THE WHITE HOUSE TRANSITION PROJECT
1997—2017

RICE UNIVERSITY'S BAKER INSTITUTE FOR PUBLIC POLICY

SMOOTHING THE PEACEFUL TRANSFER OF DEMOCRATIC POWER

Report 2017—22

THE OFFICE OF MANAGEMENT AND BUDGET
AN INSIDER'S GUIDE

Editors: Steve Redburn, *George Washington University*
Paul Posner, *George Mason University and the White House Transition Project*

Authors of one of more sections include:

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WHO WE ARE & WHAT WE DO

The White House Transition Project. Established in 1999 to provide information to incoming White House staff members so that they can hit the ground running, The White House Transition Project includes a group of presidency scholars from across the country who participate in writing essays about past transitions and the inner workings of key White House offices. Since its creation, it has participated in the 2001, 2009 and now the 2017 presidential transitions with the primary goal of streamlining the process and enhancing the understanding of White House operations. WHTP maintains an important, international dimension by consulting with foreign governments and organizations interested in improving governmental transitions. http://whitehousetransitionproject.org

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EXECUTIVE SUMMARY

The Office of Management and Budget (OMB) is a powerful arm of the presidency, yet its work is largely invisible to the public. Over successive administrations, around 500 OMB staff, mostly civil servants, have helped each president and the White House staff implement the president's policy priorities, improve government management, and ensure coordinated, consistent administration of the president's policies.

In reviewing the background and impact of the office, there are several lessons we learn about OMB and its relationship to the president.

1. *While OMB has developed new functions over time, its centrality to a president's achieving policy goals has remained the same.*

A brief history of the evolution of OMB reveals how much its responsibilities and internal structure have changed over time. The constant has been the commitment of its career staff to the highest standard of service to the presidency – to helping each president succeed.

During presidential transitions, OMB provides memory and continuity. Following the election and until the inauguration, OMB career staff simultaneously but separately support the current president and brief transition teams representing the incoming president. At inauguration, when political appointees of the outgoing administration depart and its records are archived, OMB staff work with new appointees of the incoming administration to turn its priorities into specific budget and policy proposals. OMB helps a new president provide guidance to executive agencies when they may have few if any Senate-confirmed political appointees. Then and thereafter, OMB staff provide senior policy officials in OMB

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and the White House with immediate access to current and historical knowledge about federal programs and operations; funding history and program effectiveness; and near term challenges and unresolved issues – along with advice on often highly technical matters of policy, budget, law, and administration.

2. *The budget calendar presents the president with an early opportunity to establish policy priorities.*

Annually, OMB leads the development of the President's Budget. Among the first tasks of a newly elected president is to begin thinking about the budget. Early in 2016, OMB asked agencies "to prepare information to help the next administration to identify information needed to develop program-level current services estimates." It asked agencies to work with OMB staff to identify key program and budget issues requiring attention by the incoming administration. A president sworn in on January 20th does not have sufficient time to develop a fully detailed budget for the coming year prior to the first Monday in February, the date by which the law requires the Budget to be submitted. In addition to the budget itself, early in their tenure recent presidents addressed a joint session of Congress to discuss the economy and their goals. President Obama and George W. Bush gave their addresses on February 24 and 27th respectively while Clinton gave his February 17th. In order to give this important speech, a president needs to have a good sense of budget priorities.

In the past two transitions, the new president transmitted a policy document near the end of February, followed by a complete budget several weeks later. The new president will expect OMB to provide immediate help in working with Congress to complete action on the budget for the current year (Fiscal Year 2017), deciding how to fit commitments made during the campaign within the limits set for the 2018 budget, and in doing deciding how to address the caps on spending imposed by the Budget Control Act of 2011.

3. *OMB serves as a key presidential coordinating mechanism by performing as a clearinghouse for presidential communications throughout the administration and with Congress.*

OMB's staff and procedures help ensure that the administration speaks with "one voice" when communicating with Congress on legislation and policy, including the Administration's proposals. It does this by coordinating and clearing agency statements and recommendations on proposed and pending legislation, testimony before congressional committees, letters to Congress, and other communications with congressional staff on legislation. In a similar way, OMB's staff also manage a highly efficient internal and public review process for proposed regulations.

4. *OMB is important in the management and implementation phase of programs.*

OMB leads on an array of efforts to improve the government's execution of its far-reaching responsibilities. This management role encompasses program performance and measurement of program performance, regulatory and financial oversight, and policy guidance on procurement, information systems, and on related matters such as information policy, paperwork reduction, privacy, and cyber security. The Deputy Director for Management assists the Director in formulating and implementing an Administration's "management agenda." Four major offices, established by statute, oversee and coordinate each Administration's policies for procurement, financial management, eGovernment, and information and regulatory affairs. OMB's Office of Performance and Personnel Management (OPPM) leads Administration efforts to improve performance and results by encouraging the adoption of effective performance and personnel management practices. The work of these and other specialized offices within OMB is described in the second part of this report.

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PART ONE: OVERVIEW

> One of the interesting things about OMB is that it is unexplainable to everyone who lives outside of the Beltway and misunderstood by nearly everyone who lives inside the Beltway.
>
> — Paul O'Neill, Former Deputy Director, quoted in Dame and Martin, 2011, p. 1.

The Office of Management and Budget (OMB), the largest component of the Executive Office of the President, is a powerful arm of the presidency, yet its work is largely invisible to the public. Over successive administrations, around 500 OMB staff, mostly civil servants, have helped each president and White House staff implement the president's policy priorities, improve government management, and ensure coordinated and consistent administration of the president's policies.

OMB's *raison d'être* is continuity and service to the president. While the size and structure of OMB have changed over the years, some elements have remained constant: neutral competence on the part of the career staff; a passion for precision and accuracy; superb staff work; a willingness to work as long and hard as it takes to get the job done; development of and adherence to presidential policies and programs; and great pride in being the enduring career staff of the presidency.

> There is an assumption that if you were on the Budget committee or if you were Budget chairman, then [being OMB Director] is a natural fit; and it's not. Just because you know that doesn't mean you know how to be an OMB director, and I learned that . . . . you're managing a department of 500 racehorses. These are some of the best people in government, often the best people in government work in OMB . . . . We had people there who had real careers and jobs, in addition to a great education background, and then came in to serve, and usually had experience throughout government. And so these were racehorses, thoroughbreds . . . .
>
> — Jim Nussle, former OMB Director, interviewed in 2014

1. Purpose and Organization

OMB's role is captured in more formal language in its FY 2016 Congressional budget submission:

> The Office of Management and Budget (OMB) assists the President in the development and execution of his policies and programs and in meeting certain statutory requirements, including the preparation of an annual Federal budget. In meeting these responsibilities, OMB reviews agency budgets, management, legislative, regulatory, financial, procurement, and other proposals; assures that all such proposals are consistent with relevant statutes and presidential objectives; provides both short-range and long-range analysis and advice to government officials on a variety of subjects; and develops Government-wide policies.

What OMB Does

All of OMB's loyalties are to one "customer": the president. What does OMB do for this "customer" and ultimately for the public and the Nation?

A traditional answer is that OMB does "management" and "budget." Some explanations of what these terms signify were contained in a 1993 self-study of OMB (known as "OMB 2000") as follows:

Budget. OMB's traditional and most visible role is to manage the process of producing the annual budget proposals of the president for consideration by Congress. Every president requires and demands for this purpose a source of advice and counsel on the myriad aspects of government's current and proposed policies and budgets, a source that provides advice in an analytical context, balancing the views of advocates of specific policies with the broader goals of the Administration. OMB is that source.

Regardless of whether Federal resources are growing or contracting, there are never enough to meet the demands of agencies, interest groups and Congress. Therefore, the corollary to this central role is the necessity of acting as the president's disciplinarian over the development of the budget. There has to be a place short of the president at which the desires of each agency are related to those of all the others, which compares those desires against the president's overall plan, and which winnows down the thousands of issues thus revealed to the most essential ones that can finally be resolved only by the president. In effect, a place where somebody can say 'yes' or 'no' in the president's name. OMB is that place.

Once decisions are made, they have to be assembled in one set of documents at one point in time, in a rigorous form that ensures, to the maximum extent possible, that the numbers add up and the policies are consistent. This is the annual Budget of the United States Government, the president's proposals. It is unique: it is, for one day, at least, 'frozen policy' -- the one moment at which a detailed plan is laid out in advance for every activity of government. The technical work necessary to produce this budget is time consuming, often tedious, contentious and difficult, but necessary. Despite journalistic and political dismissals of some budgets as 'dead on arrival,' in fact this document sets the basic, detailed benchmarks against which subsequent changes and those same journalists and politicians measure Congressional actions. OMB does this work.

Beginning January 20, 2017, the new Administration must immediately address the budgetary requirements imposed by the Budget Control Act of 2011 as outlined in Figure 1, below.

Management. OMB's contribution to the government's management and performance can be measured broadly by its ability to respond for the president to these questions:

1. How well do agencies manage their programs and resources to produce the goals of law and presidential policy, and how can OMB help them improve?
2. How well do agencies choose (or seek legislative authority for) the most appropriate method for delivery of a service or benefit?
3. How well do agencies evaluate program activities to determine their net effects, success or failure, and respond to these findings by management improvements and budget and policy proposals?"

Figure 1. Immediate Action under BCA of 2011

OMB on January 21, 2017: Immediate Action Required

The Budget Control Act of 2011 established separate caps for defense and nondefense budget authority through FY2021 (since extended to 2025). The caps have been adjusted twice since then, and calls to increase the defense caps (mostly from DoD and Republicans) and the nondefense caps (mostly from the Obama Administration and Democrats) have intensified recently, given that the caps decrease in FY2018 relative to FY2017. [See table below.] In addition, funding for FY2017 is unlikely to be finalized by January 21. The tradeoffs between increased funding for defense and nondefense programs, the use of special funding provisions that are not subject to the caps, like funding for Overseas Contingency Operations [See section 7.], potential offsets to the increased funding whether from cuts to mandatory programs or increased taxes, and the potential use of increased deficit financing will face the new OMB Director immediately. And the policy decisions to address these issues will be made all that much harder as, under current law, deficits and debt are projected to increase in the years ahead.

Discretionary Budget Authority, Deficits and Debt

Program	2015 Actual	2016 Obama Request	2016 Caps	2017 Obama Request	2017 Caps	2018 Caps	2019 Caps	2020 Caps	2021 Caps
Defense	$521	$548	$552	$552	$551	$549	$562	$576	$590
Nondefense	$507	$537	$518	$538	$518	$516	$530	$542	$555
Deficits	$438	$529	$534	$433	$550	$549	$710	$798	$890
Debt (%/GDP)	73.6	75.4	75.4	74.9	75.5	74.1	74.1	74.3	74.4

Notes: in billions of dollars
Defense & Nondefense BA excludes OCO & other adjustments
Sources: CBO, "An Analysis of the President's 2017 Budget" and "Updated Budget Projections: 2016 to 2026," March 2016.

As these questions suggest, OMB carries out its mission most effectively when it meets all of its responsibilities in a coordinated, integrated manner: "management" and "budget" are but two sides of the same coin. However, in recent years, OMB's organizational structure has sometimes separated the treatment of management issues from matters of policy and budget. This split is discussed later in this section and in Section 3.

A longer-term view of the role of OMB and the responsibilities of its staff was presented by Paul O' Neill in a September 6, 1988, presentation to OMB staff. O'Neill, who went on to become the Chairman & CEO of the Aluminum Company of America and a Secretary of the Treasury, is a former civil servant who rose to become a politically appointed Deputy Director of OMB before he left the government to pursue a career in the private sector. Excerpts from O'Neill's 1988 speech follow:

> At its most sweeping promontory, the Presidency is about our time and our future.
>
> None of [the work of OMB] is easy. It requires great effort, stimulated by the guiding light of motivation. I suggest to you the guiding light for this motivation is to serve the institution of the Presidency with the objective of living up to a standard which says -- in every decision the President has to make, he has from you -- when he needs it -- the best and clearest exposition of the facts and arguments on every side of the issue that it is possible for a human mind to muster.
>
> As our society and government become more complex, it is of the greatest importance that there be a point of institutional memory and neutral competence -- better yet, neutral brilliance -- available to the President and the Presidency.
>
> The Presidency should not be about sophisticated cynicism. On the contrary it should be about ideals. And for individuals, it should be a cherished opportunity to make a difference. Oliver Wendell Holmes, Jr. said it in a way that speaks to me. He said, 'I think that, as life is action and passion, it is required of a man that he should share the action and passion of his time at peril of being judged not to have lived.'
>
> To those who do not know it, the greatest opportunity you will ever have is the opportunity to make a difference in something that matters. No place offers more of that opportunity than the institution of the Presidency and the office you represent. Guard the flame in your time and pass it undiminished to those who follow.[1]

ORGANIZATION

OMB is headed by a Director who is a member of the president's cabinet. The Director has sweeping responsibilities for policy and management, and must be confirmed by the Senate. Presidents frequently turn to their OMB Directors for advice and assistance, and the relationship between a President and the OMB Director may have an important bearing on an Administration's success both in enacting and in effectively executing its policies. A Deputy Director, also Senate-confirmed, serves as the Director's general deputy, with responsibilities for particular matters as determined by the Director. [See section 2. for more on these two positions.] OMB's leadership has the support of a core of offices including: OMB's general counsel (who helps coordinate the review of executive orders among other matters); a small legislative affairs staff (which coordinates policy level

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[1] Quoted in Dame and Martin, 2011, pp. 3-5.

communications with the Hill); and an office of economic policy (which works with other White House and Treasury offices to develop and review economic projections) [See section 15.].

Offices with OMB-wide responsibilities, most of which are discussed in sections of this guide, include: the Director; the Deputy Director; the Deputy Director for Management; the Executive Associate Director; Intellectual Property Enforcement Coordinator; Office of Communication and Strategic Planning; General Counsel; Legislative Affairs; Economic Policy; Management and Operations Division; Office of Performance and Personal Management; Legislative Reference Division; and the Budget Review Division.

Most of the time since 1994, OMB has had five resource management offices (RMOs), organized by agency and by program area. These offices, headed by a politically appointed program associate director (PADs) account for most OMB staff. Each oversees a set of executive agencies and related policy and management issues.

With guidance and technical support from a central Budget Review Division, the RMOs carry out OMB's central role of assisting the president in preparing the budget, transmitted annually to Congress, and also help supervise agencies' administration of law and policy. In helping to formulate the president's budget proposals, RMOs assess the effectiveness of agency programs, policies, and procedures; review and assess agency funding proposals and policy initiatives; and they help OMB leadership prioritize competing funding demands consistent with presidential priorities and guidance. Once budgets have been enacted, RMOs oversee their execution by approving the apportionment of funds to budget accounts and activities consistent with law. The RMOs analyze and evaluate budgets, oversee implementation of policies, and support initiatives to improve government-wide management. In short, the RMO staff, which constitute the bulk of OMB career staff, are the core source of expertise on all matters pertaining to the programs and operations of federal departments and agencies. [See section 8 for more detail.]

A central Budget Review Division (BRD) [See section 9.] manages the production of the budget, including operation of the MAX systems to handle agency input to the budget data base and facilitate a growing array of cross-agency information exchanges. BRD also works with RMO staff on a variety of scorekeeping tasks and government-wide data collection exercises for special circumstances both during budget preparation and throughout the year.

The Deputy Director for Management (DDM), a Senate-confirmed official, develops and oversees executive branch management and performance improvement and serves as the federal government's chief performance officer (CPO) [See Section 3.]. The purview of the DDM/CPO includes information technology, financial management, procurement policy, strategic planning and performance, and human resources policy. Within the OMB and reporting to the DDM is the Office of Performance and Personnel Management (OPPM), which works with other government agencies to improve overall results, transparency, and personnel effectiveness [See section 16.].

Four major offices, established by statute, oversee and coordinate each Administration's procurement, financial management, eGovernment, and information and regulatory policies. Brief descriptions of these follow:

Office of Information and Regulatory Affairs (OIRA). OIRA, whose Senate-confirmed director reports directly to the OMB Director, reviews collections of information imposed on the public; provides guidance concerning the acquisition, use and management of Federal information resources; coordinates policy direction on Federal statistical activities; and implements executive regulatory oversight activities under Executive Order 12866 (Regulatory Planning and Review) and Executive Order 13563 (Improving Regulation and Regulatory Review). Its administrator reports to the OMB Director. [See section 10.]

Office of Federal Financial Management (OFFM). OFFM prepares the government-wide financial management status report and 5-year plan. OFFM monitors the execution of the plan and provides policy guidance on preparation and audit of financial statements, financial systems requirements, management controls, and cost accounting and audit requirements for the non-Federal grantee community. OFFM also provides policy guidance on Federal grants management, on how to reduce improper payments, and on how to manage and dispose of the federal government's real property. [See section 11.]

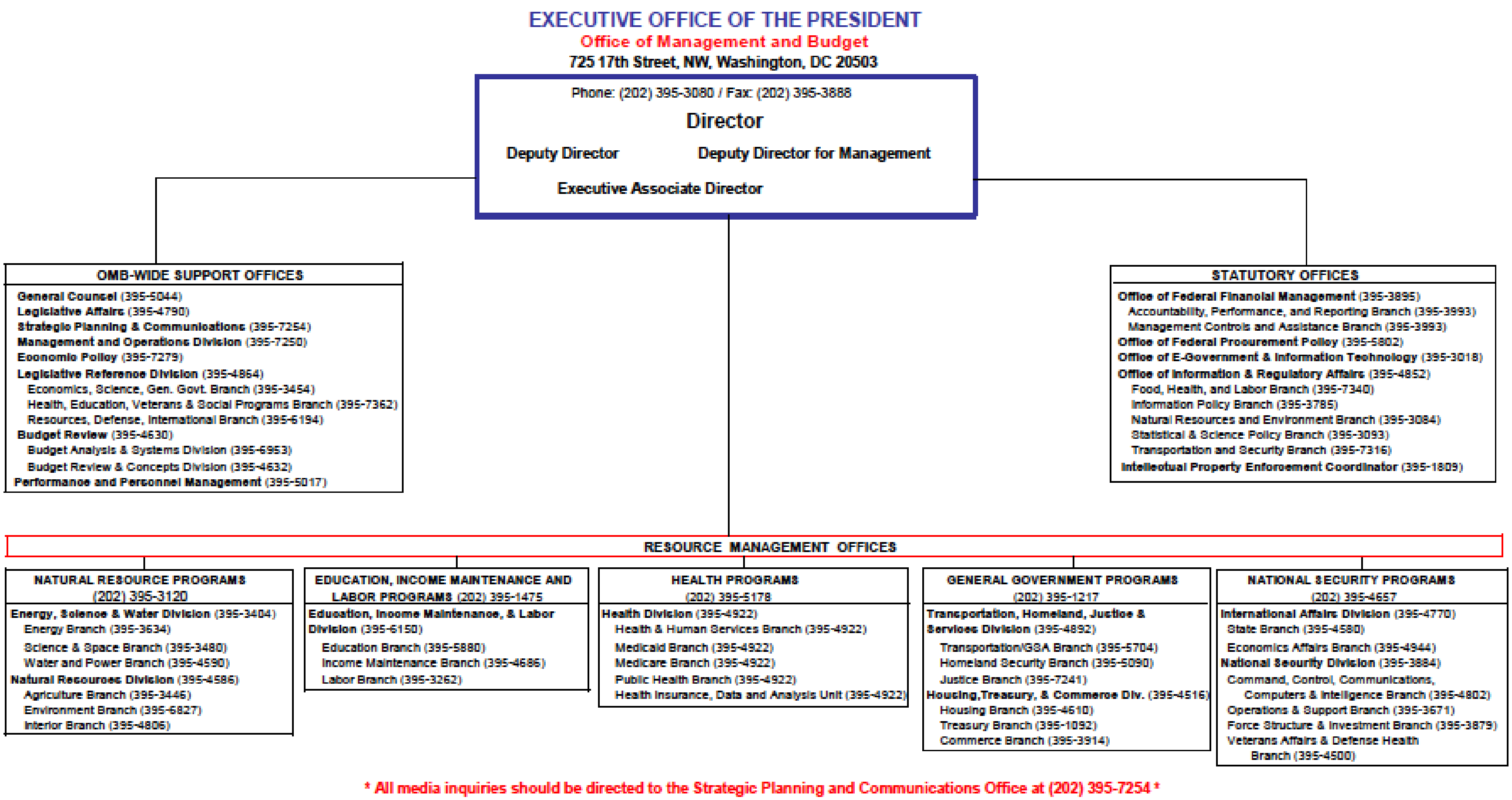
Office of Federal Procurement Policy (OFPP). OFPP provides overall direction of procurement policies, regulations, and procedures for Executive agencies. It prescribes government-wide procurement policies to be implemented in the Federal Acquisition Regulation and provides leadership and coordination in the formulation of Executive branch positions on procurement and procurement-related legislation. The Cost Accounting Standards Board, an entity within OFPP, exercises the authority to make, promulgate, amend, and rescind cost accounting standards. [See section 12.]

Office of E-Government and Information Technology (E-Gov). Headed by the government's chief information officer, E-Gov leads Government-Wide IT policy and oversight activities designed to: maximize the return on investment in Federal IT; drive innovation to meet customer needs and use IT to make it easier for citizens and businesses to interact with the government; and secure and protect the Government's data. E-Gov provides oversight and guidance on agency IT investments, and on agency management and execution of these investments. E-Gov provides direction and management support to presidential E-Gov initiatives, and other cross-agency, Government-Wide efforts by leveraging IT to improve service delivery to citizens, businesses and agencies while making more efficient use of taxpayer resources. To improve digital service delivery across government, E-Gov also contains the U.S. Digital Service team, a small group of technical experts who work with agencies on their high priority IT projects, and identify best practices that are replicable across government. E-Gov leverages its resources by working closely with the Federal Chief Information Officers Council. [See section 13.]

OMB's organization chart as published on the OMB website in March 2016 can be found here:

https://www.whitehouse.gov/sites/default/files/omb/assets/about_omb/omb_org_chart_0.pdf

Figure 2. OMB Organization Chart, 2016



To perform its many missions for the president, in FY 2016 OMB had an appropriation of $95 million. This funded 490 Full-Time Equivalent positions (FTEs), distributed as shown below:

Table 1. OMB FTEs in FY2015

Unit/Office		FTE
OMB-wide Offices		174
Resource Management Offices (RMOs)	235	
-Education, Income Maintenance & Labor		31
-General Government		53
-Health		43
-National Security		55
-Natural Resource		53
Statutory Offices	81	
-Office of Information & Regulatory Affairs		47
-Office of Federal Financial Management		17
-Office of Federal Procurement Policy		17
Total		490

Source: OMB Budget Justification, President's Fiscal Year 2017 Budget.

