



Data Pertinent to U S Government Budgeting

INTRODUCTION

1. Your assignments involve you in the decision-making processes which result in the spending of money. You will be participating in the operation of activities that will cost anywhere from a few dollars to millions of dollars. You will in most cases never actually see those dollars but you will be acutely aware of their presence. If not already, you will soon come to realize that the dollar is an important intelligence tool.

2. The purpose of the material in this booklet is to help you meet your financial management responsibilities. Specifically, the material is intended to give you a background in budgetary procedures. Starting with a definition of budgeting and a brief history of the Federal budget, it includes a condensed listing of governmental budget powers, and a step-by-step discussion of the Federal budget process. While a detailed analysis of this huge and complex process is not appropriate here, it is believed that enough of the important facts and procedures have been included to give a clear, general understanding of the matters treated. It should be noted that some of the budgetary process steps are covered in each of the three documents. This repetitive coverage is desirable because it is presented from three points of view (independent agency, Bureau of the Budget, and a Congressional Committee).

3. For convenience, certain excerpts from public laws pertinent to the budgetary process and the responsible agencies have been gathered together.

4. In the literature of this field, frequent contact will be made with such terms as "program budget", "apportionment", "obligation", and "target oriented display". Definitions of these terms have been included.

5. The list of reference reading, although of necessity incomplete, includes a selection of current material for further study and research in the area of the Federal budget.

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SELECTED READINGS

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THE FEDERAL BUDGET

(Adapted from materials originally prepared for use
in the Industrial College of the Armed Forces)

A. Definition

1. What does the term "budget" mean as applied to the Federal Government? The President's Commission on Budget Concepts in its 10 October 1967 report stated:

"Fundamentally, it presents the essential ingredients of the financial plan of the Federal Government for the coming year. This plan has many aspects and must serve many purposes:

It sets forth the President's requests to Congress for new programs, appropriation of funds, and changes in revenue legislation;

It proposes an allocation of resources to serve national objectives, between the private and the public sectors, and within the public sector;

It embodies the fiscal policy of the Government for promoting high employment, price stability, health growth of the national economy, and equilibrium in the Nation's balance of payments;

It provides the basis for executive and agency management of Federal Government programs;

It gives the Treasury needed information for its management of cash resources and the public debt;

It provides the public with information about the national economy essential for private business, labor, agriculture, and other groups, and for an informed assessment by citizens of governmental stewardship of the public's money and resources."

2. The budget document itself is published annually in two large volumes of approximately 1,700 closely printed pages. It consists of the President's budget message, government receipts, activities by function, programs by agency, and summary tables, detailed data, and special analyses. An appendix contains more detailed information on budget estimates, personal services, and supplementary material. Because of its length, vast masses of figures, and complex legal and accounting language, it is about as readable as a medical dictionary or a telephone directory.

B. History.

1. Prior to 1921 there was no true Federal budget system in this country. Appropriation bills for the various Departments were referred to several congressional committees. The procedure had developed into a multiple committee system, with the President having little or no part in the process. Nowhere were the expenditures and revenues examined as a whole.

2. The history of the Federal budget, as we now know it, began with the passage of the Budget and Accounting Act of 1921. This act placed with the Executive the responsibility for planning and controlling expenditures. It provided for a national budget system and required the President to transmit to Congress an annual budget of estimated receipts and expenditures. The act

a. Provided for an "Executive" budget.

b. Required the President to submit a budget plan annually, including estimates of expenditures and receipts for the last, current, and the ensuing fiscal years.

c. Provided for submission of all deficiency and supplemental estimates by the President.

d. Provided for the establishment of the Bureau of the Budget to aid the President and established the various authorities and responsibilities of the Bureau of the Budget.

e. Created the General Accounting Office under the Comptroller General of the United States and established his authority and responsibilities for an independent legislative audit.

3. By 1922 the Senate and House of Representatives had each passed a resolution referring all appropriation bills to its Committee on Appropriations. Although this did away with the confusion of the multiple committee process and placed appropriation jurisdiction within a single committee in each House, revenue measures continued to be considered separately. Nevertheless, for the first time in our national history we had a workable budget system.

4. The Budget and Accounting Procedures Act of 1950 made extensive revisions in the Federal budget process. It

a. Adopted the performance budget principle by authorizing the President to determine the form and content of the national budget estimates and to modernize governmental accounting and auditing methods. The budget must, however, set forth the functions and activities of the Government.

b. Directed that the Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget conduct a continuous program for the improvement of accounting and financial reporting in the Government.

c. Allowed each agency to develop its own accounting system to serve management needs. If directed that the Comptroller General, after consulting with the Secretary of the Treasury and the Director of the Bureau of the Budget, shall prescribe the principles and standards for accounting to be observed by each executive agency, shall review the accounting systems, and report to the Congress, as he deems proper.

5. The General Appropriation Act of 1951 defined the apportionment authority of the Director of the Bureau of the Budget and authorized the establishment of reserves in the apportioning process. It also stated that any officer or employee of the United States who over-obligated an appropriation, an apportionment, or other administrative subdivision of appropriated funds, should, in addition to liability under other law, be subjected to appropriate administrative discipline, including suspension from duty or removal from office and a fine of 5,000 dollars or imprisonment for two years, or both.

6. The 1956 Act to Improve Governmental Budgeting and Accounting Methods and Procedures provided for further financial management improvements. It directed

a. Maintenance of accounts on the accrual basis, including the use of adequate inventory and property records.

b. Development of cost-based budgeting practices.

c. Review and appropriate revision of budget and accounting classifications for consistency and synchronization with organization units to the extent possible.

d. Development of supporting information by organizational unit where budget classifications do not coincide with the organization of the Agency.

e. Simplification of the allotment structure.

GOVERNMENTAL BUDGET POWERS AND FUNCTIONS

Budgetary Authority

1. In keeping with our recognized system of checks and balances, two branches of the Federal Government are concerned with the budgetary process. The executive branch is assigned the management phase, that is, the planning, preparation, and submission of the budgetary program, and the execution and operation of the approved program. The legislative branch has the control function by determining fiscal policy and approving the program. This division of power in regard to the budget has its foundation in the Constitution.

2. Article I, section 8, of the Constitution gives Congress the power to (among other things):

- a. Lay and collect taxes.
- b. Pay the debts.
- c. Make all laws necessary and proper for carrying into execution the powers of Congress.
- d. Provide for the common defense.

3. Article II, section 3, of the Constitution assigns the President the following responsibilities:

- a. To give the Congress information of the state of the Union, and recommend to their consideration such measures as he shall judge necessary and expedient.
- b. To take care that the laws be faithfully executed.

4. The Constitution further provides that "No money shall be drawn from the Treasury but in consequence of appropriations made by law." (Art. I, Sec. 9(7)) It is further provided by law that ". . . all sums appropriated . . . shall be applied solely to the objects for which they are respectively made and for no others" (31 USC 628) Thus it is evident that the founders of our country gave serious consideration to sound financial planning by insuring that this phase of Government was in keeping with our democratic system, being duly planned and approved by elected representatives of the people.

5. The President, then, assisted by the Bureau of the Budget and various executive departments, takes the first step in the budgetary process, the "formulation," and participates in the second phase, the "adoption." The most important job of the executive branch comes, however, in the third step, the "execution." There the true managerial function becomes apparent.

