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Office of Management and Budget: A Brief Overview

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Summary

The Office of Management and Budget (OMB) is located within the Executive Office of the President (EOP). As a staff agency to the President, OMB acts on the President's behalf in preparing the President's annual budget proposal, overseeing the executive branch, and helping steer the President's policy actions and agenda. In doing so, OMB interacts extensively with Congress in ways that are both visible and hidden from view. This report provides a concise overview of OMB and its major functions, and highlights a number of issues influenced by OMB in matters of policy, budget, management, and OMB's internal operations. This report will be updated periodically.

Capsule History of OMB. The Office of Management and Budget traces its origin to 1921. Established as the Bureau of the Budget (BOB) within the Treasury Department by the Budget and Accounting Act of 1921 (42 Stat. 20), it functioned under the supervision of the President.[1] Reorganization Plan No. 1 of 1939 (53 Stat. 1423) transferred the bureau to the newly created Executive Office of the President (EOP). Subsequently, BOB was designated as the Office of Management and Budget (OMB) by Reorganization Plan No. 2 of 1970 (84 Stat. 2085). Concern about OMB's accountability prompted Congress to make the director and deputy director subject to Senate confirmation in 1974 (88 Stat. 11). Congress also established four statutory offices within OMB to oversee several cross-cutting processes and management matters.

- The Office of Federal Procurement Policy Act (88 Stat. 796) established the Office of Federal Procurement Policy (OFPP) in 1974.

[1] This law and others cited in this report are summarized in CRS Report RL30795, *General Management Laws: A Compendium*, coordinated by Clinton T. Brass. The BOB director and assistant director were appointed by the President without Senate confirmation. The title of assistant director was changed to "deputy director" by the First Independent Offices Appropriation Act, Fiscal Year 1954 (67 Stat. 299).

- The Paperwork Reduction Act of 1980 (94 Stat. 2812; later recodified as the Paperwork Reduction Act of 1995, 109 Stat. 163) established the Office of Information and Regulatory Affairs (OIRA).[2]
- The Chief Financial Officers (CFO) Act of 1990 (104 Stat. 2838) established the Office of Federal Financial Management (OFFM).[3] The CFO Act also created a new leadership position at OMB: deputy director for management.
- The E-Government Act of 2002 (116 Stat. 2899) established the Office of Electronic Government (E-Gov Office).[4]

Organization and Staffing in OMB. The current profile of OMB's leadership and organizational structure is available on the agency's website.[5] In addition to OMB's leadership and their support staff, OMB has three major types of offices: (1) resource management offices; (2) statutory offices; and (3) OMB-wide support offices.[6]

Each of OMB's four resource management offices (RMOs) focuses on a cluster of related agencies and issues (e.g., natural resource programs) to examine budget requests and make funding recommendations. In addition, RMOs are tasked with integrating management, budget, and policy perspectives in their work as a result of OMB's latest major reorganization in 1994.[7] Politically appointed program associate directors (PADs) lead the RMOs. Below the PAD level, RMO staff are almost always career civil servants, and are organized into divisions and branches. Each RMO branch covers a cabinet department or collection of smaller agencies and is led by a career member of the Senior Executive Service (SES). OMB's program examiners staff each RMO branch.

Three of the statutory offices focus on management areas: financial management (OFFM), procurement policy (OFPP), and information technology (E-Gov Office, shared with OIRA). The fourth office, OIRA, has a broad portfolio of responsibilities, including regulation, information policy and technology, paperwork reduction, statistical policy, and privacy. Analysts in the statutory offices develop policy, coordinate implementation, and work with the RMOs on agency-specific issues.

OMB's seven support offices also play key roles. For example, the Budget Review Division (BRD) coordinates the process for preparing the President's annual budget

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[2] For more on the Paperwork Reduction Act, see CRS Report RL30590, *Paperwork Reduction Act Reauthorization and Government Information Management Issues*, by Harold C. Relyea.

