Introduction

Financial Management Course

1. Overview of the Federal Budget Process
2. The Philosophy of Appropriations Law
3. Contracts, Grants and Cooperative Agreements
4. Spending Plans, Operating Plans and Budget Execution
5. Financial Responsibilities
Module 1 Objectives

- Identify the major legislation that affects the federal budget process.
- Know the phases of the budget process and timeline.
- Recognize the purpose of an operating plan.
The Budget and Accounting Act of 1921

- Requires the President of the United States to submit an annual budget proposal and a statement of the government’s financial condition to Congress.
- Includes a budget message and a summary of reporting information on past and future budgets.
- Established the Bureau of the Budget, now known as the Office of Management and Budget (OMB), which provides resources to produce the President’s budget.
- Established the General Accounting Office now known as the Government Accountability Office (GAO) to provide Congress with resources to ensure accountability.
Government Performance and Results Act of 1993 (GPRA)

The primary legislative framework includes three main components:

| Strategic Plan | • Mission statement  
|                | • General goals and objectives (outcome related) |
| Performance Plan | • Measurable performance goals by program activity  
|                  | • Operational processes, technology, human capital, and other resources required to meet the performance goals |
| Performance Report | • Compare actual program performance achieved to the performance goals and indicators in the plan  
|                    | • Performance indicators: output, outcome, efficiency, and effectiveness  
|                    | • Provide explanations if goals were not met |
GPRA Modernization Act of 2010

The primary legislative framework includes the following goals:

- Adopt a more coordinated and crosscutting approach to achieve common goals
- Address weaknesses in major management functions
- Ensure that performance information is both useful and used in decision making
- Instill sustained leadership commitment and accountability for achieving results
The Anti-deficiency Acts of 1921 and 1950

Congressional “Power of the Purse”

1. Prohibits the obligation or expenditure of government funds in excess of the amounts appropriated by Congress or in excess of amounts permitted by regulations.

2. Forbids the obligation of any funds before the appropriation is passed.

3. Requires a funds control system for making obligations.
6 Phases in the Federal Budget Process

1. **Strategic Plan**: Identifies new initiatives as well as expands existing programs.

2. **Formulation**: Prepares budget estimates and justifications based on guidelines provided by Congress, OMB and Health and Human Services (HHS).

3. **Presentation**: Justifies budget request before Congress and responds to questions.

4. **Execution**: Develops apportionments, spending plans, allotments, allowances, and obligates funds.

5. **Performance**: Evaluation and Analysis – determines if the expected results were achieved.

6. **Future Strategic Direction**: Performance results determine future funding decisions.
The Federal Budget Process

STRATEGIC PLANNING
Define recommendations for funding and priorities

BUDGET FORMULATION
Prepare budget estimates and budget justifications. Reviewed and approved by HHS & OMB

BUDGET PRESENTATION
Congressional hearing, respond to formal questions, form appropriation subcommittees

BUDGET EXECUTION
Apportionment of funds, obligations incurred

EVALUATING RESULTS
COST/BENEFIT ASSESSMENT
WHAT PRODUCES THE BEST VALUE?

PERFORMANCE
TRACK THE PROGRESS OF ACHIEVING OUTCOMES

GPRA develops measures and indicators
Module 1: Overview of the Federal Budget Process

The Federal Budget Timeline

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Planning: Selection of Program Initiatives
Formulation: CDC/HHS/OMB Budgets, President's Budget, Congressional Budget
Presentation: Committees Hearings, Q&As, House & Senate Reports, Appropriation Bill
Execution: Apportionments, Spending Plans, Allotments, Allowances

Analysis and Evaluation and inform the Future Strategic Direction
### Module 1: Overview of the Federal Budget Process

#### The Federal Budget Timeline

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- **Execution:** Apportionments, Spending Plans, Allotments, Allowances

Analysis and Evaluation and inform the Future Strategic Direction
### Strategic Planning Phase

#### CY 2012
- Administration goals, themes, & initiatives (includes President and Secretary)
- CDC-wide priorities & mission-related activities
- Congressional priorities
- Constituent & partner priorities
- Government Performance and Results Act (GPRA)

#### CY 2013

#### CY 2014

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Module 1: Overview of the Federal Budget Process

Budget Formulation Phase

- Stage 1 (April - July)
- Stage 2 (August – November)
- Stage 3 (December – February)
### Module 1: Overview of the Federal Budget Process

#### Budget Formulation Phase – Stage 1

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**FY 2013 HHS Submission**

**FY 2014 HHS Submission**

**First Formulation Stage (April - July)**

- **HHS budget development/submission**
  - Prepare budget estimates and justifications
  - Compile information for HHS review

