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The Role of the President 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.

The President's budget proposal—referred to by statute as the *Budget of the United States Government*—is required by law to be submitted annually.[2] This statutory requirement dates from the Progressive Era, when the Budget and Accounting Act of 1921 established an explicit role for the President by requiring that he or she prepare and submit a comprehensive federal budget to Congress each year.[3] Agency budget requests became subject to modification by the President before their submission to Congress, and most executive agencies were prohibited from submitting requests directly to Congress.[4] In addition, the 1921 act created the entity that was later renamed the Office of Management and Budget to assist the President with these duties.

In practice, the President's budget submission is a statement of the Administration's policy priorities and a unified plan for the allocation of federal budgetary resources.[5] The President's budget is a set of recommendations that Congress may consider but is not required to adopt; however, it usually initiates the congressional budget process. 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.[6]

This report briefly highlights the role of the President in budget development. For a detailed overview of the development, submission, and justification of the President's budget proposal,

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

[2] Among other provisions, see 31 U.S.C. §§1104, 1105, and 1108.

[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. See also 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. See also CRS Report RS21665, *Office of Management and Budget (OMB): An Overview*, coordinated by Taylor N. Riccard.

[4] Some executive agencies submit budget requests directly to Congress by law or custom. For related discussion, see CRS Insight IN10715, *When an Agency's Budget Request Does Not Match the President's Request: The FY2018 CFTC Request and "Budget Bypass,"* by Jim Monke, Rena S. Miller, and Clinton T. Brass (an example of an agency bypassing OMB and the President with a budget submission [available upon request for congressional clients]); also see OMB, *Circular No. A-11*, §25.1 (listing certain agencies and programs whose budget requests are not subject to OMB modification "by law or custom").

[5] 31 U.S.C. §1105(a).

[6] 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)).

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 the following:

- CRS Report R47089, *The Role of the Office of Management and Budget (OMB) in Budget Development: In Brief*, by Taylor N. Riccard;
- CRS Report R47092, *The Role of the President in Budget Development: In Brief*, by Taylor N. Riccard (this report);
- 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.

Contents of the President's Budget

The President is statutorily required to provide certain information in the annual budget submission to Congress, including but not limited to (1) estimated receipts, expenditures, and proposed appropriations for the next five fiscal years; (2) actual receipts, expenditures, and appropriations for the previous fiscal year; (3) information on the public debt; and (4) separate statements of amounts for specified appropriations accounts and trust funds.[7] However, the manner in which the information is packaged may change over time and across Administrations.

The budget submissions of the past three Presidents have each included the following volumes:[8]

- *Budget of the U.S. Government*. Sometimes referred to as "the budget volume," it includes a short budget message summarizing the President's policy priorities, summary tables of budgetary aggregates, and a detailed narrative description of proposed government activities organized by issue and agency.
- *Appendix*. This volume includes detailed budget proposals (also called "estimates" for the forthcoming fiscal year) and financial information on individual programs and appropriations accounts, proposed text of appropriations language, and information on the legislative and judicial branch appropriations that are not included in other volumes of the President's budget proposal.
- *Analytical Perspectives*. This volume contains in-depth discussion of government programs, including credit and insurance programs, discussion of crosscut budgets that span two or more agencies, and technical explanations of the budget baselines used in the analyses and estimates contained in the President's budget proposal.
- *Historical Tables*. This volume provides a historical overview of federal government finances, including time series statistics on budget authority, government receipts, outlays, government employment, gross domestic product,

[7] 31 U.S.C. §1105.

[8] See CRS Report R43475, *FY2023 Budget Documents: Internet and GPO Availability*, by Carol Wilson.

and the federal debt going back several decades and in some cases as far back as 1789.[9]

On occasion, Presidents have also included additional materials in their submissions to Congress. These have been comprised of legislative proposals for budget process reform, federal credit supplements, a brief guide to the budget intended for the public, and a summary of proposed spending reductions or program consolidations sometimes referred to as a "Major Savings and Reforms" volume.[10]

Development of the President's Budget

The Constitution does not provide an explicit role for the President in the budget process. Historically, agencies submitted their budget estimates to Congress individually, either directly or through the Secretary of the Treasury, with varying levels of involvement or direction by the President.[11] The Budget and Accounting Act of 1921 centralized many functions of the executive budget process within the institutional presidency.[12] It established an explicit role for the President by requiring that he or she prepare and submit a comprehensive federal budget to Congress each year.[13]

The President's budget has become one of the institutional presidency's most significant policy tools. Through the executive budget process, the President may set forth legislative and program objectives and attempt to influence the nation's overall fiscal course. A wide range of agencies support the President in the process of formulating the budget proposal. Specifically, OMB is largely responsible for assisting the President in carrying out his or her budgetary duties.[14] Along with OMB, the Council of Economic Advisors and the Treasury Department provide economic projections and revenue estimates. 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

[9] The time frame for the information contained in the *Historical Tables* volume varies from table to table. For example, information on aggregate levels of receipts and outlays is provided for all years starting with 1789, while information on total levels of federal government employment is provided only as far back as 1962. This volume is available only electronically.

