

Executive Office of the President



Office of Management and Budget

Fiscal Year 2012 Budget

Executive Office of the President Office of Management and Budget

Mission Statement and Background

The Office of Management and Budget (OMB) assists the President in the development and execution of his policies and programs and in meeting certain requirements in law such as 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. To achieve its mission OMB directs resources developing, enacting, and implementing the President's Budget. OMB is committed to improving the effectiveness and efficiency of government programs and rules. The agency ensures agencies develop, express, and implement policies in accordance with the President's priorities.

OMB derives its basic authority from Title 31 of the U.S. Code, based on provisions originally enacted in the Budget and Accounting Act of 1921, as amended. This Act, in providing the first comprehensive national budget system, established the Bureau of the Budget (the Bureau), the precursor to OMB, in the Department of the Treasury and called for the Bureau to assemble and correlate, as well as recommend changes to, the requests for appropriations of the Executive Branch. The Bureau was further authorized to make detailed administrative studies that would help in securing greater economy and efficiency in the conduct of the public service.

The Bureau moved from the Department of the Treasury to the Executive Office of the President in 1939 and was reorganized into OMB by Reorganization Plan No. 2 of 1970. OMB provides the President with an institutional staff capability in Executive Branch management, particularly in performance measurement, financial management and financial systems management, management reform, regulatory analysis, and information and management systems. OMB also serves as the central point for review and clearance of Executive Branch legislative proposals.

Organizational Responsibilities

OMB plays a pivotal role in developing and supporting the President's management, budget, and legislative agenda. OMB components assist the President in the preparation of the Federal budget and in managing its execution throughout the departments and agencies. In helping formulate the President's spending plans, OMB examines the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; recommends funding priorities; and provides policy options. The following illustrate OMB work in budget and policy development; budget and policy enactment; and budget and policy implementation:

Budget and policy development - Every year, OMB staff are involved in the development of new program policies, from inception of policy options, analysis of options for inclusion in the budget, the State of the Union address, etc. Each new program/policy requires close engagement of OMB staff and policy officials with White House staff and agency staffs.

Budget and policy enactment - OMB staff support Administration officials working with Congress to enact the President's Budget and legislative programs. OMB works to assure that proposed legislation, testimony, reports, and policies are consistent with Administration policies, including the President's Budget.

Budget and policy implementation - OMB staff monitor the implementation of major programs and policies to review the performance of government programs, and to identify and help resolve issues that arise in development of initial regulations and program guidance, program management, data reporting and analysis, long range evaluation and research designs, and analysis to inform future policy making more effectively.

Management and performance - OMB develops and executes a government-wide management agenda that includes information technology, financial management, procurement, performance, and human resources. In this capacity, OMB oversees agency management of programs and resources to achieve legislative goals and Administration policy. It also oversees agency program evaluation activities to determine their net effects, success or failure, and how agencies respond to these findings by making management improvements and developing new budget and policy proposals.

The following is a brief summary of the functions of each of the offices within OMB:

Resource Management Offices (RMOs) - National Security Programs; General Government Programs; Natural Resource Programs; Education, Income Maintenance, and Labor Programs; and Health Programs. RMOs examine agency budget requests, programs, regulatory and legislative proposals, and management activities in order to assure consistency with the President's policies and coordination among Federal agencies. These divisions are the core source of expertise on all matters pertaining to the programs and operations of Federal departments and agencies.

Office of Information and Regulatory Affairs (OIRA) - OIRA is responsible for reviewing 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 12291 (Federal Regulation) and Executive Order 12498 (Regulatory Planning Process).

Office of Federal Financial Management (OFFM) - OFFM is responsible for preparing 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.

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 (FAR) and provides leadership and coordination in the formulation of Executive branch positions on procurement and procurement related legislation. The Cost Accounting Standards Board (CASB), an entity within OFPP, exercises the authority to make, promulgate, amend, and rescind cost accounting standards.

Office of E-Government (E-Gov) and Information Technology (IT) - E-Gov and IT provides oversight and guidance of agency IT investments and policy guidance on agency management and execution of these investments. E-Gov and IT also provides direction and management support to Presidential E-Gov initiatives, including nine Line of Business 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 IT performance, E-Gov and IT leverages its resources by working closely with the Chief Information Officers Council.

