

Understanding the Federal Budget Cycle

Ready to Govern® Resources for Political Appointees

OVERVIEW

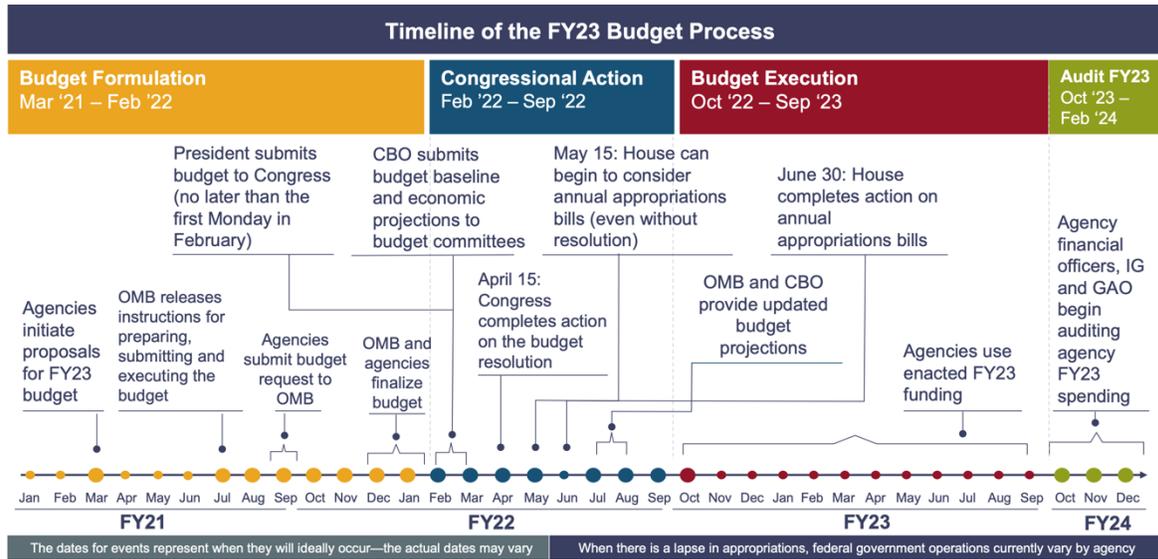
The federal budget is one of the most significant policy instruments of the federal government and is used to fulfill constitutional responsibilities, implement policy priorities, and fund the operations of government to serve the public. Understanding how to navigate this complex process to implement the president's priorities is important to your success. This resource outlines key elements of each budget phase, how they affect you, and key information sources to learn more.

THE MAIN BUDGET PHASES

The budget process has four main phases: (1) formulation, (2) congressional action, (3) execution, and (4) audit¹. A complete budget cycle lasts more than three years from start to finish, with the formulation phase starting as early as 21 months prior to the fiscal year in which the budget will be executed. For example, the fiscal 2023 budget begins with the development of the president's budget request to Congress in early 2021 (see figure 1).

¹ OMB Circular A-11 <https://www.whitehouse.gov/wp-content/uploads/2018/06/s10.pdf>

Figure 1 – Timeline of the Fiscal 2023 Federal Budget Cycle, From Start to Finish



Phase 1: Formulation

Starting in the spring, your agency will begin developing its budget request and submit to the Office of Management and Budget in the fall. OMB will review agency submissions and begin “passback,” during which agencies are informed of their approved budgetary levels. Prior to transmitting the budget to Congress in February, your agency will also prepare congressional budget justification materials, which explain the agency’s budget requests to the responsible congressional subcommittees. This phase concludes with the transmittal of the budget request to Congress on the first Monday in February; however, this timing can be delayed—for example, when there is a change in administrations.

Timeline

- ✓ **Spring:** OMB officially starts the budget process by sending planning and policy guidance to the head of each agency for the agency’s budget request.
- ✓ **Spring/Fall:** Agencies prepare their budget submissions for review by OMB and passback.
- ✓ **Winter:** Agencies prepare congressional budget justification materials that explain their budget requests to congressional subcommittees.
- ✓ **First Monday in February:** The president transmits the budget request to Congress.

How this affects you

During the formulation phase of budgeting, you will be focused on supporting preparation of your agency's budget request and justifications and getting to know key budget stakeholders. These include OMB and the White House, which will coordinate interagency processes that may influence funding decisions for policy priorities and programs. At your agency, it is important that you work with your career colleagues and include them in any discussions you have with the White House, OMB or Congress. They will have knowledge of policy and program funding history and can guide you on what is needed for your agency's budget submission.



Phase 2: Congressional Action

The congressional action phase starts once Congress receives the president's budget request and considers budget proposals, passes an overall revenue and spending plan called a "budget resolution," and enacts the regular appropriations acts and other laws that control spending and receipts. During this phase, the Congressional Budget Office will report to budget committees on the economic and budget outlook and estimate the costs of the president's budget request based on its own economic and technical assumptions. This phase concludes when Congress passes a budget, i.e., passes appropriations bills for the coming fiscal year—or votes on a continuing resolution.

