

Budget and Accountability Financial Management Overview (DRAFT)

7/29/2008

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What is a budget?

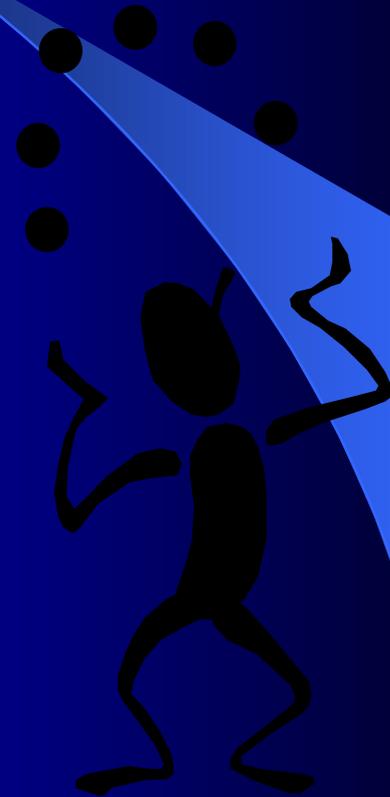
A plan for spending money effectively to accomplish well-defined goals.

FY 2009 Highlights:

- Security of our Homeland
- Restoring health to our economy
- Balances the budget by 2010
- Addresses quality education, health care, rising energy costs, falling home values
- Holds non-security discretionary spending to <1%
- Slows unsustainable growth of entitlement spending

The President's Budget

- Provides the means for the President and Congress to decide:
 - How much to spend
 - What to spend it on
 - How to raise the money
- Determines allocation of resources:
 - Dollars
 - Federal employment



What are the components of a budget?

Prior Year (PY), Current Year (CY), Budget Year (BY)

Dollars by:

- Appropriation
- Budget Line Item (Program/Fund)
- Budget Object Code (BOC)

Staff Years (FTE's) by:

- Appropriation
- Program
- BOC

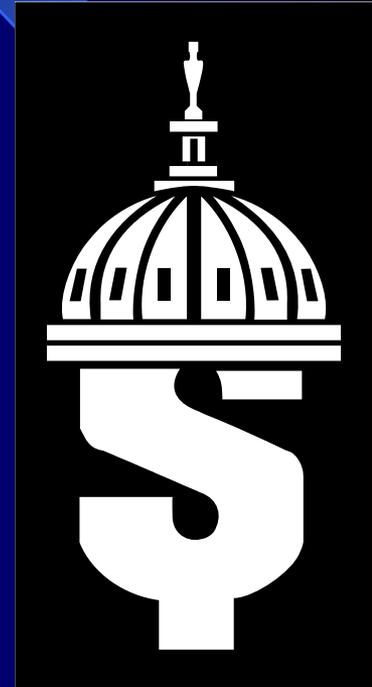
Performance by:

- Appropriation
- Program

Budget and Performance Integration

President's Management Agenda:

- **Provide performance plans that integrate planning and budgeting and demonstrates progress in linking budget resources with program performance.**



Why link budget and performance?

- Shifting of resources among programs to emphasize those that are more efficient
- Determining how much a program costs
- Budgeting for the full cost of programs
- Allowing non-performing activities to be reformed or terminated



How does OMB rate agencies?

Program Assessment Rating Tool (PART)

Tool used to evaluate the effectiveness and efficiency of Federal programs

- Used annually
- WHIP and FPP were evaluated with FY 2004 budget submission
- All have been evaluated now with varying success

What are the possible impacts of PART?

