

# MS 702 The Budget Process

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Request for Agency Resources (RAR) Committee and RAR Committee Charter Approval

Formalized Review and Clearance Lists

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### 1.0 Purpose

This Manual Section describes the policies, guidelines, and general calendar budget process that the Peace Corps follows. Through this process, Peace Corps' financial resource request is presented to the Office of Management and Budget (OMB). Based on OMB's decisions, the Agency's budget is included in the President's annual budget submission to Congress. Each year, Peace Corps receives funds from Congress, through an authorization and appropriation process, to implement its programs based on this submission.

Specifically, this Manual Section includes:

- an overview of the Peace Corps Integrated Planning and Budget System (IPBS),
- a list of guidelines from the OMB that Peace Corps follows in its budget process, and
- information on Peace Corps' presentations to OMB and to Congress.

Any general procedures mentioned in this Manual Section may be modified by more specific directions issued by the Peace Corps Director or the Office of the Chief Financial Officer (OCFO).

### 2.0 Authority

The Budget and Accounting Act of 1921, as amended by the Budget and Accounting Procedures Act of 1950, (31 USC 1101 et seq.), states, "On or after the first Monday in January but not later than the first Monday in February of each year, the President shall submit a budget of the United States Government for the following fiscal year." The annual Federal budget must be prepared by the OMB. Peace Corps, along with other agencies, is required by law to provide certain specific information in the budget and to submit its budget estimates in accordance with rules established by the OMB.

OMB prescribes the Executive budget formulation process in accordance with the Budget and Accounting Act of 1921, as amended, and the Congressional Budget and Impoundment Act of 1974. *OMB Circular A-11*, "Preparation, Submission and Execution of the Budget," provides detailed instructions on financial data requirements and formats, submission dates, and policy guidelines to be followed in preparing budgets for Federal agencies, including Peace Corps. These instructions are revised and reissued annually. Agencies must submit their budget requests to OMB by early September for the fiscal year starting 13 months later.

The Peace Corps issues specific, internal budget directives throughout the year. These presently include: the "Director's Guidance on Planning" (February); *IPBS Guidance* updated and distributed annually by the Office of Strategic Information, Research and Planning (OSIRP) (February/March); various memoranda ("CFO Bulletins") issued periodically by OCFO to the Regions and the domestic offices announcing specific deadlines for submissions regarding the various aspects of IPBS: two-year planning, detailed operating plans and budgets, and Mid-Year plan and budget review. In addition, OCFO issues bulletins, as necessary, on matters related to requests for agency resources and, in special circumstances, budget reductions.

### 3.0 Responsibilities

The OCFO takes the lead role in managing and coordinating the preparation of the Peace Corps budget. Associate and Regional Directors are responsible for ensuring that their staff assist OCFO if requested.

The nature and amounts of the President's budget decisions and the underlying materials are confidential. The President's budget decisions may not be released outside of Peace Corps until the Budget is transmitted to the Congress. The materials underlying those decisions may not be released at any time, except in consultation with OMB. Peace Corps' justifications provided to OMB and any agency future year plans or long-range estimates may not be provided to anyone outside the Executive Branch, except in consultation with OMB.

#### **4.0 Peace Corps' Integrated Planning and Budget System (IPBS)**

##### **4.1 Underlying Principles of the IPBS**

The Integrated Planning and Budget System (IPBS) is the system Peace Corps uses to carry out its planning and budget functions. It has five underlying principles. Specifically, IPBS:

- **Allows the plan to drive the budget.** Peace Corps strives to make its resource allocation decisions in the context of what the organization's mission and priorities.
- **Provides a reasonable planning horizon.** The strategic planning time frame is two years. Two-year planning cycles facilitate planning and decision making in the context of the government budget cycle and variations in appropriation levels.
- **Demands the right level of detail at the right time.** The system is designed to capture macro-level planning and budgeting in early phases of the process and to facilitate micro-level planning and budgeting nearer to the fiscal year.
- **Institutionalizes vertical and horizontal communications.** The system prescribes both vertical and horizontal communication in its basic architecture. It serves as an Agency integrator, as each part of the organization uses the same system.
- **Recognizes current operations costing.** The system formally recognizes that the costs for a particular operation may increase or decrease from one year to another. Current operations costing exercises provide the agency with valuable information on the financial resources needed to continue operations at current levels before they propose operational changes.