OMB-Wide Support Offices - Under the direction of the OMB Director and Deputy Directors, the OMB-Wide Support Offices provide executive direction and coordination for all OMB activities. These offices include: Communications and Strategic Planning; General Counsel; Legislative Affairs; Economic Policy; Management and Operations; Legislative Reference; Budget Review; Performance and Personnel Management; and the Intellectual Property Enforcement Coordinator.

OMB-wide support offices provide overall leadership for the agency's activities; develop instructions and procedures for a wide range of management, legislative, legal, economic, budgetary, operational, and IT-related issues; coordinate OMB review of agency activities; and prepare the budget document.

Overview

For fiscal year (FY) 2012, the estimated funding requirement for OMB is \$91,660,000 and a full-time equivalent (FTE) level of 529. This request is \$1,203,000 (or 1.3 percent) below the FY 2010 enacted OMB budget of \$92,863,000. The proposed staffing level of 529 FTE is the same staffing level as provided in FY 2010. Since full-year FY 2011 appropriations were not enacted at the time that the FY 2012 budget was prepared, this FY 2012 budget submission incorporates the FY 2010 enacted budget for baseline comparative analysis.

FY 2012 Estimate

The FY 2012 estimate reflects an increase of \$219,000 to fund anticipated health benefit costs; \$274,000 to fund a GSA rent increase, and \$150,000 for MAX Budget System contractor costs. In addition, OMB will institute internal budget reductions of \$1,846,000 to achieve an overall budget reduction for FY 2012. Reductions include funding for summer interns, overtime, and awards (-\$400,000); travel (-\$120,000); printing the President's Budget (provides resources to print only the President's Budget document) and Federal Register (-\$270,000); Training/NEOB refurbishing/contracts/legal settlements (-\$794,000); supplies/subscriptions (-\$137,000); and furniture/equipment (-\$125,000).

**Executive Office of the President
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Proposed Appropriation Language

For necessary expenses of the Office of Management and Budget, including hire of passenger motor vehicles and services as authorized by 5 U.S.C. 3109 and to carry out the provisions of chapter 35 of title 44, United States Code, \$91,660,000, of which not to exceed \$3,000 shall be available for official representation expenses.

**Executive Office of the President
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**Summary Change to Object Class
(\$ in thousands)**

A summary of requirements is shown below:

	FY 2010 Enacted	FY 2011 CR	FY 2012 Estimated
Total, Budget Authority.....	92,863	92,863	91,660

The increases and/or decreases for FY 2012 are as follows:

FY 2011 CR (same as FY 2010 enacted).....			92,863
Increases to FY 2011 CR:			
Personnel Compensation & Benefits.....		219	
Rental Payments to GSA.....		274	
Other Contractual Services.....		150	
Subtotal, increases to FY 2011 CR.....			643
Decreases to FY 2011 CR:			
Personnel Compensation & Benefits.....		(400)	
Travel & Transportation of Persons.....		(120)	
Printing and Reproduction.....		(270)	
Other Contractual Services.....		(794)	
Supplies and Materials.....		(137)	
Equipment.....		(125)	
Subtotal, decreases to FY 2011 CR.....			(1,846)
FY 2012 estimated level.....			91,660

**Executive Office of the President
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**Object Class
(\$ in thousands)**

Object Class and Title	FY 2010 Actual	FY 2011 CR	FY 2012 Estimated	FY11/FY12 Difference
10 Personnel Compensation & Benefits.....	75,579	76,293	76,112	(181)
21 Travel & Transportation of Persons.....	352	388	268	(120)
22 Transportation of Things.....	1	2	2	0
23.1 Rental Payments to GSA.....	6,984	7,009	7,283	274
23.3 Comm., Utilities & Misc. Charges.....	814	603	603	0
24 Printing and Reproduction.....	485	522	252	(270)
25 Other Contractual Services.....	7,316	7,030	6,386	(644)
25 Policy Research.....	0	0	0	0
26 Supplies and Materials.....	507	578	441	(137)
26 Official Entertainment.....	0	3	3	0
31 Equipment.....	696	435	310	(125)
Total, Direct Obligations*.....	<u>92,734</u>	<u>92,863</u>	<u>91,660</u>	<u>(1,203)</u>
99 Reimbursement.....	<u>133</u>	<u>0</u>	<u>0</u>	
Total.....	<u>92,867</u>	<u>92,863</u>	<u>91,660</u>	