- Program will be:

- Fully funded
- Funded pending improvements
- Transferred to a more efficient agency with similar programs
- Terminated



General Fund

The Budget Enforcement Act (BEA) constrains legislation that would increase spending or decrease receipts

- **Discretionary Funds**

- Congress must act to pass annual appropriations
- Controlled by spending caps

- **Mandatory Funds**

- Congress may act if they choose to change law
- Controlled by “Pay-as-you-go” (PAYGO)

Discretionary Funds

Controlled through annual appropriations and spending caps

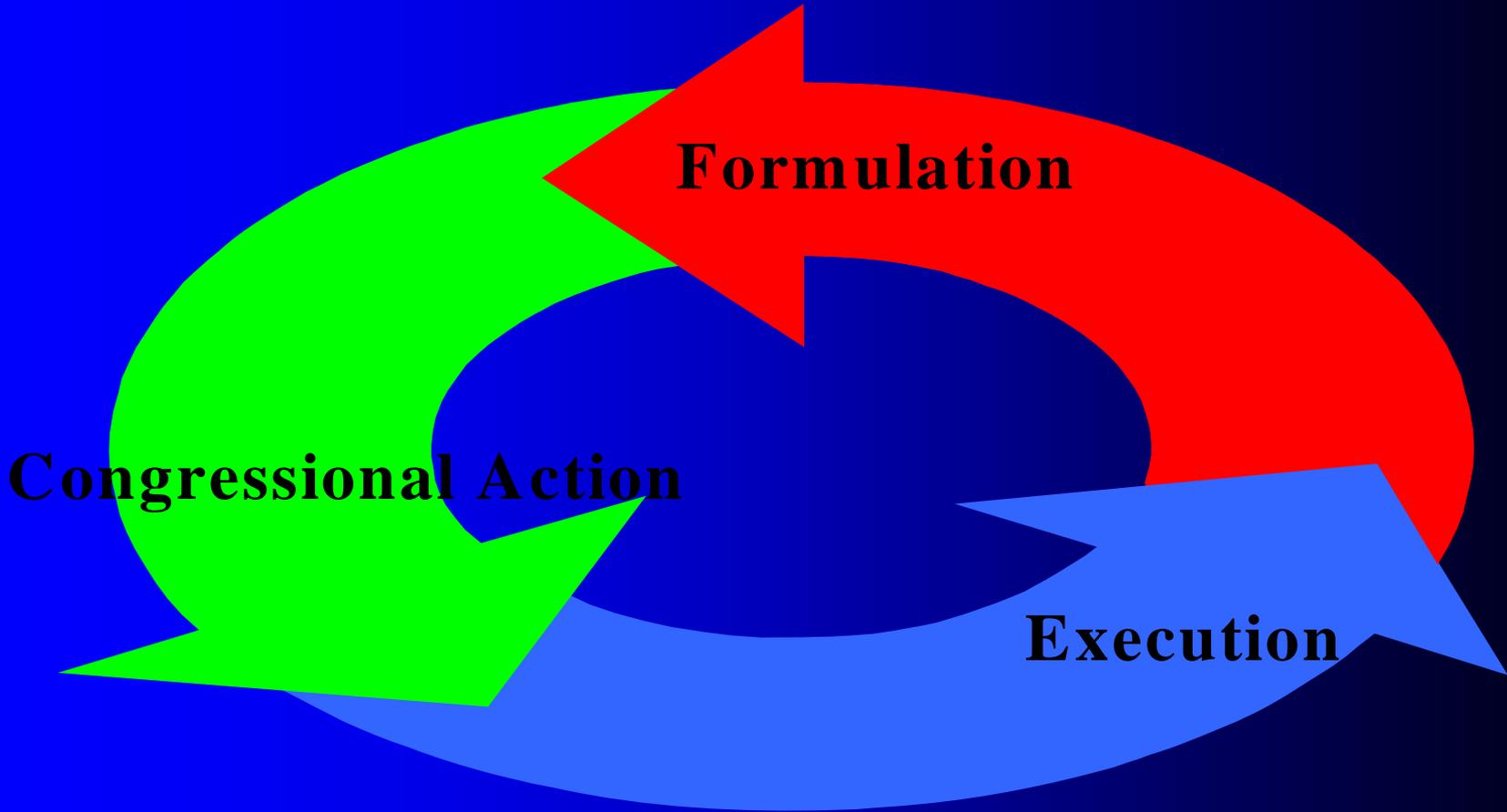
- Includes the 13 annual appropriation bills
- Accounts for about 1/3 of total spending
- Caps amount spent in various categories, e.g:
 - ✓ **Highways**
 - ✓ **Mass transit**
 - ✓ **Conservation spending**
 - ✓ **All other discretionary spending**

