



FEDERAL APPROPRIATION PROCESS A QUICK PRIMER

ISPA/SCEA JUNE 2009
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DISCLAIMER

- THE OPINIONS EXPRESSED ARE THOSE OF THE PRESENTOR AND DO NOT REFLECT THE POSITIONS OF THE U.S. ARMY, THE DEPARTMENT OF DEFENSE OR THE FEDERAL GOVERNMENT IN ANY WAY SHAPE OR FORM!!!!!!
- THIS IS NON-ATTRIBUTION



WARNING

- Everything I Tell You Will Have An Exception
- Gov't Has So Many Disparate Functions
 - Foreign Gifts
 - Smithsonian
 - National Parks



AGENDA

- Ask And You Shall Receive- The Budget Request
- Where Does The Money Come From?
- What's So Special About September?
- What Are The Rules?



PPBE: DoD's SYSTEM

- **P**LANNING
 - LONG RANGE 10-20 YRS
 - UNCONSTRAINED
 - NEW THREATS AND TECHNOLOGIES
- **P**ROGRAMMING
 - 5-9 YEARS
 - SOMEWHAT CONSTRAINED
- **B**UDGET
 - 1 YEAR PLUS AN OUTYEAR
 - REALITY SETS IN
- **E**XECUTION
 - 1-5 YEARS TO OBLIGATE
 - 5 YEARS TO FINISH UP
- **S**YSTEM (Army Adds This)