The number of designated positions – including those temporarily vacant is a somewhat larger number. This is augmented, especially during budget season, by a small number of personnel detailed from other agencies.

OMB'S ROLE IN PRESIDENTIAL TRANSITIONS

> . . . below that [political appointee] layer, are all hard charging professionals that serve any President that comes in, and do it with just as much rigor and enthusiasm as they did for the last person who held the Presidency.
>
> — Jim Nussle, interviewed in 2014

During transitions between presidential administrations, OMB plays a critical role by providing memory and continuity. Following the election and until the inauguration, OMB career staff simultaneously but separately support the current president and brief transition teams representing the incoming president. At inauguration, when political appointees of the outgoing administration depart and its records are archived, OMB staff work with new appointees of the incoming administration to turn its priorities into specific budget and policy proposals. OMB helps a new president provide guidance to executive agencies in a period when they may have few if any Senate-confirmed political appointees.

When President Truman declared in 1952 that he would not run again, he tasked the Bureau of the Budget (OMB's predecessor) with the task of gathering information on a new administration so the incoming president would not be as ill-informed about the operations of government as he was in 1945.

At a gathering of former OMB and BOB officials and staff some years ago, a former communications director told a story that captures perfectly the role that OMB career staff play during presidential transitions. He said that his boss, the Director, asked him to provide a very brief statement that he could use when asked to explain the essence of the then BOB's role. Having thought about it over a weekend, he came in to the Director's office Monday and said, "I've got it. Here is what you can say: 'If tomorrow, little green men from Mars land on the Mall, and all of the staff of all the federal agencies flee the city, the staff of the Bureau of the Budget will stay behind to ensure an orderly transition of power.' " OMB staff play a critical role of institutional memory and support for the new White House during and following every presidential transition.

2. History and Perspectives

> OMB is the Pony Express in Reverse. Every four years or so, a new set of fresh riders comes in to ride the same old tired horses."
>
> — Don Crabill, former OMB division head, quoted in Dame and Martin, 2011, p. 77

The president's role as chief executive expanded significantly in the Twentieth Century, driven primarily by presidents who wanted to increase their control over the Executive Branch and over policy direction. The Office of Management and Budget (OMB) and its predecessor agency the Bureau of the Budget (BOB) were directly involved in many aspects of that expansion.

History

The history of OMB's role – and that of most other agencies that now constitute the Executive Office of the President (EOP) – goes back more than 90 years. In 1900, presidents had virtually no professional staff. They relied on the good graces of appointed cabinet officials and outside advisers. Even though cabinet officials were appointed by the president, the lack of a presidential staff or a president's budget meant that Congress controlled appropriations to the agencies and the loyalties of agency leaders could be divided. Budget preparation work was left to the various committees in the legislative branch, in particular the appropriations committees, but the authorizing committees as well.

To address some of these issues Congress created the Bureau of the Budget in the Treasury Department in 1921, more to address congressional concerns that agency submissions to the Congress needed some minimal review to achieve more technical consistency than to help the president. Its small staff limited its reach while it was located in Treasury.

In 1939, President Roosevelt transferred BOB to the Executive Office through Reorganization Order number 8248. BOB, and now OMB, like most current EOP entities, has no explicit legislative authorization beyond the Reorganization Order. BOB brought with it a professional career staff of 40 people and three enduring activities: preparation of the president's budget, government-wide management functions, and legislative clearance. [See section 14. for discussion of OMB's management of legislative clearances.]

President Roosevelt appointed a few presidential assistants during World War II, but BOB served as the president's principal staff. At the end of the War BOB had around 600 staff, larger than the OMB that exists today. A large number of current EOP agencies were yet to be created. (In 1945, BOB had about 80 percent of the total EOP staff; in 2005, OMB had 28 percent.)

Some idea of the culture existing in a smaller EOP and larger BOB in the post-World War II period can be gleaned from the following:

> When Bill Carey, a career BOB staffer, was head of the Domestic Agencies Division, he and William McCandless, the head of the Budget Estimates Division, went to see President Truman to show him proposed budget marks. It was a mellow November afternoon, the air hazy, the President trying to pay attention. When Carey came to the Weather Bureau (part of NOAA now) Truman broke in, "Young man -- do you understand the science of weather forecasting?" Caught cold, Carey responded, "not as much as I should sir." Then the President said, "Come over here and I'll teach you." He took Carey to the big revolving globe in the corner of the office, whacked it a couple of times, then proceeded to give Carey a twenty minute talk about air-sea interactions, Japanese tides and movements, Siberian air currents, etc. -- and at frequent intervals Carey responded with "I see Mr. President." Then he stopped, opened the French doors and took Carey and McCandless out into the garden. "Every morning," he said," I come down from the house and come out here. I stand right over here, and I consider the temperature and humidity and how I feel generally, and I go inside and write down my forecast for tomorrow. You see, the weather people send me a five day forecast at the start of the week, and what I do is match my own against theirs, and when I'm right and they are wrong I call up old Reichelderfer and give him hell ... Now look, we have done enough work for today. I think you boys have the money right. So let's go home." And with that the budget marks stood approved.
>
> President Truman knew the budget well, and he held his own press conferences on the new budgets he presented. A delegation from BOB would sit with him the day before the press conference, having assembled a black book with likely questions that might come up, and the answers written below. President Truman turned it into a game. He'd flip pages from agency to agency or from program to program, and cover the "answer" before reading the "question", and then he'd try to supply the answer out of his everyday information. "How'd I do boys" -- he'd ask with a grin, and he was nearly always right or very close. This annual performance was a highlight of the year for the Bureau people who had been knocking themselves out on the funding, program, and proposed legislation issues.[2]

Since its initial creation as BOB, OMB has changed in several significant ways to address issues important to the president. Six of the major changes are highlighted below.

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[2] Quoted in Dame and Martin, 2011, pp. 20-21.

OMB and program budgeting.

The requirement to produce a President's Budget shortly after inauguration has provided an opportunity for incoming presidents to quickly exert control over all the thousands of programs in the Executive branch through the OMB budget review process. Agency programs are given intense scrutiny once a year through an analytic program-based review by an OMB staff serving the president. That review also begins the process of coordination with agencies in the EOP over policy issues. [Sections 5. and 6. discuss the modern budget review process in more detail.]

After BOB moved to the Executive Office, budget decision-making changed its focus from budgeting by object class – equipment, travel, staff, etc. – to program budgeting, an approach that emphasized understanding all elements of programs: purpose, performance, structure, resource levels, implementation. The program budgeting approach has been stretched and modified, but it is still the core of today's budget review process.

Program budgeting provided an acceptable framework for *internal* budget determinations for individual programs leading to the president's budget. Program budgeting has established more consensus about which programs work best and which programs do not among successive presidential staffs than one might expect. However, program budgeting did not lead to anything like a *public* (e.g. in discussions with members of Congress) consensus about which programs are effective at meeting public policy goals, which are not, and how to address management weaknesses. The absence of such a consensus contributes to many differences with Congress on budget issues related to specific programs. It also limits improvements in program management.

Budgeting and the Management Role

At the top of an Executive Branch budget of $4 trillion and thousands of programs large and small, the role of OMB in management is closer to that of the policy guidance and oversight functions of a corporate board of directors than to that of a high-level executive overseeing program operations. Program operations are the responsibility of agency managers.

At OMB, management encompasses program performance and measurement of program performance, regulatory and financial oversight, and policy guidance on procurement, information systems, and on related matters such as information policy, paperwork reduction, privacy, and cyber security. From its beginnings, BOB had a management mandate to pursue a better working government. Well run, effective programs continue to be important for policy credibility; and a significant failure – as in the launch of a public website for a major initiative or a publicized abuse or fraud – can go great and lasting damage to an Administration.

In 1970, the Nixon Administration reorganized BOB into an expanded Office of Management and Budget (OMB) with the objective of making management OMB's central focus. The intent, as many saw it, was to give more emphasis to OMB's management role and at the same time establish a White House Domestic Policy Council and a White House Chief of Staff to lead policy development.

The attempt to elevate management tasks coincided with a new environment for the annual budget process. The 1970 reorganization added a new layer of policy officials called

Program Associate Directors, or PADs, to oversee the work of career staff working on the program divisions. By 1974, it was clear OMB had come to play a more active part in advancing the president's policy agenda, raising questions about the basis for its estimates. Passage of the Congressional Budget Act that year established a competing congressional budget process with House and Senate Budget Committees and a Congressional Budget Office and reinforced OMB's role in putting forward the President's Budget representing his priorities. Initially, the Act's major effect was to enhance OMB reporting requirements to the Congress, in particular a new Mid-year report to Congress. Over the next several years, the addition of PADs combined with centralizing budget decision-making in Congress added impetus to centralization of budgeting and more attention to policy development in OMB and the Executive Office – a more top-down process than many were used to. The additional staff time devoted to supporting the president's budget requests may have impeded the simultaneous effort to elevate OMB's management role.

The reorganization also underestimated the increasing pressure of short-term events on all White House staff work, limiting the time available for policy development by the small staff of appointees in the newly created Domestic Policy Council. OMB continued and continues to play an important role at this stage, especially given its storehouse of technical and historical knowledge.

A President may ask OMB to step back and let agencies or task forces take the lead, at least on some major issues. In an exceptional case, President Bill Clinton gave responsibility for his sweeping effort to improve efficiency across government, the National Performance Review, to the Vice-President and a staff largely made up of agency detailees who rotated in and out of the effort. OMB played a supporting role, but did not lead, or even steered, the effort.[3] However, toward the end of that Administration and subsequently, OMB has had the lead in pushing the agencies to carry out the president's management agenda and in driving performance improvement.

In 1994, another OMB reorganization – 'OMB 2000' – attempted to integrate management and budget activities so that agencies would see a unified and consistent perspective from OMB. In this reorganization, the former budget divisions and branches were redesignated as Resource Management Offices (RMOs) to emphasize this integration, and most received one or more new positions as these were reassigned from the management side' to the former 'budget side'. (Regulatory activities continued to be separately handled.) For a given set of agencies, a single RMO staff of 'program examiners' now followed policy from its conceptualization through budgeting to implementation and assessment of performance. The change recognized that management controls were linked to funding decisions and the program based analytic framework used by the program staff. Budgeting provided enforcement tools – budget levels, oversight through budget execution – to provide stronger discipline to management activities.

For several years, OMB staff referred less often to the two 'sides', but today the split is again recognized in common parlance within OMB. Some traditional management functions are led by separate management units, with stronger staff and expertise starting

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[3] See Donald F. Kettl and John J. DiIulio, Jr., *Inside the Reinvention Machine, The Brookings Institution*, Washington, DC, 1995, p. 67.

with Bush administration and continuing with the Obama administration. Whether they are viewed as two sides or not, however, the RMO and management offices' staffs routinely work as partners in a continuing effort to improve the government's performance.

Historically, OMB's management work has not had the continuity of OMB's budget and regulatory work. OMB's highly structured annual budget preparation process gives continuity and structure to its work that carries across changes in Administration. OMB's budget offices have a chance to prove their mettle quickly as one of the first major tasks for any incoming Administration is to prepare a budget for submission to the Congress. Even in years when there are substantial substantive differences between the president and Congress, the detailed technical underpinnings of every budget serve as a starting point for a major part of the Congressional agenda.

Presidents who put more emphasis on improving the Government's management have in OMB both an instrument to press for innovation and greater efficiency and an analytic capability to monitor and assess agency performance. Each recent President has pursued a somewhat different management agenda and approach to improving government's performance. However, particularly since passage of the Government Performance and Results Act in 1993, there has been greater continuity of procedures for strategic planning, performance measurement, and reporting. In the last two Administrations, major elements of the government-wide effort to improve government performance have been institutionalized, led within OMB by an Office of Performance and Personnel Management [See section 16.].

The Political Dimension

When BOB was first established, it was staffed by career officials except for the Director. BOB's career staffing identity was continued when it was moved to the Executive Office in 1939. BOB served the institutional presidency as much as it served the president.

Questions about the loyalties of OMB career employees have a long history. Bill Carey reported one episode in that history:

> .... BOB had few friends on either side of the party system. When Eisenhower won the election, one of his senior campaign crew came to [a BOB official] to say, "When we get downtown I want you to know that we are going to get rid of the socialists in the Bureau". Some years later when Kennedy won, one of his retinue sought out [the same BOB official] to say, "We are coming after the reactionaries in the Bureau"! Of course, the so-called socialists and the reactionaries were one and the same, and in the event nobody was asked to leave.[4]

The continuity of the career staff has been a particularly important strength during transitions between presidential administrations, OMB plays a critical role by providing memory and continuity. Following the election and until the inauguration, OMB career staff simultaneously but separately support the current president and brief transition teams representing the incoming president. In at least one case, a new administration was given clearance to use the OMB staff to begin preparation of the incoming president's budget before the inauguration. At inauguration, OMB staff work with new appointees of the

[4] Quoted in Dame and Martin, 2011, p. 82.

incoming administration to turn its priorities into specific budget and policy proposals. OMB helps the new president provide guidance to executive agencies in a period when they may have few if any Senate-confirmed political appointees.

During the BOB's later years, there had been a scattering of appointed officials to assist the work of BOB, but they had not been directly in charge of career staff. Career heads of divisions reported to the Director. The change from BOB to OMB in1970 added a new level of politically appointed officials, called Program Associate Directors or "PADs", to provide policy direction to OMB's budget offices. In subsequent years, several additional appointees were added, often through legislation, to head OMB's management offices. Placing appointed officials directly in the line in OMB recognized that a growing Federal government had a larger cadre of appointed officials in agencies and Congress than it had in 1939. Expansion in the number of EOP agencies staffed by appointed officials added impetus to this trend.

All budgets are inherently political documents, reflecting the president's priorities and strategic choices for the nation. As support staff for the president, OMB therefore is often asked to spend time not only on analyzing resources and policy but also on packaging and communications. OMB is expected to make the Administration's proposals look as reasonable as possible to the public and political constituencies.

The issues surrounding the presentation of the President's Budget are hardly new. When Lyndon Johnson was president, the framework for the budget was something called an administrative budget. It excluded trust funds. The administrative budget spending levels were rising uncomfortably, with President Johnson wanting to keep the total under $100 billion. In several budgets from that time, the Administration highlighted information based on at least two alternative budget concepts, including a national income accounts and a consolidated cash budget, in part to divert attention from the rising spending. The resulting confusion contributed to establishment of a 1967 President's Budget Concepts Commission, and to the present unified budget.

OMB staff follow a president's orders. When President Richard Nixon directed OMB to impound over $20 billion of water infrastructure projects as part of the President's "New Federalism" initiative, it worked to carry out his instructions. While OMB remains primarily staffed by career civil servants with an analytical focus, it can be argued that the addition of politically appointed officials has served to reduce the pressure on senior career officials to reflect a political point of view, leaving the work of addressing the political content of decision-making in the hands of OMB's political leadership.

Many OMB career staff stay on in the agency for most, if not all, of their working lives despite higher salaries in the private sector and often low regard for public servants. While that may not seem logical, it becomes logical according to Bill Diefenderfer, Deputy Director, 1989-91, "when you understand that these people are interested in serving the country."[5]

[5] Quoted in Dame and Martin, 2011, p. 83.

A More Assertive OMB Role with Congress

Beginning in 1981 during the Reagan Administration, OMB became increasingly adept at "top-down" budgeting and at influencing the congressional appropriations process.

Top-down budgeting meant that OMB staff became more involved in setting agency budgets. OMB staff always had a strong role assisting in setting presidential budget priorities. The change to top down budgeting was driven by a belief that agencies were moving slowly to adjust to targets set by the new administration, requiring that OMB take stronger actions to recommend the changes to agency budgets needed to reach desired funding levels.

Computers gave another boost to top-down budgeting by providing a mechanism that allowed OMB policy officials to assist the president in setting more detailed and precise budget targets by agency and program area. Top down budgeting added to momentum for moving policy direction from agencies to the Executive Office and White House staff.

Before 1981, OMB staff work moved to a slower track when the official budget was sent to Congress at the beginning of the year. Influencing congressional action on appropriations bills was a task largely delegated to the agencies. That changed dramatically in 1981 when OMB began to more aggressively track legislative action and attempt to influence that action through letters, position statements, and meetings with members of Congress and their staffs. After 1981, monitoring appropriations became a significant task.

Some of the impetus for OMB and the White House assuming a stronger role in setting budget targets had to do with the tax and spending choices and new process requirements – such as spending caps and sequestration – focused on deficit reduction. While Congress was happy to have the president lay out budget choices for the country in his budget request to Congress, what followed has for the last few presidencies seen a more adversarial relationship between the two branches and between leaders who hold sharply differing views on taxes and spending as well as other policies. Differences in policy views have been exacerbated by the addition of long-range estimates extending ten years or more into the future Turbulent economic conditions have made economic and budget forecasting more complex and uncertain, perhaps weakening the credibility of all fiscal forecasts.

The breakdown of the 'regular order' of the congressional budget process has contributed to periodic funding crises amid threats of government shutdowns and refusal to raise the debt ceiling. Those manifestations of partisan political conflict inevitably have come to affect presidential, as well as congressional, decision-making. Order has given way to ad hoc, centralized negotiations. The debate around the president's budget proposals has turned more symbolic and rhetorical as partisans use them as leverage in their struggles for electoral dominance. Over time, the estimates supporting the budget and new policy proposals have become less of an impartial source of budget data. They now play a more active part in advancing the policy agenda of presidential budgets when they are before Congress.

Expansion of the Executive Office

Before the establishment of BOB in the Executive Office in 1939, policy development was largely the purview of Executive Branch agencies. That has changed. In 1947 the National Security Council and the Councils of Economic Advisers and Environmental

Quality were added to the EOP. As mentioned, the Domestic Policy Council was moved to the EOP in 1970. An Office of Administration was added during the Carter Administration in 1977, providing IT and administrative support for the Executive Office. The National Economic Council (NEC) was added during the Clinton Administration. Combined with OMB, these new entities gradually centralized and strengthened White House policy making. Much of the EOP outside OMB is now staffed primarily by appointees who come and go when we change presidents.

As an example of OMB's numerous interactions with other EOP agencies, the NEC's policy scope encompasses the responsibilities of a number of existing Federal agencies, most notably CEA, OMB, Treasury, Labor and Commerce. NEC quite often takes the lead in developing broad economic policy goals on topics such as health care that might have been left to agencies in earlier times. It also helps coordinate tax policy review led by the Treasury with spending-related decisions made during OMB's budget process. The NEC's interests lie mainly in strategic issues that affect the national economy. OMB has a strong strategic policy role also, but its focus is more on day-to-day program responsibilities. OMB also has a close working relationship with the Council of Economic Advisers, partly because of ties between budget projections and those for the economy.

The addition of several agencies with talented staffs to the Executive Office has arguably enhanced the president's control of policy making machinery at the expense of executive agencies' policy and operating autonomy.

The Influence of Outside Interest Groups

As government has expanded in size, Congressional staffs have increased in size and public policy institutions have flourished. Virtually every activity the government undertakes has a range of outside interest groups. As media reporting has quickened and developed more breadth, activities that once were largely confined to Washington are known almost immediately across the country. Washington now has a deep layer of analytical talent available for the issues that arise every day, generating a flow of analysis that makes its own demands on the time of the EOP. The growth of congressional staffs, outside interest groups and public policy institutions has meant that virtually any significant change in policy for any program is met with an alternative perspective very quickly. The increased advocacy interest in what presidents do has had a profound effect on OMB's work, requiring it to respond to numerous requests for information and analysis on a multitude of issues often under very tight time constraints.

PERSPECTIVES

> Life in OMB is not in the fast lane. Life in OMB is in the oncoming lane.
>
> — Jim Miller (former OMB Director), quoted in Dame and Martin, 2011, p. 77.

OMB and the President

> I did not realize the extent to which you wear two hats. You're the OMB director managing an agency -- a very significant agency -- but you're also a direct staffer to

> the President of the United States. And you're one of about six, seven, or eight, depending on the Administration, that has daily, almost moment to moment, access . . . . One of the first days after I was sworn in I find myself in the bunker in the Security Council meeting. And I'm looking around going, what the ___, why am I here? And I discovered that the OMB director is in all of these meetings. Money touches everything.
>
> — Jim Nussle, interviewed in 2014

In his book *Presidential Power*, the distinguished scholar and former BOB staffer Richard Neustadt, differentiates between the president's ability to: (a) set an agenda; and (b) influence events. In the first case, presidents make comprehensive budget, legislative and regulatory proposals each year as a way to establish priorities, and at least in part to frame the work of the Legislative Branch for the coming year.[6] In the second case, presidents must have the influence, stature, and political skill to see their proposals accepted on a wide variety of domestic, foreign, and economic topics. Along with an expanded Executive Office, OMB assists in developing presidential proposals and devotes an increasing amount of time to influencing prospects for acceptance of those proposals.

OMB attempts to enhance the ability of the president to:

> **Influence priorities**. The president clearly has authority in law to set priorities by submitting his proposals for spending levels in all Federal programs to the Congress in the annual budget. Much of OMB's influence with Executive Branch agencies is lodged in this well developed authority. But the President's Budget is just a proposal. The ability to influence legislative outcomes has changed substantially over the years.
>
> **Set policy**. As the leader and only elected official of the Executive Branch (along with the Vice President), the president has broad authority to establish policy. OMB works closely with other staff agencies in providing the president with advice on policy formulation and implementation.
>
> **Hold agencies accountable for results**. In an organization as big and diverse as the Executive Branch, ensuring compliance with presidential policies and priorities can sometimes be difficult. Developing a credible, enduring framework for measuring agency effectiveness has been one of OMB's most complex tasks. The budget formulation process has become a major tool for helping to ensure that planning, management, and program evaluation are targeted at presidential priorities. Performance measurement, which has greatly improved in both quantity and quality, could be a major tool for informing budget and management decisions, depending on its quality, timeliness, and how it is applied in the policy process.

OMB's role as staff to the president will continue to be molded by the president's evolving role, and the changing dimensions of the president's relationship with the Congress and the courts.

[6] R. Neustadt, 1976.