6. The legislative branch figures most prominently in the "adoption" phase, when Congress considers the budget as submitted by the President, modifies it, if deemed appropriate, and eventually passes appropriation acts which constitute the approval and authorization of a budgetary program. It should not be construed however that the legislative branch plays a secondary role in the budgetary process. During the adoption phase, both Houses of Congress carefully scrutinize all elements of the budget, and the final product, as passed by Congress, is not only approval of funds but also a statement of fiscal policy.

THE BUDGET PROCESS

A. Formulation of the Budget.

The budget is one of the chief means by which the policies of the Government are executed. A description of the three steps in the budget process, which have previously been mentioned, will show how those policies are visualized in fiscal terms, how the money to carry them out is authorized, and how the expenditures that put them into effect are managed.

B. Preparation of the Budget.

1. Preparation of the budget is the initial step in the budgetary process. It has within itself certain subordinate steps, including:

- a. Translating policies into budget objectives and determining ceilings.
- b. Submission of estimates by the agencies to the Bureau of the Budget.
- c. Budget hearings by the Bureau on these estimates.
- d. Review by the Director of the Bureau of the Budget.
- e. Review by the President.
- f. Completion of the budget for presentation to Congress.
- g. The President's budget message to Congress.

Translating Policies into Budget Objectives; Determining Ceilings

2. All administrative agencies of the Federal Government participate to some extent in the preparation of the annual budget. The Bureau of the Budget seeks to bring together the budgetary labors of the infinite variety of departments and offices into a cohesive and well-conceived program. In this joint effort each agency needs to understand the President's policies programs and overall objectives that bear upon the expenditures of the Government.

3. In determining the kind of guidance to give the Federal agencies for their initial budgetary decisions, the President must consider a wide range of factors. He must appraise, in the light of changing situations, the domestic and foreign needs and interests of the country, including those of its national security. He must examine the trends of economic development and the likely influence of the budget upon them. He must take into account the capacity of the national economy and the great body of taxpayers for meeting the Government's financial requirements.

4. The Budget Bureau assists the President in establishing the guidance for the formulation of the budget. The Bureau, in turn, has the benefit of advice from other agencies, such as the Treasury Department with regard to matters of revenue, and, within the Executive Office of the President, the Council of Economic Advisers and the National Security Council.

5. During the year the agencies have an opportunity to study administrative programs and policies through reports, Executive orders, and legislative hearings. The Budget Bureau, likewise, can review agency problems involving personnel demands, expansion plans, reserves, criticisms of agency operations, and general conditions that may affect agency needs. Thus, both the agencies and the Bureau may arrive at an understanding of programs and objectives as common guides in budget planning.

6. Beginning usually in late May, a preview is held of appropriations and expenditures and of program policies involved in the budget then being considered by Congress. To prepare the ground for the preview, the Bureau draws up tentative estimates, identifies policy questions that have to be answered, and tentatively defines for the larger agencies so-called budget "ceilings"--target figures that serve as guides for these agencies.

7. The Director meets with each of the heads of the agencies for which budget ceilings are to be determined. For these meetings the divisions and the Office of Budget Review post the Director about matters which the agency head may bring up.

8. After the Director has obtained the President's views on policy questions and the character of the budget in general, the divisions proceed to assemble for each agency detailed materials for preview purposes. These materials distinguish what is to be under the ceiling and what is not; show where and how far the agency and the Bureau are apart, and point up the assumptions and policies not yet resolved by the President.

9. As soon as the President has made his decisions on the proposed ceilings, the Director notifies the individual agencies by letter, generally toward the end of June. These letters also tell the agencies what particular policies and assumptions the President in each case wants them to apply in framing their estimates. The letters further point out that it is the responsibility of the agency to formulate within the ceiling a well-balanced budgetary program; that the ceiling is no commitment in the sense of a final allowance, prior to the Bureau's detailed examination of the agency's subsequent estimates; and that any financial

request above the ceiling may be presented in the estimates only when this proves essential. In order to come to a complete understanding about the President's decisions, the Director once more meets with the head of each of the agencies for which a ceiling has been determined.

Agency Estimates

10. The next stage in the making of the annual budget is the call for estimates by the Director. The call is a standing instruction in the form of a Budget Circular (Circular A-11) of pamphlet size subject to annual revision. Its revised parts go to all Federal agencies each spring for the fiscal year beginning more than 12 months later-- 1 July. The call describes the form of the estimates in considerable detail and requires their submission to the Budget Bureau in the early fall, usually by 30 September.

11. About the same time that the call for estimates is issued, agency heads are formally notified of the general policy of the President with respect to the budget. This policy statement usually also summarizes the economic assumptions on which the estimates are to be based. Other matters likely to be dealt with are the scope and character of Federal construction, the limitations imposed on any new activities, and the need for economy.

12. Except for certain special cases, each activity listed in the schedule of obligations by activities must be described in a narrative statement. These narratives present in summary form the work plan and its expected accomplishment in relation to the estimate, together with an indication of how both program and performance may be measured. The detailed analysis of the estimates is in the form of separate budgetary justifications prepared by each agency. Wherever possible, work measurement and unit costs are to be relied upon in justifying estimates.

13. The justifications must include information about staffing and cost requirements for activities common to most agencies of the Government. Guides and criteria for all agencies are annually laid down by the Bureau. These guides do not rule out conceivable variables in the application of staffing and cost ratios which may warrant special consideration.

14. Special information is needed about certain areas of agency action. One of these areas is that of public works and improvement programs. A schedule of projects, showing the agency's construction program, must be prepared to include such information as the reasons for the proposed timing of work, the anticipated cost level, and the merits on which priority is based. Upon the Bureau's request, agencies must submit feasibility reports which show the engineering basis of individual projects, their estimated total and annual costs, the expected repayment plan, and the economic needs and benefits.

15. Another area of agency action on which special information is needed is contemplated legislation. Each agency must indicate its

preliminary legislative program for the next session of Congress. The information covers those items that are included in the President's legislative program but have not yet been enacted, together with proposals outside this list grouped according to their consequences in terms of new expenditure.

16. For all items it is necessary to outline the character of the legislation sought, with an indication of the need for it; to describe the state of readiness of the draft of the budget and supplementary materials; to make reference to bills and reports on the same subject in recent sessions of Congress, with an appraisal of the adequacy of these bills; to forecast the expected demands on the Treasury in case of enactment of the proposal; and to name all other agencies interested in the subject.

17. In addition, the call for estimates states that business-type budgets will be submitted for all enterprises, which are specifically required to submit such budgets by the Government Corporation Control Act or similar legislation, and all revolving funds except those solely available for making advances to other funds or accounts. The basic business-type budgets will be a statement of sources and application of funds, including an analysis of the enterprise's operations; a statement of income, expenses, and retained earnings; and a statement of financial condition.

Bureau of Budget Hearings on Agency Estimates

18. Hearings on appropriation requests are conducted between late September and early December. A small independent establishment may be heard in a few hours. Hearings for a large department may extend over a period of three or four weeks. Hearings are conducted by the budget examiners. The chief or an assistant chief of the appropriate division is usually present. Departmental representation usually includes top departmental and bureau officials and their respective budget officers and assistants.

19. The atmosphere of the hearings is usually relatively informal, with general participation by those present and a rather frank interchange of views. Questions may be raised with respect to any or all aspects of the appropriation estimates, ranging from the necessity and desirability of proposed programs to details of cost estimating and appropriation wording.