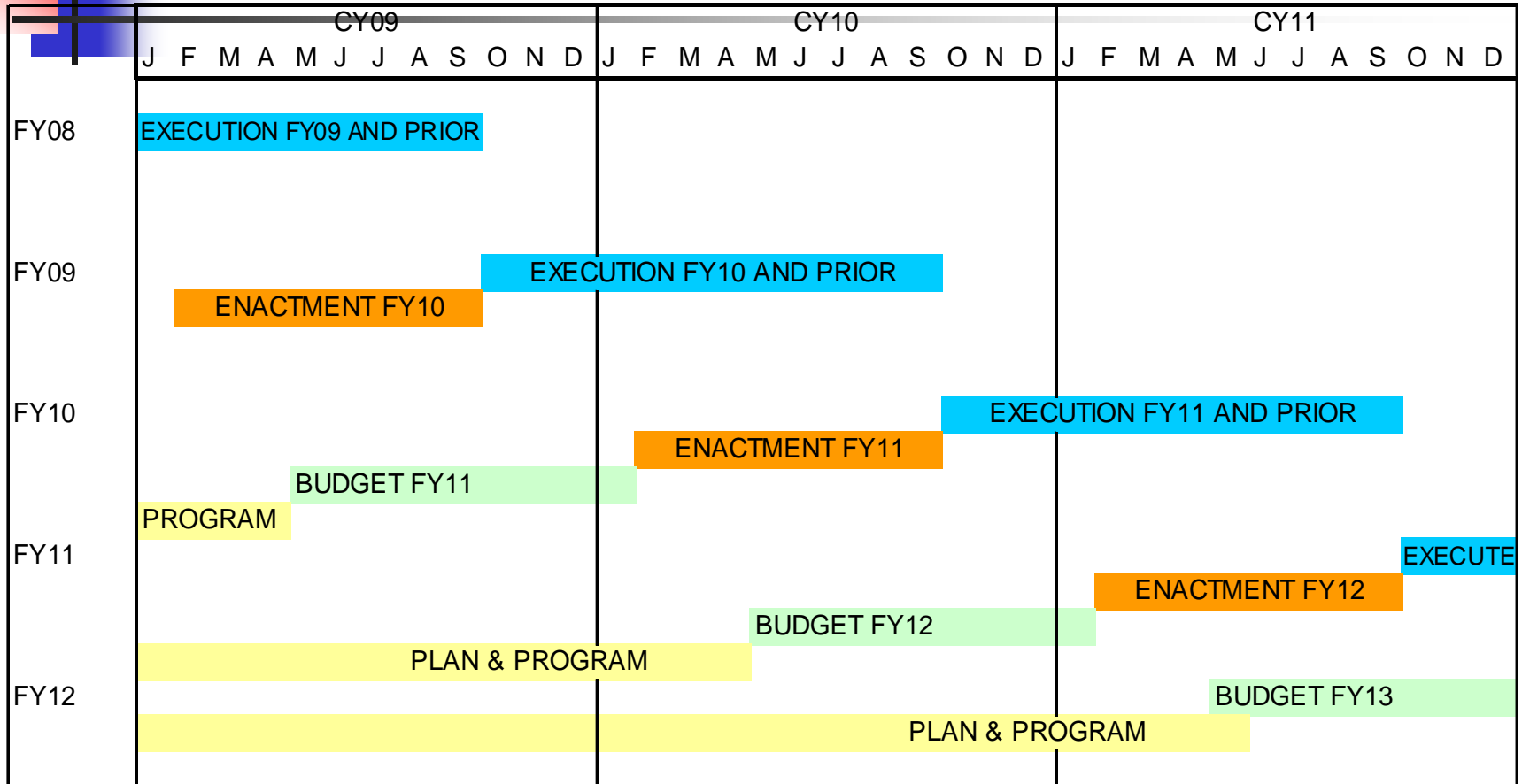


ASK AND YOU SHALL RECEIVE

Program Objective Memorandum

- Looks Out 2-7 Years
- Takes In
 - National Military Strategies
 - Threat Assessments
 - Service Long Range Plans And Priorities
- President's Budget
 - Focus On The Next Fiscal Year
 - Budget For FY10 Submitted In Feb 09
 - Executive Branch Orgs Submit Much Earlier
 - DOD Funding In 3 Appn Bills (DOD, MILCON And Energy/Water)
- Future Years Defense Plan
 - Stores Info On Prior Year, Current Year And Next 9 Years

SOMETHING IS ALWAYS GOING ON



WHERE DOES THE MONEY COME FROM?



- President Gives Budget Proposal To Congress In February
 - \$3,000,000,000,000 For FY09
 - About 2,000 Pages
- House Generates Revisions
 - House Appropriation Committee
- Senate Generates Revisions
 - Senate Appropriation Committee
- Conference Bills
- President Signs Into Law


