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The Role of the Office of Management and Budget (OMB) in Budget Development: In Brief

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Introduction

The federal budget sustains government functions and plays an important role in shaping policy decisions. In practice, the process for developing and executing the federal budget is multifaceted. The Constitution vests Congress with the power of the purse, with provisions that refer to congressional authority to levy taxes, authorize the issuance of debt, and make appropriations to fund the federal government.[1] The Constitution does not provide an explicit role for the President in the budget process. Rather, the executive budget process exists primarily due to statutes enacted by Congress, and it specifies roles for the President, the Office of Management and Budget (OMB), and agencies. The executive budget process consists of three main phases: development of the President's budget proposal, submission and justification of the President's budget proposal, and execution of enacted annual appropriations and other budgetary legislation. Congress may become involved in any of these phases.

Under current law, the President must develop and submit a consolidated budget to Congress no later than the first Monday in February prior to the start of the upcoming fiscal year.[2] OMB assists the President in carrying out budgetary duties. Originally created by the 1921 Budget and Accounting Act as the Bureau of the Budget,[3] it was reconstituted as OMB in 1970.[4] One of OMB's primary functions is to oversee the development of the President's budget proposal.[5]

This report briefly highlights the roles of OMB in budget development. For a detailed overview of the development, submission, and justification of the President's budget proposal, see CRS Report R47019, *The Executive Budget Process: An Overview*, by Dominick A. Fiorentino and Taylor N. Riccard. CRS has also published a suite of "In Brief" products covering components of the executive budget process including

- CRS Report R47089, *The Role of the Office of Management and Budget (OMB) in Budget Development: In Brief*, by Taylor N. Riccard (this report);
- CRS Report R47092, *The Role of the President in Budget Development: In Brief*, by Taylor N. Riccard;
- CRS Report R47091, *The Role of Executive Agencies in Budget Development: In Brief*, by Dominick A. Fiorentino;
- CRS Report R47090, *Executive Agency Justification of the President's Budget: In Brief*, by Dominick A. Fiorentino; and
- CRS Report R47088, *The Executive Budget Process Timeline: In Brief*, by Dominick A. Fiorentino.

[1] See CRS Report R46240, *Introduction to the Federal Budget Process*, by James V. Saturno.

[2] 31 U.S.C. §1105. The President's budget includes budget requests for all executive departments and agencies as well as budget requests for entities in the legislative and judicial branches. The President and OMB play no role in the development of legislative and judicial branch requests, however. Instead, entities in the legislative and judicial branches transmit their budget requests to the President, who is then required to include them in the budget submission to Congress without modification (31 U.S.C. §1105(b)).

[3] P.L. 67-13, Budget and Accounting Act, 1921; June 10, 1921 (42 Stat. 20, at 22); currently codified in part at 31 U.S.C §501.

[4] Reorganization Plan No. 2 of 1970; July 1, 1970 (84 Stat. 2085); located at 5 U.S.C. Appendix.

[5] See Morton Rosenberg and Mark Gurevitz, "Preliminary Catalogue of Office of Management and Budget Authorities and Directives," in U.S. Congress, Senate Committee on Governmental Affairs, *Office of Management and Budget: Evolving Roles and Future Issues*, committee print, 99th Cong., 2nd sess. (Washington: GPO, 1986), pp. 395-696.

Initial Preparation of Agency Budget Requests

OMB coordinates the development of the President's budget proposal by issuing circulars, memoranda, and guidance documents to the heads of executive agencies. Executive agencies may then prepare their budget requests in accordance with the instructions and guidance provided by OMB.

In particular, OMB's *Circular No. A-11* is an extensive document that contains instructions and schedules for agency submission of budget requests and justification materials to OMB.[6] Updated annually, *Circular No. A-11* provides agencies with an overview of applicable budgetary laws, policies for the preparation and submission of budgetary estimates, and information on financial management and budget data systems. *Circular No. A-11* also provides agencies with directions for budget execution and guidance regarding agency interaction with Congress and the public.

Early in the development phase of the executive budget process, OMB usually issues a budget planning guidance memorandum that observers refer to as "spring guidance" (see **Figure 1**). This memorandum provides executive agencies with detailed instructions and deadlines for submitting their budget requests and supporting materials to OMB.[7] The guidance may also include instructions for how agency budget requests may help achieve the President's budgetary priorities and other policy goals. For example, the FY2019 budget guidance instructed

> Unless otherwise directed by OMB, your initial discretionary FY 2019 budget submission to OMB should continue the proposals included in the FY 2018 Budget, and should reflect a level no higher than the net total provided for your agency in the FY 2019 column of the FY 2018 Budget.[8]

The relevant statute does not require a certain date for submission of these budget requests to OMB. OMB typically has administratively set the annual submission dates for September, which occurs 13 months before the beginning of the forthcoming fiscal year (see **Figure 1**).