OMB and Congress

> People say "Well, there's all this gridlock in Washington." And I say yeah, because, you know what? Governing's not easy. Governing's hard work. And if you see the movie on Lincoln, where, you know, Abraham Lincoln, in order to pass the Thirteenth Amendment, had to decide how to buy votes in order to get it passed. Well, that was pretty much what you had to do. You had to go after Democrats, and I sold about eight bridges in that process to try to get the votes we needed.
>
> — Leon Panetta, former OMB Director and White House chief of staff, interviewed in August 2015, discussing the effort to pass President Clinton's first budget

Expertise has become the coin of the realm for purchasing influence and legitimacy in budgeting and other policy issues. OMB's knowledge and expertise strengthens the president's hand in dealings with the Congress during the annual budget process. OMB communicates with Congress at many levels through numerous channels. At the top, those Directors who were armed by mastery of numbers and policy details became the president's most effective representative and advocate in negotiations with congressional leaders. OMB's leaders have been aided in this by a small legislative affairs staff of political appointees. At lower levels, OMB staff have usually been available to their counterparts on the Hill to provide technical explanation and analysis of the president's proposals and other policy ideas. For more formal communications – testimony, letters, agency budget justifications – OMB's legislative reference staff always works with the RMOs to coordinate and resolve issues within the executive before communications are cleared for transmittal [See section 14.].

Actions taken to increase the president's budgetary influence during the Nixon Administration through his use of the impoundment process and the lack of a central congressional budget process crystallized the threat of a weakening congressional influence over the budget. In response in 1974, Congress enacted the Congressional Budget Act, establishing a congressional budget process. It created House and Senate Budget Committees and the Congressional Budget Office (CBO).

This new process provided the Congress with machinery to review and set overall budgetary targets and establish spending and revenue priorities in direct competition with the president's annual budget proposals and limited the president's authority to spend less than the Congress had appropriated. The Act's goals were to enhance the congressional role, but centralizing control of the budget in Congress had the same effect in the Executive Branch. Budget negotiations with the congressional leadership increasingly moved from agencies to the Executive Office. OMB also began more actively tracking and influencing congressional action on appropriations bills.

The actions taken by Congress and OMB were the catalysts that changed OMB from an agency primarily devoted to budget agenda setting to an agency more heavily engaged in influencing the outcome of the budget in Congress. The introduction of the House and Senate Budget Committees and the CBO reshaped, centralized and made more assertive top down policy development in the EOP and OMB. The establishment of congressional staffs with expertise that competed with the expertise of the OMB staff also added to the pressure for high quality objective work on the part of OMB.

OMB's agenda-setting role in developing the budget has rarely been challenged. However, OMB's role in influencing congressional budgetary outcomes continues to be a source of contention with Congress. At times the Congress has taken steps to restrict OMB's influence. Examples include prohibitions on OMB's development of its own estimates of the congressional budget, and appropriations restrictions. With the maturation of the congressional budget process, Congress has developed more independence in setting budget policy, but presidents still have a unique perspective for analyzing and influencing congressional action on the budget.

The annual President's Budget provides the executive/legislative framework for debate of policy, but differences in view also affect work on improving the performance of programs. While Congress and the president agree that federal programs should be evaluated primarily on the basis of whether they are achieving their purposes, i.e., whether they are performing well, there are continual disagreements over how to define program goals and measure program accomplishments.

OMB and the Executive Office of the President

As staff to the president, BOB/OMB has always enjoyed a broad mandate; but the execution of that mandate has changed at different points in the organization's long history.

The Truman presidency began the expansion of the EOP by increasing the White House staff and creating the National Security Council, Council of Economic Advisers and other small entities. Just before BOB became OMB, staff work was shaped primarily around the demands of a program-driven budget preparation process that changed only marginally from year to year. Generally BOB staff that specialized in subject areas performed management and legislative work. BOB visibility was lower.

No one predicted the growth in the president's responsibilities, the centralization of policy development in the EOP, and an increasing use of EOP staff to drive the president's agenda. Neither would it have been possible to anticipate the effects of television and other media on the work of the EOP, or the development of a highly charged political atmosphere. All of these changes have transformed the presidency, and contributed to the increase in staff agencies and assistants supporting the president outside OMB. The EOP has changed constantly to meet the needs of presidents. Continuing shifts in the composition of the EOP are a given as the work evolves to meet new requirements.

The modern OMB drives budget review for the EOP, with some participation on particular issues by other White House offices. In addition, OMB coordinates legislative and regulatory review, giving the relevant policy staffs in the EOP an opportunity to raise issues for resolution. The framework for these reviews is a programmatic perspective developed over OMB's long history. During the George W. Bush administration, the management agenda was also partly program based, using a largely transparent analytical framework and a common rating instrument – the PART -- to score the performance of individual programs. That administration also used a 'stoplight' (red-yellow-green) scorecard to rate each major agency's progress in meeting targets for each element of the president's management agenda.

The EOP agencies that have been added since the end of World War II require OMB to carry out more horizontal communication with appointed EOP staffs on specific topics.

The additional lines of communication mean that OMB operates in a more complex environment. There were more entities to coordinate, and OMB's work was scrutinized by more EOP units. In these interactions, analytical quality and factual accuracy remain the bedrock of the day-to-day work of OMB staff.

OMB and the Agencies

An agency official leads each of the thousands of programs in the budget. Managing these programs from OMB in the traditional sense of accepting operational responsibility is not realistic or practical. Agency program managers work within a hierarchy of accountability that leads directly to the president. The president appoints agency heads who are loyal to him. Officials who serve at the convenience of the President staff the highest levels of major agencies. The president meets directly with cabinet officials on a regular basis. What is the need for a White House staff to oversee agency program management and the president's appointees? The answer is that within the Executive Branch there are competing interests that distract the focus of agency officials and occasionally must be reconciled.

A procedural example that affects both management and budgeting helps to illustrate the conflict. In 1993 Congress established a statutory framework for promoting and reporting on agencies' performance of their missions, the Government Performance and Results Act (GPRA). Agencies are expected to report directly to the Congress and to the public annually on outputs and outcomes. Presidents have a strong interest in monitoring program performance, and OMB has helped to set guidelines for GPRA implementation; but the GPRA products that go to Congress are agency specific and lack a common analytical framework, limiting their utility. GPRA reporting is only loosely linked to the formal budget account structure used for appropriating and legislative action, which in turn is somewhat different from the structure of programs as reviewed in OMB, a limitation on their utility and application in the budget process.

Agency officials are involved in the preparation of both GPRA reports and responses to OMB program reviews. They cannot ignore a statutory reporting requirement. Neither can they ignore an OMB reporting requirement that is clearly based on a presidential interest. For the agencies, a continuing challenge is the need to serve two masters: to continually mediate conflicts between the specific interests and instructions of congressional committees and the president's broader perspective and guidance to execute the Administration's policy and management priorities within a consistent framework.

It does not take long for new agency political appointees to understand that congressional committees and their staffs are finely tuned to the history and needs of individual programs. The size of the staff supporting the modern Congress can still stretch lean OMB resources. It is not uncommon for the interest and direction of a particular committee to run counter to the goals of an elected president. Committees and their institutional interests have staying power.

Executive Branch agencies are also not immune to intense lobbying and scrutiny from interest groups, media and think tanks. It is the responsibility of appointed officials of (for example) the Departments of Agriculture, Transportation, and Energy to listen to the views of farmers, highway planners, and energy producers when developing policy proposals.

However, the number of groups involved in advocacy for particular programs has expanded significantly in the last fifty years. Some have argued that twentieth century expansion of interest groups located in Washington with their own particular objectives has created the equivalent of a fourth branch of government. The president's agenda is created from a broad framework encompassing goals such as budget restraint or national security that may not be immediately obvious to a group focused on setting policy within a specific framework; but these broader perspectives help determine an administration's overall success.

Agency leadership serves at the convenience of the president and works under strict guidelines related to that service. However, agencies learn to weigh the interests of the president against the needs of Congress, or the focused needs of agency clients and interest groups. Agency officials often face tension in balancing the need to sustain support for the programs they manage and keep their relationship with Congress intact with adhering to OMB guidelines intended to ensure their approach will actually advance the president's long-term objectives. This issue of divided loyalties cuts across all of OMB's interactions with agencies, including management oversight, and is a major reason that presidents find they need a strong EOP staff devoted to their agenda.

The relative influence of the president, Congress, and specific political interests continually evolve. But throughout its history, the institutional memory, analytic talent, and commitment of OMB staff have remained important assets to presidents as they work to achieve their policy and budget priorities and to improve government's management and performance. Additional information on OMB's history and evolving responsibilities can be found in published works cited in the references at the end of this document.

3. OMB'S LEADERSHIP

> As I started work [as OMB Director], I began fully to comprehend how ill-prepared I was for job ahead. ... The one consolation was that the ... OMB career staff were dedicated anti-bureaucrats. They weren't in the business of giving things away. They were in the business of interposing themselves between the federal Santa Claus and the kids and saying, 'Whoa...'.
>
> — David Stockman, Former OMB Director

Almost all of the OMB-wide offices are headed by politically appointed policy officials; and the major budget and management offices are also headed by such officials. With the layering on of more politically chosen officials and their assistants at the top, there are now over 60 non-career (political appointee) personnel in OMB; but the vast majority (over 80 percent) of OMB staff are career civil servants.

Six positions within OMB—the Director, the Deputy Director, the Deputy Director for Management, and the administrators of the Office of Information and Regulatory Affairs, the Office of Federal Financial Management, and the Office of Federal Procurement Policy—are presidentially appointed and Senate-confirmed (PAS) positions. Each of these six has a very small number of administrative assistants.

The **OMB Director** is one of the most important positions in the Executive Branch.[7] Video-recorded interviews for George Mason University's Center on the Public Service with recent directors Panetta, Rivlin, and Nussle provide retrospective first-hand accounts of what it is like to lead OMB. These can be viewed here: http://psc.gmu.edu/fiscal-guardians/video/ .

The relationship between the president and the OMB Director is critical to assist the president in accomplishing his goals. Policies for virtually every aspect of government—spending, taxes, credit, regulations, financial, you name it—come through OMB, and the OMB Director's ability to promote the president's policies on Capitol Hill makes him all the more important. Recognizing this, some OMB Directors have had unfettered access to the president, and all have extraordinary power to influence public policy.

> Since there are potentially many conflicts with agencies, an OMB Director that is seen as having a weak relationship with the President almost invites agencies to challenge OMB's views, creating a much more difficult job for the PADs. But the opposite is also true. When an agency head challenged OMB Director, Mitch Daniels, in front of the President in a reception area in the West Wing, President George W. Bush hugged Daniels, and exclaimed, "Don't you understand? This is my man Mitch!" Agency heads thought twice before challenging Daniels after that encounter.[8]
>
> — As recalled by Marcus Peacock, former OMB DAD, April 2016

The role of the **OMB Deputy Director** has varied much from administration to administration, and from Director to Director. Sometimes the Deputy can provide the President and the Director with a capable "relief pitcher" for the many times when there are multiple demands on the Director. At other times, the Deputy serves the Director more by working with Cabinet secretaries and in managing the many facets of OMB. In other cases, the Deputy spends much of his time representing the President on Capitol Hill.

The average tenure of a Director is less than a presidential term – perhaps two or three years. Both because they are not around that long and because of the press of events and attention to their external role, few Directors make much of an impact on OMB as an organization. Few have time or inclination to actively manage it. Fewer take time to try to strengthen the institution they lead by reorganizing or otherwise reshaping it. Sometimes a Deputy Director will play the 'internal' role. Sometimes others, including the senior career staff, attempt to help the leadership manage and prioritize the work of the organization, but they generally have a partial view or limited authority. As a result, the organization's performance is heavily determined by their shared commitment of its professional staff to working effectively and deliver for the president and the president's priorities.

> When President-elect Clinton nominated Leon Panetta to be OMB Director in December 1992, Leon called Barry Anderson, head of BRD, to ask some questions about OMB. Leon

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[7] After serving as BOB/OMB Director, various individuals have later served in public sector positions as Vice President, White House Chief of Staff, Secretary of Defense, Treasury, State, and HHS, CIA Director, Federal Reserve Vice Chair, and governor. Many, of course, have gone on to leadership positions in the private sector.

[8] Daniels subsequently used "My Man Mitch" as a slogan in his successful campaign for the Governor of Indiana.

> had been Chair of the House Budget Committee (HBC) for many years and knew Barry from his frequent appearances with various previous OMB Directors before the HBC and from being actively involved with Barry at the 1990 Budget Summit at Andrews Air Force Base. Leon said: "Barry, I feel I know a fair amount OMB's budget functions from all my interactions with presidents' budgets over the years, but OMB also has regulatory and management functions. About how much of my time will be spent on budget, regulations, and management?" "That's easy," Barry replied. "120% of your time will be spent on the budget; 10% on regulations; and the rest on management." Leon laughed heartily, but 18 months later, just before he left OMB to become President Clinton's Chief of Staff, Leon told Barry, "Remember what you told me about how much time I would be spending on budget, regulations, and management? Well, you had it just about right, only underestimating the amount of time I would spend on budget!"
>
> — As recalled by Barry Anderson, 2016.

4. THE DEPUTY DIRECTOR FOR MANAGEMENT: LEADING THE PRESIDENT'S MANAGEMENT AGENDA

> Some liken the DDM to the Grand High Pooh-Bah in Gilbert and Sullivan's Mikado, where, if the Director of OMB is Ko-Ko -- the "Lord High Executioner," the DDM is the Pooh-Bah -- "Lord High Everything Else."
>
> — Anonymous

The Deputy Director for Management (DDM) has two primary roles. Both are of equal importance. One is the role external to OMB of supplying government-wide leadership to executive branch agencies to improve program performance. This role involves working with the departments and agencies as well as a broad range of interagency councils – such as the President's Management Council and the Chief Financial Officers Council – many of which are chaired by the DDM. The DDM can use these groups to cooperatively set objectives, and leverage resources to undertake joint efforts to achieve them. The external role also involves working closely with Congress on a variety of management issues.

A second role is internal to OMB. As a member of OMB's senior staff, the DDM participates fully with the Director, the Deputy Director, and other appointees in determining how OMB will carry out its duties. One statutory office – Office of Information and Regulatory Affairs (OIRA), reports to the Director. Three others -- the Office of Federal Procurement Policy (OFPP), Office of Federal Financial Management (OFFM), and the Office of E-Government & Information Technology (E-Gov) – report to the DDM. OMB's Evidence and Innovation Unit promotes the use of evidence-based initiatives.

With the reorganization of 1993, OMB's five Resource Management Offices (RMOs) [See section 8.] expanded the focus of OMB's "budget side" to more formally and aggressively address "management issues." The DDM's role is to act as coordinator of all such management activity throughout OMB and to assure the active participation of all parts of OMB in dealing with management problems. To assist in this role, the Performance and Personnel Management Division [See section 16.] – a hybrid budget and management office – leads the effort to achieve performance gains across the federal government.

MANAGEMENT

OMB is responsible for helping Executive Branch agencies carry out more effectively and efficiently all tasks related to administrative performance; and for maximizing the quality of agency design, development, implementation, evaluation, and continuous improvement (including where necessary, termination or replacement) of agency programs and policies, consistent with the President's policies.

Some people think of "management" solely in terms of a series of *administrative management functions*, present in virtually every agency, that are the essentials of organizational operations, without regard to what that organization's missions or functions may be. These operating functions include information policy and technology, procurement, accounting, personnel management, financial management, regulatory policy, and the like. Doing them very well rarely garners attention; failing to do them well can destroy program and policy effectiveness as certainly as bad policy decisions or inadequate program implementation.

OMB has offices and divisions that exercise government-wide leadership on key aspects of agency administrative management: procurement (OFPP); financial systems and audit (OFFM); regulatory policy and paperwork management, information collection and dissemination, information technology policy and statistical policy (OIRA); and information technology (E-Gov). OMB shares responsibilities for leadership on some functions with other agencies, such as: financial management and budget execution shared by OFFM and BRD with Treasury; space management and building construction policy shared with GSA; personnel policy shared with OPM.

Management includes not only the "administrative management" functions discussed above, but also *program and policy management* (e.g., program delivery and "outcomes"). This encompasses leadership and oversight of how agencies devise, obtain enactment of, implement, manage, evaluate, and then, if necessary, modify the statutory programs and policies for which they are responsible, consistent with the policies of the incumbent Administration.

Program and policy management is often profoundly influenced by changes in administration. It is not uncommon for OMB to work closely with an agency to obtain enactment of and implement a given policy, and then after a change in administration, work just as hard with successor agency management to implement a different policy. This is the consequence of being accountable first and foremost to the president.

This responsibility in no way affects OMB's attention to agency strategic planning, goal setting, performance measurement, evaluation and evidence, data collection, or policy research. These functions are aspects of good government regardless of the program policies of the administration in office. They are essential inputs to the policy and program direction advice OMB provides. But they do not dictate the form of final presidential policy. The RMOs have the lead OMB responsibility for program policy and budget development for the agencies they cover, and for integrating into those responsibilities attention to how well the agency is managing statutory and Administration policy.

THE PRESIDENT'S "MANAGEMENT AGENDA"

The DDM assists the Director in formulating and implementing the administration's "management agenda." The right time to devise and implement the president's responses to management challenges is at the start of the administration, at the same time he or she is refining the legislative, budget, and policy strategies. An early emphasis on management would send the message that "operations is policy" soon enough to make a difference. Otherwise, day-to-day management risks getting lost among policy issues until Congress steps in, frustrating the executive branch. Too late, the reality of the separation of powers sets in: if managers do not manage, then Congress most certainly will. The agenda enables government, working with and through other sectors, to improve our collective capacity to address the public's high expectations for their government.

PRESIDENT'S MANAGEMENT COUNCIL

The President's Management Council (PMC) is perhaps the most important way the DDM has to organize and lead government-wide management improvement efforts. The PMC consists of the "chief operating officers" (COOs) of the departments and major agencies. In most cases, this is the deputy secretary, or in the case of independent agencies, the administrator or deputy administrator.

The DDM chairs the PMC and is OMB's principal member. While the DDM has from time to time delegated his/her duties or attendance with respect to other councils (such as to the Controller with regard to the CFO Council), there is no one (other than the Deputy Director) to be a stand-in. This and the fact that the PMC members, like the DDM, are Level II Executives, suggests why this group, more than any of the others, commands as much of the DDM's time and attention and has become one of his/her most important means of getting things done.

The real work of management is done in the agencies; but because management is strengthened to the extent that the Secretary and Deputy care about these issues, the DDM might early on seek to work with White House Personnel to assist with the "vetting" of Deputy Secretaries (or chief operating officers). These ought to be people with a management background -- particularly some experience at running a large organization.

INTERAGENCY COUNCILS

OMB relies extensively on a number of other interagency councils to lead crosscutting efforts to further the administration's management agenda. These groups draw together operational, financial, procurement, integrity, labor-relations, and systems technology experts from across the government. They establish government-wide goals in their areas of expertise, and marshal the resources within individual agencies to meet these goals. Three of these groups were created by statute: CFO Council, CIO Council and CHCO Council. While much of our work is done *through* these councils, the actual work is done *by* and *in* the agencies.

Because of the importance of CFO, CIO and IG positions to the success of the administration's management efforts, some previous DDMs have worked with White House Personnel to help recruit and/or "vet" candidates for these positions.

5. THE PROGRAM ASSOCIATE DIRECTORS

OMB splits budget-related work among five "resource management offices" or RMOs [for more on the RMOs, see section 8.] organized by agency/program area. While the five RMO portfolios may change slightly from time to time, they are generally organized as follows:

- **National Security** – generally covers the Departments of Defense, State, and Veterans Affairs.
- **Education, Income Maintenance & Labor** – Includes Social Security, Departments of Education and Labor, and other Labor programs.
- **Health** – generally includes Medicare, Medicaid, NIH, FDA, and public health programs.
- **Natural Resources** – includes agriculture, energy, federal lands, pollution control, and most science programs such as NASA and the National Science Foundation.
- **General Government** – all remaining federal programs, predominated by transportation, housing, homeland security, criminal justice and commerce programs.

Each RMO is headed by a politically appointed "program associate director," routinely called the PAD.

HAIL TO THE CHIEF (AND THE OMB DIRECTOR)

The mission of the US Marines is to "project power ashore." In many ways one could say the job of a PAD is to "project the president into the agencies," especially as it pertains to the budget. Since the Bureau of the Budget was moved to the Executive Office of the President in 1939, the budget office has been an important policy arm for the president and an enforcer of White House priorities. Other agencies in the executive branch may become unruly, co-opted by Congress, or simply lose their way, but OMB is expected to bring them into line. This means the PAD must be extremely well versed in the president's policies, priorities and promises, particularly as they are transmitted through the PAD's boss, the Director of OMB.

POTUS AND THE PAD

Both the emphasis of the PAD's duties and, thus, the skills/experience of a desirable PAD differ depending on how the President wants to use OMB. At one end, some presidents, such as Ronald Reagan, use OMB as a very active tool to control and implement changes in agencies through the budget and other means. For instance, under President Ronald Reagan OMB's review of agency regulations was greatly strengthened and OMB was given significant leeway to shape and reduce agency budgets. Under David Stockman in one instance, the Director of OMB required agency heads and their budget officers to come to OMB for budget reviews where OMB personnel would question them, sometimes with the specific purpose of "driving a wedge" between the president's cabinet officer and the "career bureaucrats".[9]

How the president wants to use OMB affects what kind of PADs a president may need. An OMB that focuses on policy-making may need more academically qualified PADs. One that focuses on implementation may require PADs who have agency experience. Regardless, as the president's handmaiden, it is important that every PAD be familiar with the president's agenda and the budget process since, in the end, it is getting the president's agenda accomplished and funded that is at the heart of the PAD's mission.

It should be no surprise, therefore, that some PADs have been part of the president's policy campaign staff or part of the transition team, and are therefore quite familiar with the president's priorities, policies and promises. Other PADs have been drawn from the ranks of senior congressional staff. Regardless of their previous experience, new PADs benefit if they are already familiar with the federal budget process. It is extremely helpful if a new PAD is already familiar with at least part of the RMO portfolio of agencies and issues they will lead.

It is rare, and not necessary, for a PAD to have a personal relationship with the president. Far more important to the status and effectiveness of OMB is the relationship between the president and the OMB Director. The PADs receive most of their direction from the Director, and the extent to which the Director is on the same wavelength as the president allows a PAD to be confident as to the extent to which the president will back up OMB's position or view should it come in conflict with agency or other officials.

THE PAD RUNS THE LONGEST SPRINT

At the summer Olympics, there are over 40 track and field events, yet many consider the 400 meter run the most difficult. It is neither short enough to be a "dash" nor long enough to be "middle distance," allowing runners to pace themselves. It is the longest sprint. There are over 1,000 political positions in the federal government, yet the position of OMB PAD may be the most difficult position in the executive branch. As political appointments go, it may be the longest sprint.