Normally
12 Bills



CONGRESS HAS TO AUTHORIZE YOUR MIATA



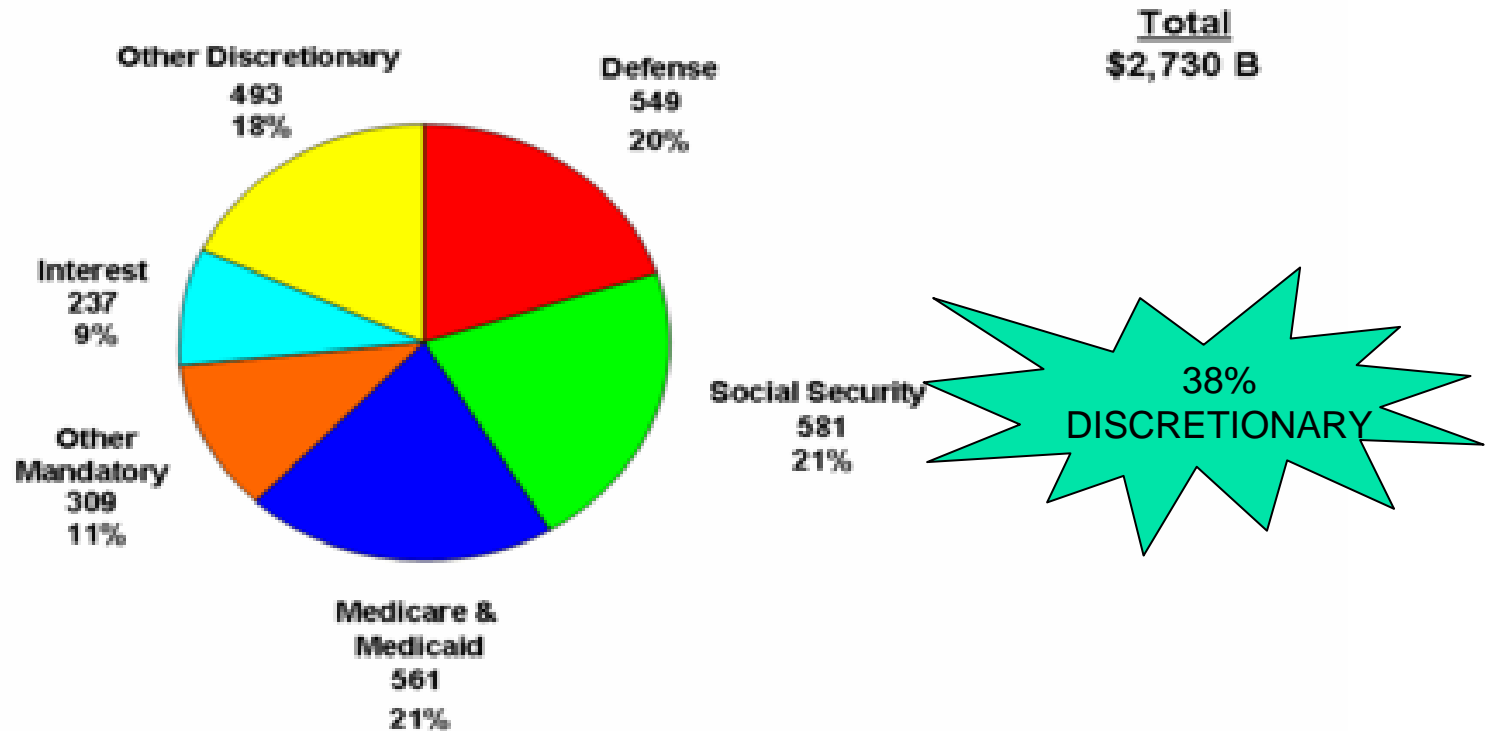
- Congress Looks At Military Force Structure
 - How Many Planes, Ships, Soldiers
 - House Armed Service Committee
 - Senate Armed Service Committee
- Congress Looks At Politics
 - Extra Ships From Mississippi (Lott)
 - More F-22s (92,000 Workers In 44 States)
- Conference Committees
- President Signs Into Law



Usually before
appn passed

A LOOK AT THE BUDGET

U.S. Federal Spending – Fiscal Year 2007 (\$ Billion)