- **HHS review of the budget**
  - Presentation to the Secretary’s Budget Council (SBC)
  - Report Card for budget
  - Funding levels provided to the OPDIVs
  - Appeals
  - Final funding levels provided for OMB submission
### Budget Formulation Phase – Stage 2

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#### Second Formulation Stage (August – November)

- **OMB Budget development and submission**
  - Compile information for OMB Review

- **OMB Review**
  - Presentation to OMB Staff
  - Respond to additional questions & concerns

- **OMB Passback**
  - Appeal
  - Final funding levels provided for President’s Budget
Budget Formulation Phase – Stage 3

Third Formulation Stage (December - February)

1. Enter information into OMB’s MAX database

2. Compile, edit, revise and complete budget narratives and exhibits preparing for presentation to Congress

3. President’s Budget and Congressional Justification development and submission
Budget Presentation Phase

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Presentation Phase (February - October)

Includes the following activities:

- Preparation for Congressional Appropriations Hearings
- CDC Director testifies before House and/or Senate Appropriations Subcommittees
- Respond to formal questions submitted by Appropriations Subcommittee members
- Congress determines funding levels for Subcommittees for FY 2011 Budget
- CDC works closely with Appropriations Subcommittee staff
- House & Senate mark-up
- Appropriations Bill signed by the President
### Module 1: Overview of the Federal Budget Process

#### Budget Execution Phase

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**Execution Phase (October - September)**

Includes the following activities:

- Apportionments, Allotments, Allowances and CANs
- Obligations and expenditures
- Funds control
- Monitoring, analyzing & projecting resource utilization
- Prevention of anti-deficiency violation

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**Timeline:**

- **FY 2012**
- **FY 2013**
- **FY 2014**
FY 2011 Federal Spending

- Discretionary: $2,164 (59%)
- Mandatory: $1,415 (36%)
- Interest: $251 (6%)

(In Billions)
Module 1: Overview of the Federal Budget Process

FY 2011 Discretionary Funding – Budget Authority (BA)
Department of Health and Human Services

HHS Total BA Funding = $81.2 billion
Module 1: Overview of the Federal Budget Process

CDC Funding History

- Funding in Billions
- FTE Count


Legend:
- Terrorism
- Non-Terrorism
- FTEs
CDC has several types of Appropriations

Three types of appropriations are classified by period of availability:

- **Annual-year** - obligational authority expires at the end of the first year of appropriation and are cancelled at the end of the fifth year after expiration

- **Multi-year** - obligational authority expires at the end of a designated time period greater than one year and are cancelled at the end of the fifth year after expiration

- **No-year** - are available until expended
Module 2

The Philosophy of Appropriations Law
Module 2 Objectives

- Name the three dimensions of appropriations law.
- Understand the difference between an authorization and an appropriation.
- Understand important terms in appropriations language.
Laws, Rules, Directives and Regulations

Who makes the rules?

- The U.S. Constitution
- Congress
- Office of Management and Budget (OMB)
- United States Department of Treasury
- Department of Health and Human Services (HHS)
Authorizations

One-Step Process

Congress utilizes a one-step legislative process for most mandatory spending:

1. The authorizing legislation establishes, continues or modifies an existing federal program and provides budget authority. (Authorizations and Appropriations)

   - Most Major Entitlement Programs
   - Typically Permanent
   - Some Require Periodic Renewal
Authorizations and Appropriations

Two-Step Process

Congress utilizes a two-step legislative process for *discretionary spending*:

1. Establish authorizing language (Authorizations)
   - Establish, continue, or modify an agency or program for a specified period of time or indefinitely
   - Requirement under House and Senate rules

2. Provide budget authority to fund programs (Appropriations)
   - Provide budget authority to federal agencies for specified purposes, in accordance with authorizing legislation
   - Applies to annual discretionary spending (roughly 1/3 of the federal budget)
The Constitution

- Only Congress has the authority to raise revenue, borrow funds and provide the funding to Federal agencies.

- Congress regulates virtually all executive branch programs and activities through the appropriations process.
Branches of Government

- **Legislative:**
  - Congress
    - House of Representatives
    - Senate

- **Executive:**
  - President
  - Vice President

- **Judicial:**
  - Supreme Court
Chamber Organization

**US House of Representative**
- 435 Members
- Majority rules (218 votes)
- Rules-driven chamber
- Local (district-based) focus

**US Senate**
- 100 Members
- Majority Rules (60 votes)
- State focus
Module 2: The Philosophy of Appropriation Law

Legislative Information

Thomas
http://thomas.loc.gov (appropriations tables)

Congressional Quarterly website
www.cq.com

Senate website
http://www.senate.gov/pagelayout/legislative/b_three_sections_with_teasers/appropsbills.htm

Procedural Information

House Rules Committee website
www.rules.house.gov

Congressional Research Reports
www.opencrs.com

Member Information

www.house.gov
www.senate.gov
www.cq.com (member profiles)
The Three Dimensions of Appropriation Law

1. **Purpose** – The purpose of the obligation or expenditure must be authorized.