Mandatory Funds

Controlled on a “pay-as-you-go” basis (PAYGO)

- Accounts for about 2/3 of total spending
- Includes:
 - ✓ Interest on Public Debt
 - ✓ Social Security
 - ✓ Medicare/Medicaid
 - ✓ Unemployment insurance
 - ✓ Federal employee retirement
 - ✓ **Farm price supports**
 - ✓ Food stamps

Three Main Phases



Budget Formulation

- The budget cycle starts 18 months before the fiscal year begins
 - President establishes budget and fiscal policy
 - OMB establishes specific directions and planning levels for the agencies.

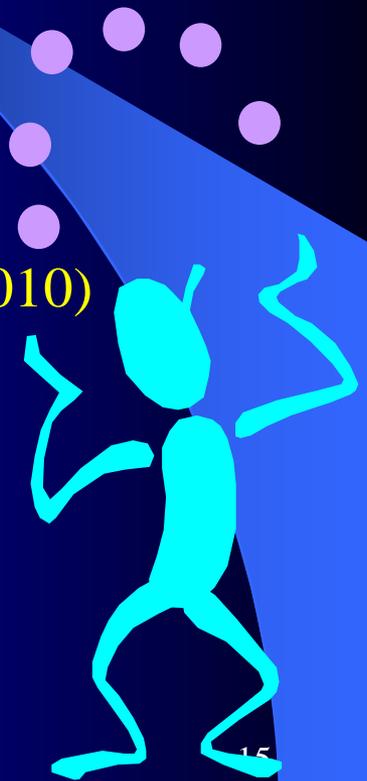
Budget Resolution

February – April

- Committees and oversight agencies reach agreement on levels for:
 - Total spending
 - Total receipts
 - Size of deficit/surplus
 - Debt limit
 - Allocations for functional categories, e.g., energy, agriculture, natural resources and environment (19 in all).

Overview of Budget Cycle

- At any given date, Federal Government is juggling three fiscal years.
 - ✓ Implementing current fiscal year (FY 2009)
 - ✓ Awaiting appropriations for upcoming year (FY 2010)
 - ✓ Beginning work on future budget (FY 2011)



February – April 2008

- FY 2009 Budget
- Committees discuss budget proposals
- Agencies answer questions for the record
- FY 2010 Budget
- STC's meet with program staff & partners to determine new initiatives to be submitted to RAC's for consideration.
- Program Manager & RAC's Recommendations reviewed by the Agency Leadership

May – June 2008

- FY 2009 Budget
- House passes Appropriations bill
- Senate passes Appropriations bill
- FY 2010 Budget
- Agency estimate is finalized



July – August 2008

- FY 2009 Budget
- Conferees meet to agree on FY 2009 Appropriations
- FY 2010 Budget
- July – Agency's Budget request submitted to Department
- August – Department's Budget Allowance provided to NRCS with 1-2 day appeal process

September 2008

- FY 2009 Budget
- Conference action complete
- House and Senate pass Appropriation bill
- Awaits President's signature
- FY2010 Budget
- September – Department's Budget request submitted to OMB
 - Addresses many agencies' priorities

October 2008

- FY 2009 Budget
- Appropriation bill or Continuing resolution signed by President or
- Agency shut down implemented
- FY2010 Budget
- Program & Budget briefings with OMB representatives