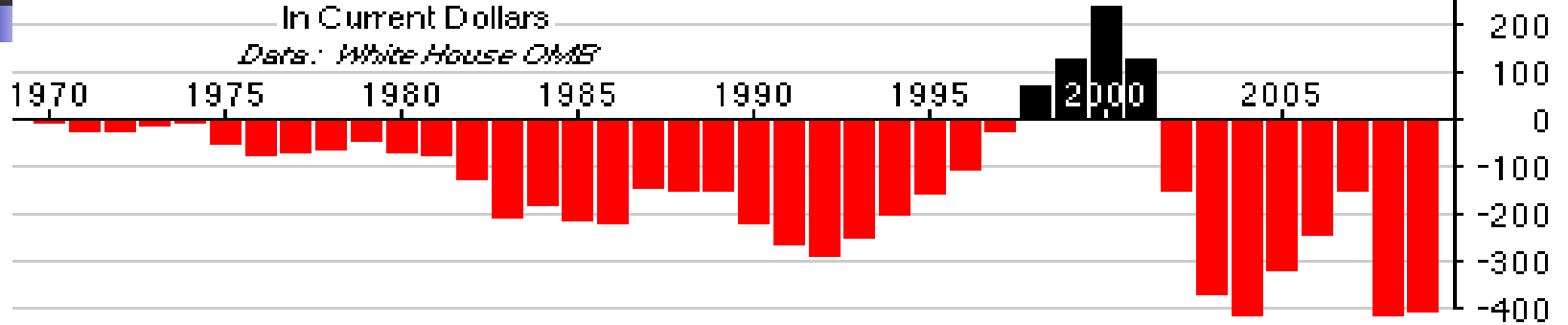


http://en.wikipedia.org/wiki/Federal_budget_%28United_States%29

Source: *Budget of the United States Government FY 2009*

DEFICIT VS DEBT

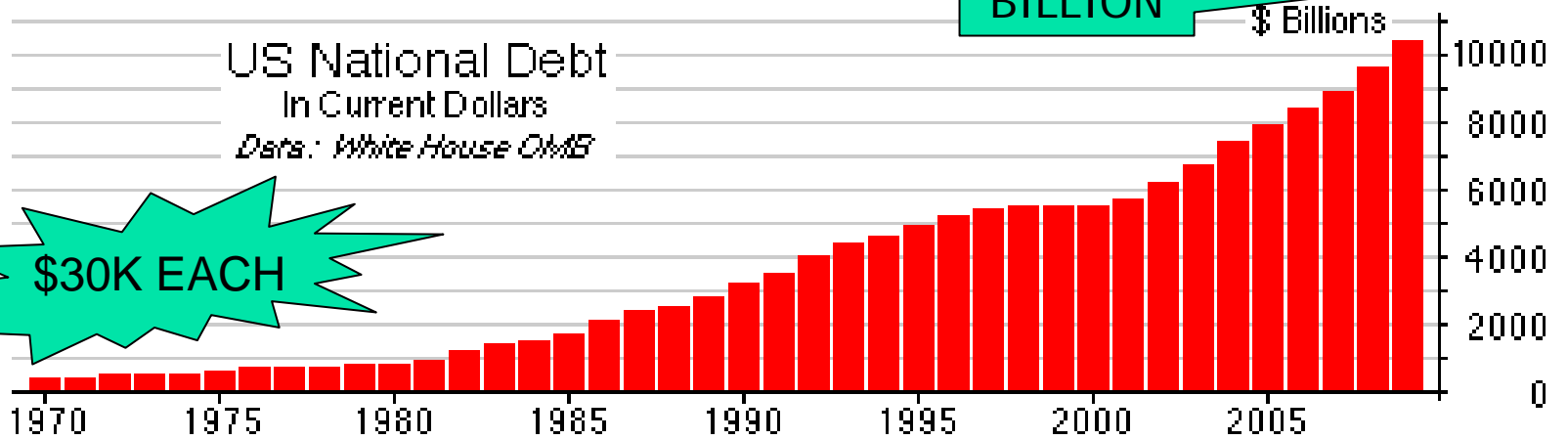
Federal Deficits and Surpluses



US National Debt

In Current Dollars

Data: White House OMB



10,000 BILLION

\$30K EACH

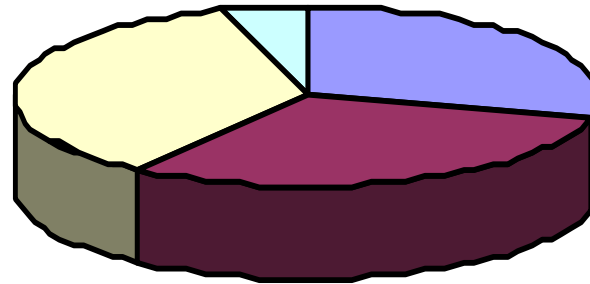
DOD BUDGET REQUEST FY09

**\$35.9B Increase
From FY08**

Strategic
Modernization
\$ 183.8 35%

Family Housing and
Facilities \$ 23.9
5%

Military Pay and
Health Care
\$ 149.4 29%

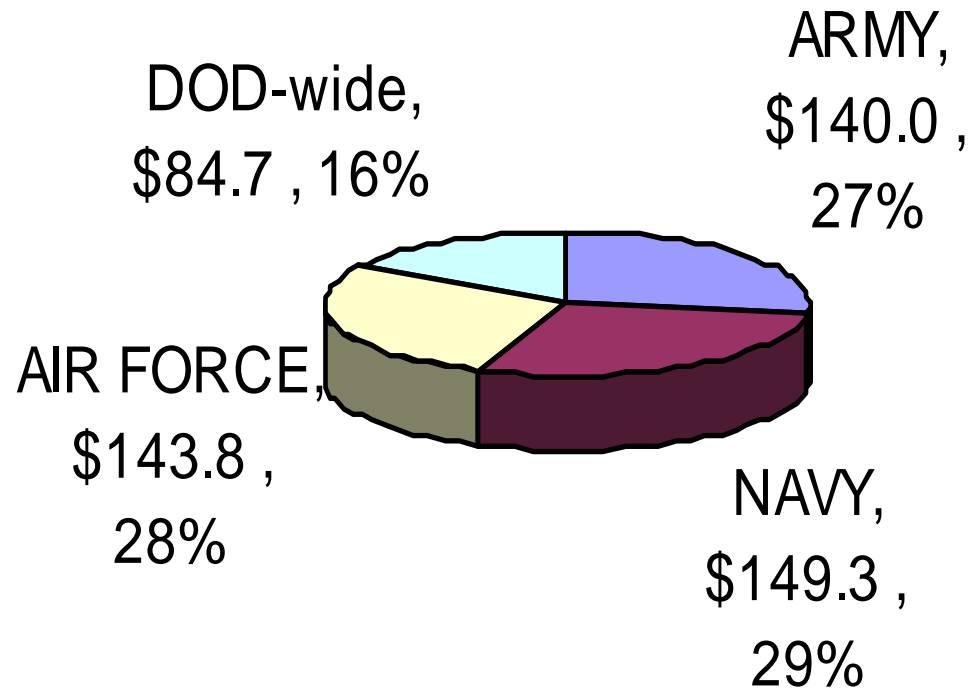


Operations,
Readiness and
Support \$ 158.3
31%

\$515.4B

EXCLUDES GLOBAL WAR ON TERRORISM \$70B

APPROVED BUDGET FY09



517.8B- \$2.4B more than requested

http://www.defenselink.mil/comptroller/defbudget/fy2009/fy2009_summary_tables_whole.pdf



BUDGET BY 1 OCT

- Supposed To Pass Budget By 30 Sep
- Congress Changed FY Start From 1 July To 1 Oct Starting FY1976
 - Only A Few Appns Enacted by 30 Sep Since
- Continuing Resolution Authority (CRA)
 - 6 Day Shutdown In 1995 With No CRA
 - Partial Day Shutdowns 1981, 1984, 1986
 - Columbus Day Weekend 1990

CONTINUING RESOLUTION AUTHORITY (CRA)



- For A Finite Period (i.e. 3 Weeks)
- Spend At Lower Of
 - Last Year's Rate
 - House Or Senate Passed Appn Bill