##### **4.2 Major Processes in the IPBS Cycle**

There are three major processes in the IPBS cycle: Strategic Planning, Preparing the Operating Plan and Budget, and Mid-Year Planning and Budget Reviews.

###### **4.2.1 Strategic Plan**

Strategic planning takes place from January to May of each year based on submissions from the posts and offices, working with guidance from the Director, to develop and/or update a two-year Strategic Plan. The plan is submitted, along with a budget impact statement and Strategic Plan template with goals and indicators, to the appropriate Regional and Associate Directors for review. Regional and Associate Directors in turn present summary Strategic Plans to the Peace Corps Director via OSIRP.

Based on these presentations, and with senior staff input, the Director makes internal planning and budget decisions for the upcoming fiscal year and provides guidance for preparation of the OMB submission for the following year.

###### **4.2.2 Operating Plan and Budget Process**

The Operating Plan and Budget Process occurs during July, August and September each year. Based on the Director's IPBS decisions and guidance from the Regional and Associate Directors, each post and office prepares a detailed Operating Plan and Budget, taking the goals and objectives of the Strategic Plan down to the task level and focusing specifically on the upcoming fiscal year. The detailed plan remains at post or in individual offices for execution. Posts and offices forward the detailed budget to Headquarters for review first by their Regions and Divisions and then by OCFO.

*NOTE: OCFO provides computer software and detailed instructions for the Operating Plan and Budget process to all posts and offices annually. The line-by-line budget instructions standardize the collection of information from all Peace Corps offices and posts.*

Similar to the Strategic Planning, budgets for the Regions and Divisions are forwarded (via OCFO) to the Director for final review. The Director makes any new resource allocation decisions required for the upcoming fiscal year in accordance with Section 4.2.4. and corresponding procedures. The Director's decisions are made and released each September/October.

#### **4.2.3 Mid-Year Plan and Budget Reviews**

Mid-Year Planning and Budget Reviews occur during April and May. In addition, a close-out review is conducted after the end of the Fiscal Year. The planning portion is simply a brief update on progress in executing goals and a report of proposed mid-course corrections, if any. The budget review focuses on actual use of funds to date and a projection of requirements based on changes in costs or in the plan. There are three levels of review: one by the appropriate Region or Domestic Office, one by OCFO/OBA, and one by the Director.

#### **4.2.4 Requests for Agency Resources (RARs)**

In the course of each operating year, offices may identify new, unanticipated, or additional funding requirements or needs not included in annual submissions and approved operating budgets. Offices may request additional funding for such requirements and needs by submitting formal Requests for Agency Resources (RARs). RARs should be used only to address funding requirements for new initiatives, emergencies or urgent needs not anticipated or normally included in an office's annual budget.

The Director will establish an RAR Committee that shall establish an operating charter, which includes criteria for RAR review for final action by the Director, in accordance with this Manual Section.

It is the policy of the agency that the RAR Committee review and consider submissions against criteria based on the agency's mission, goals and programmatic and operational priorities. It is also the policy of the agency that the RAR decision making process include the opportunity for office heads to have input prior to final decisions by the Director.

#### **4.2.5 Budget Reductions**

In unique circumstances, such as unanticipated reductions in appropriations, it may be necessary to review previously approved allocations of resources to determine where budget reductions may be warranted or necessary. Final decisions on budget reductions will be made by the Director.

OCFO will establish procedures for consulting with all offices to discuss the possibility of reductions, reduction options, including opportunities for offices that may be affected by reductions to explain, prior to final reduction decisions, the impact to that office's operations or field support due to planned reductions. OCFO will ensure that any office explanations are provided to the Director before final decision.

If the Director decides to reduce prior approved funding levels, OCFO will provide a full explanation of such decisions to the affected offices.

### **5.0 Overview of the Federal Budget Process**

Each agency interacts with both the Office of Management and Budget and Congress regarding its annual budget.

#### **5.1 Office of Management and Budget Policies and Guidelines**

The following are some of the OMB policies and guidance on the preparation and submission of agency budget estimates as set forth in *Circular A-11* and other *OMB Circulars*. Peace Corps adheres to these guidelines in preparing and submitting its budget.