[10] OMB typically posts the most recent budget submission on its website at https://www.whitehouse.gov/omb/budget/. The most recent and some historical submissions are posted separately by the U.S. Government Printing Office, "Budget of the United States Government," https://www.govinfo.gov/app/collection/budget.

[11] Allen Schick, *The Federal Budget: Politics, Policy, Process*, 3rd ed. (Washington, DC: Brookings Institution Press, 2007), pp. 13-14.

[12] 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.

[13] 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. See also 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. See also CRS Report RS21665, *Office of Management and Budget (OMB): An Overview*, coordinated by Taylor N. Riccard.

[14] 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. See also Rosenberg and 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. See also CRS Report RS21665, *Office of Management and Budget (OMB): An Overview*, coordinated by Taylor N. Riccard.

instructions and guidance provided by OMB. In particular, OMB's *Circular No. A-11* is an extensive document that is issued annually with instructions and schedules for agency submission of budget requests and justification materials to OMB.[15]

Early in the development phase of the executive budget process, OMB usually issues a budget planning guidance memorandum that observers often 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.[16] The guidance may also include specific instructions for how agency budget requests may help achieve the President's budgetary priorities and other policy goals.

Once the policy agenda has been set, the President's role may be limited in some situations due to the decentralized manner in which the agencies prepare their budget requests. OMB's *Circular No. A-11* requires federal agencies to bear the primary responsibility in formulating their initial detailed budget requests; however, the President has the statutory authority to access and inspect any agency information necessary to prepare the budget proposal.[17] OMB is then required to review and assemble the agency requests, beginning with the OMB program examiners who are responsible for the associated policy areas. Senior OMB officials then review examiners' recommendations. The process culminates in review and approval by the OMB director and the President.[18] The level of involvement that the OMB director and the President take throughout this process varies from Administration to Administration.

Agencies are notified of 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.[19] 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 each Administration.[20] Even at this stage, the involvement of the President to resolve these appeals has varied. As one presidential scholar has noted

> Traditionally, an appeal for more funding for agency salary or expenses that fell under one million dollars would usually be handled by the examiner and/or branch chief. However, an appeal for funding for a Cabinet member's "pet project" or a program with particularly congenial or adversarial relationships with the White House, regardless of dollar amount, would be resolved by the White House and/or OMB director.[21]

There is no requirement for passback appeals to be publicly documented. CRS was not able to find an example of the President approving or denying an agency's passback appeal. OMB appears annually to issue guidance on the appeals process when passback takes place.[22]

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[15] The current version of the circular may be found at OMB, "Circulars," https://www.whitehouse.gov/omb/information-for-agencies/circulars/.

[16] 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.

[17] 31 U.S.C. §1104.