Review by Director

20. After each hearing, the examiners reach a decision, and the agency's request is "marked up" accordingly. A Director's review book is then prepared for the entire agency. The content may vary from year to year but usually for each agency the book contains a summary table, a discussion of proposals and issues, a statement of the legislative program, and supporting financial tabulations.

21. In the Director's review, the budget process becomes an internal matter within the Bureau until the President takes action on the Director's recommendations. Prior to such action the Director must consider both the estimates and the recommendations formulated after the hearings. The procedure is generally identical with that followed in the budget preview. The Director sits with a few top Bureau officials designated by him to advise with him on the estimates.

22. At each session, the division chief or ranking assistant orally outlines the goals of the agency under consideration and the issues to be considered. A budget examiner keeps notes and reports all actions taken in a memorandum, which is prepared immediately upon the conclusion of the session. The estimates and the supporting materials are now revised to conform to the decisions of the Director on the amounts to be recommended to the President. On this basis the President's review book is assembled.

Review by the President

23. The estimates, in the form of the President's review book, are now laid by the Director before the President for his consideration and final determination. Although the President is familiar with important budgetary questions, he allows considerable time for the final conferences with him. Presidential action may take the form of specific notations on the detailed schedules relating to individual appropriation accounts or, more commonly, on the recapitulation table showing only the subtotals for each bureau or broad program. The schedules as revised by the President are returned to the responsible examiners, together with any further information they may need as to the President's determinations.

24. A letter of allowance is sent immediately to the agency head notifying him of the amounts of appropriations approved by the President, and the nature of any changes in its proposal as to language which result from the review by the Bureau of the Budget and the President. The budget examiners inform the agency budget officer as to the major reasons for any changes in its request and the general nature of intended adjustments. At the same time, they communicate any determinations regarding detailed estimates which are binding upon the agency.

25. The agency is called upon to revise its detailed estimates of obligations in accordance with the appropriation allowances. Although it cannot deviate from the President's determinations, on rare occasions an agency may feel that a critical situation would result from a determination and appeal the allowance to the President through the Bureau of the Budget. These appeals are known as "reclamas." No set procedure is established in the Bureau for handling appeals, but such requests are likely to involve reconsideration of the estimate by the examiners and officials originally responsible, as well as intensive study "up the line" to provide a basis for appropriate advice to the President.

Completion of Budget

26. On the basis of the allowances made, the agency revises and resubmits to the Bureau of the Budget the estimates of appropriations and supporting schedules of obligations with respect to each item changed as a result of review. The responsible budget examiners verify the amounts of the revised estimates against the allowances, review and clear any resulting language changes or change in the narrative statements, and examine the schedules of obligations for internal accuracy and for consistency with the President's determinations. The resulting estimates are then arranged to be typeset for inclusion in the annual budget document.

27. The Treasury Department prepares the estimates of internal revenue taxes and customs receipts for the budget. A close liaison is maintained between its research staff and the economists of the Bureau of the Budget. Conferences are held, prior to the actual development of estimates for use in the Budget, at which the two staffs attempt to secure agreement as to the economic assumptions on which the estimates are based. As a result Treasury estimates of revenues from existing taxes and customs normally involve little discussion when received by the Bureau in December.

28. The budget contains no specific proposals for new revenues, although recent budget messages have indicated the size and general nature of revenue needs. New tax proposals of recent years have originated for the most part in the Treasury Department or in joint staff work of the Treasury and the Congressional Joint Committee on Internal Revenue Taxation.

29. The agency budget requests contain schedules showing their estimated expenditures for the current year and the budget year. These expenditure figures are reviewed with respect to fiscal policy, as well as for accuracy of estimating, by the examiners in the operating divisions and may be subsequently revised at least twice during considerations of every request by the Bureau of the Budget: first, to accord with the examiner's recommendations to the Director as to appropriations, and then a second time to reflect the President's determinations of agency allowances for the ensuing year. The procedure for these two revisions is intimately associated with the processing of detailed estimates of appropriations.

The President's Budget Message

30. The budget message of the President sets forth the broad policies on which the detailed estimates are based, makes the general presentation of his financial program, and outlines his major recommendations. It is the longest and most detailed message on national policies and programs which he sends to the Congress.

31. The Office of Budget Review is primarily responsible for:

a. Assembling suggestions, comments, and initial drafts of various portions of the budget message from the staff of the Bureau and other agencies.

b. Checking the proposed material with the budget examiners and other members of the Bureau, and, in certain instances, with officials in other Government agencies.

c. Preparing successive drafts of the message for review by the Director and other top officials of the Bureau of the Budget.

The Director and Assistant Director are likely to confer at length with the President regarding his message. As an expression of major policies, it usually receives much of his personal time and attention before being ready in final form for inclusion in the budget. Frequently, in the consideration of the total program, major policy issues and inter-agency conflicts develop which only he can resolve. Sometimes these decisions necessitate last-minute changes in the budget tables and detailed estimates.

32. Within 15 days after the beginning of each regular session of Congress, the President transmits "the budget," which is required to include "estimates of the expenditures and appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year. . . ." In some instances the President delivers his budget message in person, addressing a joint session of both Houses.

C. Legislative Investigation and Enactment

House Committee on Appropriations

1. Appropriation measures are considered in the House of Representatives by the House Committee on Appropriations, of some 50 members, and by the several subcommittees. Each subcommittee is responsible for a single major annual appropriation bill covering one or more departments or agencies. Each member of a subcommittee has two basic written documents for use in considering the estimates: a book (subcommittee print) prepared by the staff of the committee, which includes the entire appropriation bill proposed in the budget, together with summary data and supporting obligation schedules; and the written explanations and justifications submitted directly by the departments or agencies covered by the proposed bill.

2. Other evidence on the estimates comes primarily from the hearings held by the subcommittees. Although Members of Congress and representatives of private associations and groups may appear regarding particular items, the bulk of the testimony is provided by officials of the agencies covered by the bill--operating heads of departments, bureaus, and other major organization units, and their respective budgetary and administrative assistants. The hearings usually are not open to the general public; however, the testimony and many written materials submitted at hearings are printed in full, except for limited "off the record" discussion, and provide a basic source of information on departmental programs, organization, and financing.

3. The success in obtaining funds from Congress is based largely upon the ability of those testifying to present concise and logical justifications in support of the departments' estimates, presuming of course that the programs concerned are sound. The method of presentation is often of equal, or even more, importance than the format of the justifications. This requires considerable preparedness and ingenuity by the individuals concerned since voluminous presentations prejudice the estimates, while incomplete presentations leave doubt which may result in unwarranted budget reductions. Hearings before the appropriations subcommittees provide a valuable opportunity for face-to-face discussion between Members of Congress and officials of the executive departments and agencies.

4. After conclusion of the hearings, the subcommittee makes its determinations in a closed session. Its clerical staff prepares and has printed two documents:

- a. A print of the bill as proposed by the subcommittee.
- b. A report on the bill as proposed, providing tabular comparative data and brief explanations of reasons for major changes from the budget recommendations and from previous appropriations.

These documents are available only on a confidential basis until the full Appropriations Committee has acted upon them.