2. **Time** – The obligation must occur within the time limits applicable to the appropriation.

3. **Amount** – The obligation and expenditure must be within the amounts Congress has appropriated.
The Three Dimensions of Appropriation Law

**Purpose** – The purpose of the obligation or expenditure must be authorized.

Determining the purpose for which funds can be spent:

- Appropriations language
- Authorizing language
- Report language

The General Accountability Office (GAO) is responsible for analyzing and auditing program expenditures to determine if the appropriation was used properly.
The Three Dimensions of Appropriation Law

Applying the Purpose

Expenditure items need not be specified in an appropriations act but it must be necessary.

Under the necessary expense doctrine it must meet the following four conditions:

1. The expenditure must bear a logical relationship to the appropriation being charged. In other words, the purchase must be in line with the authorizing language.

2. The expenditure must not be prohibited by law.

3. The expenditure must be in furtherance of the appropriation.

4. The expenditure must not be otherwise provided for by a more specific appropriation or from another funding scheme.
The Three Dimensions of Appropriation Law

**Time**

The obligation must occur within the time limits applicable to the appropriation.

- Bona-fide Needs Rule
- Severable or Non-severable services
The Three Dimensions of Appropriation Law

Determining Time Periods

- Congress has the authority to limit appropriations to particular times as well as to particular objects.

- The Bona Fide Needs Rule
  You may only obligate appropriated funds only for the needs during the appropriations period of availability.
The Three Dimensions of Appropriation Law

**Amount** – The obligation and expenditure must be within the amounts Congress has appropriated.

- Government Obligations
- Anti-deficiency Act (ADA) Applies
The Three Dimensions of Appropriation Law

Violations of Anti-deficiency Act (ADA)

Violations

Purpose:
Committing the United States to make payments for goods or services not available by that appropriation.

Time:
Authorizing or expending funds that exceed the amount available in an appropriation.

Amount:
Authorizing or expending funds for items or purchases not permitted by law.
The Three Dimensions of Appropriation Law

Important Terms
Interpreting the Language on Amount

- If the appropriation specifies “not to exceed” or states “not more than” then this is the maximum amount that can be made available for this purpose. This is often referred to as a ceiling.

- “Not less than” means that the minimum amount that Congress expects will be obligated or expended. This is often referred to as a floor.

- “Shall be available” is considered both a maximum and cannot be supplemented and a minimum that must be spent.

- “Of which” or “of the funds provided” specifies an amount out of the appropriation to be used.

- “None of” means that you are prevented from using these funds for the purpose cited.

- “Up to” means that you cannot exceed the amount stated.

- “May be available” means that the funds may be used for the purpose cited.
The Three Dimensions of Appropriation Law

You can’t make more $

Agencies are restricted to the appropriations Congress provides. You are prohibited from unauthorized “augmentation” of appropriations.
The Three Dimensions of Appropriation Law

Understanding an Appropriation Act

1. **Purpose**
   
   SOCIAL SERVICES BLOCK GRANT
   
   For making grants to States pursuant to section 2002 of the Social Security Act, $2,800,000,000.
   
   For carrying out section 2007 of the Social Security Act, an additional $1,800,000,000, which shall remain available until expended.

2. **Time**

3. **Amount**
You cannot use amounts that have expired

FY 2010 is now expired and FY 2011 will expire on September 30th.

- Funds left over from an old contract cannot be used on a new contract.
- Prior year funds cannot be used for new obligations.
- Obligated and unobligated balances are canceled 5 years after the budget authority expires.
Module 3

Contracts, Grants and Cooperative Agreements
Module 3 Objectives

- Understand the difference between a contract, grant and a cooperative agreement.
- Understand the importance of reviewing a Statement of Work (SOW).
Contracts, Grants and Cooperative Agreements

- **A procurement contract** is when the principal purpose is to purchase/lease property and/or purchase goods or services. A contract is a mutually binding legal relationship obligating the seller to furnish goods or services and the buyer to pay for them.

- **A grant** is most appropriate when the principal purpose is to transfer a thing of value, money, property or services to the recipient to carry out the public purpose and little involvement is expected on the part of the issuing Agency.

- **A cooperative agreement** is used when the principal purpose of the relationship is to transfer a thing of value and the Agency is expected to provide substantive involvement in carrying out the activities.
Statement of Work (SOW)

The Statement of Work (SOW) details the specific work to be accomplished in clear and concise language that contains the following information.