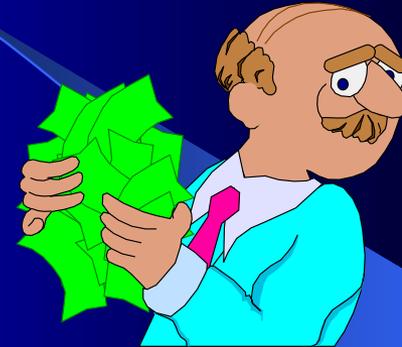
If Agreement Cannot be Reached



Continuing resolution

- 27 of last 30 years
- Provides authority for affected agencies to continue operations
- If continuing resolution not passed, affected agencies shut down

If Agreement is Reached



- **Appropriations become law**
- **Budget execution phase begins**

November 2008

- FY2009 Budget
- Execute the budget
- FY 2010
- OMB provides NRCS with a budget “allowance”
 - 1-2 day appeal process
- NRCS prepares Congressional Explanatory notes
 - “Green Sheets”
 - FY2008 Accomplishments

December 2008 – January 2009

- FY2009
- Execute
- FY2010
- Prepare the President's Budget materials

February 2009

FY2010 President's Budget

- President submits to Congress 1st Monday in February
- Official Budget Request
- Congressional Explanatory Notes

Summary – Where Do You Fit in This Process?



- **Remember that the process starts 18 months before the beginning of the fiscal year – if your initiatives are not submitted then, they are too late to be included in the agency estimate.**
- **Ensure that obligations are accurate and timely; They represent the PY column of any budget.**
- **Ensure that performance is accurate and timely; Many decisions are made based on past performance of the agency.**

Budget Allocations



- **June – October.**

Recommended allocations are developed for chief's review and allowance letters are transmitted to each allowance holder.

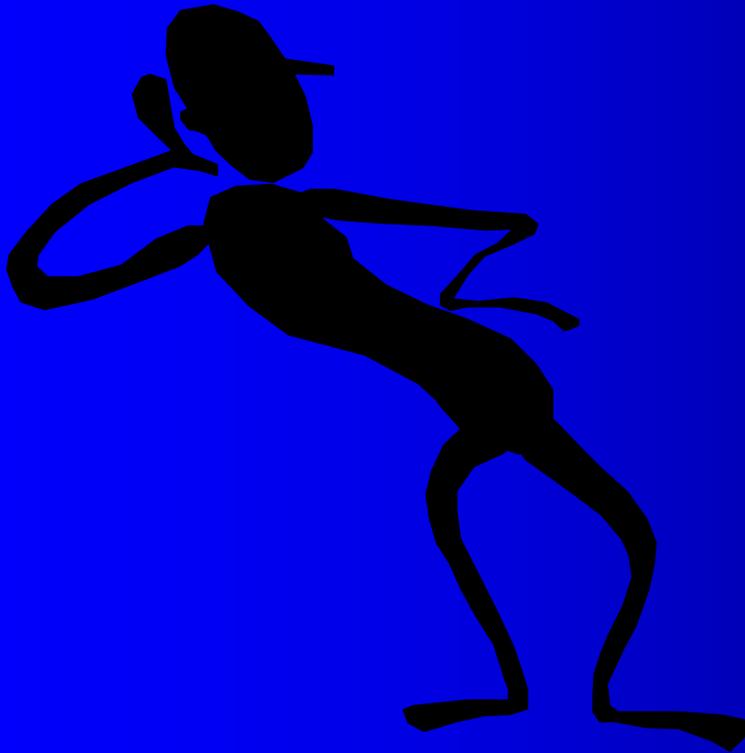
Congressional and agency earmarks provided with allowance package.

Allowance Letters

- Lists allocations by fund.
- Outline responsibilities.
 - Don't over spend in any program.
 - Ensure funds are used for intended purpose.
 - Monitor congressional earmarks in WebTCAS.
 - Ensure proper documentation for obligations.
 - Report timely and accurately both dollars and performance.



Congressional Earmarks



- House Appropriations Committee Report
- Senate Appropriations Committee Report
- Conference Report

Budget Allocation Summary

Allocations are determined by NRCS employees:

- Process begins in early spring.
- State managers often play an important role in this process.
- Past performance often plays an important role in this process.
- Keep your STC informed when responding to allocation requests.