5. The Committee on Appropriations meets in executive session to review the action of the subcommittees. Although in the great majority of instances no change will result from this review, the relatively few issues which do arise are likely to be of major significance. Upon adoption by the committee of the subcommittee recommendations, or of any changes, the bill is introduced in the House on behalf of the committee (usually by the chairman of the subcommittee).

Action on the House Floor

6. Upon introduction the bill is referred, together with the report thereon, to the Committee of the Whole House. As a highly privileged measure it is usually called up within the next few days for House consideration. The Legislative Reorganization Act of 1946 requires that appropriations bills may not be considered until printed reports and hearings have been available for at least three days. Time for general debate is limited by agreement to a definite number of hours and is controlled on a 50-50 basis by the member "managing" the bill and a minority member--usually the chairman and ranking minority member of the subcommittee, respectively. After general debate, the bill is read by sections and paragraphs for amendment under the "five minute rule," which permits any member to propose and argue an amendment for not more than five minutes, and similar limits other members in speaking on amendments. The Committee of the Whole then reports the bill to the House.

7. The House votes on the amendments recommended by the Committee of the Whole and on its passage as amended. After a favorable vote the bill is transmitted to the Senate, where it is referred to the Committee on Appropriations.

Senate Committee on Appropriations

8. The Senate Committee on Appropriations, though smaller in total membership, has a subcommittee structure similar to that of the House Committee. Action by the Senate subcommittees and by the full committee is similar to that by the House Committees, except that hearings usually deal mainly with the House action and agency appeals therefrom, although sometimes members will wish to explore some items more intensively than did the House committee. The bill is submitted to the Senate, accompanied by the committee report.

Action on the Senate Floor

9. After advance notice that the bill will be called, at least three days after hearings and reports are available to members, it is debated on the Senate floor. As distinguished from House procedure in Committee of the Whole, Senate consideration of appropriation bills is not subject to a preestablished time limit, and therefore no absolute division of time applies as between majority and minority. Amendments to the House bill proposed by the Appropriations Committee are first considered and either accepted or rejected, after which amendments proposed by other committees or by individual Senators may be debated. The rules of the Senate place definite limitations on the introduction of members' amendments which would add new items or would increase items already in the bill. Following consideration of amendments, the bill is passed as amended.

The Conference Committee

10. With rare exceptions, it is necessary for the presiding officer of each House to appoint conferees to work out adjustments between the bill as passed by the House and by the Senate. The number of conferees varies as between different bills and is not necessarily identical for the two Houses. However, since the representatives of each House vote as a unit, this is relatively unimportant. The conference committee is usually made up of several members of the sub-committees which handled the bill. If action on the report of the first conference committee does not bring complete agreement between the two Houses, other members may be designated to the second or subsequent conference groups.

11. The committee prepares a "conference report," proposing acceptance by the respective Houses of appropriation amounts originally approved by one or the other or of some figure between, and indicating points on which no conference agreement has been reached. The conference report is presented to each house by the ranking member of "manager" of its conference representation.

12. After consideration on the floor of each House of one or more conference reports, all differences are eliminated, and the bill as finally passed is enrolled. It is signed by the Speaker of the House and the President of the Senate and transmitted to the President.

Action by the President

13. Like any other legislation, an appropriation bill becomes law only by approval of the President, by his failure to veto it within the time set by the Constitution, or by passage over his veto by a two-thirds' vote in both Houses. As in the case of other legislation, the Bureau of the Budget assists the President in his consideration of appropriation bills passed by Congress. Upon the basis of written comments by the departments or agencies concerned and on its own analysis, the Bureau prepares a summary report to the President on each appropriation measure. This report generally summarizes the act, especially as it differs from proposals made to Congress by the President in the budget and in any supplemental estimates, and recommends the action to be taken by the President. Vetoes of appropriations are extremely rare. The President must act upon an appropriation bill in its entirety.

D. Execution of the Budget

1. Execution of the budget includes the spending and management of the appropriated funds. It is primarily the responsibility of the executive departments, the Bureau of the Budget--representing and acting for the President, and the operating agencies. The Congress, however, retains a certain amount of control in this phase, principally through the Comptroller General, but also, through the Appropriations Committees and investigating committees.

2. Ideally, all the steps outlined in the formulation and adoption phases are completed prior to the beginning of the fiscal year to which the appropriation pertains. Many times, however, the time consumed on the bill in the Congress is so great that it has not been passed by 1 July. In this case, by joint resolution of both Houses, funds are usually made available in amounts necessary for carrying on programs or activities for which authority was available in the previous fiscal year. The execution phase commences either at the beginning of the fiscal year or immediately upon passage of the appropriation bill and spans the entire fiscal year.

3. The majority of appropriations are "annual" and must be obligated within the fiscal year. However, two additional years remain available for expenditure, after which the appropriations lapse and revert to the Treasury. Moreover, some appropriations are termed "multiple year," which means they are available for obligation for a definite period in excess of one fiscal year. And there are "no year" or continuing appropriations which have no time limit on the period of availability for obligation or expenditure. Thus, the execution phase may extend several years beyond the end of the one fiscal year. Two devices which are used for budget supervision during the execution phase are "financial reporting" and "apportionment."

Financial Reporting

4. Specific information about the progress of agency spending is obtained by a governmentwide system of financial reporting. The reporting responsibilities of Federal agencies are laid down in several regulations issued jointly by the Secretary of the Treasury and the Director of the Bureau of the Budget, with the concurrence of the Comptroller General. All agencies are required to furnish monthly reports on the status of their appropriations. These reports indicate not only the amounts of current appropriations available for obligation and for expenditure, but also balances in previous appropriations which have not yet reverted to the Treasury Department. Expenditures and obligations must be shown separately. Special provisions apply to Government corporations and enterprises managed along commercial lines.

Apportionment

5. Usually an appropriation act is only an authorization to spend and not a mandate. The Bureau of the Budget, acting for the President, apportions the amounts appropriated by the Congress for use by the departments and agencies. Apportionments are made at the beginning of the fiscal year, generally for all the ensuing four quarters. Portions of the appropriations, or reserve funds, may be withheld, and apportionments may subsequently be revised. Unless new circumstances warrant a restoration of these reserves to an agency, they have the effect of reducing the appropriations available to the agency. The quarterly apportionments determine the rate at which the funds may be obligated.

Audit of Accounts by GAO

6. The General Accounting Office (GAO) provides an independent legislative audit of Government accounts. The Comptroller General, the head of this agency, is appointed by the President with the advice and consent of the Senate for a term of 15 years. He is not eligible for reappointment and can be removed only by joint resolution of the Congress for cause. Although he reports to both the President and the Congress, he is an agent of the Congress rather than an officer of the executive branch, and thus in no way is subject to the President's direction. The law provides that all Government financial transactions shall be audited by the GAO, and that the Comptroller General, after consulting the Secretary of the Treasury and the Director of the Bureau of the Budget, shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency.

Agency Accounting

7. All management depends on accounting to reveal current financial information for purposes of planning and control as well as for a historical record of fiscal transactions. Financial reports of the Federal Government fall into three groups:

- a. Agency reports for internal management purposes.
- b. Agency reports made available by an agency for the use of others.
- c. Reports prepared by the Treasury Departments as a central fiscal agency.