 - President's Budget Request
- No New Starts
 - No New Procurement Programs
- Expire When Appropriation Bills Passed



FY09 OMNIBUS APPN

- Rolled Nine Appns Into One Bill
- “Too Big To Fail”
 - Became A “Must Pass” Crisis
- Congress Didn’t Pass Until March
 - CRA Until Then for Those Affected
- Senate Failed (32-63) to Strip Out 8570 Earmarks Totaling \$7.7B From HR1105
 - Former Lawmakers 458 Earmarks \$227M



PORK EARMARK ROSE

- A Discretionary Expense Specified In An Appn Bill
- Not Requested By President
- Serves Only A Local or Special Interest
- Not Competitively Awarded
- Citizens Against Govt Waste
 - http://www.cagw.org/site/PageServer?pagename=reports_porkbarrelreport



TYPICAL EARMARK

SEC. 732. Notwithstanding any other provision of law, there is hereby appropriated:

- (1) \$1,877,000 of which \$1,408,000 shall be for a grant to the Wisconsin Department of Agriculture, Trade, and Consumer Protection, and \$469,000 shall be for a grant to the Vermont Agency of Agriculture, Foods, and Markets, as authorized by section 6402 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1621 note);
- (2) \$338,000 for a grant to the Wisconsin Department of Agriculture, Trade and Consumer Protection; and
- (3) \$94,000 for a grant to the Graham Avenue Business Improvement District in the State of New York.