The SOW should contain:
• Background and need
• Project objectives
• Scope of work
• Detailed technical requirements
• Reporting schedule
• Special considerations
• References

Work done outside the scope of the SOW is a violation of appropriations law.
Module 4

Spending Plans, Operating Plans and Budget Execution
Objectives

• Understand why agencies need a good operating plan and spending plan.

• The importance of the Government Performance and Results Act (GPRA) of 1993.

• Understand the budget execution process.
Operating Plans and Spending Plans

Federal Legislation:

1. Title 31 of the United States Code.

Operating Plans and Spending Plans

The Government Performance and Results Act (GPRA) of 1993

- Requires Federal agencies to set strategic goals
- Measure performance and report on the degree to which goals are met
- Prior to 1993, there were no requirements to determine or ensure performance results.
Module 4: Spending Plans and Budget Execution

Operating Plans and Spending Plans

Budget Execution

Once an appropriation has been approved by Congress, and apportioned by OMB it must be:

• Obligated
• Controlled
• Managed
• Monitored
• Reported

The sum of these processes is called *Budget Execution*
Operating Plans and Spending Plans

Budget Execution

When does Budget Execution start for an agency?

- All agencies must have appropriated funds by the start of the fiscal year (October 1) to operate; however Congress seldom passes appropriations acts by October 1.

- In order to keep the government from shutting down without an appropriations act, Congress passes a “Continuing Resolution” (CR) or stop-gap until the final appropriations are passed.

- OMB provides a formula for calculating amounts available for obligation under a CR.
How is budget authority determined under a CR?

CDC calculates a historical spending rate and a daily spending rate, and CDC’s budget authority is whichever rate is lower.

For example if CDC’s historical rate is 13.4% and the daily rate is 15.8%, CDC would use 13.4% as the budget authority since it is the lowest number.
How to spend under a CR?

You cannot start a new program, project or activity!

Spending is based on:

1. Authorization
2. Appropriation

Allowable spending activities:

- Issue a full-year contract under the CR.
- Issue award to a new grantee.
- Hire new people.
Developing a Successful Spending Plan

The 2 Steps are the following:

1. Determine the Requirements
2. Develop a Budget Plan
Steps to Developing a Successful Spending Plan

Step 1, Determine Requirements

- Program management follows:
  - Strategic planning process that identifies goals, objectives, and associated tasks.

- Procurement requirements and mechanisms. Make "best guess" estimates on costs.
  - Grants/Cooperative agreements
  - Contracts
  - Interagency Agreements

- Identify the type of funding needed for the activities.
  - Annual
  - Multi-year
  - No-year
  - Terrorism
  - Non-terrorism

- Earmarks are funds provided by the Congress for specific projects, programs, or grants.
Steps to Developing a Successful Spending Plan

Step 2, Develop a Budget Plan

- Uses final program decisions from the requirements gathering process
- Requirements are usually prioritized to meet the available funding level
- Budget Analysts and Program work together to input into the budget system.
Module 5

Financial Responsibilities
Objectives

• Understand key legislation that impacts day-to-day work activities.

• Understand why internal controls at CDC are important.

• Understand why CDC is required to integrate and coordinate internal control assessments or audits annually.
Financial Responsibility

Legislation

2. Federal Financial Management Improvement Act of 1996 (FFMIA)
4. Budget and Accounting Act of 1921
5. Anti-deficiency Act (ADA)
1.

The Government Management Reform Act of 1994

Requires all Executive agencies to produce annual audited financial statements.

Annual financial audits are necessary, to determine:

- Resources are used efficiently
- Management/program objectives are accomplished
- Financial data is reliable
- Activities comply with laws and regulations
- Internal controls are effective
2.

The Federal Financial Management Improvement Act (FFMIA) of 1996

Requires that agencies develop and maintain financial management systems in compliance with:

• Federal requirements
• Applicable standards
• US Standard General Ledger (SGL)

CDC’s financial management system is the Unified Financial Management System (UFMS)
3.

The Government Performance and Results Act (GPRA) of 1993

Primary legislative framework

- Strategic goals:
  - Measure performance
  - Report on the degree to which goals are met.

Key performance indicators:

- Output
- Outcome
- Efficiency, and
- Effectiveness.

Funding decisions by Congress:
- Based on Program effectiveness
4.

The Budget and Accounting Act of 1921

This Act established:

- The General Accountability Office (GAO)
- The Bureau of the Budget
  - Office of Management and Budget (OMB)

President of the United States must submit to Congress:
- Annual budget proposal and a
- Statement of the government’s financial condition
The Antideficiency Act

1. Prohibits the obligation or expenditure of government funds in excess of amounts appropriated or permitted by regulations

2. Forbids the obligation of any funds in advance of the official appropriation of funds

3. Requires each government agency to establish an administrative control system