[3] For more on the CFO Act, see CRS Report RL31965, *Financial Management in the Federal Government: Efforts to Improve Performance*, by Virginia A. McMurtry.

[4] OMB calls this organization the Office of E-Government and Information Technology. For more about the E-Government Act, see CRS Report RL31057, *A Primer on E-Government: Sectors, Stages, Opportunities, and Challenges of Online Government*, by Jeffrey W. Seifert.

[5] See [http://www.whitehouse.gov/omb/omb_org_chart.pdf] for OMB's organization chart and the names of its senior political appointees.

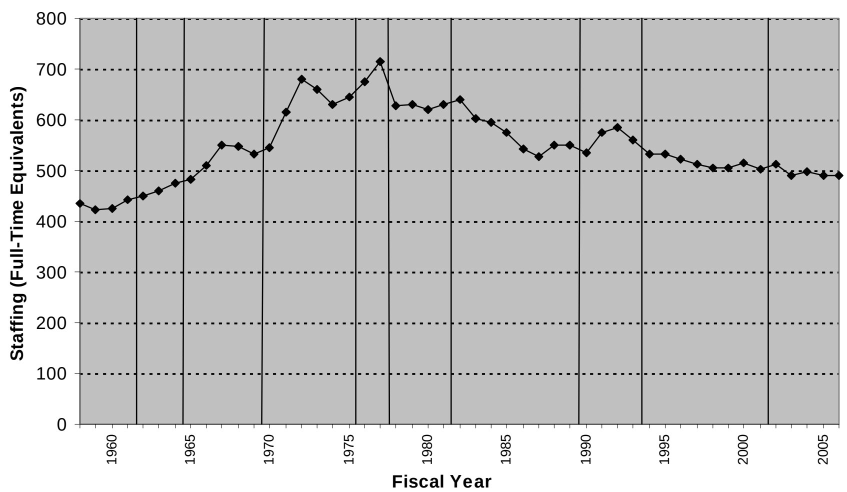
[6] Description of OMB's organization draws on Shelley Lynne Tomkin, *Inside OMB: Politics and Process in the President's Budget Office* (Armonk, NY: M.E. Sharpe, 1998), pp. 11-29.

[7] U.S. General Accounting Office, *Office of Management and Budget: Changes Resulting from the OMB 2000 Reorganization*, GAO Report GGD/AIMD-96-50 (Washington: Dec. 1995), p. 4.

proposal to Congress. The Legislative Reference Division (LRD) coordinates review of agencies' draft bills, congressional testimony, and correspondence to ensure compliance with the President's policy agenda. OMB's Economic Policy Office works with the President's Council of Economic Advisers (CEA) and the Treasury Department to develop economic assumptions. The other support offices are general counsel, legislative affairs, communications, and administration.

OMB had 497 "full-time equivalent" (FTE) positions in FY2004 and estimated 490 for FY2005.[8] OMB typically has a total of 20-25 political appointees and staff, while the rest are career civil servants.[9] OMB's director, deputy director, and deputy director for management are presidentially appointed with Senate confirmation (PAS). The heads of OFPP, OFFM, and OIRA are also PAS officials. In contrast, the administrator of the E-Gov Office is presidentially appointed (PA). **Figure 1** shows OMB's historical staffing.

Figure 1. OMB Staffing, FY1958-FY2006



Sources: OMB, *The Budget of the U. S. Government*, FY1960 through FY2006.
Notes: FY2005 estimated, FY2006 proposed by Administration. Vertical lines indicate presidential first-term inaugurations (e.g., Richard M. Nixon was inaugurated for his first term on January 20, 1969, during FY1969). Data do not include details from other agencies to OMB. Data from FY1958 to FY1977 indicate average number of employees instead of full-time equivalents (FTEs), and from FY1958 to FY1971 do not include 2-6 employees doing reimbursable work for other agencies. The agency was called BOB until 1970.