REVERSE EARMARK

- SEC. 715. None of the funds made available to the Food and Drug Administration by this Act shall be used to close or relocate, or to plan to close or relocate, the Food and Drug Administration Division of Pharmaceutical Analysis in St. Louis, Missouri, outside the city or county limits of St. Louis, Missouri.



BUDGET LAYERS

- Office Of Management And Budget
- **DOD**, HUD, Homeland Sec
- Service Department-Army, Navy, **AF**
- Major Command-**AFMC**, AMC, NAVOPS
- Base/Wing, **Kirtland AFB**
- Individual Organization: **Fuel**



CAN TAKE
WEEKS TO FLOW



WITHHOLDS
TAKEN AT EACH
STEP IN DOD



MY CRYSTAL BALL IS BROKEN

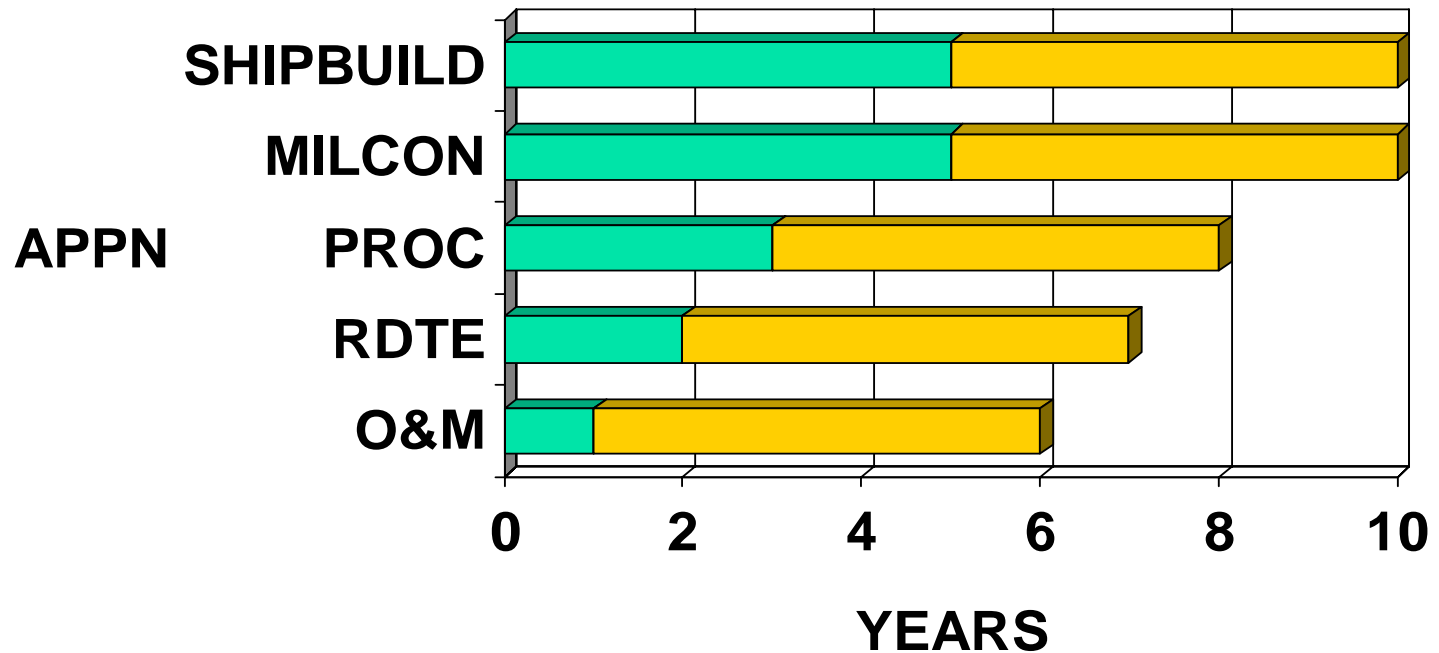
- DOD Must Spend According To Law
- Very Inflexible
 - Limits On Moving Money Between Appropriations
 - Can't Buy Weapons With Operations And Maintenance Money
- Hard To React To Changing Circumstances
- Budgets Developed Years Before

WHAT'S SO SPECIAL ABOUT SEPTEMBER ?