* FY2011CR Total equals FY2010 Enacted Total

**Executive Office of the President
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Personnel Summary

Distribution by Program Activity of Full-time Equivalent Positions

	FY 2010 Actual	FY 2011 CR	FY 2012 Estimate	FY11/FY12 Difference
<u>Program Activity Structure</u>				
National Security Programs.....	64	65	65	0
General Government Programs.....	59	61	61	0
Natural Resource Programs.....	61	62	62	0
Health Programs.....	43	45	45	0
Education, Income Maintenance, and Labor Programs.....	34	33	33	0
Office of Federal Financial Management.....	18	20	20	0
Information and Regulatory Affairs.....	50	45	45	0
Office of Federal Procurement Policy.....	17	17	17	0
OMB-Wide Offices*.....	181	181	181	0
Total Direct Program	527	529	529	0
Recovery Implementation Office.....	5	5	5	0
Total Program	532	534	534	0
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Partnership Fund for Program Integrity and Innovation.....	1	5	5	0

Personnel Summary

	FY 2010	FY 2011	FY 2012	FY11/FY12
Full-time Equivalent Employment (OMB)	527	529	529	0

* OMB-Wide Offices includes the Director's Office; the Deputy Director; the Deputy Director for Management; the Executive Associate Director; Intellectual Property Enforcement Coordinator; Communication and Strategic Planning; General Counsel; Legislative Affairs; Economic Policy; Management and Operations Division; Performance and Personnel Management Division; the Legislative Reference Division; the Budget Review Division; and the Office of E-Gov and IT.

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Explanation of Changes by Object Class
(\$ in thousands)

<u>FY 2011 CR</u>	<u>FY 2012 Estimate</u>		<u>Net Change</u>
76,293	76,112	<p><i>Personnel Compensation and Benefits (10)</i> This object class includes salaries, terminal leave, premium pay, reimbursable detailees, assignments under the Intergovernmental Personnel Act, and all employee benefits.</p> <p>The decrease in this object class represents reductions for summer interns (-\$260,000), overtime (-\$90,000), and awards (-\$50,000) partially offset with an anticipated increase in health benefit costs (\$219,000).</p>	(181)
388	268	<p><i>Travel and Transportation of Persons (21)</i> This object class includes official travel, such as per diem, hotel and transportation, auto rental, and local transportation.</p> <p>Reflects a reduction of (-\$120,000) in this object class.</p>	(120)
2	2	<p><i>Transportation of Things (22)</i> This object class includes commercial express delivery as well as freight and other shipping charges.</p> <p>There is no net change in this object class.</p>	0
7,009	7,283	<p><i>Rental Payments to GSA (23.1)</i> This category includes payments to the General Services Administration (GSA) for rental of space and rent related services.</p> <p>Provides for anticipated office costs as provided by GSA.</p>	274
603	603	<p><i>Communications/Utilities/Miscellaneous Charges (23.3)</i> This object class includes data, voice, and wireless communications from Federal and commercial sources, as well as utilities, postage, and miscellaneous rental charges.</p> <p>There is no net change in this object class.</p>	0