OMB's Budget. OMB's budget is driven mainly by personnel costs: compensation and benefits were 89% of OMB's $66.7 million in total obligations for FY2004.[10] The remainder chiefly covered contractual services (9%). Among OMB's offices, 51% of

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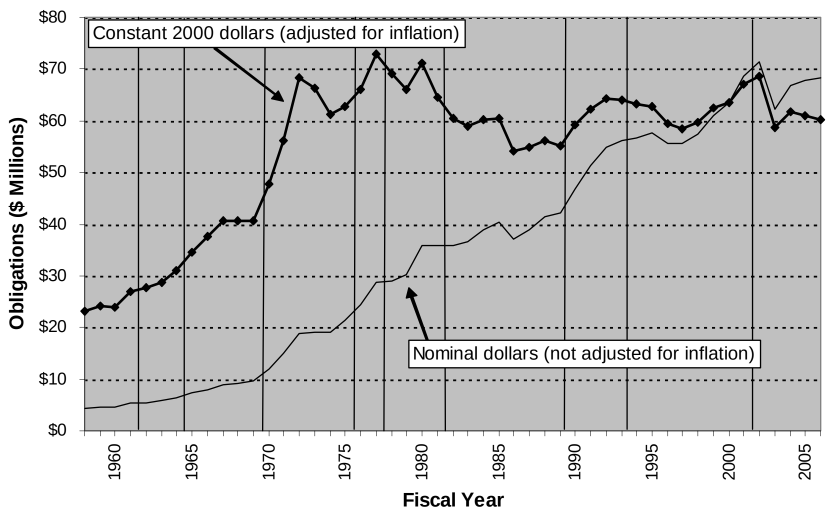
[8] U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Appendix*, p. 983. During both FY2003 and FY2004, OMB also had 60 detailees from other agencies in parts of each of those fiscal years, with total usage of 14 FTEs in FY2003 and 16 FTEs for FY2004. Detailees at OMB are typically assigned to assist in preparation of the President's budget, for training, and for other specific projects.

[9] Tomkin, *Inside OMB*, pp. 22-23.

[10] U.S. Executive Office of the President, *Fiscal Year 2006 Congressional Budget Submission* (Washington: OMB, 2005), pp. 155-170. OMB defines obligations as binding agreements that will result in immediate or future outlays. See OMB *Circular No. A-11*, available at [http://www.whitehouse.gov/omb/circulars/a11/current_year/s20.pdf].

FY2004 funding went to the RMOs, 31% to the OMB-wide support offices, and 18% to the statutory offices. **Figure 2** shows OMB's budget history.

Figure 2. OMB Budget, FY1958-FY2006



Sources: OMB, *The Budget of the U. S. Government*, FY1960 through FY2006.
Notes: FY2005 estimated, FY2006 proposed by Administration. Vertical lines indicate presidential first-term inaugurations. Data from FY1958 to FY1976 do not include obligations from reimbursable work. To calculate constant (2000) dollars, obligations were divided by "Total Non-defense" deflators from *The Budget of the U.S. Government, Fiscal Year 2006, Historical Tables* (Washington: GPO, 2005), Table 10.1, pp. 184-185. The agency was called BOB until 1970.

OMB's budget decreased in recent years due to a reallocation among budget accounts in the EOP, now called the "enterprise services program." For FY2003, Congress reallocated $8.3 million from OMB to the EOP's Office of Administration (OA) for central procurement of goods and services,[11] thus reducing OMB's appropriation compared to the prior fiscal year. Although the President subsequently requested that similar, though slightly reduced, funding be shifted back to OMB for FY2004 and FY2005, Congress continued a similar reallocation in both years.[12] The President proposed $68.4 million for OMB in FY2006, 0.8% higher than the FY2005 level (after rescission) of $67.9 million. Adjusted for inflation, the FY2006 proposal is a 1.3% decrease in constant dollars from FY2005. The President's OMB request appears to propose that the enterprise services program reallocation continue in FY2006.