11/17/2002



How does the agency get its money?

- **Budget**

- Authority**

- When Congress provides budget authority, it deposits financial resources in an agency's account and the Chief receives a Treasury Warrant.

- **Apportionment**

- The Office of Management and Budget (OMB) "apportions" agency's funds. Agency may not spend in excess of amount apportioned.

- **Advice of Allotment**

- USDA allots the funds to the Chief after OMB signs the apportionment.

Budget Execution

October – September

➤ **Anti-deficiency Act**

- May not spend more than appropriated
- May not spend in advance of appropriation
- May not spend more than apportioned by OMB

➤ **Title 31 U.S.C. 1301 (a)**

- Appropriations may be used for their intended purposes only

➤ **Timely and accurate reporting**

➤ **Maintain internal controls**



Spending Chain

- **Commitment**
 - Not legally binding -- represents in advance the intent to purchase
- **Obligation**
 - An order used to purchase goods or services
- **Expenditure**
 - Authorization to pay for goods and services received
- **Outlay**
 - Transmission of cash from an agency's account to a supplier of goods or services

COMMITMENT



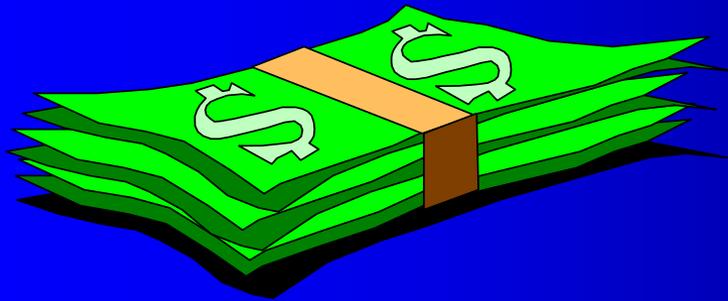
- Represents, in advance, the intent to purchase. Do not draw down on funds

OBLIGATION



- Represents an order to purchase goods or services once the order is placed, you have a legal responsibility to pay for the goods or services ordered.
- Draws down on available funds.

PAYMENTS



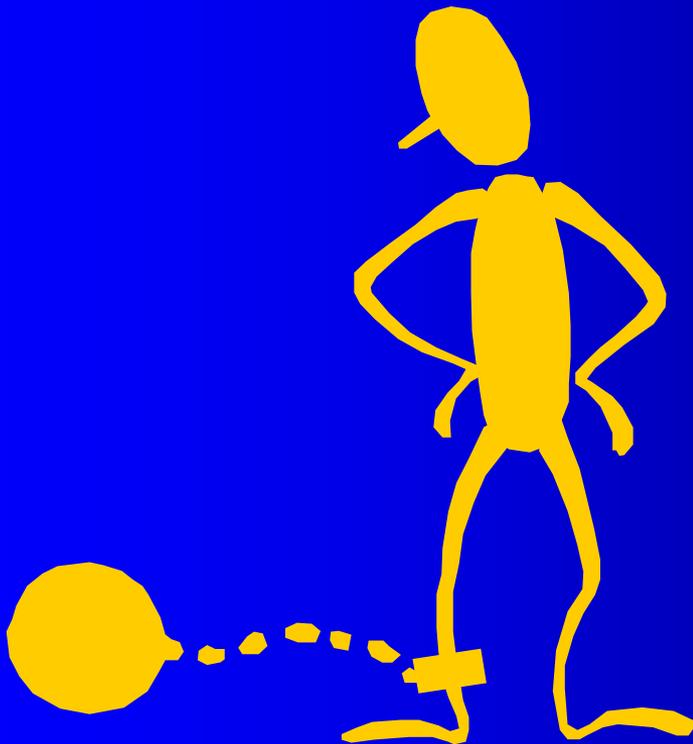
- Generally determines if payments should be made. Need to be aware of process
 - CCC Funded Payments
 - NRCS Appropriation Payments