THE PAD MUST WORK AT A FAST PACE

First, it is a sprint. As other chapters explain, OMB is a funnel. Almost every executive branch proposal or document of any import must be reviewed by OMB before it is released. This obviously includes budget and regulatory proposals, but also testimony, correspondence, Executive Orders, statements of administration positions on legislation, and more. Just like a flow of water speeds up as it exits the narrow opening of a fire hose nozzle, this massive and constant flow of work must move quickly through the agency for approval or modification to assure it comports with the president's policies. Since very few of these decisions can, or should, go the Director or Deputy Director of OMB for a political

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[9] Stockman, 1986, p. 111.

decision, the PAD[10] needs to both keep up with the stream of material while making sure its content adheres to the president's views and priorities. In other words, a successful PAD must be running flat out most of the time.

DESPITE THE FAST PACE, THE PAD CAN'T PASS THE BATON.

Despite the fast pace, the PAD must go the distance. Political appointees with a lot of decision-making authority, including Cabinet members, their deputies, and many sub-Cabinet officials, typically receive a great deal of support including significant staff (lower level appointees and hundreds of civil servants) and other resources (e.g., consultants and external support from program beneficiaries), allowing them to delegate political decisions and/or significant work to others. Also, their issues tend to be limited to the purview of their agency or office such as Medicaid, Section 8 housing, or renewable energy. And while one or two of their issues, may be "hot" at any one time, receiving presidential and/or media attention, most decisions they must make are not urgent and are important to a limited community. In short, they can pace themselves.

The PAD does not have this luxury. As the lowest level political appointee at OMB, a PAD cannot delegate political decisions – there is no handing the baton to someone else. Further, the multiplicity of decisions a PAD faces are arguably more difficult than the typical appointee at another agency. The issues can be broad, cutting across multiple agencies. For instance, the PAD for "General Government" must deal with a swath of programs regarding everything from transportation to homelessness. Also, unlike most agency appointees, the PAD, as a natural outgrowth of sitting within a couple hundred yards of the president, spends a disproportionate amount of time on issues that are "hot" either because they are a priority to the White House, the media, or both. The pace and length of the race may be why the typical PAD's tenure is shorter than that of the average political appointee.[11]

OH THE THINGS YOU CAN DO!

If the PAD's position sounds lamentable, it comes with one tremendous opportunity and one marvelous asset. The opportunity is that PADs have substantial power compared to many other appointees. The breadth of their purview, their influence on federal spending, and their proximity to the White House can all be used to affect real change. Especially if used wisely and in concert, with these assets a PAD can leave a lasting mark not just on a program or agency but across an entire issue area. A PAD is one of very few positions that can reach across multiple agencies and access many levers to change policies.

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[10]The RMOs' focus on budget matters necessarily causes them, and their PADs, to be involved in the review of policies that may be primarily led by other OMB offices, such as review of draft regulations or management initiatives.

[11]Tomkin, p. 13.

BEHIND EVERY GOOD PAD THERE IS A GREAT DAD OR TWO.

Before a PAD can start changing the world they need to survive the race they are in. There is only one way to do that and that is by relying on the OMB civil service staff, the staff of the RMO. An RMO has between 30 and 60 civil servants. Most RMOs are split into two divisions, each led by a Deputy Associate Director or DAD [See section 8.]. Each DAD reports to a PAD.

This does not mean PADs can turn the job over to their DADs. As noted above, the PAD is the lowest level political appointee and is responsible for translating the president's policies and priorities into practical decisions. It does mean providing clear and consistent direction to staff and trusting them to implement it. It also means the PAD listens to the staff when they bring issues up the chain and explains why, or why not, their advice is, or is not, being followed. Like any other political appointee, a good PAD does not become "captured" by their staff's views and priorities but needs to develop mutual respect and trust with their employees. Especially their DADs.

SING 'KUMBAYA'.

The successful PAD not only relies on professional staff but learns quickly the importance of developing personal relationships, especially with other political appointees. To fulfill their role, the PAD must develop strong ties to other members of the president's team and make sure they are on the same page as the White House. Other than working with the Director and other OMB officials, the PAD should quickly develop personal relationships with other key White House officials relevant to their area (e.g., Domestic Policy Council or National Security Council) and Deputy Secretaries and other high-ranking political appointees at the departments in their area. A big part of the PAD's job is identifying problems but then also resolving them. A PAD does not want the first, or only, time they talk to other members of the president's team to be governed by disagreements.

6. DEVELOPING THE PRESIDENT'S BUDGET

> Budget preparation is a busy, deadline-driven activity, with many levels of review, enormous demands for data, and a compelling need to resolve intra- and inter-agency conflicts.
>
> — Allen Schick, 2007, pp. 84 – 117.

The President's Budget consists of several volumes that set forth the president's financial proposals with recommended priorities for allocating resources.[12] The main *Budget* volume contains the President's budget message and other broad statements of policy. The *Appendix* contains detailed information by agency, bureau, or program group, including budget accounts, programs, and activities. Other volumes, such as *Analytical*

[12]The term "budget" can mean other things in other contexts. It often refers to the full receipt and outlay proposals rather than the volumes in which these amounts are published. Some refer collectively to the budget resolution and revenue and spending bills that Congress passes as the "congressional budget." Ultimately, Congress and the president enact many laws that control the Government's receipts and spending, which sometimes is referred to collectively as the budget, as in "enacting the budget."

Perspectives and *Historical Tables*, provide technical perspectives on the budget. Most information contained in the President's Budget is based on information submitted by agencies that reflect the president's priorities.

The Budget and Accounting Act requires the president to formally transmit proposals for allocating resources, the President's Budget, to Congress by the first Monday in February, although there are no sanctions imposed if the budget is not submitted by that date. The Budget focuses primarily on the budget year—the upcoming fiscal year for which the Congress needs to make appropriations. However, it includes data for the most recently completed year, the current year, and nine years following the budget year (outyears) in order to reflect the effect of budget decisions over the longer term.[13] In addition to proposed appropriations for the budget year, the budget may include proposed changes to appropriations for the current year (supplementals and rescissions), and legislative proposals that would affect mandatory spending and revenues over any time period.

The budget provides data for the following:

- The amount by account that each agency may obligate the Government to pay (***budget authority***) and estimates of the payments (***outlays***) that result from these obligations by agency and account;
- The amount of ***receipts*** each agency collects from various sources;
- And, thus, the resulting ***surpluses*** (when ***receipts*** exceed ***outlays***) or ***deficits*** (when ***outlays*** exceed ***receipts***), which in turn affects the level of the national ***debt***.

The Budget covers the agencies of all three branches of government—executive, legislative, and judicial. By longstanding practice, the budget documents present information about the Board of Governors of the Federal Reserve System but do not include amounts for the Board in budget totals because of the independent status of the System.

ANNUAL DEVELOPMENT OF THE PRESIDENT'S BUDGET

> This is an average budget year – worse than last year and better than next year.
>
> — Anonymous

The budget process occurs in three main phases:

- Formulation. During this phase, which starts about a year and a half before the fiscal begins and ends the following February, the Executive Branch prepares the President's Budget.
- Congressional. This phase starts in late January when the Congressional Budget Office submits its baseline (that is, assuming no policy changes in the future) to the Congress.[14]
- Execution. After Congress appropriates funds, OMB apportions those funds; that is, it specifies the amount of funds that an agency may use by time period, program, project, or activity so that agencies obligate the funds consistent with the amounts and purposes specified in law.

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[13] A chapter in the *Analytical Perspectives* volume of the President's Budget also reviews the longer-term (75 years) budget outlook, both under a continuation of current policies and under the policies proposed in the Budget.

[14] Congress does not necessarily vote on the President's Budget itself. It considers the President's Budget proposals, often passes its own overall revenue and spending plan and guidance to committees in the form of a concurrent 'budget resolution', and enacts regular appropriations acts and other laws that determine spending and receipts, consistent with the budget resolution if one has been adopted.

Major Steps in Formulating the President's Budget

The following highlights major milestones during the formulation phase of the budget process in a 'normal' year.

- Spring: The OMB Director issues a letter to the head of each agency providing policy guidance for the agency's budget request.
- Spring/Summer: Agencies analyze budget issues and options.
- July: OMB issues Circular No. A–11 to all federal agencies. This Circular provides detailed instructions for submitting budget data and materials.
- Early September: Agencies submit their budget requests to OMB.
- October 1: Fiscal year begins.
- October–November: OMB reviews agency budget proposals in light of presidential priorities, program performance, and budget constraints.
- November: The OMB Director recommends a complete set of budget proposals to the president after OMB has reviewed all agency requests and considered overall budget policies.
- Late November: In a process called "passback", OMB informs executive branch agencies about OMB's decisions on their budget requests. An agency head may ask OMB to reverse or modify certain decisions. In most cases, OMB and agency heads resolve such issues and, if not, work together to present them to the president for a decision.
- December: Any final appeals on OMB's passback are submitted to and decided on by the president.
- First Monday in February: OMB transmits the President's Budget to Congress.

> The White House staff had lots of issues that they threw on the table from the very beginning. I mean, the -- we had things that [President Clinton] had said in his campaign, before he was President. And proposals he had made. And we were trying to cost those out and fit them into a larger whole, and . . . sometimes push back. . . . that kept happening. The volume was probably greatest at the very beginning. But there was no shortage of new ideas in the Clinton Administration. There was a shortage of money, because we were also trying to reduce the deficit and get the budget back to balance. We never really thought we were going to get to surplus, but we did.
>
> — Alice Rivlin, former CBO and OMB director, interviewed in 2015

As the keeper of the numbers, OMB is charged with making sure that the Budget's proposed aggregate levels of spending and revenues, and the resulting levels of deficits/surpluses and debt, advance and are consistent with the president's priorities. But perhaps even more important is OMB's responsibility to track all the many budget requests and decisions against the legislative constraints imposed by caps on discretionary spending and the Pay-As-You-Go (PAYGO) rules that apply to mandatory spending and revenues. OMB is also responsible during the process of preparing the President's Budget to make sure that cross-cutting issues, involving multiple agencies and/or programs, are fully analyzed and discussed. The same also applies to credit, personnel, management, and regulatory issues.

Formulating the Budget in a Presidential Transition Year

Among the first tasks of a newly elected president is to begin thinking about the budget. Here is Alice Rivlin's account of these conversations during the Clinton transition:

> Bob Rubin in his capacity as chair of the National Economic Council . . . was trying to pull it all together for the newly elected President. And that started even before the inauguration. We had meetings in Little Rock in which we were sitting around the dining room table in the governor's mansion talking about what is the goal? What budget goal do we have? And how do we fit all this in? And we had a big argument about whether the goal should be to cut the budget deficit in half in four years. And if so, what did that mean? Did that mean in dollar terms, or is it percentage GDP? As a percent of GDP, it was a less ambitious goal. . . . And so we argued back and forth on that. And the hawks won. I was one of the hawks. We decided to cut [the deficit] in half in dollar terms. Actually, we did much better than that.
>
> — Alice Rivlin, interviewed in 2015

A president sworn in on January 20th does not have sufficient time to develop a fully detailed budget for the coming year prior to the first Monday in February, the date by which the law requires the Budget to be submitted. In each of the past two transitions, the new president transmitted a policy document near the end of February, followed by a complete budget several weeks later:

- February 28, 2001 - President Bush submitted *A Blueprint for a New Beginning*, a 207-page document.
- April 19, 2001 - President Bush submitted the full 2002 President's Budget.
- February 26, 2009 - President Obama submitted *A New Era of Responsibility: Renewing America's Promise* to Congress, a 134-page document.
- May 11, 2009 - President Obama submitted the full 2010 President's Budget.

The more recent incoming administrations each designated experienced budget professionals to work on the transition together with OMB's career staff. As soon as the incoming budget director was identified, that person became active in the process of developing the budget strategy for the new administration. (In 2000, appointment of Director Mitch Daniels was delayed by the election issue in Florida.) The Obama administration's naming of Peter Orszag to head OMB occurred shortly after the election, facilitating his input into formulation of the 2009 Budget. But in both instances, the incoming administration appointees were not in place in many agencies for some weeks, adding to the difficulty of developing a budget proposal for the new administration.

On April 29, 2016, OMB sent a memorandum (M-16-10) to all executive agencies outlining the administration's plans for the development of budget data and other materials necessary for the FY 2018 budget process, in order to support a smooth transition to the next administration. That memo indicated that agencies were not required to submit a formal budget request to OMB in September, and that there would be no formal Director's Review or Passback processes in the fall. It nevertheless asked agencies to proceed with their normal internal review procedures "to prepare information to help the next administration to identify information needed to develop program-level current services estimates." It also asked agencies to work with their OMB counterparts to identify key

program and budget issues that may require attention by the incoming administration. You can find the memo here:
https://www.whitehouse.gov/sites/default/files/omb/memoranda/2016/m-16-10.pdf

7. OMB AND NATIONAL SECURITY

> Defense is not like other discretionary spending.
>
> — Robert M. Gates, Former Defense Secretary
>
> If we can't find it in the defense budget we're not looking carefully enough.
>
> — Jon Huntsman, Jr., Former Ambassador to China and Governor of Utah
>
> It is time we had a defense budget that lives within its means, accounts for what is truly required in Iraq and provides the best possible support for all our troops.
>
> — Pete Stark, Former Congressman

The national security budget process differs from the budget development process for domestic agencies.[15] The typical definition of national security funding in the budget includes those departments or agencies funded under budget function 050, which covers the Department of Defense (DOD), the National Nuclear Security Administration in the Department of Energy (DOE), as well as the Intelligence Community. Typically, at least 95 percent of national defense 050 budget resources, however, go to DOD, although that is a policy call made each year through the budget and appropriations process. A broader notion of national security would also include some programs funded outside of the 050 defense budget function. These include veterans affairs programs in the Department of Veterans Affairs (VA) and homeland security activities administered by the Department of Homeland Security, both of which are funded under the domestic discretionary side of the budget.

LONG-TERM BUDGET PLANNING

A key difference between the DOD budget and almost all other agencies is that DOD develops a resource and program plan for five years, referred to as the Future Years Defense Plan (FYDP). The strategic underpinning of the FYDP is the Quadrennial Defense Review (QDR) that lays out the strategy goals for the department. The QDR, which is legislatively mandated, sets a long-term course for DOD as it assesses the threats and challenges the Nation faces and re-balances DOD's strategies capabilities, and forces to address current conflicts and tomorrow's threats. The FYDP displays total DOD resources, forces, and equipment associated with all DOD programs and is intended to be aligned at least generally with the QDR. The FYDP is the detailed blueprint showing the nexus of budget, program,

[15] This section draws from Gordon Adams, Rodney Bent, and Kathleen Peroff, Chapter 3, "The Office of Management and Budget: The President's Policy Tool" in *Navigating the National Security Labyrinth*, edited by Roger Z. George and Harvey Rishikof, Washington, D.C.: Georgetown University Press (2016 forthcoming).

and policy with 3,600 lines of data that are referred to as program elements. The second year of a FYDP, prepared as part of a budget request in a given year, becomes the starting point for the following year's budget. DOD relies on a centralized and in depth budget and program review process, the Planning, Programming, Budgeting, and Execution System, created in 1961 by Secretary Robert McNamara, to allocate resource requests and plans across requirements and to adjust the current FYDP. The annual budget and program review examines performance and cost issues for many programs and policy areas. These issues arise through a bottom-up process that depends on data analysis and much discussion at various levels in DOD.

Both congressional authorizers and appropriators value the FYDP for the policy, programmatic, and budget direction it specially lays out. At the same time, it would be fair to say that Defense appropriators do not pay much attention to out year figures. They focus primarily on the budget year.

A DIFFERENT BUDGET PROCESS -- THE JOINT REVIEW

Interaction between OMB and DOD during the development of the President's budget for the Department of Defense (DOD) differs significantly from that for international affairs or other domestic agencies. This special relationship goes back to the creation of DOD in 1947. Historically, DOD has not submitted a complete budget request to OMB in the early fall (usually September), unlike other agencies. While the nature of the budgetary relationship between OMB and DOD has varied over time, since the 1970s OMB staff have been integrated earlier and more deeply into the internal budget process at DOD, more so than with virtually any other federal agency. OMB's National Security staff have in-depth knowledge of defense and intelligence programs, either through prior work experience in the military or as DOD civilians, or through years serving as national security analysts in OMB or other federal oversight agencies.

In the first stage of defense budget development, OMB provides fiscal guidance for the overall defense budget amount, in the framework of its broader fiscal guidance to agencies. This guidance can lower, the same, or higher than what the department had projected in its most recent FYDP. For example, in the early 2000s, the Bush administration wanted to add significant resources to DOD. The size of the increase was discussed early on among key White House policy officials and then communicated to DOD to help the department frame their base budget request. After the attacks of September 11th, 2001, the White House, National Security Council (NSC), and OMB agreed on additional increases, which were requested as a "supplemental" for what was then called the Global War on Terrorism.

OMB's budgetary guidance may be given in writing or sometimes orally to DOD, given possible concern about leaks. To ensure that DOD's internal budget planning guidance to the military services is consistent with the overall White House/OMB budget frameworks, OMB reviews DOD's internal planning guidance to the military services.

The next stage is sometimes referred to as the "joint review" of the DOD budget, which is unique to the OMB/DOD process, although the extent of the "jointness" can vary overtime depending on different administrations and leadership styles within OMB or DOD. OMB does not conduct such a joint review with any other department. This "joint review" generally starts in the summer, as issue groups begin to discuss major budget questions both within and across the services and lay out decision priorities for the Secretary. OMB examiners usually participate in these issue teams at DOD, learning about service plans and making sure that issues of interest to the White House are addressed. They raise questions when proposed policy options are not consistent with OMB's budget scorekeeping rules or White House policy and management guidance.

In the fall, the Comptroller of the Defense Department and OMB staff hold joint hearings with the military departments and work on DOD Program Budget Decision drafts that go to the Deputy Secretary or Secretary for a final decision inside DOD. At the same time, OMB also holds an internal director's review on the defense budget, which leads to the "pass back" letter around Thanksgiving containing policy, budget, and management guidance. This letter comes just as final budget decisions are being made in the department. Because of the joint review, OMB positions on many policy/programmatic issues would already be known at this point, but they would be re-affirmed officially in the pass back. The pass back also reaffirms overall DOD discretionary topline fiscal guidance. In some years, this amount has been changed, although significant topline changes at this point are not the norm and DOD complains loudly that when they occur they disrupt the department's internal budget processes.

Overseas Contingency Operations Spending Outside the Budget Control Act Caps

Beginning in 2001, the defense budget has had two significant components: the "base" defense budget and the Overseas Contingency Operations (OCO) budget. Other agencies, such as the Intelligence Community, State, and Homeland Security have also had OCO budgets in many of these years on a much smaller scale. The DOD OCO request has been intended primarily to cover "temporary and extraordinary" incremental costs associated with military operations in Iraq and Afghanistan. The discretionary funding caps in the Budget Control Act do not apply to the OCO budget. The OCO budget has served to some extent as a relief valve reducing pressure for tradeoffs within the base budget, which is constrained by the BCA given budgetary caps. OMB and DOD negotiated criteria for deciding what might be funded in the OCO budget and what belongs in the base budget, although exceptions to these criteria have been granted. Reaching an agreement each year on both the size of the OCO request and what is funded within it has involved considerable interaction between OMB and DOD since 2001. OMB examiners review each OCO line item and often negotiate directly with their Office of the Secretary of Defense counterparts. This process gives OMB visibility into the OCO budget at a very detailed level. The goal of this OCO review has been to assure that the military services have had adequate resources to carry out their missions. At the same time, OMB has also sought to prevent OCO from becoming, in effect, "free money" for uses that should otherwise be funded in the base budget.

An issue for the incoming administration will be what to request, if anything, for the OCO budget. OCO has, over the years, become an indefinite, flexible funding source for ongoing and emerging global military operations. Clearly, this class of spending is in no way a temporary or a one-time emergency in nature since it has been in continuous existence since 2001.

CLASSIFIED PART OF DOD BUDGET

The national intelligence program (NIP) budget is implemented and funded across 17 agencies and organizations of what is called the "intelligence community" (IC). Most of the IC budget is requested and appropriated within DOD's budget and is classified. The development of this interagency budget also involves a "joint review" process whereby OMB examiners participate in internal discussions of the various intelligence agencies early on. Since 2001, as with the DOD budget, the intelligence community has had both annual base budget and OCO requests. This is not surprising given the IC's significant role in Iraq, Afghanistan, and other anti-terrorism activities.

OMB sends guidance usually in the early fall to both DOD and the ODNI on what their funding shares are within that part of the 050 budget that covers the Department of Defense (where much of the intelligence budget is funded). IC funding for most of the intelligence agencies must fit within the overall BCA budget cap for Function 050, which could mean "trade offs" between intelligence programs and DOD's military activities and programs. This guidance helps prevent confusion or conflict later on as DOD and the ODNI develop their respective budgets. Most of OMB's role in the IC budget process is not public. OMB's role is significant, however, in part because such programs do not get as much oversight as other programs due to their classification.

DEPARTMENT OF ENERGY'S NATIONAL NUCLEAR SECURITY ADMINISTRATION (NNSA) -- NATIONAL SECURITY SPENDING OUTSIDE OF DOD

NNSA is a quasi-independent and important entity within the Department of Energy (DOE) with closes ties to DOD and its nuclear missions. It is primarily responsible for the safety, security, and reliability of the nation's nuclear deterrent. It also has important missions in preventing nuclear proliferation; designing and developing nuclear propulsion plants for the U.S. Navy; and securing the nation against nuclear terrorism and responding to radiological/nuclear emergencies.

Because funding for NNSA is part of the "national defense" budget function (050), it must fit under the BCA caps for the defense budget, which can force tradeoffs between DOD and NNSA budget requests. One of the more contentious issues of the last few years has been finding resources to modernize NNSA's nuclear weapons enterprise, to ensure the reliability of the nuclear stockpile. This will continue to be a budget concern.