8. The individual departments and agencies assume prime responsibility for developing their systems of accounting and internal control to fill the unique management needs springing from the diversified programs and operations. The central fiscal agencies--the Treasury Department, the Bureau of the Budget, and the GAO--cooperatively assist the agencies in the basic steps. They also conduct an intensive program aimed at the elimination of any overlapping and duplicating.

Financial Management

9. Economy and efficiency in the execution of the budget in the departments and agencies depend upon more than accounting and financial reporting. The term generally applied to the supervision of all phases of the budget, including execution, is "financial management." Maximum effectiveness of financial management is achieved only when it is fully integrated into total management. The financial viewpoint is one of the basic factors on which policies and decisions are made. The head of each department or agency has the responsibility for sound financial management, but he usually assigns the leadership in this area to an especially qualified member of his staff. This key staff member normally is the comptroller or budget officer.

10. Financial management employs such tools as budgeting and funding, the expenditure and collecting of funds, accounting, and auditing. All phases of the cycle of the budget process ranging from program planning and analysis to procurement policies and procedures, fall into the cognizance circle of the comptroller or financial manager. This cognizance is an integral part of the total management at all levels of organization.

11. The Bureau of the Budget is the watchdog of appropriations for the Nation; the General Accounting Office, the policeman. In addition, each department and agency is continually watching and checking the management of these appropriations under the guidance of a comptroller or budget officer. By practicing efficient management of funds during the current year, a better budget can be formulated for the ensuing year.

E. Summary of the Budget Process.

1. The Federal budget cycle has three phases--preparation, enactment, and execution. These phases span a period of nearly three years. With the extension of the execution phase to cover the years remaining available for expenditure of appropriated funds, the cycle can

be considered to span several more years. One budget is being formulated, while the next one is being reviewed and adopted, while others are being executed. Five or more separate cycles can be operating at any one time.

2. The budget process starts with the determination of objectives and policies, and progresses through formulation of estimates, through the various hearings, and through the congressional adoption procedures, to the execution of the budget. The execution phase includes apportionment of the funds, financial reporting, accounting, auditing, obligation, and expenditure--the whole realm of financial management.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington, D.C. 20503

PREPARATION AND EXECUTION OF THE FEDERAL BUDGET

The preparation and execution of the Federal budget for any fiscal year covers at least 27 months. Thus, each spring attention is directed to the control of obligations and expenditures during the final months of the year in progress; to the planning of programs for the next fiscal year, which will begin the next July; and to the development of preliminary plans and policies for the succeeding fiscal year. Even during the period of specific work on a particular budget, attention is also given to projecting the effect of program decisions on subsequent budgets and to identifying major issues or problems affecting the budget in the future.

The preparation and execution procedures change somewhat from year to year. Currently, for example, efforts are being made to further improve planning, programming, and analytical techniques in close integration with the budget process. The results of these efforts should become a more significant factor in the budget process in the future.

Preliminary steps

Staff of the Bureau of the Budget, in cooperation with staff of the Treasury Department and the Council of Economic Advisers, keep under continuous review the relationships between Government finances and the economy generally. This review includes study of recent and current conditions, as well as the outlook for coming quarters. Each spring the outlook is extended to cover the fiscal year for which a budget will be submitted in the following January. Consideration is given to tentative assumptions on the economic environment, projections of revenue expected under these assumptions, and the aggregate expenditure range which would be appropriate in view of current fiscal policies.

Under the integrated planning-programming-budgeting system each major agency submits to the Bureau of the Budget, on a time-phased schedule during the spring and summer, a series of program memoranda and special study papers. These memoranda and papers reflect the application of systematic

analysis to the programs, plans, and work design for various objectives and subjects with which the agency is concerned. They include the agency head's tentative choice among alternative solutions to the problems discussed.

These agency submissions are critically examined in the Bureau of the Budget. Proposed program expansions and new programs are viewed in terms of possible measurable benefits. Efforts are made to discontinue the application of resources to marginal and obsolete activities. Discussions between the Bureau of the Budget and the agency often help to shed light on specific problem areas.

In the late spring and early summer the Bureau of the Budget staff prepares estimates indicating a probable range of expenditures, for each of the various major programs and agencies, for the forthcoming budget. In preparing this estimate, staff draws upon its knowledge of agency programs, agency estimates for particular programs in Program Memoranda submitted in the spring, and informal discussions with responsible agency budget and planning personnel.

The Director reviews the fiscal and economic situation, the expenditure outlook, and the individual issues posed in the agency schedules. He discusses the results of the review with agency heads and with the President as appropriate. Guidance is sought and obtained as needed, and is made known to the agencies so that they may reshape their plans and prepare their budgets accordingly.

Compilation and submission of agency estimates

During the next several months agencies revise their program plans in accordance with guidance received, and decide upon the budget requests they wish to make for the upcoming budget. They compile schedules and supporting information in accordance with the instructions prescribed by the Bureau of the Budget (Circular No. A-11).

The process of compiling the detailed estimates begins with the personnel who are responsible for carrying out the actual operations. They prepare information on obligations, personnel, workload, and other supporting data, for the year just ended (the past year), the amounts planned for the year just beginning (the current year), and the estimates for the budget year, which still will not begin for almost a year.

In most agencies preparation of the budget begins at the field station level. It then goes through successive stages of review within the agency. At each level of review the viewpoint is different -- the regional office must consider the estimates of each field station in relation to other field stations and to the total requirements for the region. Finally, at the departmental level, the estimates for bureaus and major programs must be judged in comparison with other bureaus and programs and with the total for the agency.

Agency budget submissions are due in the Bureau of the Budget in September. The submission covers all accounts in which money is available for obligation or expenditure, whether or not any action by Congress is requested. Schedules are based on amounts already available for the current fiscal year and those specifically requested for the budget year for programs in effect as of the date of the budget submission, including those for which additional authorizing legislation is required in order to carry them on during the budget year. The agencies also submit summary information with respect to items to be formally requested later covering (1) anticipated additional requirements for the current year which were not foreseeable at the time the appropriations were enacted and (2) amounts which are expected to be required to finance new legislative programs recommended by the President.

Review of agency estimates in the Bureau of the Budget

When the estimates are received in the Bureau of the Budget, they are referred to the examiners assigned to the programs involved. All the knowledge the examiners possess about the agency -- whether based on long-run analysis, field investigations, special studies, or conferences held with agency officials -- is brought to bear on the estimates at this time. The examiners must be thoroughly familiar with the President's budget policy and previous congressional action, as well as with the programs of the agency and their relationship to activities of other agencies. They give considerable attention to the bases for the individual estimates: the volume of work on hand and forecast; the method by which the agency proposes to accomplish its objectives; and the estimates of requirements in terms of numbers of people required. They review past performance, check the accuracy of factual information presented, and consider the future implication of the program. They identify issues of major importance to be raised for discussion with agency representatives at hearings. The hearings usually last only a few hours for a small agency, but may run into weeks for a large department.

After the hearings are completed, the examiners prepare their recommendations for the Director's Review. This review concentrates attention principally on the major items involving Presidential policy, but also provides a test check on other aspects of the recommendations. Assumptions with respect to the economic outlook and the international situation are brought up to date as a basis for this review.

Examining staff sometimes discuss the Director's tentative decisions with the budget officer of the agency to identify and narrow the issues which require special Presidential attention.