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[11] U.S. Congress, House, *Making Further Continuing Appropriations for the Fiscal Year 2003, and for Other Purposes*, conference report to accompany H.J.Res. 2, H.Rept. 108-10, 108th Cong., 1st sess. (Washington: GPO, Feb. 13, 2003), p. 1342. For analysis of OA's and OMB's FY2005 appropriations, see CRS Report RL32308, *Appropriations for FY2005: Transportation, Treasury, and Independent Agencies*, coordinated by David Randall Peterman and John Frittelli.

[12] For FY2005, the reallocation totaled $7.2 million for rent, after-hours utilities, and health unit costs. See U.S. Congress, House, *Making Appropriations for Foreign Operations, Export Financing, and Related Programs for the Fiscal Year Ending September 30, 2005, and for Other Purposes*, conference report to accompany H.R. 4818, H.Rept. 108-792, 108th Cong., 2nd sess. (Washington: GPO, Nov. 20, 2004), p. 1449.

Major Functions. As a primary support agency for the President, OMB has important and varied responsibilities. A 1986 study identified 95 statutes, 58 executive orders, five regulations, and 51 circulars that reflected OMB's operational authorities at the time.[13] Most observers include as "major functions" of OMB those listed below.

Budget Formulation and Execution. The Budget and Accounting Act of 1921, as amended and recodified, requires the President to submit each year a consolidated budget proposal for Congress's consideration.[14] In this "formulation phase," OMB sends budget guidance to agencies via its *Circular No. A-11*, which is updated each year to reflect the President's budget and management priorities.[15] Agency heads then forward their formal budget requests to OMB, where the RMOs and E-Gov Office (for information technology initiatives) assemble options and analysis for decisions by OMB and the White House.[16] After an opportunity for agency appeals, OMB's BRD coordinates production of the President's budget. When Congress completes action on appropriations bills and they are signed into law, the "execution phase" begins. The Antideficiency Act (which includes 31 U.S.C. §§ 1511-1514) requires OMB to "apportion" appropriated funds (usually quarterly) to prevent agencies from spending at a rate that would exhaust their appropriations before the end of the fiscal year.

Legislative Coordination and Clearance. OMB plays a key role in coordinating the President's legislative activities. Under *Circular No. A-19*, OMB's LRD coordinates executive branch review and clearance of congressional testimony and correspondence and agencies' draft bills to ensure compliance with the President's policy agenda, make known the Administration's views on legislation, and allow affected agencies to provide input during intra-executive branch policy development.[17] For non-appropriations legislation, LRD plays a coordination role in preparing "Statements of Administration Policy" (SAPs) for Congress, and memoranda to advise the President on enrolled bills (e.g., recommending signature or veto, or contents for signing statements). BRD performs similar duties for appropriations legislation.

Regulatory and Information Policy. OMB exercises considerable influence over agency regulations. Under Executive Order 12866, OIRA works with OMB's RMOs

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[13] See Morton Rosenberg and Mark Gurevitz, "Preliminary Catalogue of Office of Management and Budget Authorities and Directives," in U.S. Congress, Senate Committee on Governmental Affairs, *Office of Management and Budget: Evolving Roles and Future Issues*, committee print, 99th Cong., 2nd sess. (Washington: GPO, 1986), pp. 395-696.

[14] For more on OMB's budget responsibilities and budget cycle time line, see CRS Report RS20167, *The Role of the Office of Management and Budget in Budget Development*, and CRS Report RS20175, *Overview of the Executive Budget Process*, both by Bill Heniff Jr.

[15] U.S. Office of Management and Budget, *Circular No. A-11*, "Preparation, Submission, and Execution of the Budget," July 2004, available at [http://www.whitehouse.gov/omb/circulars/index.html].