Timeline

Winter (January-February): CBO reports to congressional budget committees on the economic and budget outlook and does its own estimate of the costs of the budget request.

Spring (April): Congress completes action on the concurrent budget resolution, committing to broad spending and revenue levels.

By September: Congress completes action on appropriations bills for the new fiscal year, or votes on a continuing resolution.

How this affects you

During the congressional action phase, the head of your agency will be called to testify to the relevant appropriations and authorizing committees to defend your agency's budget proposals. It is important that you support the president's budget request even if you were not involved in its formulation, and your agency's government/congressional affairs team will be able to advise you on how to work effectively with Congress throughout this phase.



Phase 3: Execution

This phase marks the start of the new fiscal year. It is focused on implementing funding, complying with congressional decisions made in the previous phase and other oversight, and implementing the administration's policy priorities. OMB will apportion funds made available during the annual appropriations process as well as other available funds.

Timeline

September: OMB apportions funds to executive branch agencies.

October-September: Agencies use enacted fiscal year funding for programs, projects and other activities.

How this affects you

Once OMB apportions funds, your agency will determine how to allocate these funds among the programs that fall within the scope of the apportionment. As an appointee, you are responsible for optimizing agency performance to deliver on your agency's mission through its policy and programs. You will also need to navigate uncertainty surrounding the timing of the passage of spending bills, which increases the importance of managing and tracking spending wisely.



Phase 4: Audit

In this phase, the Government Accountability Office and your agency's inspector general will produce independent reviews and audits of agency programs. Your agency's chief financial officer and team will work with GAO and the IG to provide the relevant information needed for these reviews and audits.

MANAGING THREE BUDGETS AT ONCE

As an appointee, you will likely be involved in managing three budgets simultaneously, with each at a different stage in the process. Figure 2 outlines the timeline and concurrent activities for fiscal year budgets 2021, 2022 and 2023 against calendar years 2022 and 2023.

Figure 2 - Managing Three Budgets Concurrently

Managing Three Budgets Concurrently



Source: Peterson Foundation and U.S. House of Representatives Committee on the Budget, OMB Circular A-11



TOP QUESTIONS – ASK YOUR CFO

As you deepen your own knowledge and understanding of your agency's budget, consider these questions to help guide your initial and ongoing conversations with your agency's chief financial officer.

Agencywide

- What is the budget for our agency? What do I need to know about where it is today? Are there any trends that I should be aware of? Ask about:
 - The status of the current fiscal year budget and the next budget submission, including discretionary funding for reform commitments and other departmental priorities.
 - The status of budget execution, including any significant shortfalls and audits.
 - The status and governance of the department's general information technology funds and working capital funds.
- What is our internal budget process? What are my constraints and potential pitfalls?
- What are the top risks identified in our agency's risk profile? How are we using the risk profile to inform budget decisions?
- What is the impact of any continuing resolutions on the agency's priorities and programs?
- What else should I know?

Program Specific

- What is the budget for my program? What is it composed of (e.g., contracts, grants or personnel)? What is the breakdown of appropriations, authorizations, reimbursable funds and more?
- Where does my program fall on the list of our agency's priorities?
- As part of my program, I want to accomplish "X." How can you help me achieve this goal?

Key Stakeholders and Relationships

- Who are the key budget stakeholders?
 - How is our agency's relationship with the Office of Management and Budget? The Government Accountability Office? The inspector general?
 - What are your tips for building and maintaining successful working relationships with you and other critical budget stakeholders?
 - What have you seen work well for similar programs? Are there any best practices that you can share?

KEY INFORMATION

- **OMB Circular A-11:** Provides detailed instructions on how departments and agencies should prepare and submit annual budget requests to OMB. [Part 6, Federal Performance Framework for Improving Program and Service Delivery](#) outlines timing and processes for agencies to develop and submit their strategic plans, annual performance plans, reviews and program performance reports (see GPRAMA below).
- **GPRAMA Modernization Act of 2010 (GPRAMA):** Reforms the federal performance framework by retaining and revising aspects of the Government Performance and Results Act of 1993 (GPRA), which established a framework for agencies to communicate progress in achieving their missions. Core performance requirements are outlined in Part 6 of OMB Circular A-11.
- **Budget and Accounting Act of 1921:** Requires the president to coordinate the budget requests for all government agencies and send a budget to Congress no later than the first Monday in February of each year. In the first year of an administration, the budget may be delivered later.
- **Congressional Budget Act of 1974:** Establishes the current congressional budget process by centralizing the annual budgeting in the legislative branch, creating the budget resolution, the House and Senate budget committees, the Congressional Budget Office, and procedures to determine budget totals based upon individual appropriation actions.