Elements of Control

As they relate to obligations:

- Amount
- Time
- Purpose

Amount



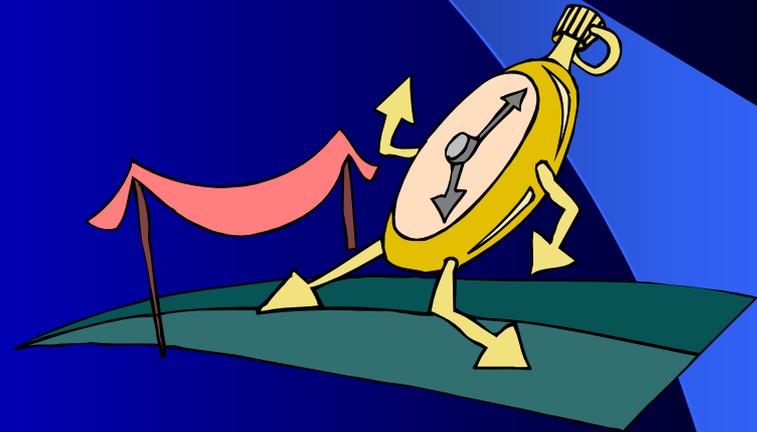
Can't spend more
than your allocation
for each program.

31 USC 1341 (Antideficiency Act)
10/24/02

Time

The second element of control is time.

- No year, no time restrictions
- Annual, one year to obligate



Purpose



Appropriations may be used only for their intended purposes.