- End Of The Fiscal Year
- All Obligatable Money Must Be Obligated
 - During 4th Qtr Unobligated Amounts Go Back Up The Chain
 - All The Unspent Monies Flow Downward To Whoever Can Spend
 - Follow The Time Zones
 - 1 Oct Unobligated Amounts Return To Treasury
 - Use Or Lose
- Expiring Appns Must Be Cleared
 - Use Or Lose
 - New Liabilities Out Of Next Year's Money
- Set Up For Next Fiscal Year

APPROPRIATION LIFE



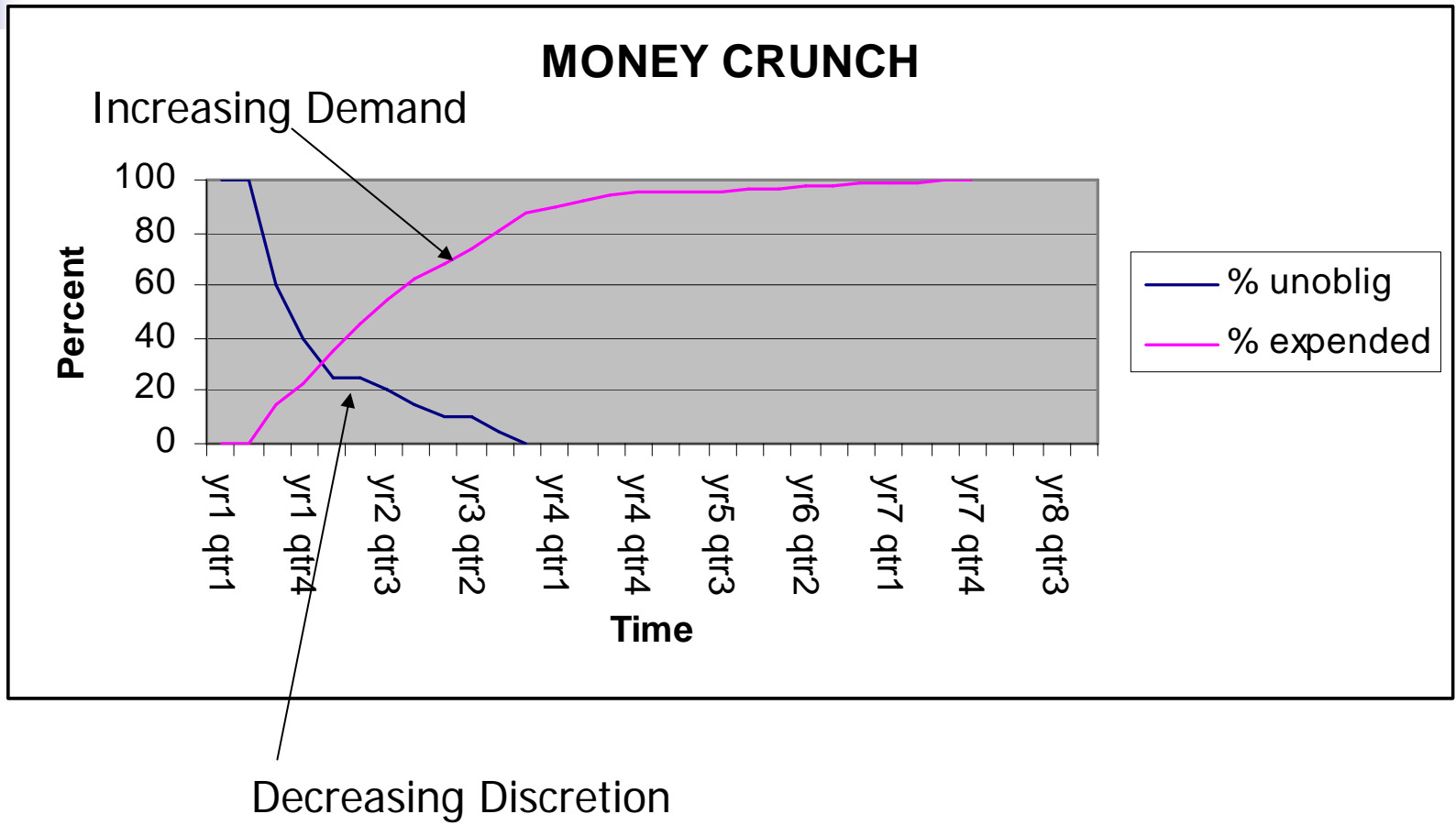
OBLIGATE/EXPEND **EXPEND**



ESTIMATE REALITY

- One Study Said 80% Of Programs Need More Money
- Need for Money Surfaces When There Is None
- Zero Sum Game- If You Win, Someone Else Loses
- Solutions: Reduce Qty, Stretch Program

TIMING IS EVERYTHING





OBLIGATION

- Binding Situation
- Gov't Must Pay
 - Payroll
 - Signed Contracts
- Must Be Legal
 - Gov't Can Later Override If Not
- Example: Car Lease- Must Pay For 2 Years, But Not All At Once



EXPENDITURES

- As Services Are Rendered
- Results In Payment From The Treasury
- Example: Monthly Car Lease Payment
- Payments Have To Tie Back to Funding Source
 - Like Having Thousands Of Checkbooks
 - One Wrong Entry Throws System Off
 - No Overdraft Protection



WHAT ARE THE RULES?

- Right:
 - Expenditures Proper When Authorized By Congress
- Wrong:
 - Expenditures Proper Unless Prohibited By Congress
- GAO Principles of Appn Law (Red Book)
2nd Edition 3175 Pages Long



HIERARCHY OF RULES

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- Constitution
- General Statutes
- Authorizing/Appn Legislation
- Purpose/Time/Amount
- Comptroller General Decisions
- Codified Federal Regulations
- Agency Regulations