FY 2011 CR	FY 2012 Estimate		Net Change
522	252	<p><i>Printing and Reproduction (24)</i> This object class includes printing and reproduction obtained from the private sector or from other Federal entities.</p> <p>Includes reduction to print the President's Budget (-\$170,000) and Federal Register costs (-\$100,000).</p>	(270)
7,030	6,386	<p><i>Other Contractual Services (25)</i> This object class includes advisory and assistance services, other purchases of goods and services from Government accounts, operations and maintenance of facilities, research and development contracts, medical care, operations and maintenance of equipment, or subsistence and support of persons.</p> <p>Includes an increase of \$150,000 for MAX Budget System contractor costs and reductions of (-\$794,000) for training, NEOB refurbishing, contracts, and legal settlements.</p>	(644)
578	441	<p><i>Supplies and Materials (26)</i> This object class includes general supplies, information technology (IT) supplies, newspapers, and magazine subscriptions, and Government publications.</p> <p>Includes reductions for supplies and subscriptions (-\$137,000).</p>	(137)
3	3	<p><i>Official Entertainment (26)</i> Estimate provides official reception and representation for OMB. There is no net change in this object class.</p>	0
435	310	<p><i>Equipment (31)</i> This object class includes IT hardware and software, customized software programming, peripheral equipment (e.g., printers and network devices), office furniture and equipment, such as photocopiers, facsimile machines, and telephones.</p> <p>Reflects a reduction for furniture/equipment (-\$125,000).</p>	(125)
92,863	91,660	Total for all Object Classes	(1,203)

Integrated, Efficient, and Effective Uses of Information Technology

For too long, the Federal Government's investments in information technology (IT) have not provided the same productivity gains which IT has produced in the private sector, where there has been a more than 50 percent increase in efficiency over the last 20 years. Because the Federal government has not kept pace, the President's Budget takes aggressive steps to address inefficient, ineffective IT investments across the Government, to deliver better quality services to Federal workers and the American people at a lower cost.

As a key part of this effort, the Budget proposes \$60 million in the new Integrated, Efficient, and Effective Uses of Information Technology (IEEUIT) account, appropriated to the Executive Office of the President, to be administered by the Office of Management and Budget (OMB), to be used as a central Government fund to accomplish two primary goals across the Federal government aiming to improve the productivity of Federal IT spending. These goals are:

1. To turn around poorly performing IT projects
2. To consolidate purchasing and operations of commodity IT functions

The Administration's plan builds on considerable progress already made in improving oversight over the Federal IT portfolio, to turn around poorly performing projects. In January 2010, the Administration launched a new program of TechStat sessions, which are face-to-face, evidence-based reviews of IT programs, undertaken with OMB and agency leadership, and relying on the improved, transparent data on Federal IT investments provided by the IT Dashboard. TechStat sessions with 19 Federal agencies in 2010 yielded significant results in terms of improving likely outcomes and reducing costs. Although the Administration has so far reviewed just 60 of the nearly 800 major investments in the Federal IT portfolio, reviews to date – when added to OMB's financial systems reviews – should result in future cost savings of approximately \$3 billion.

In addition to problems with project management, the Federal government currently spends \$24 billion or 31 percent of its annual IT budget on redundant and inefficient infrastructure. For example, since 1998 the Federal government has increased the number of its data centers, from 432 to 2,094, a 385 percent increase. This is the opposite of what the private sector is doing. Leading companies are standardizing and centralizing these services, saving billions of dollars. Cloud computing also has the potential to save billions of dollars and increase speed to market, compared to the alternative of expanding dedicated agency-specific systems implementations. The purpose of this fund is to offer centralized government-wide IT solutions. These solutions will be designed to improve the way agencies develop and use technologies, manage central IT functions and ensure the right skills are available when and where they are needed most.

In conclusion, the proposed \$60 million would be used in 2012 to establish a coherent Federal strategy for centralized, efficient provision of IT services and infrastructure across the Government, helping Federal IT to produce the productivity gains it should in the future. This will start to close the productivity gap between the Federal enterprise and the private sector, bringing down Government's costs for the benefit of all Americans.

Partnership Fund for Program Integrity Innovation

The Budget proposes \$20 million for the Partnership Fund for Program Integrity Innovation (Partnership Fund) to continue piloting new methods of delivering Federal assistance programs that reduce improper payments and inefficiencies across programs. The Partnership Fund was established by the Consolidated Appropriations Act of 2010 (P.L. 111-117) to fund pilot projects that improve delivery of Federal assistance programs administered through state and local governments or where Federal-state cooperation could be beneficial. Among other requirements, the Act stipulates that OMB, which manages the Partnership Fund, consult with an interagency council of Federal, state and other stakeholders on pilot concepts.