[16] See Tomkin, *Inside OMB*, pp. 127-137, for a description of the process.

[17] U.S. Office of Management and Budget, *Circular No. A-19*, revised, Sept. 20, 1979, available at [http://www.whitehouse.gov/omb/circulars/a019/a019.html].

to review agency rules and cost-benefit analyses.[18] In addition, other OIRA policy and oversight responsibilities include statistical policy; paperwork reduction; government use of personal information under the Privacy Act (5 U.S.C. § 552a); information technology investment under the Clinger-Cohen Act (P.L. 104-106, 110 Stat. 679); and information security. OIRA shares some responsibilities with the E-Gov Office.

Executive Branch Management. OMB has responsibility for overseeing management in the executive branch. OMB is responsible for clearing and approving proposed executive orders (EOs) and many proclamations.[19] In addition, the CFO Act of 1990 created the new position of deputy director for management (DDM). OMB's DDM is charged with overall responsibility for general management policies in the executive branch, including the various domains of the statutory offices, plus human resources management.[20] The statutory offices also develop policy and coordinate implementation in the areas of financial management (OFFM), procurement policy (OFPP), and information policy and technology (OIRA and E-Gov Office). OMB's RMOs are tasked with integrating budget, policy, and management issues for specific agencies in cooperation with the statutory offices. Observers disagree as to how well OMB has fulfilled these management responsibilities. Some have argued that the "M" in OMB is more mirage than real, because budget responsibilities crowd out attention to management issues, while others have argued that budget and management responsibilities cannot realistically be separated.[21] OMB leads implementation of the George W. Bush Administration's President's Management Agenda (PMA), which includes five government-wide initiatives and several additional program-specific initiatives, and quarterly evaluation of agencies on a "scorecard" with red, yellow, or green "stoplight scores" for each of the initiatives based on published "standards for success."[22] As an agency, OMB's scorecard ratings for December 31, 2004, were one yellow and four red for "status" and, for "progress," two green and three red.

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[18] U.S. President (Clinton), "Regulatory Planning and Review," Executive Order 12866, *Federal Register*, vol. 58, Oct. 4, 1993, pp. 51735-51744, as amended. For an overview of OIRA's roles, see CRS Report RL32397, *Federal Rulemaking: The Role of the Office of Information and Regulatory Affairs*, by Curtis W. Copeland, and Tomkin, *Inside OMB*, pp. 203-216.

[19] EO 11030, 3 C.F.R., 1959-1963 Comp., p. 610, as amended by EOs 11354, 12080, and 12608.

[20] The DDM acts as chairperson or vice chairperson of seven interagency councils: four statutory councils of agency "chief officers" (chief financial officers [CFO Act, 104 Stat. 2848], chief information officers [E-Government Act, 116 Stat. 2905], chief human capital officers [Chief Human Capital Officers Act of 2002, 116 Stat. 2287], and chief acquisition officers [Services Acquisition Reform Act of 2003, 117 Stat. 1666]); two councils of inspectors general (IGs) established by executive order (the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency; see U.S. President [George H. W. Bush], "Integrity and Efficiency in Federal Programs," Executive Order 12805, *Federal Register*, vol. 57, May 14, 1992, pp. 20627-20629); and a council of senior real property officers established by executive order (see U.S. President [George W. Bush], Executive Order 13327, "Federal Real Property Asset Management," *Federal Register*, vol. 69, Feb. 6, 2004, pp. 5897-5900).

[21] See U.S. Congress, House Committee on Government Reform, Subcommittee on Government Management, Information, and Technology, *The Office of Management and Budget: Is OMB Fulfilling its Mission?*, hearings, 106th Cong., 2nd sess. (Washington: GPO, 2000).

[22] See CRS Report RS21416, *The President's Management Agenda: A Brief Introduction*, by Virginia A. McMurtry, and the President's PMA website, [http://www.results.gov/agenda].