The Director sometimes meets with the head of a major agency to discuss with him the information and recommendations which the Director proposes to make to the President. The agency head thus has an opportunity to appeal to the Director for reconsideration of any reductions which the Bureau might be proposing that the President make in the agency's request. The agency's position and the substance of the appeal, if the difference cannot be resolved, are noted in the material supporting the Bureau's recommendations sent to the President and a decision is requested. The President is also informed of the likely consequences of adopting alternative positions on the issues placed before him.

The process of review occupies the Bureau of the Budget from the latter part of September through most of December. During this period, the economic outlook is again assessed by the Treasury Department, the Council of Economic Advisers, and the Bureau, and revenue estimates are prepared for presentation to the President.

Decision by the President

Because of the scope and complexity of the budget, the recommendations are sent to the President as portions of the Budget Bureau review are completed.

The President is faced with the task of recommending a budget which meets the most urgent needs of the country and still is prudent within the constraints imposed by the availability of resources. This task is complicated by the large segment of budget expenditures which is relatively unaffected by the annual budget process -- for the last few years such items as interest on the public

debt, veterans pensions, grants for public assistance, and agricultural price supports have accounted for almost half of the total non-defense budget expenditures or more than 20 percent of the grand total. The level of these expenditures depends upon provisions of the laws which authorized the programs and on other factors not readily subject to annual budgetary control.

As soon as the President makes his decisions, each agency head is notified by the Director of the amounts which will be recommended to Congress for his agency's programs for the ensuing fiscal year.

Preparation of the budget document

When the agency receives its budget allowance, the initial budget estimates are revised -- in conformity with the President's decisions -- for inclusion in the printed budget documents. The Budget Appendix sets forth the exact wording of the appropriation language last enacted by the Congress, with the changes proposed by the President, followed by detailed schedules supporting each estimate. In line with the policies set forth in Public Law 84-863, cost type budget presentations are now used for most accounts. This type of presentation, based on accrual accounting systems, provides information on inventories and other resources available to finance the agency's program and on the costs for these resources accruing within each fiscal year.

As soon as revisions of the individual schedules for each agency are completed, the figures from the individual appropriation and authorization schedules are summarized for each agency. Figures from the agency summaries are then consolidated to make up the tables which, together with final revenue estimates prepared by the Treasury Department, set forth the budget totals.

Submission to Congress

The President's budget is transmitted to the Congress in January, but staff of the House Appropriations Committee may start work on the estimates before that time, based on advance proofs of certain chapters. The Director of the Bureau of the Budget and the Secretary of the Treasury are sometimes invited to appear before the Appropriations Committees to explain the general basis for the preparation of the budget proposals.

Agencies prepare and submit justifications providing additional detailed information for consideration by the

Appropriations Committee, and agency witnesses appear before its subcommittees to explain the estimates and answer questions. The justification material presented to the Committee generally is the same type of material given to the Bureau of the Budget earlier -- revised to reflect the President's decisions on the budget. However, if the Committee wishes additional information or a different format of justification, it is provided.

The Committee reviews performance in the past year and the latest available information on the status of current year programs, as well as the estimates proposed for the budget year. Agencies also present information on balances of prior appropriations. In the case of major procurement programs (as in Defense) which require a long period of time between placing the orders and the delivery of material, the justification usually includes information on delivery schedules.

In many cases, the Committee regularly receives agency financial and work reports, and information from the General Accounting Office on the results of its audits of the agencies. It also has available its own staff and investigative staff on detail to it from executive branch agencies.

About twelve appropriation bills are prepared and adopted each year. After an appropriation bill is passed by the House, the Senate Appropriations Committee receives further statements and justifications from the agencies and its subcommittees hold hearings on the estimates.

After action on the bill is completed by the House and the Senate (including action on the Conference Committee report) the bill as passed is presented to the President, who has the power to veto the bill as a whole but not specific items in it. Congressional action on some appropriation bills is usually not completed until sometime in September or October. When a bill has not been enacted by the beginning of the fiscal year for which the funds are requested, Congress enacts a temporary appropriation act which authorizes the agency to continue its operations until the bill is enacted.

Budget amendments and supplemental estimates

Even while congressional review of the budget is in process, continuing attention in the agencies is being given to the need for revising the original estimates

upward or downward, due to developments which have arisen since the estimates were originally submitted to the Congress. Additional funds for the budget year may be required to carry out programs for which new legislation is enacted or to meet emergencies which have arisen since the budget was prepared. While preliminary estimates are included in the budget totals for the new legislation anticipated at the time the budget is prepared, specific amounts which are subsequently recommended to the Congress are the result of detailed analysis and review, based on the conditions at the time the recommendation is transmitted.

During this same period, additional amounts required for the current year are recommended in the form of supplemental estimates.

Apportionment by the Bureau of the Budget

The Anti-Deficiency Act -- Section 3679 of the Revised Statutes, as amended -- requires that the Director of the Bureau of the Budget apportion, with a few exceptions, appropriations and funds made available to the executive branch. One type of violation occurs when an agency incurs obligations or makes expenditures in excess of the amounts apportioned.

The apportionment system is intended to achieve the most effective and economical use of the funds available and, for appropriations available for a definite period of time, to prevent the necessity for supplemental or deficiency appropriations. The Anti-Deficiency Act permits apportionments which anticipate the need for a supplemental appropriation, only when the appropriation is needed to meet expenditures required by laws enacted subsequent to the transmission of appropriation estimates (e.g., Government-wide salary increases) or to meet certain specified emergency conditions. In each case where an apportionment is made on the basis of an anticipated supplemental, a report of the facts is required by law to be submitted to the Congress.

Agency requests for apportionments must be submitted to the Bureau of the Budget by May 21 of each year or within 15 days after approval of the appropriation act, whichever is later. The requests are referred to the examiners responsible for the programs involved who review the request and the supporting material in arriving at their recommendations on amounts to be apportioned. The Bureau is required to act on the apportionment request by June 10, or 30 days after the approval of the appropriation act, whichever is later.

Reserves may be established "to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which such appropriation was made available." Amounts reserved may not be obligated by the agency, but may be released in whole or in part by reapportionment action by the Bureau at any time during the year.

Agency controls over funds

Each agency is required by law to have a system of administrative control which is designed to (1) restrict obligations or expenditures against each appropriation or fund to the amount of the apportionments or reapportionments of such appropriation or fund, and (2) enable the agency head to fix responsibility for the creation of any obligation or the making of any expenditure in excess of an apportionment or reapportionment.

In most agencies, the system of administrative control is based on allotments to the personnel in the various organization units who have authority to incur obligations in carrying out the programs of the agency.

By the time the appropriation bill for a fiscal year is finally enacted, the agency's plans for the fiscal year must be brought up to date. The revisions take account of changes in the amounts expected to become available and of changes in conditions which affect the agency's program. The plans at this stage are usually more specific than they were at the time the original estimates were prepared. The revised plans are usually prepared in the same office which prepared the original budget estimates, and are again reviewed and consolidated at successive levels in the agency to serve as a basis for both the apportionment requests to the Bureau of the Budget and for allotments within the agency.

Review of progress during the year

Progress on the budget program is reviewed throughout the fiscal year at successive levels, both in the agency and the Bureau of the Budget. Periodic reports on the status of apportionments are supplemented by more specialized reports which relate accomplishments to cost. Shifts in the agency budget plans are frequently required to meet changing conditions -- to finance unforeseen emergencies or to provide savings where the workload is less than was estimated or where increased efficiency permits accomplishment at less cost than was anticipated.