OTHER RELATED NATIONAL SECURITY SPENDING OUTSIDE BUDGET FUNCTION 050

Two large departments with national security responsibilities are outside the defense budget cap: the Department of Veterans Affairs (VA) and the Department of Homeland Security (DHS). VA administers a health care system and benefits for military veterans including disability payments, education assistance, housing loan guarantees, health services, and support (jointly with the Department of Housing and Urban Development) for homeless veterans. While funding for these programs is in budget function 700 (Veterans Benefits and Services) and is not part of the 050 budget function, resources committed to veterans' program have increased very significantly. The VA budget process is similar to that for domestic agencies. Fifty-seven percent of total resources requested in the 2017 president's request for VA are mandatory and not subject to congressional appropriations since any eligible veteran receives those benefits by law. Mandatory spending funds benefits such as veterans' disability compensation and educational assistance.

Homeland security budgeting also falls outside of the 050 budget function and has its own complexities. The Department of Homeland Security (DHS) does not have responsibility for all homeland security-related funding. Other agencies such as DOD and Health and Human Services carry out a number of homeland security programs and activities. At the same time, nearly a quarter of the DHS budget is committed to programs that are not pure homeland security activities, such as Coast Guard rescue-at-sea responsibilities. OMB plays a key role in integrating homeland security budgets because it is the only institution in the executive branch able to pull all the elements together.

OMB AND THE NATIONAL SECURITY COUNCIL

The National Security Council (NSC) is the principal White House institution that advises on and coordinates national security strategy, working through the interagency process, and responding as needed to national security crises. The NSC staff does not have a formal role in the OMB budget process, nor does it typically have expertise in resource planning. Most NSC staff are non-permanent representatives on loan from DOD, State, Homeland Security, and the intelligence community where they usually have policy or program-focused positions and little budget background. Nevertheless, most decisions made in the NSC framework have resource implications, making regular OMB-NSC interaction necessary.

NSC views and interagency discussions in the NSC framework can have important implications for the contents of the President's Budget. In return, budget decisions made in the OMB process can facilitate or limit NSC and interagency policy options. NSC views on program priorities can sometimes differ from the programs and funding levels requested by national security agencies and departments. OMB, working with both the departments and NSC staff, often help resolve the conflicts among these competing priorities.

The OMB-NSC relationship is critical to successfully planning the president's policy priorities and brokering conflict among agencies. In recent years, OMB has been represented at NSC-coordinated interagency meetings on a wide variety of security issues. OMB is at the table when key security policy decisions are being discussed and decided and can raise issues of cost and make sure that agency budgets reflect resource implications of these decisions. When the two organizations work in tandem, the White House can exercise considerable influence on national security. When they do not, budget decisions may not reflect presidential priorities, or they may actually frustrate their achievement.

CONGRESSIONAL PLAYERS

On the Hill the defense authorizers and defense appropriators are both key legislative actors and generally pass bills that are pretty closely aligned with each other. Each year the administration submits to Congress a Defense authorization bill that proposes changes to how defense and intelligence programs are to be implemented. In contrast to authorizations for many domestic agencies, the Senate and House Armed Services Committees have for many years succeeded in getting their authorization bills passed and having the president sign them into law.

The Defense authorization bill plays a major role in defining military compensation and benefits. On multiple occasions, an Administration has submitted changes in its proposed authorization bills to reduce growth of these costs. This has been the case especially for health benefits. Congress has been less than supportive and has not adopted these proposals for the most part. Total military and DOD civilian compensation costs consume about one-half of DOD's budget. The other half of their budget must cover all other costs, including operating and maintaining bases and facilities, acquiring new weapons, conducting R&D, and paying other operational costs for many things, such as DOD's huge fuel bill, military training, responses to disasters and humanitarian relief. Several defense experts have expressed concern about the inherent tradeoff within DOD's budget, and this will be an issue in the next administration.

PART TWO: MAJOR OFFICES AND THEIR FUNCTIONS

8. OMB RESOURCE MANAGEMENT OFFICES (RMOS)

OMB's Resource Management Offices or RMOs include nearly half of OMB's staff. They constitute the core of OMB's program analysis expertise. Once known as OMB's Budget Divisions, they were reconstituted as RMOs in 1994 as part of an OMB internal reorganization known as 'OMB 2000.' A number of staff then were reassigned from various 'management side' offices to the former budget branches to augment their work, defining a broader cross-government budget, management and performance improvement role for the RMOs. The RMOs are currently organized as shown below, with agency responsibilities roughly paralleling the Executive Branch's organization[16]:

- Natural Resource Programs RMO
  - Energy, Science and Water Division
  - Natural Resources Division
- Education, Income Maintenance and Labor Programs RMO
  - Education, Income Maintenance and Labor Division
- Health Programs RMO
  - Health Division
- General Government Programs RMO
  - Transportation, Homeland, Justice and Services Division
  - Housing, Treasury and Commerce Division
- National Security Programs RMO
  - International Affairs Division
  - National Security Division

Each of these RMOs is led by a political appointee, the Program Associate Director [See section 4.] not subject to Senate confirmation. The five PADS can thus often be identified and be in place to lead their RMO staff by the first day of a new Administration. As displayed above, three of the program areas include two Divisions and two program areas have one Division. The Divisions are headed by career SES civil servants, the Deputy Associate Directors – almost always called 'DADs'. Each Division is divided into two or more Branches. The Branch Chiefs are, like the DADs, SES civil servants; and Program Examiners serving in each Branch are also career civil servants.

In addition to the RMOs named above, the Office of Performance and Personnel Management (OPPM) established a decade ago acts as the RMO for five agencies with personnel management responsibilities [See section 16.].

THE ROLE OF RMOS ON JANUARY 20, 2017

The career staff of the RMOs are responsible for helping the President in many different ways. Their expertise and responsibilities span the work of the executive branch from shaping policy and resource decisions through oversight of implementation. In other words, the RMOs work encompasses budget, management, and much more. Often when there is an emergency or a management failure in one or more agencies, OMB staff – both

[16] OMB Organization Chart, March 30, 2016.
https://www.whitehouse.gov/sites/default/files/omb/assets/about_omb/omb_org_chart_0.pdf

because of their centrality and their expertise – are asked to take on the task of quickly fashioning a response or helping to put things right.

The RMO staffs are an important source of institutional knowledge and memory. They are thus an especially valuable resource for an incoming administration. They provide senior policy officials in OMB and the White House with immediate access to current and historical knowledge about: (1) federal programs, policies and operations; (2) funding history and program effectiveness; and (3) near term challenges and unresolved issues. They understand the federal budget process in depth, including daily interactions with legislation, regulations, state and local governments, international considerations and the private economy. Their centrality in executive branch decision-making, the speed with which they must work for the White House, and a strong, and private professional ethos shape their organizational culture.

A new administration taking office in January 2017 – apart from staffing the leadership of its departments and agencies -- immediately faces daunting challenges, some expected and others coming as surprises. Such challenges will include: understanding the basic organization and functioning of the executive branch as it assumes responsibility for all federal government domestic, defense and international operations; and turning immediately to developing within about a two-month period a proposed budget for FY 2018 to finance all federal operations and advance new policies reflecting the incoming administration's priorities. Within OMB, the RMO staffs are the people with the detailed program knowledge of the cabinet departments and other federal agencies, the policies established by the outgoing administration, and specific federal activities the outgoing administration had implemented. These tasks would be monumental without the ability to tap the memory and deep knowledge base of OMB's RMO staffs.

Even with a two-month transition after the November 8, 2016 national election, the new executive branch's political leadership and organization and staffing preferences will be incomplete on January 20, 2017. OMB career staff will have most likely become progressively involved with the incoming administration in the period since the national election while still supporting the outgoing administration until Noon on January 20, 2017. Although a vital source of help to a new administration, the level of interaction and trust between the incoming administration and its transition team and the OMB career staff has varied across administrations. Not all PADs may be in place at the beginning of the new administration, but RMO career staff will be prepared to step in and help the new OMB political leadership advance the new FY 2018 budget process for specific program areas and respond to other immediate or unanticipated issues.

Whatever the January 2017 circumstances nationally or internationally -- whether in crisis or in relative calm – the new administration needs immediate advice and assistance in constructing a budget for FY 2018. Whether or not the transition occurs within the same political party or between different parties, there will be a transition of OMB policy officials, who will benefit from a partnership with the RMO career staff possessing detailed program knowledge.

OMB's new political leadership may arrive in January 2017 with settled views or with rumors about the RMOs in particular or OMB in general. The new PADs and other OMB political leaders may improve their own effectiveness by moving past any preconceptions, expecting loyalty and competence on behalf of the RMOs and understanding that the RMOs are the new Director's staff and no longer tied to any previous administration apart from the program and policy knowledge that can be applied anew in January 2017. The RMOs' wealth of knowledge can help avoid mistakes, missteps, policy pitfalls, and wasted time, especially early in an administration that requires focus, long hours, organization ability, trust, knowledge and loyalty.

The RMOs are prepared to change teams not only at Noon on January 20th but often during an administration. They will lead and/or assist with the transitions to new PADs or OMB Directors and Deputy Directors. Every aspect of these transitions will not be perfect, but the Career Deputy Associate Directors, Branch Chiefs and the Program Examiners understand their roles and adapt quickly to help the new OMB political leaders assume effective management of OMB and set direction for the executive branch.

PERSPECTIVES ON THE RMOS

The RMO staffs view their primary responsibility as being ready to prepare the analyses needed to advance each administration's policy priorities. Each RMO's staffing and responsibilities reflects its own history, measured by the backgrounds of the staff recruited and trained over the years and the range of program areas, issues, and policies covered. The experience and program knowledge of the RMOs, especially at the program examiner level, may ebb and flow from time to time with normal staff departure and retention. In contrast, the incoming OMB political leadership will find that the DADs and Branch Chiefs will have served in OMB under multiple administrations of different political parties.

The RMOs organizationally reflect the advantages of small unit organization, with corresponding ability to turn and respond quickly to new and/or unexpected circumstances and to produce knowledge-based staff work. The RMOs are the place within OMB and the executive branch where many processes come together in concurrent reviews, including for example review of regulations, agency testimony before the Congress, legislation and management improvements, or guiding agencies' implementation of the President's management agenda. RMOs will work with agency contacts and other OMB lead offices, such as the Office of Information and Regulatory Affairs and the Legislative Reference Division, for the various cross-government functions required to ensure clarity and consistency for the new administration's policy goals.

Each fall (winter and spring 2017 for the incoming administration) during the annual budget season, the RMOs will work closely with agency counterparts throughout the executive branch in reviewing funding proposals along with legislative and regulatory policies to support the forthcoming President's Budget. Requests often exceed the total funding levels that can be included in the administration's fiscal plan. RMO examiners apply their detailed program and performance knowledge on a line-by- line basis to reconcile with the federal departments and agencies as many differences as possible in advance of reviews by OMB and White House policy officials.

RMOs work both during the annual budget development process and throughout the fiscal year in analyzing administration funding priorities in conjunction with the White House policy councils, including the National Economic Council, Domestic Policy

Council, and the National Security Council. RMO examiners bring program expertise into play in resolving funding and policy requests for activities ranging from biomedical research and Indian Health to Head Start, Medicare and Medicaid. Often this involves cross-cutting analyses of spending and tax provisions affecting a major policy goal. The budget review division [See section 9.] often assists RMOs' analysis of these cross-cutting issues with data calls and integrated analysis of the numbers.

Beyond their role in helping to determine annual funding levels for all activities in the President's Budget, RMOs have a continual role in supporting effective implementation of existing federal activities as reflected in the negotiation of policy differences that often appear in the clearance of draft legislation and agency budget testimony before the Congress, and in reviewing major regulations implementing changes, for example, for Medicare, the Food and Drug Administration or low-income housing policies. Past examples of the application of extensive RMO program knowledge helping to resolve funding and policy challenges occurred in the aftermath of the September 9, 2001, attack, implementation of the Medicare prescription drug benefit and the response to the Great Recession. The RMO examiners work closely with OIRA desk officers in reviewing major draft regulations [see Section 10.]. They partner with staff of the statutory offices to communicate and oversee implementation of government-wide policies on various management matters.

RMOs work effectively for the many different and sometimes similar political and policy perspectives reflected in successive administrations. A former RMO staffer has occasionally asked "are we working for Democrats or Republicans" when policies of one administration looked much like those of a previous administration from a different political party. The RMOs will negotiate intensively and produce effective results for each administration.

Physically, the RMOs' career staff are located in the New Executive Office Building with the majority of the OMB staff. The PADS and other OMB political appointees have their offices in the Eisenhower Executive Office Building.

RMO Staff Backgrounds

Many RMO examiners will be new hires with Masters' degrees and often come directly out of the nation's public policy schools. Most possess public policy Master's degrees (MPP and MPA) but others have earned MBAs, JDs or PhDs. Many examiners and virtually all of RMO senior career staff also will have previous experience as congressional staff, or as staff with state government agencies, other federal agencies, the military, think tanks, or less often in the private sector. Some OMB staff arrive with specific program and policy knowledge, but most learn and certainly greatly expand such knowledge through their OMB experiences.

Most examiners typically stay at OMB for a period of three to five years – but some stay much longer. Those that leave often seek greater responsibilities within OMB, at other federal agencies, with Congress, local governments or the private sector. OMB's regular staff has been augmented, especially during budget season, by detailees drawn from the agencies. Nevertheless, recruitment and retention remain constant challenges.

9. THE BUDGET REVIEW DIVISION, BUDGET SCOREKEEPING, AND THE MAX SYSTEMS

The Budget Review Division (BRD) plays a central role in developing and implementing the President's Budget. BRD provides leadership and analytic support across the agency by analyzing trends in and the consequences of aggregate budget policy. It aggregates data provided by the RMOs, provides strategic and technical support for budget decision-making and negotiations, and monitors congressional action on appropriations and other spending legislation. In addition, BRD provides technical expertise in, and guidance on, budget concepts and execution.

> I think I have been associated with the word gimmick in the past, and I am not ashamed by that at all. I was very good at using what some might call 'gimmicks' to promote the President's proposals . . . .
>
> — Barry Anderson, former head of BRD, interviewed in 2013

BRD is headed by the Assistant Director for Budget Review, a civil servant who reports to the OMB Director. BRD has approximately 60 staff divided among four branches: Budget Review, Budget Concepts, Budget Analysis, and Budget Systems.

BUDGET ENFORCEMENT

BRD, in conjunction with the RMO analysts, is responsible for producing the enforcement reports for OMB to implement top down budget agreements between Congress and the president. It works with the Congressional Budget Office and Congressional scorekeeping experts to ensure that breaches in discretionary caps or PAYGO controls are recognized and to implement budget enforcement legislation.

The Statutory Pay-As-You-Go Act of 2010 enforced a rule of deficit neutrality on new revenue and mandatory spending legislation. The Act requires that all new legislation changing taxes, fees, or mandatory expenditures, taken together, must not increase projected deficits. This requirement is enforced by the threat of automatic across-the-board cuts (sequestration) in selected mandatory programs in the event that legislation taken as a whole does not meet the PAYGO standard established by law. The PAYGO Act also established special scorecards and scorekeeping rules.

Under PAYGO, OMB must maintain both a scorecard that displays the costs or savings produced by legislation averaged over the first five years, and a second scorecard with the costs or savings averaged over the first 10 years. The costs or savings of every (non-appropriations) bill enacted from February 12, 2010, onwards will be recorded on the scorecards. At the end of each session of Congress, OMB reports on the (averaged) costs and savings for the fiscal year that has just started, to determine whether a sequestration is necessary. Should the limits be exceeded, the president is required to issue a sequester order implementing across the board cuts to non-exempt mandatory programs by an amount sufficient to offset those net costs. BRD is responsible for implementing sequester orders.

The Budget Control Act of 2011, as amended, reinstated separate caps on defense and non-defense discretionary spending through 2025. OMB is required to report on the status of the caps and to determine whether a sequestration is required to eliminate their breach.

It adjusts caps each year for changes in concepts and definitions, to recognize appropriations exempt from controls, those for continuing disability reviews, health care fraud and abuse control and disaster relief and appropriations designated by Congress and the president for Overseas Contingency Operations / Global War on Terrorism. OMB provides a cost estimate of each appropriations act and publishes three discretionary sequestration reports: a preview report when the President submits the Budget, an update report in August, and a final sequestration report within 15 days of the end of the session. If the final sequestration report indicates that the amount of budget authority provided in the appropriations acts exceeds the cap for a category, the president must issue a sequestration order canceling budgetary resources within the category by the amount necessary to eliminate the breach. BRD develops these reports and implements sequesters, when required.

As noted above, the incoming administration will have to address future funding levels shortly after the election, and make decisions regarding funding levels under or above the spending caps established by the Budget Control Act of 2011. Under current law, discretionary caps will be reduced beginning in 2018.

Appropriations / Direct spending tracking

BRD tracks legislative action on each stage of the appropriations process and coordinates views of the RMOs on the pending appropriations. This includes attending congressional mark-ups, preparing letters to congressional leadership and Statements of Administration Policy, and maintaining an ongoing tracking of spending provided by these bills compared to the President's Budget and to the discretionary caps, and producing regular reports on the status of the appropriations. BRD also analyzes legislation that changes revenues or direct spending, again working with RMO budget analysts, and maintains PAYGO scorecards itemizing the budgetary effects of enacted legislation.

Budget decision support

BRD supports the OMB Director in developing budget policy, both for planning the President's Budget and to support negotiations with the Congress on alternative budget scenarios. It works with Economic Policy Division, the Treasury and the Council of Economic Policy to develop macro-economic assumptions. BRD then analyses the fiscal impact of alternative economic options, developing baseline or current services estimates, and long-range projections, and pricing policy options. This analysis is used to develop top-down guidance for budget development by the agencies of government.

BRD works with the Director and the RMOs to organize the budget review and decision-making that produces the annual budget proposals of the president. BRD participates in the review to ensure that policies consistently apply budget concepts and that numbers reflect guidance or policy choice to modify guidance. Through the fall and into the winter, BRD tracks decisions made and their budget effects, showing the implications of decisions on budget totals.

Budget Document Preparation

BRD provides guidance and support to the RMOs and the agencies throughout the budget formulation process. The highly structured annual budget preparation process gives continuity and analytical structure to the work. BRD tells the participants how to prepare and submit materials required for OMB and presidential review of agency requests and for formulation, including development and submission of performance budgets. Ultimately this information becomes the input for the detailed Budget *Appendix* and its related database.

OMB uses the MAX Information System [See below.] to collect, validate, analyze, model, collaborate with agencies on, and publish information relating to its government-wide management and budgeting activities. Perhaps the most visible end product of the MAX system is the "Budget of the United States Government," the President's Budget. All numbers presented in the budget, detailed tables, summary tables and cross-cutting analyses are produced from the MAX database. (BRD uses this cloud-based technology platform to support collecting and sharing information with approximately 185,000 users, enabling secure government-wide collaboration, data collection, analytics and publishing support of policy development and reporting activities by OMB and federal agencies – financial reporting and various housekeeping functions).

BRD has the overall responsibility for preparation and printing of the budget documents, recently five books covering all aspects of government finance. BRD staff work with RMOs to ensure that the policy and estimates presented are consistent with presidential policy and technically accurate to the maximum extent possible. BRD leads the development of the more technical budget materials. Its staff are the government's leading experts on many aspects of public finance, including: federal borrowing and debt, aid to State and local governments, federal investment, user fees, tax expenditures, federal credit programs, long-range projections and current services analyses. It drafts budget presentations on these topics.

Executive Branch Guidance

BRD is responsible for developing guidance and instructions and providing expert technical assistance on budget formulation and execution and on budget systems for the executive branch of government. It maintains and updates annually the OMB Circulars that provide guidance on preparing and implementing the budget, on user charges, and on federal credit programs and non-tax receivables. These circulars provide guidance on sequestration, supplemental appropriations requests and budget amendments, deferrals and presidential proposals to rescind or cancel funds, and investments. They provide instructions on budget execution, including guidance on the apportionment and reapportionment process, reports on budget execution and budgetary resources, and checklists for fund control regulations. BRD staff are the government's experts on these policies and are the resources that OMB and agency staff call on for support.

THE MAX SYSTEMS AND MAX.GOV

OMB's Budget information systems, called "MAX", provide the tools necessary for producing the annual President's Budget, overseeing agency execution of appropriations through apportionments and expenditure reporting, and performing a wide variety of data collection, tracking, modeling, analysis, presentation, reporting, and publishing activities to support decision-making and managing the government year-round.

Run by the Budget Review Division, the systems are designed to enable rapid interactions with federal agencies, Congress, and non-federal partners (i.e. state, local, tribal, territorial, international, and non-governmental). They provide OMB and the White House with advanced capabilities for data collection, collaborative authoring/review, and the automated compilation and production of complex materials such as briefing books, questions for the record, Qs & As, formal reports, real-time business intelligence dashboards, and websites.

These capabilities have significantly reduced the workload and turnaround time for interactions with the agencies, providing OMB and White House offices with a resource to support special initiatives and respond to crises. Examples include the 2013 government-wide sequestration and shutdown, Recovery Act tracking, Hurricane Sandy response, President's Management Agenda dashboards, the 2007 Earmarks initiative, OMB's 2009 presidential transition, CEQ sustainability, ONDCP National Drug Control Strategy, OSTP Science and Technology Councils, USTR trade negotiations.

The Budget Line of Business / MAX.gov Government-wide Shared Services.

Through the Budget Officers Advisory Council, OMB and the agencies have partnered to establish the Budget Formulation and Execution Line of Business (BFELoB) to enhance interagency communication, coordination, and sharing of capabilities. The BFELoB has extended MAX into a government-wide shared service resource used by agencies for their own mission data collection, tracking, collaboration, information sharing, analytics, reporting, surveying, calendaring, authentication, and publication activities.

Since its inception in 2007, usage has expanded rapidly beyond its original budgeting, management, and policymaking scope to currently serve over 185,000 users (as of May 2016) from every government agency performing hundreds of data collections and thousands of collaborations. Examples include: Navy Bureau of Medicine Emergency Management, Office of Government Ethics financial disclosure (Integrity.gov), EPA Region 8 tribal partnerships, FEMA National Continuity programs, GSA risk authorization management, HUD Promise Zones, OPM SES mentoring, and others.

Using MAX services has enabled agency programs to stand up capabilities quickly -- in many cases within days -- and at significantly lower cost than other alternatives. In turn, funding from these activities has enabled the development of enhanced capabilities that directly benefit OMB and other White House offices, the agencies, and the government as a whole.

Activities conducted within MAX are configured to comply with both Presidential Records Act (PRA) and Federal Records Act (FRA) requirements. This enables seamless use by White House staff subject to PRA, who otherwise are mostly limited to using email in their electronic interactions with non-PRA organizations – even other offices within the Executive Office of the President.

MAX A-11 data entry and budget data base.

