proposals in annual appropriations acts rather than by the legislative procedures established under the ICA. If Congress does not act on the President's rescission proposals within 45 days, the President must make the funds available for obligation. Other techniques for making spending adjustments after legislation has been enacted include reprogramming funds (a shift within appropriations accounts) and transferring funds (a shift between accounts, which requires statutory authority).