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APPROPRIATION LAW

- Purpose-(Necessary Expense)
 - Only For Items Authorized By Law
 - Items Can Be Specifically Excluded
- Time
 - Length Of Time New Obligations Can Be Incurred
- Amount
 - Can Not Exceed Amount Approved



NECESSARY EXPENSE

- Logical Relationship
- Not Prohibited By Law
- Not Funded Elsewhere
 - Construction in MILCON
- Examples
 - Operating Expenses
 - Purchases
 - Capital Projects



TIME

- Appropriations Have Time Limits
- Bona Fide Need In FY
 - Must Be Needed In Current Or Previous FY
 - Can't Stockpile
 - Can't Pay In Advance
- Severability
 - Single Purpose Or Recurring Function
 - Install Roof- Not Severable
 - Clean Offices- Severable



AMOUNT

- Exactly What Is The Amount?
 - Congress Provides Budget Authority
 - Services Subdivide Money-Issue Qtrly
 - At What Level Was Too Much Spent?
- When Is It Valid?
 - Can't Spend In Advance Of Appn
 - "Subject To Availability Of Funds"
 - Requires New Paperwork Once Appn Passes



ANTI DEFICIENCY ACT

- Expend More Than You Have
 - Last One To The Trough Loses
- Criminal And Civil Penalties
 - Jail And Fines (Provided For/Never Used)
 - Career Killer (Always)
 - Agencies Try To Raise The Level To Spread Risk
 - "Good Intent" And "Good Faith" No Excuse
- Voluntary Services Prohibited
 - Can't Work For Free (Except Emergencies & Mgt)



CONCLUSION

- Strict Rules
- Congress Has Upper Hand
- Little Flexibility
- Many Players
- Juggling Act
- Workload Peaks And Valleys
- Business Does Not Run This Way



PERSPECTIVE

- “The Government cannot give to anybody anything that it does not first take from someone else.”
 - Dr. Adrian Rogers