Detailed data for the President's Budget is collected government-wide through the MAX A-11 Data Entry system according to guidance published in OMB Circular A-11. A thousand staffers from every federal agency enter several hundred thousand numbers, proposed appropriations legislative language, and detailed program descriptions for more than 2,500 budget accounts. Agencies with internal budget systems can directly upload data. The data is subjected to thousands of built-in data quality checks and data generation routines.

The budget data base includes hundreds of budget "versions", encompassing current and past policy, baseline, program and financing, object class, character class, credit, federal employment, financial management, program assessment, congressional action, and special exercise data, and is readily extensible to meet new requirements. Budget information is primarily structured by agency and account, but can also be reported using a variety of categorization fields such as function/sub-function, appropriations sub-committee, Budget Enforcement Act category, grant/non-grant, and sub account.

BUDGET EXECUTION AND APPORTIONMENT

Agencies must have an OMB-approved 'Apportionment' before they can obligate and expend budgetary resources. Two thousand staffers in every agency and OMB use the MAX Apportionment System to prepare, submit, approve and report on apportionments (roughly 75,000 transactions per year).

OMB also includes execution data within the Budget, and contributes to the inventory of government-wide reports that the public, auditors, and Congress use as a system of record for agency spending. Agency monthly outlay plans are collected for use by OMB and Treasury in determining the government's borrowing needs and assessing monthly reports watched by Wall Street, Congress and the public.

Budget Historical System

The Historical System contains budget account level data series back to 1962 for outlays and 1976 for budget authority, with receipt and outlay totals available in the aggregate for earlier periods. The system also contains various composite outlay deflators used to generate constant-dollar (inflation-adjusted) time series.

Budget and economic modeling

Budget "what-if" analyses and long-range budget projections are provided through a collection of integrated systems that model economic assumptions, sensitivity, interest, outlays, receipts, and deficits. The COLA model provides the ability to estimate the outlay impact of alternative Cost of Living Adjustment policies for programs that are indexed to various price measures such as the CPI. The Credit Subsidy Calculator is used throughout

Government to estimate the subsidies in Federal credit programs and support subsidy re-estimates and other specialized needs. The Debt Service model provides estimates of the interest cost changes associated with programmatic changes in outlays or receipts.

Publishing the Budget

The system includes photocomposition capabilities that support the automated publishing of large sections of the Budget. These automated capabilities have shortened the time to produce the Budget documents by several weeks, providing more time for policy officials to finalize decisions. The Budget is published on the Internet at the same time the printed documents are transmitted to Congress.

MAX Collect and analytics

MAX provides a dynamic web-based data collection capability for meeting the constant OMB and White House demand for information from agencies. The application is capable of turning around complex government-wide data collections within hours through simple configuration. Then, as data is collected, the application automatically aggregates numeric data and compiles textual data into integrated publication-ready documents, reports, real-time analytics, business intelligence dashboards, and websites.

The MAX Federal Community

The Max Federal Community provides a user-managed platform for securely sharing information within and across federal agencies, as well as state and local governments, tribes, international governments, and non-governmental partners. Non-technical users can create, share, and even simultaneously co-author documents (with full track-changes), and create both simple and sophisticated websites for their programs and activities. This platform also has capabilities for multi-stage document workflow, advanced content location, scheduling, and online meetings.

Access to content can be individually limited to any combination of individuals, groups, and organizations as appropriate.

10. The Office of Information & Regulatory Affairs

The Office of Information & Regulatory Affairs (OIRA, pronounced Oh-Eye-Ruh) Administrator (AKA the "Regulatory Tsar") is the ultimate policy wonk. The Office reviews all manner of regulations from executive branch agencies, in which the important decisions are often "down in the weeds;" there is no overall budget number or meaningful summary statistic that simplifies the task.

Little known outside the beltway, OIRA is an office of about 50 professional staff who oversee the regulatory, information collection, and statistical activities of federal executive branch agencies. It operates within the Office of Management and Budget and, for regulatory matters, provides a function similar to OMB's oversight of department and agency fiscal budgets. Its role, like that of the RMOs, is to provide the president with a tool to check agencies' natural proclivity to want more (whether it's more budget resources or more regulatory authority). This institution of regulatory oversight is important but, unsurprisingly, not always appreciated by the agencies being overseen.

Although it is stretched thin, OIRA's career staff has the expertise to penetrate the dense language of regulation and identify important decisions. Unlike their counterparts on the budget side, however, OIRA staff are not working on an annual cycle. Each regulation is running on its own clock, and some of them have statutory or judicial deadlines that demand immediate attention. A presidential transition is a particularly active time, as a new administration reviews pending or not-quite-final decisions from the outgoing administration. It is especially urgent for the new administration to engage with OIRA.

One obstacle is that the OIRA administrator is a Senate-confirmed position, and confirmation often takes months. Typically, the nominee is someone with strong academic or professional credentials in economics and/or administrative law. This is important not only for effectively managing the OIRA staff and dealing with agency personnel; it also seems to help facilitate the Senate confirmation process. Indeed, former OIRA administrators *from both parties* (with the exception of judges, for ethical reasons), have historically been effective in helping to persuade the Senate to confirm well-qualified nominees.

The OIRA administrator, who reports to the OMB Director, is one of the most important government officials most people have never heard of. Regulation is one of the key tools for accomplishing policy goals and the administrator gets involved in a dizzying range of issues and works with senior appointees across the government.

EXECUTIVE ORDERS ENSURE CONTINUITY.

Unlike most other EOP offices, OIRA has specific statutory responsibilities relating to paperwork and statistics. Its core function, however, is to review regulations. The office was created by the Paperwork Reduction Act of 1980 (PRA), but it was President Ronald Reagan's Executive Order 12291 that first gave OIRA the mandate to analyze regulations. President Bill Clinton replaced E.O. 12291 with E.O. 12866 in 1993, but did not change the basic principles that guide regulatory review. However, under the Clinton E.O. OIRA review was limited to "significant" draft proposed and final regulations prior to publication. (OIRA ultimately determines what rules are "significant.") This process remains in effect today, as Presidents George W. Bush and Barrack Obama have reinforced and expanded OIRA's role (see President Obama's E.O. 13563).

OIRA ensures compliance with the relevant executive orders, which require, to the extent permitted by law, that regulations be based on adequate information concerning the need for and consequences of proposed government action, and that regulatory actions maximize net benefits to society. These orders provide the mechanism for the elected president to effectively manage the regulatory authority vested in the executive branch.

OIRA PROCEDURES

Under E.O. 12866, all executive branch agencies must submit significant proposed and final regulations (draft regulatory text along with preamble and supporting documents) to OIRA for interagency review before publication in the Federal Register. This review involves coordination with other agencies in the executive branch (including White House offices) and can last 90 days (and sometimes more, although on average reviews take around 60 days).

Many of the roughly 500 OIRA regulatory reviews annually are handled by career staff without much input from the administrator, but some can be quite contentious and require the administrator to have an in-depth understanding of a regulation's requirements and supporting analysis. In addition to mastering substantive details, the administrator must be adept at negotiating and finding consensus across conflicting offices and agencies within the executive branch while staying true to established principles and the president's priorities.

The OIRA administrator's job is largely inward facing, working with policy officials in executive agencies and the White House. While a regulation is under review, however, interested parties may request a meeting with OIRA and the issuing agency. These meetings with outside parties are subject to procedural and disclosure requirements. OIRA posts the meetings and a list of participants on is public website, invites the regulating agency to attend, and does not share information on the draft regulation with public attendees.

OIRA also coordinates retrospective review of regulation, and oversees the implementation of government-wide policies in the areas of information policy, privacy, and statistical policy. (The head of OIRA's Statistical & Science Policy Branch carries a statutory title of "Chief Statistician of the United States," which is unique for an OMB career executive.) OIRA coordinates implementation of the Information Quality Act, including agencies' peer review and information dissemination practices. The Office is also active in international regulatory cooperation efforts with key trading partners and implementation of the Small Business Regulatory Enforcement and Fairness Act (SBREFA).

OIRA also reviews and approves government collections of information from the public under the PRA. OIRA must approve any agency requests to collect information from ten or more people, as well as any policy that requires ten or more people to retain or disclose information. OIRA reviews over 3000 agency collections a year, which requires significant staff time but only in rare cases presents a policy issue that requires the attention of the OIRA Administrator. The PRA also includes a significant number of provisions that related to information technology policy, which are now carried out by the Office of E-Government and Information Technology [See section 13.].

BEST JOB IN WASHINGTON?

The value of an institution like OIRA lies in its cross-cutting perspective and its focus on understanding tradeoffs and consequences, intended and unintended. OIRA not only coordinates regulatory policy, minimizing conflict and duplication among agencies, but, as President Obama observed, it provides "a dispassionate and analytical 'second opinion' on agency actions." OIRA's clear mission – to understanding the consequences of different regulatory options before they are put in effect – attracts very capable and principled people.

For someone with an analytical mind and a wonky interest in ensuring regulatory policy is efficiently targeted at compelling public needs, the job of OIRA administrator is by some accounts the best job in Washington.

For more on OIRA's work, see published works listed in the References at the end of this document.

11. THE OFFICE OF FEDERAL FINANCIAL MANAGEMENT (OFFM)

> Give us clean hearts, so that we may have clean agendas, clean priorities and programs and even clean financial statements.
>
> — Pastor Kirbyjon Caldwell, Benediction at Inauguration of President George W. Bush, January 20, 2005

The Office of Federal Financial Management (OFFM), created by the Chief Financial Officers Act (CFO) of 1990, is one of four major divisions within the "M" side of OMB. A good understanding of the role and responsibilities of OFFM begins with the circumstances that led to the passage of the CFO Act of 1990. In the late 1980s, the Government Accountability Office (GAO) issued a series of reports highlighting systemic weaknesses in financial management across the federal government. The GAO reports painted a picture of federal departments and agencies unable to adequately account for taxpayer funds, which meant the government was failing to provide appropriate transparency on government finances to the public and failing to take the necessary steps to safeguard taxpayer funds from fraud, error, and other forms of waste. Passage of the CFO Act was a direct response to these GAO reports, and the solution identified in the Act was to adopt a private sector operating model for managing government finances. Specifically, the CFO Act required major Federal departments and agencies to appoint a Chief Financial Officer (CFO) and Deputy Chief Financial Officer (DCFO) and required agencies to institute the required systems and processes to produce a set of auditable financial statements similar to those produced by publicly traded companies (e.g., balance sheets, income statements, etc.).

To help lead and coordinate the efforts of Federal CFOs and DCFOs on this new journey, the Act created OFFM along with two presidentially appointed Senate-confirmed positions within OMB to help lead the office. The Deputy Director for Management (DDM) would be the primary accountable official in leading the government's financial management policies and reform agenda, while the Controller would serve under the DDM and lead the day-to-day operations of OFFM. The Act also created the CFO Council, overseen by the DDM and Controller, which includes the CFOs and Deputy CFOs of all major agencies and departments, along with several key officials from the U.S. Department of Treasury. The CFO Council is OFFM's primary mechanism for ensuring coordination of financial management policy and reform efforts across government.

At its core, OFFM's responsibility is to drive better stewardship of taxpayer dollars through the establishment of financial management policies and strategic priorities for financial management improvement. In the early 1990s, these efforts centered heavily on ensuring all necessary steps were taken by agencies to stand up the right infrastructure to produce an audited set of traditional financial statements. Across time, OFFM's responsibilities have expanded along three primary dimensions:

- Related disciplines within financial management, including policies and reforms to ensure higher performing financial systems (including the adoption of shared service solutions), accelerated timeframes for producing financial statements; establishing public dashboards to track agency efforts to obtain clean audit opinions; more robust programs for internal control reviews; and launching a new generation of financial reports focused on spend data (i.e. who gets federal awards and contracts) in addition to the accrual and accounting information (i.e., the "what we own and owe") that are the basis of the government's traditional financial reports;
- Adjacent areas with an outcome/performance focus, including improved debt collection results, improper payments remediation, improved management of real estate; and
- Frontiers beyond core financial management, including grants management, government charge card management, federal-state initiatives to reduce reporting and compliance burdens, special projects where agency CFO coordination was critical (e.g., tracking costs incurred by Deepwater Horizon Oil Spill, implementation of American Recovery and Reinvestment Act, and coordination of government-wide efforts to prepare for unusual budgetary events such as shutdown and sequester).

OFFM's journey over the past 25 years reflects an ongoing evolution of the federal CFO role from its origins as a chief compliance officer to an increasing focus on mitigating risk and optimizing financial performance.

Financial Reporting

While OFFM technically has responsibility to determine the form and content of the government's financial statements, it is the Federal Accounting Standards Advisory Board (FASAB) that issues the primary guidance and requirements. The Deputy Controller of OFFM is a permanent voting member of FASAB along with a representative from Treasury, GAO, and the Congressional Budget Office. OFFM establishes a series of requirements related to the preparation and issuance of agency financial statements through OMB Circular A-136. The most notable changes to A-136 over the years were the requirement to produce statements on a quarterly basis and a requirement that year-end statements be completed and published within 45 days of the end of the fiscal year. Prior to this requirement, agency financial statements were often published five to six months after year's end.

OFFM also plays a supporting role in the development of the U.S. Financial report, which represents the aggregation of all agency and department financial statements. The Treasury Department shoulders most of the burden of preparing the report. Embedded in the report is OFFM's five-year plan for financial management, which is required by the CFO Act. There are two notable items included in the U.S. Financial Report:

- The government-wide net operating cost has sometimes been referred to as the "accrual" version of the annual budget deficit. The main difference between the two figures is that the net operating cost includes accrued costs such as veterans and post-employment benefits while the budget deficit excludes such accruals and only includes cash expended and cash received during the prior year. From time to time, critics or observers have identified the net operating cost as the "true" deficit given it is more inclusive; and

- The statement of social insurance identifies the long-term impact of entitlement costs. While technically not incurred liabilities for balance sheet purposes, these costs are the subject of significant public debate given the long term view shows an unsustainable fiscal path in the absence of reform.

The Bush administration's President's Management Agenda placed specific emphasis on agency achievement of a clean audit on its financial statements. An agency's "path to green" for financial management under the PMA's traffic light scoring system was tied closely to its achieving a clean audit opinion. The only major federal agency to have *never* achieved a clean audit opinion on its financial statements is the U.S. Department of Defense.

While production of traditional financial statements arguably drives better financial management discipline by the agencies producing them, the reports themselves are not widely read. There is evidence that the public barely views them and that government leaders see limited if any decision-making value in the reports' conclusions.

What government financial information is the public interested in viewing? This question was answered in part when then Senator Obama teamed with Senator Coburn (R-OK) to sponsor the Federal Funding Accountability and Transparency Act (FFATA), which some have called "google for government." Under FFATA, Federal agencies were required to report where Federal grant and contract dollars were going (i.e., who was receiving the government grant and contract payments). In addition, OMB was required to launch a website, USAspending.gov, that enables the public to search by entity name and find information about any and all government funds received by such entity. Given the relatively enormous web traffic on USAspending.gov vs. traditional agency financial reports, it was clear that spending data (as opposed to balance sheet data) was much more in the sweet spot for public demand.

OFFM was given the responsibility to ensure agency spend reports were timely and reliable submitted for inclusion on USAspending.gov. However, the traditional financial systems that were set up to produce financial statements were ill equipped to produce the spend data in the citizen friendly formats demanded by FFATA. As a result, USAspending reports were developed by agencies in a non-automated and highly customized way. Unsurprisingly, the information on USAspending has been consistently deemed by GAO as unreliable and incomplete. In 2014, Congress passed the DATA Act, which is intended in part to address the deficiencies in USAspending.gov reporting by requiring agencies to standardize data to better support accurate and reliable spend reports. OFFM and Treasury coordinate government-wide efforts to comply with the DATA Act's new mandates.

A-123 AND INTERNAL CONTROLS

In the wake of the Enron scandal, the U.S. Congress enacted the Sarbanes-Oxley legislation, which placed new levels of accountability on corporate CFOs to ensure accurate financial reporting and the absence of impropriety. Inspired by this new regime for private sector companies, OFFM revamped OMB Circular A-123 requirements for agency self-assessments of internal controls. One important result of the updated A-123 is an integrated senior assessment team, which involves representatives from around the organization in reviewing the internal control program of the agency. Another critical aspect is the requirement to self test internal controls and for agency leadership to sign a "statement of assurance" regarding the efficacy of such controls. The structure of A-123 is an opening set of guiding principles around internal controls broadly and then a series of appendices with specific focus on different activities: financial reporting; government charge cards; improper payments; and financial systems.

Financial Systems

The Federal government has a poor track record in attempting to implement high performing financial systems. The purpose of a financial system is to "grab" all the transaction data from across an agency (payments, receipts, etc.) and filter the transaction data through a "standard general ledger" in order to produce required financial statements on both a quarterly and annual basis. When agencies first began efforts to produce financial statements, they relied on COBOL-based, customized systems. Customization of these systems gave agencies weak incentives to standardize data and processes.

As agencies began to procure more commoditized financial system software solutions in the 1990s, the problem changed to one of the software failing to meet the basic needs of agencies. As a result, an office was set up within GSA to establish minimum software requirements and to further test and certify financial software before it could be sold to a Federal agency. This program was effective in eliminating the "lemons" that had previously been sold to government agencies. But, it also created a significant cost of entry into the federal market; the result was an oligopoly where SAP, CGI, and Oracle dominated the federal market.

OFFM deemed the testing and certification program no longer necessary in the mid-2000s. But, despite the improved quality of the software solutions, federal agencies struggled to implement these systems with often dramatic and high profile failures. In the early 2000s, for example, the Department of Veterans Affairs spent hundreds of millions of dollars on a system that failed completely at "go live" and to this date has never been implemented. In response, OFFM began to get more heavily involved in overseeing financial system modernizations. Through the launch of the Financial Management Line of Business, a major push was made to ensure that agencies:

- adopt software "as is" without customization;
- leverage integrated platforms beyond finance such as those offered by Enterprise Resource Planning (ERP) solutions; and
- consider shared service alternatives.

System deployment failures and under-performance persisted. For some agencies, projects took way longer and cost more than expected to deploy. Shared service providers failed to successfully on-board agency customers. In 2010, OFFM placed a "freeze" on all financial system modernizations and then shifted to a greater emphasis on incremental solutions and an even stricter policy on adopting shared services emerged more recently. The Office of Financial Innovation and Transformation was established within Treasury to provide OFFM with more scale and leverage to oversee financial system efforts and to help facilitate new solutions to this longstanding challenge.

Improper Payments

An improper payment occurs when the federal government pays either the wrong amount, to the wrong person or entity, or at the wrong time. In the late 1990s and early 2000s, GAO began paying increasing attention to the lack of reliable metrics in place to assess the extent of improper payments across government. In response, Congress enacted the Improper Payments Information Act of 2002 (IPIA). OFFM was given primary responsibility by the OMB Director to coordinate implementation of the Act. The law required agencies to identify programs or activities that are "at risk" for improper payments. For each "at risk" program or activity, agencies were required to develop a statistically valid estimate of the rate of improper payments, diagnose root causes, implement corrective actions, and re-measure annually to assess progress. In 2004, OFFM began publishing an annual improper payment report that aggregated all agency reports and provided an overall improper payment rate and amount for the government as a whole.

Early on, fewer than 20 programs were included in the report, with errors totaling roughly $40 billion. One key early conclusion that has remained true is that a significant majority of all improper payments occur in just a few programs – Medicare, Medicaid, the Earned Income Tax Credit, Social Security, Unemployment Insurance, and School Lunches. GAO has historically been highly critical of agency and government-wide reports as not being sufficiently comprehensive in terms of capturing all the error in the system. Across time, the number of programs and activities reporting error increased as a result of IPIA amendments and new Executive Orders that increased scrutiny on agencies as well as advances in measurement. One such Executive Order led to OFFM's launch of paymentaccuracy.gov, a web portal dedicated exclusively to improper payment reporting.

At the end of FY 2015, dozens of the programs and activities reported error rate/amounts, with the government-wide improper rate at roughly four percent for a total of roughly $120 billion. This staggering dollar figure is often misconstrued as equating dollar for dollar with government waste. In fact, a significant amount of the error reported is a result of lack of information available to validate the payment, a scenario in which the payment is deemed an error under traditional audit and accounting procedures. (If there is no paper trail to validate a transaction, the auditor will typically assume negative conclusions about the integrity of the transaction until such paper trail can be produced and validated). Many documentation errors eventually prove to be false alarms with respect to a payment in question. Also, many errors are not easily addressable without disrupting a competing policy priority. Take for example EITC, where a significant amount of error is due to the individual claiming the credit even though they did not live with their dependent child for more than 6 months during the year; a requirement for receiving the credit. There is no nation-wide database available on child residency. To create one would potentially be seen as a significant breach of privacy and government overreach. There are similarly tough trade-offs in Medicare, where meaningful error remediation could risk delays in medical treatment and Medicare eligibility is more thoroughly scrutinized by providers.

Thus, the $120 billion in errors is not easily eliminated. OFFM has worked across time to make the realities of improper payment numbers more clear to the public and decision-makers and to focus attention on the portions of the error where elimination is both within agency direct control and can be carried out without creating new program implementation challenges. Two areas of priority have been:

- Egregious instances of fraud, where advances in data analytics and forensics represent the best opportunity for government progress; and
- Ongoing basic and avoidable errors to entities who are currently barred from receiving Federal funds, where OFFM launched of the "Do Not Pay" initiative in 2010 to ensure all agencies are consulting existing data sources to identify entities that may be ineligible for any number of reasons (e.g., delinquent debt owed; deceased; suspended or debarred due to inappropriate contracting activity, etc.).

Federal Real Estate

The George W. Bush Administration made improved real estate management a priority. This started with a legislative push – introducing the "Freedom to Manage Act" which would have updated decades' old legislation that makes it difficult for agencies to quickly unload excess real estate. Not only was there limited incentive, given that agencies do not keep any proceeds from the property they sell, but agencies are required to offer the property to other stakeholders (state and local government; criminal justice uses, homeless) before any property can be sold on the open market. Congress rejected the Freedom to Manage proposal and President Bush instead issued an Executive Order that focused on getting the federal government's house in order by knowing what we own and using better disciplines around planning, maintenance, and eventual disposal.

OFFM was placed in charge of implementing this EO. It then launched and chaired new Federal Real Property Council (FRPC) with representatives from the agencies which own and/or operate significant real estate holdings. Together, OFFM and the FRPC established requirements for a robust inventory of all constructed assets across the Federal inventory, including performance information such as the mission criticality, condition, and state of utilization of each asset. GSA maintains the government-wide inventory, called the Federal Real Property profile. OFFM and the FRPC also created new guidance for more robust asset management planning.