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

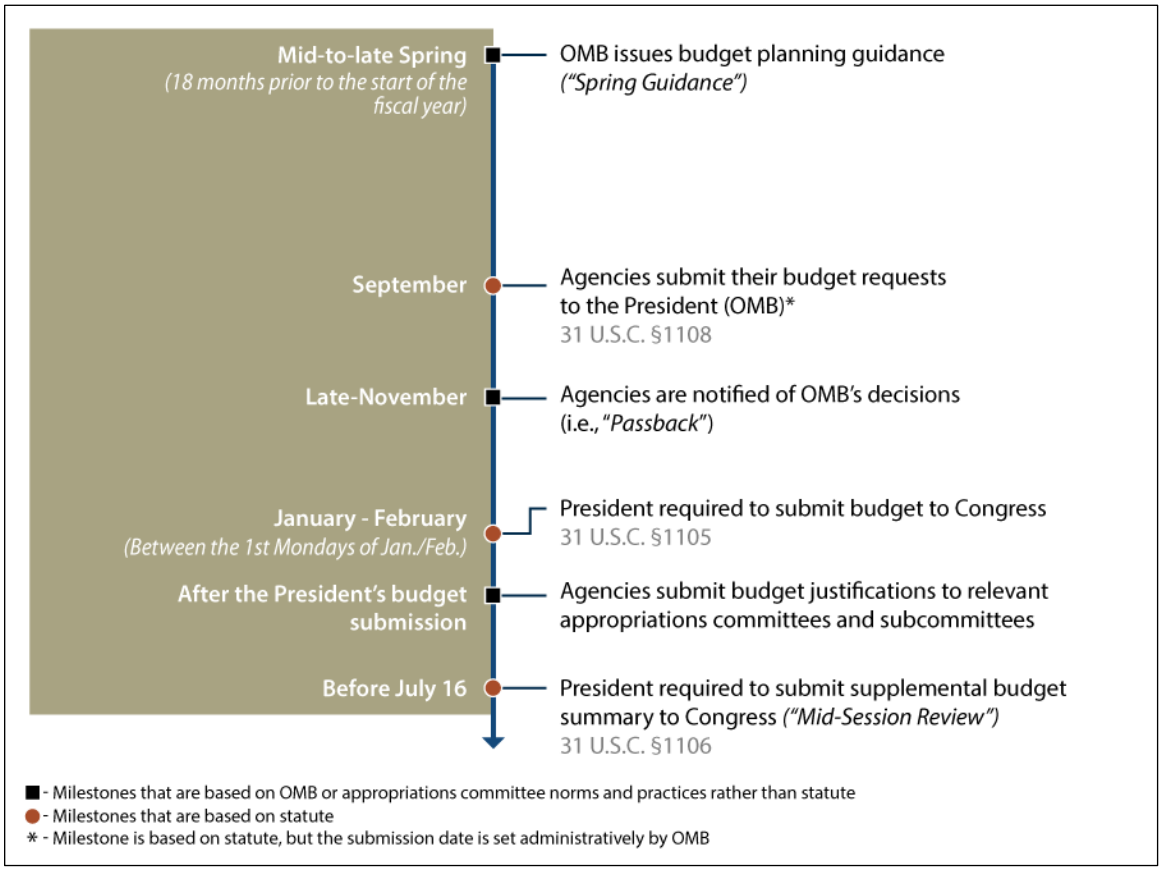
[19] Tomkin, *Inside OMB*, p. 131.

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

[21] Tomkin, *Inside OMB*, p. 132.

[22] See OMB, *Circular No. A-11*, §26.5, which makes reference to the issuance of passback appeal guidance. CRS was not able to locate any publicly available versions of such guidance.

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.

Submission of the President's Budget

Prior to the official transmittal of the budget to Congress, the President typically lays out information about his or her major budget proposals in the annual State of the Union address. 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.[23] In practice, the President sometimes fails to meet this submission deadline. There is no statutorily established consequence for missing this deadline, and a late submission could delay other aspects of the budget process.

During a presidential transition, the incoming President has often submitted the budget to Congress after the deadline.[24] The outgoing President is not required to submit a budget, because his or her term ends before the deadline. An incoming President may submit an outline of his or

[23] 31 U.S.C. §1105.

[24] For more information, see CRS Report RS20752, *Submission of the President's Budget in Transition Years*, by Taylor N. Riccard.

her forthcoming budget (sometimes called a "skinny" budget) soon after taking office and then transmit the formal budget a few weeks or months later.[25]

Soon after submission of the budget, 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.[26] In addition, the President is required to submit a supplemental summary of the budget, commonly referred to as the "Mid-Session Review," which is required to be submitted after the January/February budget submission deadline but before July 16 of each year (see **Figure 1**). It contains revised budget estimates and other information, including substantial changes in estimates of expenditures and receipts within the current fiscal year.[27] The President's role in budget development generally does not end with a budget transmittal to Congress. The President may revise budget recommendations at any time during the year and, furthermore, submit supplemental budget requests.

Potential Issues for Congress

As noted earlier, although the President's budget is a set of recommendations that Congress is not required to adopt, it creates a starting point for congressional revenue and spending actions. In evaluating the President's role in budget development, Congress may consider the following opportunities to conduct oversight of the executive budget process and options for potential legislation that would modify the process:

- **OMB's role.** In practice, the President delegates significant budget formulation responsibility to OMB. Congress may consider legislation that requires greater transparency in how OMB and the President make decisions throughout the process of budget formulation.
- **Budget timelines.** Congress may exercise increased control over the executive budget process timeline by establishing or altering statutory deadlines for the steps of the process. In light of the frequent late submissions in recent years, for example, Congress may consider changing the deadline for submission of the President's budget submission or establishing a consequence for missing the submission deadline.[28]

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[25] See CRS Report RS20752, *Submission of the President's Budget in Transition Years*, by Taylor N. Riccard.

[26] P.L. 95-523, Full Employment and Balanced Growth Act of 1978, October 27, 1978 (92 Stat. 1887, at 1892), located at 15 U.S.C. §1022.

[27] 31 U.S.C. §1106.

[28] All incoming Presidents in presidential transition years since 1990 have submitted their budgets to Congress after the deadline, though late submissions have also occurred in non-transition years. For further discussion, see CRS Report RS20752, *Submission of the President's Budget in Transition Years*, by Taylor N. Riccard.

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