OMB Review of Agency Budget Requests

Agency budget requests are submitted to OMB in early fall, approximately four to five months before the President must submit the budget to Congress. In practice, the President delegates to OMB responsibility for reviewing executive agency requests and justification materials to ensure that they are consistent with the President's policy objectives.

Agency requests are first reviewed by the OMB program examiners who are responsible for the associated policy areas. Agency requests may also be reviewed by more senior OMB officials. Prior to making a recommendation, OMB program examiners may ask for additional information from agencies, either informally or by conducting formal hearings. Examiners' recommendations are reviewed by senior OMB officials, culminating in review and approval by the OMB director and the President.[9]

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[6] OMB, "Circulars," https://www.whitehouse.gov/omb/information-for-agencies/circulars/.

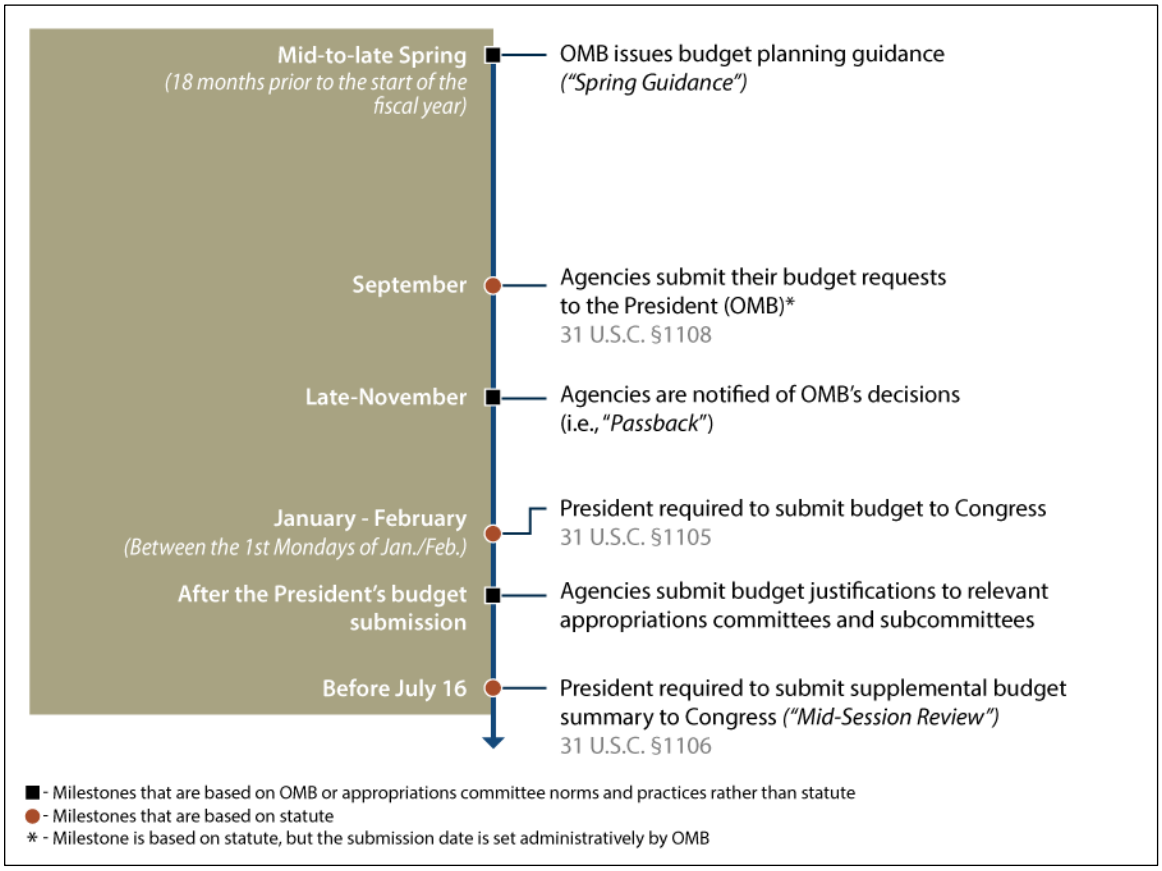
[7] The budget planning guidance memorandum is usually issued in mid- to late spring, nearly a year before the President submits the budget proposal to Congress. However, the memorandum has been issued as late as August.