Across time, OFFM leveraged this new emphasis on data and planning to establish cost cutting measures including the "Freeze the Footprint" initiative launch in 2011 and the follow up "Reduce the Footprint" initiative that aims to right-size real estate holdings by ensuring that existing underutilized space is used before new space is acquired. The Obama Administration also sought legislative reform, but has been unsuccessful. The Obama Administration approach was entitled "Civilian BRAC" and the concept was to leverage the same approach to offloading real estate used by the Defense Department under the Base Realignment and Closure program. Here, however, an independent commission would transmit to Congress for up or down vote a set of high priority properties for sale and/or disposal.

Grants Management

OFFM plays a coordinating role across government in the administration of Federal grants. Numerous OMB circulars govern reporting, accounting, and audit of federal grant activities, all of which are developed and maintained by OFFM. OFFM has worked with the grants community and OIRA to streamline and standardize reporting requirements through the issuance of standard forms for financial and performance reporting associated with grants activities. OFFM has also worked to effectively implement the Single Audit Act, a requirement by Congress for federal grant-making agencies to coordinate audit activities through a single point of contact and process rather than having multiple agency auditors arrive to conduct audit activities on a single grantee entity.

Perhaps the requirements that yield the most "controversy" are the limits OFFM places on a grantees' ability to leverage grant dollars to pay for administrative activities and overhead. The grant recipient community has long argued for more flexibility in using dollars to cover what they see as an ever-increasing set of complex compliance requirements that attach to grant awards. There has been an ongoing back and forth among OFFM, the budget side of OMB, key federal agencies, and the recipient community aimed at striking the right balance on the administrative cost recovery issue.

Inevitably, at the start of each administration, representatives from the University community seek a meeting with the new Director in an effort to find support for potential reforms to increase cost recovery allowance limits. OFFM published modest reforms in late 2013 intending to benefit the grantee community.

OTHER DUTIES AS ASSIGNED

Over the years, OFFM has sometimes served as a "catch all" for initiatives or activities that don't have a natural or clear home elsewhere in OMB. In some cases, OFFM shares responsibility with another division. For example, both OFFM and BRD jointly coordinate government-wide debt collection policies and activities and both OFFM and OFPP have responsibility for government charge card policy. Specific initiatives have also surfaced where there was a clear need to coordinate CFO activity and OFFM therefore was best positioned to lead OMB efforts. Examples include:

- Coordinating multi-agency response in a national crisis, such as Katrina and the Deepwater Horizon Oil Spill;
- Implementing the transparency and accountability requirements of the American Recovery and Reinvestment Act, which required new and unprecedentedly robust data and reporting requirements to be rapidly defined and coordinated across Federal agencies as well as with thousands of stakeholders in the grantee and contracting communities; and
- Helping address acute budget events with government-wide guidance or helping coordinate a government-wide shutdown and sequester.

12. THE OFFICE OF FEDERAL PROCUREMENT POLICY

The Office of Federal Procurement Policy (OFPP) in OMB provides guidance on federal acquisitions policy and procedures, and performs related coordination and oversight function for the executive branch.

HISTORY

The Congress established OFPP in 1974 as a major component of the management side of the Office of Management and Budget, Executive Office of the President. Section 1101 of title 41 of the United States Code describes the following as the major purposes of the office:

- Providing overall direction of government-wide procurement policies, regulations, procedures and forms for executive agencies, and
- Promoting economy, efficiency, and effectiveness in the procurement of property and services by the executive branch of the federal government.

The Office was set up in response to a series of recommendations made by a congressionally established Commission on Government Procurement to address the patchwork of laws and directives affecting the then $100-billion-dollar federal contracting budget. The first recommendation of the Commission was to create an office in the White House complex that could address what the Commission saw as multiple problems complicating the ability of Federal agencies to acquire goods and services. The Commission cited a mass of rules and regulations that were difficult to understand replete with gaps and inconsistencies and subject to little or no check on proliferation. Some 14 years after OFPP's creation, Congress gave permanent authorization to the office in the Procurement Integrity Act of 1988 (41 USC Section 423). The office staff numbers around 18 with an annual budget of some $3 million. OFPP today oversees a Federal contracting spend of some $440 billion annually.

RESPONSIBILITIES

The Administrator of OFPP serves in an Under Secretary level position (Executive Level III) with the position requiring Senate confirmation. In its efforts to promote uniformity and simplification the Congress tasked the Administrator with creating a single, simplified federal procurement system with rules and regulations consistently applied across the executive branch. In response, OFPP working with key agencies implemented in 1984 a new Federal Acquisition Regulation (FAR) that would apply equally to both Defense and civilian agencies. In that same year Congress passed a comprehensive Competition in Contracting Act (CICA) that prescribed competition as the foundation for how agencies should acquire their goods and services. Prior to CICA agencies awarded the great majority of their contracts without competition.

Other key responsibilities for OFPP included providing for and directing the activities of the Federal Acquisition Institute, a component of the General Services Administration, with the primary goal of fostering and promoting the development of a professional acquisition workforce government-wide.

OFPP was also given the responsibility for promoting agency support for small business and acts as an arbiter if an agency and the Small Business Administration fail to agree on an appropriate goal for small business utilization.

While Congress gave OFPP far-reaching authority to oversee contracting policies and practices, it precluded the office from interfering in specific agency procurements. These remain the full responsibilities of the agencies carrying out the contracting actions.

RECENT TRENDS AND DEVELOPMENTS

Many of the problems noted by the Commission on Government Procurement in the early 1970s are prevalent again today and particularly the concerns expressed about the complexity of the procurement process and the difficulties in getting contracts awarded in a reasonable time frame. Right from the inception of OFPP, recommendations have been made for agencies to make better use of commercial products and services and for the federal government to reduce regulatory and other barriers to firms wanting to do business with it.

In response to recommendations from both a panel established by Section 800 of the FY 1991 National Defense Authorization Act and from President Clinton's National Performance Review, Congress in 1994 passed on a bi-partisan basis the Federal Acquisition Streamlining Act or FASA. This legislation was aimed at reducing the number of special provisions that firms needed to sign up to in order to contract with the government and also to simplify the process for carrying out lower dollar value procurements (under $100,000). A key goal was to reduce barriers to entry to the government marketplace through unnecessary or non-productive laws and regulations. Section 809 of the FY 2015 National Defense Authorization Act created a similar panel (using virtually the same authorization language as used in FY 1991 for the Section 800 panel) to review all the regulations currently affecting Department of Defense acquisition, again with the charge to streamline and simplify. This Section 809 panel should be beginning its work in June 2016 and will likely propose recommendations for improvement that can apply not only to Defense but to civilian agencies as well, similar to what was done in the early 1990s.

OFPP initiated a series of policy changes over the last twenty-five years to address the complexity, simplification and uniformity concerns noted above. These include among others the following:

- Promoting a performance- or outcome-based approach to services contracting to allow vendors to bring their ingenuity to meeting government needs. This specifies the result desired but gives contractors flexibility in how to accomplish the work. For example, information technology firms with disparate approaches to problem solving can compete on a best-value and not a low-price basis to meet government needs;
- Requiring agencies to use and evaluate vendor past performance to encourage greater contractor responsiveness and to afford those that perform exceptionally well greater prospects for additional work;

- Establishing a government-wide policy on what is an 'inherently governmental' function so that activities such as awarding contracts intimately related to the public's interest are only performed by government officials;
- Promoting the purchase by agencies of energy-efficient products and the use of recycled paper;
- Encouraging agencies to use General Services Administration (GSA) supply schedules and Government Wide Acquisition Contracts (GWAC's) to speed up and simplify the acquisition process;
- Recommending the use of strategic sourcing as a tool for identifying an agency's multiple purchases of similar items and then to consolidate those purchases to leverage the agency's buying power;
- Tasking agencies to create "innovation laboratories" to seek out better ways to bring private sector ingenuity into the government marketplace; and
- Encouraging agencies to use private sector information technology experts now working in the White House and GSA to help modernize their IT infrastructure and address cyber-security and "cloud" issues.

Perhaps the greatest effort on the policy side today is OFPP's working closely with GSA to create a new paradigm for purchasing called category management. This approach seeks to collect information from across the government on selected areas of spend and to provide useful comparative information to both buyers and sellers that could lead to wiser purchasing, improved products and services, and ultimately better results for the taxpayer.

13. The Office of E-Government and Information Technology[17]

OMB's policy and oversight role in the management area has long included Federal information technology (IT) as a key focus area. Today, the Office of the Federal Chief Information Officer (OFCIO) – a title recently renamed by the OMB Director from the statutory title of the Office of E-Government and Information Technology – carries out OMB's longstanding role on a variety of federal IT topics, including IT budgeting and planning, cybersecurity, IT acquisition (with OFPP), and digital and IT transformation.[18] OFCIO also develops and provides direction in the use of modern, digital practices and technologies to make it easier for citizens and businesses to interact with the federal government. OFCIO's staff includes federal employees supported by contractors, under the leadership of the federal CIO who is a presidential appointee. OFCIO also houses the U.S. Digital Service, a large office that assists agencies in addressing challenges on critical initiatives and complex IT challenges.

In sum, the federal CIO's office coordinates across the government's digital and IT ecosystem, working with the US Chief Technology Officer in the Office of Science and Technology Policy, and with the newly formed General Services Administration's (GSA's) Technology Transformation Service, which provides digital transformation and project support to agencies.

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[17] Recently designated The Office of the Federal Chief Information Officer

[18] As described below, OFCIO works with OIRA to implement information policy and privacy provisions.

OMB's history in this area of policy and oversight provides important context to understand the current role and impact of OFCIO.

STATUTORY FOUNDATIONS

OMB's role in overseeing federal computers and networks dates back decades. The Brooks Act of 1965 established initial statutory authority for OMB (then the Bureau of the Budget) to issue IT policy (alongside GSA for procurement and the Commerce Department for IT standards). In addition, OMB's role in IT naturally grew to inform other areas of information management. For example, under the Federal Reports Act of 1942 OMB had authority to review agency information collection requests from the public; and the Privacy Act of 1974 vested OMB with oversight of information about individuals held by government. As the government became increasingly dependent on computers to collect and process information, OMB's IT policy interests expanded to address the implications of this trend.

As with all OMB oversight functions, these responsibilities were led by a staff office of civil service experts in IT. The Information Systems Division (ISD) was originally was part of the new management side of OMB (following its expansion from BOB), with responsibilities that included the Brooks Act and came to include both the Privacy Act of 1974 and the Computer Security Act of 1987. ISD also became home to a variety of information policy issues, such as access and dissemination, and led a variety of information and IT initiatives with agencies and Congress.

Toward the end of the Carter Administration, with the increased use of IT systems to collect Federal information and deliver services and in response to the recommendations of the Commission on Federal Paperwork[19], Congress focused more on improving oversight of Federal IT. The Paperwork Reduction Act of 1980 included numerous provisions that gave the new Office of Information and Regulatory Affairs (OIRA – see OIRA Chapter) authority over general IT and information policy and management, using the term "information resources management" (IRM) as the descriptor for all such activity. OIRA subsumed the Information Policy Branch (formerly ISD and later renamed Information Policy and Technology, or IPT) to perform this function.

OMB generally worked with senior agency IT officials to implement the IRM portions of the PRA for well over a decade. OMB led reviews intended to address problems with major IT systems, including "presidential Priority Systems" during the Reagan Administration and the "SWAT" team in the first Bush Administration. In addition, the Computer Security Act reinforced OMB's role in IT by vesting it with responsibility for overseeing agency activities to safeguard federal systems as well. With the introduction of the Internet in the early 1990s, government agencies followed a private sector trend and began to create CIOs to manage information as strategic asset in the context of rapidly evolving technologies, which provided CIOs with a tool for achieving this strategic goal. Congress recognized this trend and enacted the Clinger Cohen Act of 1995 to authorize a CIO at each agency. This statute, along with related OMB implementing guidance, vested

[19] https://www.wcl.american.edu/journal/lawrev/26/winkler.pdf

the OMB Deputy Director for Management (DDM) as the policy official to oversee agency CIOs, supported by OIRA's IPT Branch. IPT also played a key role on national IT issues in the 1990s, advising on the government's approach to the advent of the Internet, the growth of electronic commerce, encryption, website policies, and the strategy and resolution of the government's role to address the global concerns over IT performance at the turn of the century (the "Y2K" initiative).

The second Bush Administration sought to elevate focus on IT across the government, and created a dedicated political appointee position as an "Associate Director for E-Government and IT" (a role equivalent to the Program Associate Directors who oversee the RMOs) shortly after taking office in 2001. The OIRA IPT Branch worked closely with the new E-Gov office, and as a practical matter operated as a staff of 25 people (including contract support) to implement an IT transformation initiative around a set of cross-agency initiatives and policies. This initiative shifted OMB's role in Federal IT from one largely focused on policy and general oversight to one that also drove specific government-wide initiatives designed to gain effectiveness with a focus on citizen services, and gain efficiencies by reducing duplicative systems – a role that continues today.

At the same time, Congress introduced bipartisan legislation to authorize an enhanced OMB oversight role in IT. The E-Government Act of 2002 codified many of the policies and initiatives of the new E-Gov office. The Act designated the head of the new E-Gov office as the "Administrator for E-Government and Information Technology" (thus making the role as equivalent in title and stature to the heads of OMB's other statutory management offices, OIRA, OFFM, and OFPP), and a presidential appointee who did not need Senate confirmation (unlike the other statutory office heads, whose positions require such confirmation).[20] This remains the authorized structure of OFCIO and its leadership today.

The E-Government Act also codified an expanded scope for OMB IT and information policy oversight activities. This expansion included a newly reauthorized security statute, the Federal Information Security Management Act (FISMA). Other provisions enhanced agency responsibilities and OMB authorities in numerous related areas, including privacy, records management, and citizen services. Finally, the Act authorized a fund for E-Government initiatives, which was administered by GSA and built on previous funding mechanisms that had provided OMB with authority to direct spending on innovation.

The E-Gov Act states that the E-Gov Administrator must work with OIRA to implement the information policy and IT provisions of the PRA. As a practical matter, after initial establishment of the E-Gov Office, OIRA became the primary office overseeing privacy and information policy writ large, while E-Gov took leadership for all other IT, computer security, and budgeting issues. The E-Gov office expanded its role across areas related to IT activity in the agencies, and created a management watch list to provide greater focus and oversight of key IT reviews led by the DDM under the President's Management Agenda (PMA) (For more on the PMA and the "scorecard" used to assess agency progress, see discussion in Section 3 of this report.). Other areas of increased attention included

[20]The Senate confirmation issue ultimately became the deciding factor in the compromise between Congress (primarily the Senate) and the administration that enabled the bill to pass. The OMB Director wanted to break the precedent that politically appointed management leaders would require Senate confirmation.

shared services across key government business lines, authentication by federal employees and contractors to government IT systems, greater focus on cybersecurity for civilian agencies, and coordination of IT security with the Intelligence Community. These expanded roles, as well as the division of responsibility with OIRA, remain largely in effect.

OFCIO TODAY

When President Obama took office, one of his initial acts in the OMB hierarchy was to designate the head of E-Gov as the Federal CIO – adapting a campaign position that a federal CTO should oversee all technology issues, and dividing that role into a Federal CIO in OMB to lead government IT, and a US CTO in the White House Office of Science and technology Policy (OSTP) to lead on national IT issues. Consistent with the role played by the E-Gov Administrator, the federal CIO became a regular White House advisor on technology issues, continuing and strengthening the significant role played by this office as a presidential advisor for technology.

Today's OFCIO has other key characteristics:

Separate Appropriations for most functions

Since FY 2012, the Executive Office of the President's appropriation has included a separate IT fund, building on and increasing the spending that was created by the E-Gov Fund discussed above. The new fund was first named the "Integrated, Efficient, and Effective, Uses of IT" (IEEUIT), and renamed as "IT Oversight and Reform" ITOR in FY 2014 (https://www.whitehouse.gov/sites/default/files/omb/assets/organization/fy2015_omb_budget.pdf). Overseen by the federal CIO, this fund supports enhanced analytical and oversight capabilities to assess the performance of agency IT.

- **Large office size.** The ITOR appropriation has grown since its introduction, and its most recent enacted level of $30m (FY 2016) that supports a 90-person staff (proposed to continue growing under the 2017 request of $35m). This fund includes support for more than 25 full-time analysts (plus detailee and contract support) in the core OFCIO, which carry out OMB's policy and budget oversight for IT as described above.
- **US Digital Service.** The bulk of ITOR funding supports over 65 staff in a new office, the US Digital Service (USDS) created after the Obama Administration brought in outside technical expertise to correct a number of high-priority federal IT failures, most notably the launch of HealthCare.gov; USDS expanded considerably the role that OMB historically played in overseeing highly visible IT projects. USDS staff are predominantly technologists from the private sector who come to government under special hiring authority with time-limited terms, modeled on similar programs that had been started by the administration to bring in new talent to help government leverage 21st century digital IT practices. USDS is a separate office within OFCIO with its own leader appointed by the OMB director; as a practical matter, USDS also has works closely with White House senior leaders in deploying staff to agencies with greatest need for intervention to improve troubled IT projects.

Even with these unique characteristics, the core work of OFCIO remains very similar to the agenda first introduced for its predecessor offices over the last several decades. This work includes:

- **Developing and issuing policy that guides government IT.** These policies include IT language in OMB Circulars such as A-11 and A-130 (the latter, first issued in the early 1980s, remains the principal overarching guidance document for information and IT policy), OMB memoranda from the Director, and policy issuances from the OFCIO/E-Gov leader. These policies cover many Federal IT issues, including E-Government, e-authentication, website operations, IT and enterprise architecture, use of "open source" technology vs. proprietary systems, "cloud" computing, IT acquisition (with OFPP), IT shared services (with OFFM), and cybersecurity (see below).
- **Overseeing IT Budgets.** OMB's practical influence in IT investments is implemented largely through OMB's budget role, with OFCIO working with the RMOs; law and policy that gives OMB IT oversight authority gains traction when linked with OMB's resource allocation authority. While OMB has always exercised budget oversight of individual IT systems, in the late 1990s OMB also introduced a separate IT Budget that now totals $90b annually. Each year, agencies report to OMB on their overall spending plans for IT in the prior, current, and following (requested) fiscal years; this spending is drawn from a variety of budget accounts, which can include program appropriations, working capital funds and S&E dollars, in addition to a small number of dedicated IT line items. Larger projects must be justified by a separate planning request, referred to by A-11 as the Exhibit 300. OFCIO works with the RMOs to review agency IT budget submissions each fall in the context of the overall budget, and then leads the drafting of a formal IT Budget request presented as part of the President's Budget submission (summarized in the *Analytical Perspectives* volume). However, because most of these funds are not requested as separate line items, Congress does not approve or modify the IT Budget *per se*; rather, programmatic decisions from Congress in the fiscal budget are then aligned with the IT Request to produce a *de facto* IT enacted budget. OFCIO's involvement in overseeing a large area of federal spending as part of the Budget process is a unique role relative to the other management offices.

Review of agency IT program execution

OFCIO desk officers are aligned with the RMOs in reviewing agency progress on programs throughout the year, using a variety of ongoing management review tools that have been tuned across multiple Administrations (current approaches include the IT Dashboard https://www.itdashboard.gov), as well as periodic system and agency reviews such as TechStat and PortfolioStat). For agencies where issues in IT performance are identified during the year, OMB will either address those issues through normal oversight where OFCIO works with the RMOs, or in the case of particularly important or troubled projects USDS staff may be called in to help resolve issues working directly with the agencies. Another unique role that OFCIO plays in execution involves interacting with the IT industry, which by most accounts implements over ¾ of Federal IT spending under contracts awarded by agencies; OFCIO frequently meets and speaks with officials from the private sector, and associations representing companies and agencies involved in Federal IT.

- Cybersecurity oversight. OFCIO has a dedicated cybersecurity staff who focus on policy, oversight and assistance in that key IT area. The Federal Government has experienced cybersecurity breaches and incidents similar to those seen across the private sector and around the world. Since the Computer Security Act of 1987 (renamed the Federal Information Systems Management Act, or FISMA, as part of the E-Gov Act) OMB has had statutory policy oversight for non-classified government computer security (the intelligence community operates under a related but distinct policy framework). While the level of support that OMB has devoted to this function has varied over the past 30 years – the current Cyber Unit has reached a high watermark with over 10 analysts – OMB's statutory authority has remained consistent. OMB now pursues an active oversight program, working with the White House Office of the Cybersecurity

Coordinator, the Department of Homeland Security (to whom OMB delegated operational assistance authority in FY 2010 (OMB M 10-28, https://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-28.pdf), and the National Institute for Standards and Technology (NIST) – which continues to develop standards and issue guidance to federal agencies.

OMB's leadership of federal IT and digital services builds on a foundation across several decades. With the importance of technology only increasing as part of virtually every function of government, this role will likely continue to grow.

14. THE LEGISLATIVE REFERENCE DIVISION AND LEGISLATIVE CLEARANCE

OMB's Legislative Reference Division (LRD) provides the means by which an administration can ensure that its officials speak with "one voice" when communicating with Congress with regard to all legislation other than appropriations bills. LRD is responsible for coordinating and clearing agency statements and recommendations on proposed and pending legislation, whether by testimony before congressional committees, letters to Congress, talking points to be used in meetings with congressional staff on legislation, or draft legislative proposals to be delivered by the administration to Congress. LRD's work is almost exclusively focused on coordination within the Executive Branch among agencies, OMB staff, and other White House staff in clearing these communications for transmittal to or use on the Hill. (A separate Legislative Affairs office in OMB handles direct interaction with the Legislative Branch on budget and appropriations issues; the Budget Review Division and the staffs of the Resource Management Offices are responsible for reviewing and clearing communications to Congress related to budget and appropriations issues.)

The genesis of LRD's role in clearance of communications to Congress goes back to the mid-1930s when President Franklin D. Roosevelt decided to stop the practice of uncoordinated agency requests for legislation. While the Bureau of the Budget was already clearing material related to appropriations, President Roosevelt stated that he had been "quite horrified . . . by reading in the paper that some department or agency was after this, that, or the other without my knowledge." As a result, he established a process for central clearance of positions on legislation involving "policy" matters. Every president since then has continued the practice of central clearance of communications to Congress.