The Accountability Link

- State Leadership Team
- Financial Manager
- Operations/Program Managers



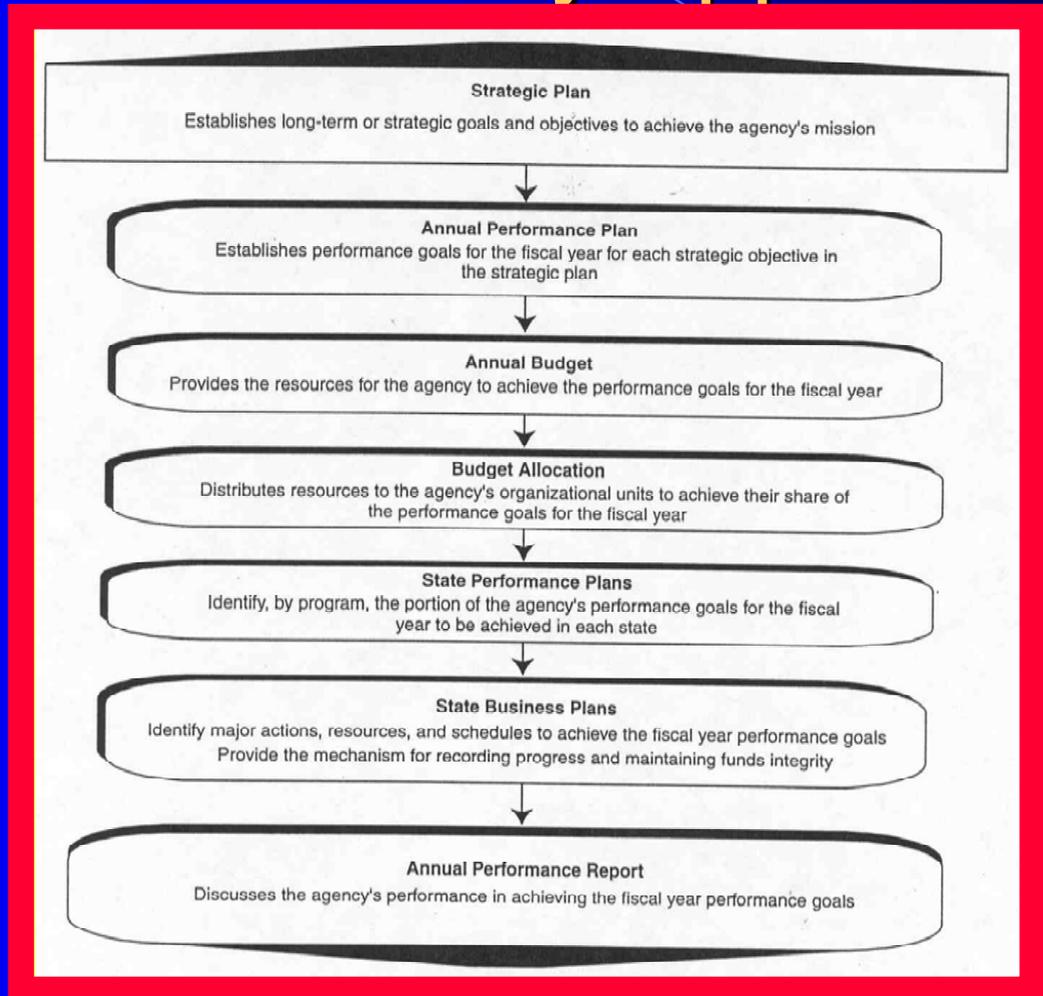
10/24/02

Commitment to Accountability



- Allowance holders are responsible for funds, personnel, equipment, and other resources under their direction and are to use these resources effectively.

Major Components of NRCs's Accountability Approach



Commitment to Fund Integrity



Annual Performance Plans and Operating Budgets establish the extent and quality of services the agency is committed to deliver and serve as the foundation for managers to carry out their assigned responsibilities

Cost Allocation Policy



The policy requires:

- NRCS must account for all dollars and all staff
- Use one of two obligation methods: direct charge and cost allocation.
- Staff years by program on Cost allocation worksheet must match staff years on the Performance Plan.

PROGRAM	01T	01C	02T	46T	06T	08T	11T	16T	TOTAL
DIRECT TA ALLOWANCE	\$14,737,400	\$0	\$1,046,800	\$272,000	\$228,200	\$2,885,000	\$803,600	\$370,000	\$20,343,000
ESTIMATED CCC REIMBURSABLES	\$0	\$4,550,000	\$0	\$0	\$0	\$0	\$0	\$0	\$4,550,000
DIRECT PLUS CCC REIMB. TA BUDGET									\$24,893,000
LESS:									
-MISC. AGREEMENTS/EARMARKS									\$850,000
-NON-RECURRING EQUIPMENT									\$10,000
ADJUSTED TA BUDGET									\$24,033,000
PROJECTED SUPPORT \$ - 20%									\$4,806,600
PROJECTED PERSONNEL \$ - 80%	\$11,149,900	\$0,000	\$837,400	\$0	\$182,600	\$2,702,400	\$642,900	\$296,000	\$15,264,400
AVERAGE STAFF YEAR COST	\$52,800	\$52,850	\$59,500	\$0	\$56,800	\$56,800	\$58,600	\$66,400	
FUNDABLE STAFF YEARS YEAR BEGIN FY 2001	211.0	68.1	14.1	4.7	3.2	47.0	11.0	4.5	358.4
PROJECTED SUPPORT RATIO	80/20	80/20	80/20	80/20	80/20	80/20	80/20	80/20	
COST ALLOCATION PERCENTAGES	58.9%	19.0%	3.9%	1.3%	0.9%	11.7%	3.1%	1.2%	100%

Step 1. Get Cost Allocation Worksheet from your Budget Officer.



Misc. Agreements/Congressional Earmark Deducted from 01T: \$800,000 Congressional Earmark ; 02T: \$50,000 1890 Agreement

PERSONNEL/SUPPORT RATIO 80/20

EXHIBIT 4

What does direct charge mean?