[8] OMB, Memorandum from Mick Mulvaney, Director of OMB, "Fiscal Year 2019 Budget Guidance," July 17, 2017, https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-28.pdf.

[9] Shelley Lynne Tomkin, *Inside OMB: Politics and Process in the President's Budget Office* (New York: M.E. Sharpe, 1998), pp. 120-130.

Agencies are notified of the OMB's decisions through a process known as "passback" (see **Figure 1**). During passback, OMB officials notify agencies of their approved budgetary levels, which may differ from the agencies' budget requests.[10] The passback process and the content of passback decisions may differ under each Administration and each OMB director. For example, passback decisions may also include program policy changes.[11] Agencies may appeal these decisions to the relevant OMB examiner or branch chief, the OMB director, a group of officials, or, in some cases, to the President directly, depending on the procedures established by the OMB director.[12]

Figure 1. Executive Budget Process Milestones Before and After Annual Submission to Congress



Sources: CRS analysis of *U.S. Code*, OMB guidance documents, and Presidents' budget submissions. Milestones that are established by law are also indicated by relevant *U.S. Code* citations.

[10] Tomkin, *Inside OMB*, p. 131.

[11] U.S. Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process* (*Glossary*), GAO-05-734SP, September 2005, p. 105, https://www.gao.gov/products/gao-05-734sp.

[12] Tomkin, *Inside OMB*, pp. 131-134.

Submission and Justification of the President's Budget

Once the President has submitted the budget proposal, OMB and agency officials explain and justify the request to Congress. Early in the congressional budget process, the OMB director and other agency officials may provide testimony regarding the President's budgetary objectives before congressional committees. Agencies submit written justification of their budget requests to the appropriations committee and subcommittees of jurisdiction in each chamber. Agencies also post their justifications online.[13] The form and content of agency budget justifications (also referred to as congressional budget justifications or "CBJs") have been shaped by appropriations committee and subcommittee norms and practices. OMB also provides guidance for the creation of CBJs in *Circular No. A-11*.[14]

The President, with the assistance of OMB, may also update the budget proposal by submitting revisions to the original request (sometimes referred to as "budget amendments") and, in the wake of key events, supplemental requests to Congress.[15] Under current law, the President is required to submit a supplemental summary of the budget, commonly referred to as the "Mid-Session Review" (MSR), after the January/February budget submission deadline but before July 16 of each year (see **Figure 1**). The MSR contains revised budget estimates and other information, including substantial changes in estimates of expenditures and receipts within the current fiscal year.[16]

Potential Issues for Congress

The President's budget is a statement of the President's policy priorities and a unified plan for the allocation of federal budgetary resources. Although the President's budget is a set of recommendations, which Congress is not required to adopt, it creates a starting point for congressional revenue and spending actions. OMB is responsible for facilitating the development of the President's budget request. In evaluating OMB's current role in the executive budget process, Congress may consider the following opportunities to conduct oversight of OMB's activities and options for potential legislation that would modify OMB's role:

- **Oversight.** Some observers suggest that OMB practices are too opaque in development and control of the budget and that OMB has become too politicized potentially at the expense of operational expertise. Congress may consider legislation that requires greater transparency in how OMB makes budget decisions and the control it exercises over agency budgets.

[13] Congress passed legislation to define agency budget justifications by statute and require their posting online. These materials are required to be posted on the website currently known as USAspending.gov, subject to OMB-developed data standards. P.L. 117-40, Congressional Budget Justification Transparency Act of 2021, September 24, 2021 (135 Stat. 337), amending the Federal Funding Accountability and Transparency Act of 2006 (P.L. 109-282); located at 31 U.S.C. §6101 note.

[14] OMB, *Circular No. A-11*, §22.6.

[15] OMB, "Supplementals, Amendments, and Releases," https://www.whitehouse.gov/omb/supplementals-amendments-and-releases/.

[16] 31 U.S.C. §1106.

- **Budget timelines.** Congress may wish to exercise increased control over the executive budget process timeline by statutorily establishing deadlines for the steps of the process that are currently based on norms or set administratively. An important consideration is how this might reduce the authority or responsibility that Congress has provided to OMB and whether it would alter power relationships between Congress and OMB or between agencies and OMB.

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This report supersedes CRS Report RS20167, which was originally written by Bill Heniff Jr., Analyst on Congress and the Legislative Process, and updated by Clinton T. Brass, Specialist in Government Organization and Management.

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