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The Committee on Appropriations
U.S. House of Representatives

The framers of the Constitution of the United States placed the control of the National purse in the hands of the Congress. Article I, Section 9, of the Constitution provides:

"No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."

Traditionally, all revenue and appropriation bills have originated in the House of Representatives. Article I, Section 7, of the Constitution reads as follows:

"All Bills for raising Revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills."

This provision has been the subject of much discussion and contention over the years. However, the House has insisted that this provision gives it the exclusive prerogative to initiate the general appropriation bills as part of the revenue powers provided for in the Constitution.

The original definition of the word "raising" included the bill which made the money available to the departments for spending. In other words, it was not "raised" until the "appropriation" had been made.

In any event, while there has been dispute as to the theory, there has been no deviation from the practice that the general appropriation

bills originate in the House. And with some exceptions this is also true of appropriation bills for specific purposes.

For the first 75 years of its existence, the House of Representatives had a budget committee -- the Committee on Ways and Means. That Committee reported both revenue bills and appropriation bills.

This arrangement prevailed until near the close of the Civil War, when in March 1865 the House created a Committee on Appropriations to consider the details of appropriation estimates from the executive departments.^{1/} The Committee on Ways and Means continued to report tax bills.

This arrangement continued for some 20 years. But in 1885, responsibility for the major appropriation bills was transferred to the various legislative committees charged with the handling of legislation in the same subject matter areas. The jurisdiction of the standing Committee on Appropriations was limited to deficiencies and four or five minor bills.

On June 1, 1920, precedent to the passage of the Budget and Accounting Act of 1921, the Committee on Appropriations was given again jurisdiction over all appropriations by an amendment to the Rules of the House.

^{1/} The 100th anniversary of the Committee on Appropriations, March 2, 1965, was the occasion for a rather extended speech by the Chairman on the history and the changing fortunes of the Committee and the appropriations process. See Congressional Record, Daily Edition, March 2, 1965, pp. 3863-3867.

Duties and Powers of Committee

Rule X of the House provides for the various standing committees of the House, including the Committee on Appropriations, as follows:

"There shall be elected by the House, at the commencement of each Congress, the following standing committees:

(b) Committee on Appropriations, to consist of forty-three Members."^{2/}

Clause 2 of Rule XI of the House assigns the following powers and duties to the Committee on Appropriations:

"2. Committee on Appropriations:

(a) Appropriation of the revenue for the support of the Government.

(b) The Committee is authorized, acting as a whole or by any subcommittee thereof appointed by the Chairman for the purposes hereof and in accordance with procedures authorized by the committee by a majority vote, to conduct studies and examinations of the organization and operation of any executive department or other executive agency (including any agency the majority of the stock of which is owned by the Government of the United States) as it may deem necessary to assist it in the determination of matters within its jurisdiction; and for this purpose the committee or any subcommittee thereof is authorized to sit and act at such times and places within the United States, whether the House is in session, has recessed, or has adjourned, to hold such hearings, to require the attendance of such witnesses, and the production of such books or papers or documents or vouchers by subpoena or otherwise, and to take such testimony and records as it deems necessary.

^{2/} Has been changed from this number in various Congresses. Present number of 51 Members established by House Resolution at beginning of 90th Congress, (January, 1967). Prior number of 50 members set in 82nd Congress (1951).

Subpoenas may be issued over the signature of the Chairman of the committee or subcommittee, or by any person designated by him, and shall be served by such person or persons as the Chairman of the committee or subcommittee may designate. The Chairman of the committee or subcommittee, or any member thereof, may administer oaths to witnesses."

Membership and Subcommittees

As presently constituted, the Committee consists of fifty-one Members of the House, thirty from the majority and twenty-one from the minority party.

The bulk of Committee work is processed initially through its various subcommittees. The Committee empowers the Chairman to appoint subcommittees and fix their jurisdiction. Presently, there are twelve subcommittees as follows:

1. Department of Agriculture and Related Agencies (5 Dem. - 3 Rep.)
2. Department of Defense (7 Dem. - 4 Rep.)
3. District of Columbia (4 Dem. - 3 Rep.)
4. Foreign Operations (6 Dem. - 4 Rep.)
5. Independent Offices (6 Dem. - 4 Rep.)
6. Department of Interior and Related Agencies (5 Dem. - 3 Rep.)
7. Departments of Labor and Health, Education and Welfare and Related Agencies (5 Dem. - 3 Rep.)
8. Legislative (5 Dem. - 4 Rep.)
9. Military Construction (4 Dem. - 3 Rep.)
10. Public Works (5 Dem. - 3 Rep.)
11. Departments of State, Justice and Commerce, the Judiciary, and Related Agencies (6 Dem. - 4 Rep.)
12. Departments of Treasury and Post Office and Executive Office (5 Dem. - 3 Rep.)

Note: At the time of printing of this document, the newly-created Department of Transportation had not been assigned to any subcommittee. A special subcommittee is to be appointed at a later date.

Assignments to Subcommittees

The Chairman of the Committee is empowered by the Committee to make subcommittee assignments. As a practical matter he confers with the ranking minority member of the Committee concerning assignments for the minority. Generally, length of service on a subcommittee determines subcommittee chairmanships and positions of seniority on subcommittee lists.

Membership on the various subcommittees varies from time to time as workload and other circumstances require. At present, the minimum number on any subcommittee is seven and the maximum number is eleven.

Most Members are presently serving on two subcommittees; a few Members are serving on three subcommittees.

Committee Staff

The staff of the Committee consists of three parts, each of which to a large degree operates independently of the others.

The regular staff presently consists of a clerk and staff director, an assistant clerk and staff director, twenty-one principal and supporting staff assistants, and editorial, clerical and messenger help. The principal and supporting staff men are assigned to the various subcommittees. Most subcommittees have the services of at least two staff men, a principal and an assistant, as workload requires. Staff

personnel assist each other as peak workload requires and as hearing schedules, reporting dates, floor and conference action on the various appropriation bills permit.

In addition to the regular staff, the Committee has a Surveys and Investigation Staff which functions independently of the regular staff. This staff is headed by a director and two assistant directors, each of whom is detailed from the Federal Bureau of Investigation. Each of these men serves as an assistant director for two years and then as director for the third year, and then return to their former organization. Additional investigators are brought in on a reimbursable basis from various Federal agencies and non-government organizations, as required, to make studies and investigations requested by the various subcommittees and approved by the Chairman and Ranking Minority Member. None of the investigators on this staff are permanent employees of the Committee.

The third segment of the staff is composed of clerical or stenographic help assigned to the offices of the chairmen and ranking minority members of the various subcommittees to help meet the additional workload in those offices.

Processing of Appropriation Requests

Budget Estimates:

As required by the Budget and Accounting Act of 1921, budget estimates are submitted to the Congress by the President. The regular annual budget is forwarded to Congress in January of each year. Supplemental and deficiency estimates are submitted from time to time during each session of Congress as additional appropriation needs develop.

The Budget estimates, when received in the House, are referred by the Speaker to the Committee on Appropriations. The Chairman in turn refers them to the appropriate subcommittees for consideration.

Subcommittee Consideration:

The subcommittee staff assistant, at the direction of the Chairman, obtains the necessary supporting justifications and other material from the agencies concerned and takes the lead in arranging for subcommittee hearings and other meetings.