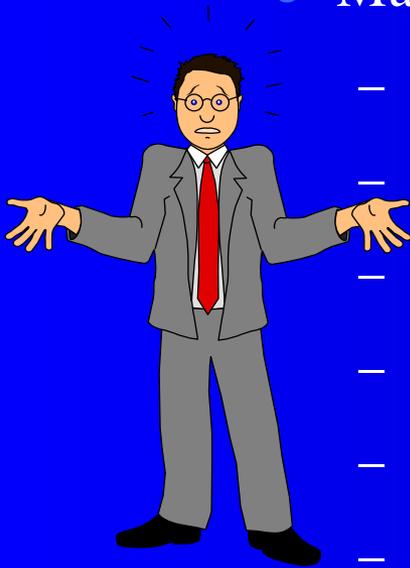
Title 31 of the United States Code (1301(a)) requires that all costs associated with implementing a program to be charged to the benefiting program.

Examples include:

- **Salary**
- **Benefits**
- **Travel**
- **Training**
- **Other Indirect Costs**

What is so hard about direct charge?

- Much more **“management”** involvement required.
- Many employees **work on several programs.**
- Many costs **benefit multiple programs.**



- General managers and administrative costs
- Utilities and communications
- Supplies
- State Office and Service Center rent
- Printing
- Postage, NFC and FFIS costs, etc.

How does NRCS manage the difficulties associated with direct charge?



NRCS implemented “offset” policy many years ago. “Offset” allows costs to be “charged as budgeted” based on the following assumptions:

- Allocations are converted to fundable staff years, by program.
- Fundable staff years, in each program, are converted to performance goals.
- Performance goals are incorporated into business plans.
- Performance plans are monitored to ensure that the proper work is being performed and corrective action is taken (if necessary) to ensure that goals are being met.
- Adjustments are made to the performance plan whenever an allowance holder receives a large change in their allocation that affects fundable staff years, such as EWP funds made available in March.

WebTCAS

Actual
Hours
Worked

- Program
- Activity
- Modifier
- County

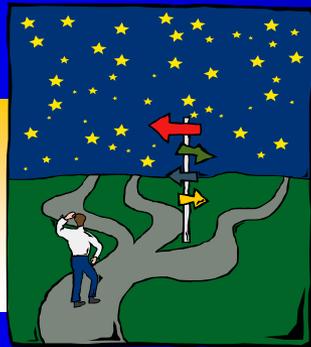
Assigned
Fund
Code

Actual
Hours
Paid

ACRES

FFIS (NFC)

Internal
Decision
Making



Official
External
Reporting

(Audited Annually)

10/24/02



Technical Assistance (TA)

- **NRCS term defined by object class.**
- **Includes: salaries, benefits, and support.**
- **Includes cooperative agreements.**
- **All NRCS funds except FIP**
- **No longer includes easements.**

Financial Assistance (FA)



- **NRCS term defined by object class.**
- **Includes construction contracts, grants, and easements.**
- **No FA may be recorded in Conservation Operations and Watershed Surveys and Planning.**

BRIO REPORTS



- Status of Funds (5)
- Allocation (4)
- Accounts Payable (3)
- Payroll (2)
- Spending (2)
- Open Receivables (1)
- General Ledger (1)
- Detailed Daily Transactions (1)
- Staff Years (2)

Budget Execution Summary

- Begins on the first day of a fiscal year – about 18 month after the budget formulation process began.
- State-level managers play a **critical role** in budget execution.
- Three elements of control with regard to obligations:
 - ✓ Amount
 - ✓ Time
 - ✓ Purpose
- Accountability – does the performance plan support the budget? It better!
- Direct charge or offset? – does it benefit only one program or all programs?

Summary

- **Budget formulation starts 18 months before the fiscal year begins**
- **Federal spending falls into two categories:**
 - ✓ **Mandatory** - Certain laws require that some programs spend money automatically without further action by Congress
 - ✓ **Discretionary** - Congress exercises its control over discretionary spending, which requires new decisions each year
- **Three main phases of the budget process:**
 - ✓ **Formulation**
 - ✓ **Congressional action**
 - ✓ **Execution**