In addition to clearance of testimony, letters, talking points, and draft bills, LRD is responsible for coordination and development of: (1) Statements of Administration Policy on bills being brought to the floor of the House or the Senate; and (2) Enrolled Bill Memos, i.e., memos from the OMB director to the president on enrolled bills (i.e., bills that have passed both the House and the Senate in the same form and sent to the president for approval or disapproval.) LRD carries out this function today with a small professional staff of a Division Director (technically the Assistant Director for Legislative Reference who reports directly to OMB's Deputy Director), three Branch Chiefs, and only four or five analysts per Branch. Each analyst is thus responsible roughly for handling the material generated in relation to one major cabinet agency and several independent agencies. This paper describes in greater detail how the clearance process for these various materials works today, including the role of policy officials in the Executive Office of the President in the clearance process.

CLEARING TESTIMONY

Almost every department or agency in the executive branch has an office responsible for being the point for that agency in the legislative clearance process. As a result, each agency speaks with one voice in communicating with OMB. (Note: A handful of agencies – referred to as bypass agencies – have by statute been exempted from the OMB clearance process.) When an Administration official (up to and including Cabinet Secretaries) is scheduled to testify before Congress, his or her written testimony is sent electronically by the involved agency to LRD. The LRD analyst responsible for clearing the testimony sends it out electronically for review and comment to other agencies, OMB staff, and other White House staff that he or she determines may have an interest in the subject matter with a deadline for receiving comments. Upon receipt of comments, including suggested edits to the testimony, the analyst then initiates the key element of his or her work – facilitating a consensus between the agency testifying and the (often multiple) commenters as to whether and what changes need to be made to the testimony before it is sent to Congress prior to the hearing in order to ensure that it reflects an Administration position. LRD staff pride themselves on playing the role of "honest broker" in carrying out this responsibility. Being seen as objective and professional, rather than political, is critical to all players feeling that they are being treated fairly in the process. The consensus is generally forged through a combination of e-mails and phone calls, including conference calls initiated by the analyst in order to bring parties together quickly for discussions that can lead to agreement.

All of this activity often occurs in an extremely short time frame, as agencies frequently provide their testimony to LRD only two or three days prior to the hearing (and sometimes only the day before). In a week where an analyst might be handling multiple hearings for their agencies with multiple witnesses, the clearance process can be quite intense. If the analyst is unable to bring the various interested parties to a consensus on a particular issue in a particular testimony, LRD initiates "an appeals process." For this purpose, LRD will declare a "winner" and a "loser" with regard to the particular issue and give the losing agency an opportunity to appeal the decision. Simultaneously, LRD will have identified a policy official in the Executive Office of the President (usually an OMB Program Associate Director or a staff member of one of the White House policy councils) to act as an arbiter.

LRD will take responsibility for briefing the designated arbiter on the issue in dispute. The "losing" agency will then be given an opportunity to appeal to the arbiter, usually by a phone call. The arbiter will decide which agency position will prevail with regard to the particular issue in the testimony. Newly installed policy officials need to be aware that these appeals often need to happen very quickly – typically in the late afternoon or early evening before the morning of a hearing. LRD will likely need to initiate these processes far more often early in an Administration when policy positions are still being developed on many issues. As time goes on, LRD is able to assert already developed policy positions in order to dissuade agencies from appealing when they know the likelihood is very high that they will ultimately lose. LRD staff is always less concerned with whether they have correctly identified the ultimate winner in an issue than in ensuring that decisions that need to be made by policy officials are made by policy officials. The ultimate result of this appeals process, in addition to deciding policy positions, is to ensure that agencies feel that they have had their "day in court" regardless of the outcome on a particular issue.

It is virtually impossible to quantify the activity of clearing testimony as described above or of clearing the other types of documents described below in a meaningful way, since anticipating how many of these clearances will simultaneously involve tough issues that need to be worked through in extremely short time frames is unpredictable. It can be said that, on any given day, some of the staff will be dealing with multiple issues that need to be resolved in tight time frames not limited by normal work hours. The professionalism, persistence, objectivity, and dedication of the LRD staff is the key to ensuring that clearances occur in time for testimony to be sent to congressional committees prior to hearings and that other clearances described below occur in a timely manner.

Clearing Letters, Talking Points, and Draft Bills

In addition to clearing testimony, LRD is also responsible for clearing letters on legislation, talking points for agency meetings with congressional staff, and draft bills to be transmitted by the Administration to Congress (whether by an individual agency or, in some cases, by OMB or the president). Each of these types of documents will go through essentially the same process as described above for testimony; the main difference is that there will generally be more time for completion of the clearance process, since the deadlines for completion of the clearance are not driven solely by the fact that a congressional hearing has been scheduled and will be held at a time certain.

In fact, for example, major draft bills might be cleared over a period of weeks or months, given the amount of back and forth among interested parties needed to ensure that the administration is taking full advantage of all the expertise spread throughout the various departments, agencies, and White House staff. Using the process for draft bills initiated by agencies ensures, among other things, that White House staff is fully aware of agency proposals before they go to the Hill. Using the process for high visibility draft bills initiated by White House staff ensures that agency concerns are taken into consideration before a bill to be transmitted from the White House (including those transmitted by the president) is finalized and released

Statements of Administration Policy

When a bill appears headed for the floor of the House or the Senate, LRD is responsible for coordinating the development of a Statement of Administration Policy (SAP) for any bill for which such a statement is desired. The basic purpose of a SAP, which is often about a page long (but can be longer or shorter depending on the bill and position in question), is to recommend to Members how the administration wants them to vote on a bill, including a rationale for the position and perhaps suggested changes that the administration would like to see in the bill. LRD staff is constantly monitoring for information as to when a bill is going to the floor of either House. Typically, the proposed schedule of the House Rules Committee that is made available late in the week for bills to be brought up the following week is the best source of information on House floor action. Closely watching the statements of the plans of the Senate Majority Leader is often the best indicator of upcoming Senate floor action.

LRD staff will reach out to key policy officials to determine whether a SAP is desired. If so, LRD will ask White House policy staff, OMB staff, or (sometimes) the key agency to take a first cut at a draft SAP. Occasionally, if there is difficulty getting one of these players to compose a first draft of a SAP, LRD staff will write the first draft itself. LRD will then put the draft SAP through essentially the same process as described above for testimony before passing it on to OMB's Legislative Affairs office for final clearance through the various White House staffs and, in some cases, the White House Chief of Staff. OMB's Legislative Affairs office then officially releases the SAP to Congress. Once again, time frames for this process can be extremely tight.

In the Obama Administration, the target time for release of a House SAP was usually prior to a bill's consideration by the House Rules Committee. Release of a Senate SAP can be any time during the consideration of the bill that the Administration believes issuance of the statement is most advantageous.

Enrolled Bill Memos, including Signing Statements and Veto Messages

Once a bill has become enrolled (i.e., has passed the House and the Senate in the same form and is ready to be sent to the White House for presidential action), LRD is responsible for preparing an Enrolled Bill Memo (EBM) from the OMB director to the president. The purpose of the EBM is twofold – it serves as a narrative description of the bill itself (based explicitly on the actual text of the enrolled bill itself) and a mechanism for informing the White House of agencies' recommendations as to whether or not the president should approve (i.e., sign) or disapprove (i.e., veto) the enrolled bill. These memos are not made public; they are strictly internal to the Executive Office of the President.

LRD solicits the recommendations of those agencies it deems to have an interest in the enrolled bill. Agencies may respond with a recommendation of either approval or disapproval or may respond with a "no comment" or "no objection." Every effort is made to have at least one Cabinet agency on the record by a letter signed by a Senate-confirmed official recommending either approval or disapproval. These letters are also not made public and are considered confidential communications to the director of OMB. In the course of the development of the enrolled bill memo, LRD will also reach out to agencies and White House staff to determine whether or not a signing statement raising any constitutional concerns with the bill is desired. If so, it will look to the agency and White House staff to develop the signing statement that will be run through the same clearance process as described above for testimony. Finally, if disapproval is recommended, LRD will look for a draft veto message to Congress to be drafted by the agency making the recommendation. Once there is assent by key White House staff that a veto is warranted, the draft veto message will be run through the clearance process.

POST-TRANSITION

Early in the new administration, the Assistant Director for Legislative Reference and LRD staff will reach out to new policy officials in OMB and the White House policy councils to brief them on the their roles in the legislative clearance process. In addition, the Assistant Director will reach out to the new OMB director to request that a memorandum be sent from either the new White House chief of staff or the new OMB director to all agencies advising them of the existence of processes in place for the clearance of all agency materials related to legislation and the expectation that they will adhere to these processes. Issuing this memorandum as quickly as possible in the life of the new administration will go a long way toward ensuring the consistency of agency legislative views and proposals with presidential policy from the start and ensuring that the work of the Legislative Reference Division proceeds seamlessly from one administration to the next.

15. OFFICE OF ECONOMIC POLICY

The Office of Economic Policy (OEP) is a part of the office of the OMB Director. OEP does not have line responsibility for the budget of any of the agencies that comprise the federal government. Rather, OEP is a kind of service agency for the Director, the Deputy Director for Budget and the Deputy Director for Management, and for OMB in general.

OEP does have regular institutional responsibilities. But in the fluid world of White House policymaking, OEP must remain agile and prepared to support policymakers in creative ways and on short notice. OEP plays an important role with limited staff and other resources, and it can help to make the difference between success and failure in an administration's short lifetime.

Following is a set of brief descriptions of the responsibilities that OEP might assume.

SUPPORT FOR THE DIRECTOR

The OMB director may or may not have formal economic training. Even if he or she does, however, the demands on the Director's time will be wide, deep, and intense. Furthermore, as a widely recognized spokesperson for the administration, the Director will always be in the public eye (and ear). Any question on the economy itself, or on the economic implications of the administration's policy positions, is fair game. The same is true to differing degrees for the Deputy Director for Budget and the Deputy Director for Management.

Other branches of OMB have line responsibility for the budgets of the various agencies and programs. Those branches typically have some personnel with training in the discipline of economics. However, they do not have formally organized entities to provide economic review of major initiatives within their realms of responsibility.

OEP must assess the substantive needs and communications styles and preferences of the Director (and the Deputy Directors), to deliver to him or her the information that he or she needs, in a timely fashion, and in formats that he or she can easily digest.

OEP must provide expert and impartial advice to the Director on policy issues that confront the administration. During the consideration of issues of economic policy narrowly defined, OEP must follow the internal debate, and the positions of other agencies involved. OEP must develop relationships of trust with those other agencies, providing support for the Director's position while giving the president the opportunity to make decisions through an informed and open process.

If, as has been typical, there is one main opportunity for policy initiative and innovation at the very beginning of an administration, OEP must hit the ground running in the very earliest days. That requires a quickly developed and close relationship between the Associate Director and the members of the OEP staff. While the administration's major initiative is under development, other more-institutional activities must be carried on as well, and that will require close cooperation within OEP and utilizing all of the office's resources to the full.

Over the course of the administration, OEP must be prepared to provide economic analysis to other offices of OMB, on initiatives that may come from other parts of the administration.

SUPPORT FOR BUDGET FORMULATION

OMB's most visible public responsibility is the preparation of the president's yearly budget. OEP has lead responsibility for some sections of the *Analytical Perspectives* volume of the budget, in some instances in association with other agencies. In the past, OEP has provided analysis of the federal government's balance sheet; it has worked with the Treasury to produce and refine chapters on revenues and tax expenditures. OEP has support responsibilities for still other chapters, such as the chapter on economic assumptions, which is the primary responsibility of the Budget Analysis Division and the Budget Review Division. The Associate Director of OEP may or may not be delegated particular writing responsibilities for the budget volumes by the Director. Invariably, however, when the deadline for the preparation of the budget approaches, OEP will be needed to provide intense support for the writing and editing process. In all of these efforts, OEP must have sound and strong working relationships with all of OMB.

Depending on the nature of the election and transition, the preparation of the first budget of a new administration can be particularly intense. If there is a change of party control, access to the OMB staff will be restricted before the inauguration. Even in the event of party continuity, the plans of the outgoing and incoming administrations may be more or less aligned. Whatever the policy focus of the new administration, it will be communicated in the first budget. And if the new administration's priority is the budget itself rather than some few individual programs, then the creation of the first budget document will be especially important. Again, the OEP must be prepared from the first to support the Director in this first step for the entire administration.

SUPPORT FOR THE TROIKA PROCESS

One of the important components of the budget is its underlying set of economic assumptions. OEP staff meet with staff of the Council of Economic Advisers and of the Department of the Treasury in the first stage of the "Troika" process, to develop a first draft of the economic assumptions. When they have completed their work, the Associate Director of OEP meets with his counterparts from the CEA and the Treasury to ready that draft for submission to the three agency principals and its final adoption for the budget process. It is customary that the forecast is presented to the public first in the Budget, and later in the *Annual Report of the Council of Economic Advisers*.

The Troika seeks to provide the most accurate economic forecast possible, but labors under two handicaps. The first is that the forecast must be developed early in the preparation of the budget, but then is released only after the budget is completed. As a result, the administration's economic forecast is somewhat "stale" when it sees the light of day. The second handicap is that the administration's forecast not only reflects the state of the economy, but also potentially influences it. Administration officials receive the government's own economic data when the public does, or in the case of a very few (for example, the Treasury Secretary and the CEA chair), late on the night before. The public does not believe that. Unguarded statements by administration officials (including the Associate Director for Economic Policy) are widely assumed to be informed by official data to which the public does not have access. Accordingly, pessimistic statements by representatives of the administration can become self-fulfilling prophecies, and so the Associate Director must guard his or her words carefully – at all times, but especially during the Troika process.

The OMB Director needs support from OEP at the final stage of the Troika process. If the Director does not have a professional background in economics, that support will be more extensive; but the demands on the Director are such that careful briefing is needed regardless. The Director should know what parts of the forecast OEP believes should be changed or protected, and what the inevitable controversies throughout the process have been.

POLICY DEVELOPMENT AND REVIEW

Particularly during the first days of an administration but throughout its entire duration, new policy ideas will be brought forward. The OMB Director will have the opportunity to recommend his or her own ideas. Sometimes the heads of other agencies have even presented ideas to change the presentation or the concepts of the budget, or to change the budget process. OEP can present policy innovations to the Director. OEP also will need to help the Director to review other proposals critically, and to argue his or her position effectively in interagency meetings.

Policy ideas under consideration as administration proposals often are circulated for clearance. These can include regulations for clearance from the Office of Information and Regulatory Affairs (OIRA) that are distributed within OMB, along with a wide range of ideas from all other agencies. The Associate Director must work with the OEP staff to ensure that such documents are given appropriate and timely review in the face of competing demands for time and attention.

Document Review

A wide range of documents are circulated within OMB for clearance. These can include Statements of Administration Policy (SAPs) on legislation before Congress, outgoing letters from the Director or others, or even drafts of the State of the Union address and other speeches by the president and others. In addition, OEP is asked each year to review drafts of the chapters of the *Economic Report of the President* and the annual financial statements produced by the Treasury. OEP can help to make such documents correct and effective.

Interagency Cooperation

Relationships among the agencies can be cooperative or sources of friction. When OMB is on good terms with other agencies, the Director may have more information at his or her fingertips, and therefore be less likely to be surprised by events and more able to be an effective spokesperson for the administration. OEP may have the greatest opportunity of all of the offices within OMB to maintain close ties with the Treasury. A potential source of friction is the status of the Treasury Secretary as the Administration's spokesperson on monetary policy and the value of the dollar. Depending on circumstances, there could be unnecessary difficulty in the relationship between OMB and the Treasury because of unguarded remarks on these topics. OEP needs to take care that this prerogative of the Secretary of the Treasury is respected.

16. The Office of Performance and Personnel Management (OPPM)

The Office of Performance and Personnel Management (OPPM) leads the Administration's efforts to improve performance and results by encouraging the adoption of effective performance and personnel management practices. OPPM is charged with overseeing performance and personnel management across government, as well as serving as the Resource Management Office (RMO) for five agencies with personnel management responsibilities. Its work can be divided into the four major areas discussed below.

Lead Implementation on Key Cross-Agency Priorities

OMB leadership looks to OPPM for leadership of program improvement priorities needing an OMB-led coordination across agencies and a focus on program implementation. One of its most attractive features is its lack of a statutory foundation and the resulting flexibility. OMB leadership current relies on OPPM to drive the following cross-agency priorities: (1) modernizing the federal government's approach to conducting environmental reviews for major infrastructure projects; (2) reforming the security clearance process to improve effectiveness, efficiency and security of information; and (3) ensuring major customer facing government programs are improving the citizen and business experience.

For each priority, the team analyzes challenges and opportunities, engages leadership across the Executive Office of the President (EOP), federal agencies, and key stakeholders to develop a strategic approach and implementation plan and engaging with an interagency governance entity to drive implementation (e.g., the Federal Permitting Improvement Steering Council, the Performance Accountability Council, the Core Federal Services Council). OPPM leads implementation efforts, as needed, including development of policy, legislative, and budget proposals, issuance of OMB guidance, and in some cases operations of program activities (e.g., management of the Federal Permitting Dashboard, the Federal Customer Service Awards Program).

OPPM also leads efforts across the Administration to address issues identified by the Government Accountability Office (GAO) in its High Risk List and reports on duplication and cost savings, and to eliminate outdated and burdensome Congressional reporting requirements.

MANAGE CROSS-AGENCY PRIORITY GOALS AND REVIEWS

At the beginning of each presidential term, as required by the GPRA Modernization Act, OPPM leads the process to set a limited number of **Cross Agency Priority (CAP) Goals**. These goals must be set no later than the first budget of a president's term based on input from policy councils, OMB RMOs, agencies, and Congress. The CAP goals are reviewed quarterly by OMB leadership and the Performance Improvement Council (PIC). These goals are set for both mission areas (e.g., veteran's mental health) as well as mission-support areas which have formed the foundation of the President's Management Agenda. For each goal, OPPM and the PIC support the identification of appropriate goal leaders from the EOP and agencies, the development of accountable goal teams, and the development of an action plan for each goal with clear goal statement, strategies, milestones, and progress indicators. OPPM and the PIC then support OMB, EOP, and agency leadership in running regular data-driven progress reviews on each CAP Goal to address barriers and update strategy as needed.

To support the work of the CAP Goal teams, OPPM and the PIC administer two programs:

- **The CAP Goal Fund,** which provides $15 million in budget authority for cross-agency implementation of the CAP Goals, funded through interagency transfers. Allocated on an annual basis, the CAP Goal fund is a unique source of support for interagency implementation efforts.
- **The White House Leadership Development Program (WHLDP),** which matches high-potential career employees poised to enter the next generation of career senior executives with opportunities to work on the federal government's highest priority and highest impact interagency challenges, focusing primarily on the CAP Goals. This program provides both a unique development opportunity for these high potential leaders and a critical source of leadership and expertise for CAP goal teams.

Establish Policies and Processes to Improve Agency Performance

OPPM manages the processes that guide agency strategic planning, goal setting, performance reviews, and performance reporting (similar to the role OMB plays in the budget process). This includes managing the policy and implementation of the Federal government's performance management framework as established by the GPRA Modernization Act (2010), including providing guidance to agencies on performance management policy and processes, coordinating the agency Performance Improvement Officers (PIOs), chairing the PIC, and providing oversight and guidance to PIC staff. These responsibilities also include managing government-wide processes related to the three tiers of the performance framework, including the CAP Goals described above, as well as:

- **Agency Priority Goals (APGs):** Every two years, all major agencies establish a limited number of Agency Priority Goals. APGs have clearly identified Goal Leaders, action plans, quarterly metrics, and milestones to manage progress. Agency heads or Deputy Secretaries/COOs lead quarterly data-driven performance reviews to overcome barriers and accelerate performance results. Progress is updated publicly on a quarterly basis on Performance.gov, the statutorily required public performance reporting website. OPPM coordinates the goal setting and quarterly update processes, and works closely with the PIC to help agencies conduct effective quarterly performance reviews.
- **Strategic Plans and Strategic Reviews:** At the beginning of each new presidential term, agencies establish new strategic plans with "strategic objectives" that are comprehensive of agency mission outcomes. Agencies then produce annual performance plans and reports, and conduct an annual "strategic review." Each agency has developed a strategic review process that provides a comprehensive framework for assessing agency progress toward their outcomes which informs strategic, budget, legislative, and management decisions. The annual assessments are expected to incorporate not only performance measures, but also evaluation results, challenges, risks, and external factors to inform the decision-making at the agency and OMB. OPPM coordinates meetings each spring between agency leadership and OMB's RMOs to discuss the findings from the strategic reviews and inform development of the President's Budget and other strategic and operational changes.

OPPM also collaborates with other OMB offices to develop supporting policies that drive performance improvement across government, such as working with OFFM to strengthen risk management practices across government and with the OMB Evidence Team to support improved use of program evaluations and administrative data.

Inform Personnel Policy and Improve Personnel Management

OPPM advances effective and modern talent management, human capital, and personnel practices across the federal government. It works closely with OPM to help advance its mission to "recruit and hire the best talent; to train and motivate employees to achieve their greatest potential; and to constantly promote an inclusive work force defined by diverse perspectives."

OPPM partners with OPM to develop human capital legislative proposals, administrative/regulatory reforms, and data-driven personnel management approaches, as well as further effective pay and benefits policies. OPPM plays an important policy and legislative role across EOP offices and divisions, as it brings together relevant policy stakeholders and decision makers to ensure adoption of personnel policies across agencies that are consistent with administration policy. For example, it works closely with other EOP offices on a range of issues that have union or other workforce implications.

OPPM also works with OPM to identify key data sources, such as the Federal Employee Viewpoint Survey, to enhance visibility into agency operations and activities. The data offers valuable insights into key areas of risk, both in the human resources organizational function, specifically, and in overall organizational health. OPPM works with OPM to ensure its policies and practices adapt to leading human capital practices and to respond to emerging issues illuminated in the analysis of federal personnel and employee viewpoint survey data. OPPM also drives the use of workforce data & metrics by Chief Human Capital Officers in their decision making.

Cross-agency initiatives in the human capital arena, for which OPPM takes a leading role include:

- Reforming and speeding federal hiring
- Improving employee engagement
- Strengthening the Senior Executive Service

In addition to government-wide policy development and convening functions, OPPM oversees budgeting and program examination for OPM and 4 small agencies (the U.S. Merit Systems Protection Board, the Office of Government Ethics, the Federal Labor Relations Authority, and the Office of Special Counsel). Under this activity, OPPM budget examiners review programmatic goals and outcomes, and work with the agencies to develop relevant sections of President's Budget. As with the typical RMO function, OPPM also monitors outlays, scoring, appropriations activity, and other budget execution activity.

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