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The Role of the President in Budget Development

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The Budget and Accounting Act of 1921 established the executive budget process, which requires the President to prepare and submit a comprehensive federal budget to Congress each year for the fiscal year that begins on October 1. The President sets out his national priorities and proposes policy initiatives in the federal budget submitted to Congress soon after Congress convenes in January. The President's budget submission provides him the opportunity to influence the agenda for the upcoming budget and policy debate in Congress.

Most of the content included in the President's budget is required by law, but the 1921 act provides that the President may submit the budget "in such form and detail" as he may determine. Generally, the President's budget includes estimates of expenditures, revenues, borrowing, and debt in the forthcoming fiscal year and four subsequent fiscal years; policy and legislative recommendations; information on activities and functions of the federal government; and any other information supporting his budget proposal. The estimated expenditures and proposed appropriations for the legislative and judicial branches of government are submitted to the President by October 15 of each year and included in the President's budget without revision. In addition, under the Government Performance and Results Act of 1993 (P.L. 103-62), the President's budget must include an annual governmentwide performance plan that reflects the budget and management decisions made throughout the process of formulating the budget.

The President also is required to include in his budget submission a report indicating whether his proposals are consistent with the statutory requirements established by the Budget Enforcement Act (BEA) of 1990 (Title XIII of P.L. 101-508), as amended. The 1990 BEA created statutory caps on discretionary spending and pay-as-you-go (PAYGO) requirements on direct spending and revenues. The spending caps limit the level of budget authority and outlays in discretionary accounts. The PAYGO rules require that new direct spending and revenue legislation be deficit neutral. For more information on these requirements, see CRS Report RS20008, *Discretionary Spending Limits,* and CRS Report RS20006, *Pay-As-You-Go Rules in the Federal Budget Process*.

The 1921 Budget and Accounting Act created the Bureau of the Budget, later renamed the Office of Management and Budget (OMB), to assist the President in carrying out his budgetary duties. Along with OMB, the Council of Economic Advisors and the Treasury Department assist the President by providing economic projections and revenue estimates. The President may also rely on nonstatutory entities and informal groups within the executive branch to advise him in formulating his budgetary policies.

Much of the President's involvement in budget development is carried out through OMB. Early in spring, usually about 10 months before the President submits his budget to Congress, OMB reviews the budget outlook for the following fiscal year and presents the President with policy recommendations. The President then makes policy decisions, which are passed to agencies through OMB. These initial policy decisions may set out broad budgetary goals, or may include specific policy proposals and spending ceilings to guide agencies in preparing their budget requests. Policy guidance on budget development often varies from year to year, depending on current economic and political conditions.

As federal agencies develop their budget requests, the President's role is limited due to the decentralized manner in which the budget is prepared. First, federal agencies bear the primary responsibility in formulating their budget requests. Second, OMB carries out the review process. OMB staff review these initial budget requests, and the OMB director makes the final decisions. Federal agencies may appeal the OMB director's decisions directly to the President. Even at this stage, the involvement of the President to resolve these appeals has varied. While some presidents (such as Ford, Carter, and Clinton) have taken a direct role in deciding appeals, others (such as Nixon, Reagan, and Bush) have delegated appeal decisions to presidential aides.

Prior to the official transmittal of his budget to Congress, the President typically lays out his major budget proposals in the annual State of the Union address, usually in late January. Current law requires the President to submit his budget to Congress no later than the first Monday in February (31 U.S.C. 1105(a)). Soon after, the *Economic Report of the President*, which includes information on the nation's economic performance and the President's overall economic strategy, is transmitted to Congress as well. In addition, a *Mid-Session Review* reflecting changed economic conditions, any legislative actions taken by Congress, and other factors affecting the President's initial budget submission is required by July 15 of each year.

During a presidential transition, the incoming (or newly elected) President may submit a budget to Congress after the deadline. The outgoing President is not required to submit a budget because his term ends before the deadline. An incoming president may submit an outline of his forthcoming budget soon after taking office, and then transmit his formal budget a few weeks or months later.

The President's role in budget development generally does not end with his budget transmittal to Congress. The President may revise his budget recommendations at any time during the year. Often, the President will flesh out his budget recommendations in controversial areas as he works with Congress in developing substantive legislative packages.