- Budget requests (called "estimates") should reflect the judgment of the Agency Director on the scope, content, pace, and quality of programs and activities that are being proposed to meet Agency goals and objectives.
- The estimates should include all known and anticipated requirements for activities being carried out in the budget year, (including those for which additional authorizing legislation is required). These estimates must cover all authorized activities that the Agency is proposing to carry out in the budget year, and the funds necessary to meet legal requirements (e. g., workers' compensation, unemployment insurance). The concept of presenting a budget that includes all known or estimated costs at all levels is crucial as the Peace Corps does not routinely request additional funding.
- Estimates must be consistent with economic assumptions, including inflation assumptions, provided by OMB.
- Estimates for the budget year should reflect the most efficient use of personnel, and personnel ceiling requests must be fully justified to OMB.
- Estimates must include payments required for space and services provided by the General Services Administration (GSA).
- In estimating outlays from appropriations and other authority, time lags between the incurring of obligations and the receipt of, and payment for, goods and services should be identified. Care should be taken to make realistic estimates of outlays.
- No supplemental increase of the estimates will be considered at a future date unless it is due to (a) circumstances not foreseeable at the time the annual estimates are submitted or (b) subsequent action by Congress.
- Although OMB provides a "target" control level for the Agency budget, agencies are permitted to make their own requests in excess of this level. When it appears desirable, either to OMB or to the Agency, OMB may hold a hearing with Agency officials following the submission of the budget estimates. The hearing offers an opportunity for OMB to understand the policies, programs, and problems of the Agency. It also affords the Agency an opportunity to supplement the already-submitted written material with an oral statement of the issues involved and to answer questions concerning them.

## **5.2 Budget Presentation to Congress**

Shortly after the President presents his or her budget to Congress, Peace Corps must prepare a more detailed budget presentation to Congress. The following steps prepare for the Agency's Congressional Presentation (CP):

- OMB reviews and analyzes budget submissions by Executive branch agencies between September and November. After review, OMB provides a "passback" or recommends an approved budget and personnel level for individual agencies based on agency requests and the Administration's goals and priorities. Usually, this occurs around Thanksgiving.
- An agency may appeal OMB's "passback." OMB will respond with a final decision or "mark," representing the President's request level, or that amount which the Executive Branch is willing to request for the Peace Corps from Congress. This becomes part of the President's budget request.
- After the close of the OMB budget cycle, the Agency focuses its attention on its Congressional Presentation, supporting the amount contained in the President's budget.
- The Peace Corps' CP is prepared by the Director's office with budgetary input and review by OCFO. Global Operations' Regional Offices provide substantial input in the form of "Country Narratives" and "Regional Overviews." The CP places special emphasis on activities and initiatives projected for individual countries and operational segments of the Agency.

*NOTE: The individual country narratives are particularly important to the Congressional Presentation and are most effective when the country/region has up-to-date information on major accomplishments and approved plans for future programs.*

- Peace Corps submits its CP for the budget year soon after the President's annual budget is submitted to Congress.
- From February through April, the Houses of Congress hold both appropriation and authorization hearings. Peace Corps budget hearings may be called by any of the following four committees of Congress: House Appropriations, House Foreign Affairs, Senate Foreign Affairs, and Senate Appropriations. If such a hearing is called, the Peace Corps Director testifies on behalf of the Agency.
- For these appearances, the Director of Congressional Relations prepares a briefing book for the Director of Peace Corps and other Congressional witnesses testifying for the Peace Corps. This book, which is reviewed by OCFO and the Office of General Counsel (D/GC) before release, contains all significant issues and information that have occurred during the year that may be of Congressional interest, including updates of remarks and requests made during the previous year.
- In principle, Congress passes and the President signs all appropriation bills before the beginning of the fiscal year so that agencies can make a smooth transition in operations from one fiscal year to the next. However, if no appropriations bill has been passed by the beginning of the fiscal year, the Agency must either begin operations under a Continuing Resolution or may be subject to a lapse in funding (see MS 707, "Continuing Resolutions and Lapses in Appropriations").

## **6.0 Inquiries**

Address general inquiries regarding Peace Corps' Integrated Planning and Budget System and Peace Corps' relationship to the Federal Budget Process to:

Budget Officer, Office of Budget and Analysis, Office of the Chief Financial Officer, Peace Corps Washington, DC 20526.

Address inquiries regarding specific Regional and operational guidelines to the appropriate Regional or Associate Director.

## **7.0 Effective Date**

The effective date is the date of issuance.