Program integrity and innovation are at the heart of Partnership Fund initiatives. For example, the Partnership Fund awarded its first pilot to the Department of the Treasury to test a new way to reduce the annual \$12 billion of improper payments associated with the Earned Income Tax Credit program (EITC). Treasury believes that there is an opportunity to avoid as much as \$100 million or more in improper payments by cooperating with states to access data such as income and child dependency from state-administered benefit programs. Thus, this \$2 million investment from the Partnership Fund could ultimately yield a 50 times annual return if the pilot is enacted at scale. The Partnership Fund's small investments will yield savings far beyond their costs.

In FY 2011, the Partnership Fund will award most of its remaining funds to lead agencies to execute and evaluate pilot projects, leaving many good ideas unfunded. These pilots may either implement new practices under existing authority or simulate the effects of practices that might require new regulatory or legislative authority.

Examples of the high return on investment pilots under development include:

- enabling states to better leverage the existing Treasury Offset Program to collect outstanding debt owed to government programs such as Medicaid and TANF from other government payments to the debtor individuals;
- using banking transaction data to identify likely improper payments in the unemployment insurance programs by identifying payroll deposits; and
- creating a regional warehouse of program eligibility data to facilitate uninterrupted benefits delivery during a disaster while also preventing duplicate participation in Medicaid, SNAP, and other programs across state lines.

In FY 2012, \$20 million in new budget authority is needed to fund additional pilot projects that promise significant return on investment in high-error programs. Statute requires that, in the aggregate, Partnership Fund pilot projects must save at least as much as they cost. The savings potential for program integrity and efficiency as evidenced by the Partnership Fund's initial pilot and by pilot projects under consideration indicate that substantial savings beyond the costs can be achieved.

The pilots under development grow out of the innovative, stakeholder-based processes established by the Partnership Fund during its inaugural year of FY 2010 to identify, develop, and select effective pilots that bridge Federal assistance programs. The Partnership Fund offers a new interdisciplinary venue for states, Federal agencies, and other stakeholders to engage in constructive problem solving across programs and jurisdictions to save taxpayer dollars and deliver better service. Idea germination and refinement is coordinated through three key venues:

- **Federal Steering Committee:** The Partnership Fund also consults with a Federal Steering Committee comprised of senior policy officials from the Departments of Health and Human Services, Agriculture, the Treasury, Labor, Housing and Urban Development, and the Social Security Administration. As the Collaborative Forum proposes pilots or provides consultation on pilots, the Federal Steering Committee makes recommendations to OMB regarding funding decisions and appropriate lead agencies to oversee pilot implementation.
- **The Collaborative Forum:** In FY 2010, the Partnership Fund conducted extensive outreach to Federal agencies, states and other stakeholders in advance of establishing the Collaborative Forum, which fulfills the statutory requirement for an interagency council of stakeholders that provides consultation to OMB on pilot proposals. In addition, the Forum develops pilot concepts through committees and work groups that report back in full monthly meetings. As a result of these meetings, the Forum submits pilot concepts to OMB for funding consideration. Federal agencies also share pilot concepts with the Forum. The ideas under consideration by the Forum and its work groups can be found at www.collaborativeforumonline.com, which has over 150 registered users including 49 of the 50 states, numerous local government organizations, not-for-profit service providers, and other stakeholders.
- **www.partner4solutions.gov:** This site serves as a resource where Federal, state, and local partners, as well as academic and professional organizations and members of the general public, can submit pilot ideas. These ideas are reviewed by Partnership Fund staff and designated for agency, Federal Steering Committee, or Collaborative Forum follow-up or consideration. The Partnership Fund has received over 115 ideas through the site, and over 300 people have signed up for updates regarding its work. The program continues to receive promising ideas, which are beginning to coalesce around themes, such as benefits delivery at non-traditional locations, data matching, standardizing Federal benefits applications, reimbursement processes, auditing practices, and serving clients enrolled in multiple programs.