Hearings are held in executive session, due to space limitations and other factors. Generally, department and agency officials are heard first in support of their estimates. Following this, testimony is taken from Members of Congress and others interested in one or more items in the appropriation request under consideration.

When all hearings have been completed, the subcommittee meets in executive session to work out and agree upon the bill and report to be

recommended. During these so-called "mark-up" sessions, the members of the subcommittee decide upon the amounts to be recommended for each appropriation item, the language to be included in the bill, and special directives or statements to be included in the Committee report which will accompany the bill.

A complete record of the hearings is printed and made available to Members of the House and others prior to consideration of the bill by the full committee and on the House floor. Under House rules, printed hearings must be available at least 3 days before the related bill is taken up on the floor. (Rule XXI, Clause 6).

Full Committee Consideration:

As soon as ready, the bill and report are considered by the full committee of fifty-one members. At this meeting, the Chairman, ranking minority member, and other members of the subcommittee discuss the bill and report in considerable detail. After full and free discussion, and after disposition of any amendments, the bill is reported by the full committee to the House for consideration.

Consideration by House:

The bill is next considered by the full membership of the House of Representatives. The rules of the House require the lapse of at least three calendar days between date of reporting by the Committee and date of consideration by the House, unless unanimous consent is obtained

for earlier consideration. The subcommittee Chairman customarily reports the bill on behalf of the Whole Committee; his name appears on the bill and report and he normally acts as floor manager of the bill.

The bill is usually considered in the Committee of the Whole House on the State of the Union. This involves a limited period of general debate, plus reading of the bill for amendment under the "five minute rule" which limits discussion to five minutes per member on each item (Rule XXIII).

Consideration by Senate:

After final passage by the House, the bill is messaged to the Senate, where under normal procedure the mechanics for processing are somewhat similar to those described above for the House.

Conference Consideration:

After approval by the Senate, in almost all instances the bill is sent to Conference to adjust the differences between the two versions of the bill as passed by the two bodies. Conferees named by both the House and Senate meet together for this purpose. House conferees on appropriation bills are designated by the Speaker from Members of the Committee on Appropriations, usually from the subcommittee which handled the bill in the first instance.

When agreement is reached as to disposition of each Senate amendment, a conference report is prepared and approved by the conferees. This report is then filed with both Houses for disposition. Sometimes, agreement cannot be reached at the initial conference on all points of difference, in which event each group of conferees takes the propositions still at issue back to their respective Houses for further action. And, sometimes further conferences are necessary, but in a great many instances, a single conference completes the business of adjusting differences.

Adoption of Conference Report:

The Conference report is normally acted on first by the House. Upon House approval, it is sent to the Senate for action. Following adoption by the Senate, the enrolled bill as finally agreed to by both Houses is signed by the Speaker and the Vice President and sent to the President for signature. When signed by the President it becomes law.

Only rarely does a bill pass both Houses in exactly the same form. When this happens, conference consideration is not required and the bill goes to the President for signature without further Congressional action. And occasionally, the changes made by the Senate are so minor as not to justify the formal conference routine, in which event the changes are formally agreed to on the floor of the House.

Two sections of bibliography are given for use in broadening your budgetary background. Section I consists of some "historical standbys" that have been the basis of understanding the development of the budgetary process we have today. Section II is a Bureau of the Budget bibliography dealing with the more recent federal budgeting concepts and practices.

It should be noted that Section II includes pertinent references for the period 1960-1965. Most of what has been written since 1965 is referred to or summarized in the publications of the President's Commission on Budget Concepts:

1. "Report of the President's Commission on Budget Concepts", Washington, U. S. Government Printing Office, 1967, 109 p.
2. "Staff Papers and Other Materials Reviewed by the President's Commission", Washington, U. S. Government Printing Office, 1967, 512 p.

In all probability, the President's Commission has given the best insight to and is having the greatest impact on current federal budgetary practices.

*① Burkhley
study
② Ambler & PDS.*

REFERENCE READING

1. Bartelt, E. F. Accounting Procedures of the U. S. Government. Chicago, Public Administration Service, 1940. p. 88-115.

A series of papers on the U. S. Treasury and Government accounting. Pages 88-115 cover a description of the budget procedure and control of Federal expenditures. There is an analogy between Federal Government and business corporations, and the approach is that of an accountant. Some of the material is out of date.

2. Blough, Roy. The Federal Taxing Process. N. Y., Prentice-Hall, 1952. p. 307-386.
3. Buck, A. E. Public Budgeting. N. Y., Harper, 1929. 612 p.
4. Burkhead, Jessie. Governmental Budgeting. John Wiley and Sons, 1956.
5. Committee on Public Debt Policy. Our National Debt. N. Y., Harcourt, 1949. 182 p.

Report and recommendations on the public debt. Chapter 2 deals with the Federal budget in controlling Government spending and managing the national debt.

6. Hanes, John W. Fiscal, Budgeting, and Accounting Systems of Federal Government. Wash., D. C., GPO, 1949, 110 p.
7. Huzar, Elias. The Purse and the Sword. Ithaca, Cornell Univ. Press, 1950. 417 p.
8. Mosher, Fredrick C. Program Budgeting: Theory and Practice. Syracuse, Public Administration Service, 1954. 258 p.

A detailed consideration of public budgeting with relation to specific budget plans of the DOD and particularly the Department of the Army. The author offers some proposals to overcome what he believes to be shortcomings in the military budget program.

9. Naylor, E. E. The Federal Budget System in Operation. Wash., D. C., Hayworth, 1941. 306 p.

History and development of the Federal budget system.

10. Seckler-Hudson, Catheryn. Budgeting--An Instrument of Planning and Management. Wash., D. C., American Univ., 1944. 6 vols. (Mimeographed)

Volume V is a group of readings devoted to a consideration of the formulation of the Federal budget and the appropriation of funds. In volume VI readings have been selected in an effort to deal with specific aspects of budgetary execution and fiscal accountability.

11. Selko, Daniel T. The Federal Financial System. Wash., D. C., Brookings Institute, 1940. 606 p.

Part I explains the development of the Federal financial system. The following four parts contain critical discussions of the development and operation of (1) the budget system, (2) the revenue system, (3) the fiscal system, and (4) the accounting system as of 1940.

12. Smith, Harold D. The Management of Your Government. N. Y., McGraw Hill, 1945. p. 54-99, 167-179.

Chapter V describes the responsibilities of the Bureau of the Budget. Chapter VI relates the history of the Federal budget. Chapter VII explains the budget as a management and control tool. Chapter XIII sketches the management task ahead of the Nation (1945).

13. Smithies, Arthur. The Budgetary Process in the United States. N. Y., McGraw Hill, 1955. 469 p.

An extensive study and review of the Federal budgetary process in the United States. Discusses requirements for Government accounting systems, and describes the accounting and budget execution systems of France, Netherlands, Sweden, and the United States.

14. United Nations. Department of Economic Affairs. Government Accounting and Budget Execution. N. Y., 1952. 90 p.

15. U. S. Bureau of the Budget. Commission on Organization of the Executive Branch of the Government. Budget and Accounting. Wash., D. C., GPO, June 1955. 72 p.

Twenty-five recommendations for improving budgetary and accounting procedures in executive agencies.

16. Willoughby, W. F. The National Budget System, Baltimore, Johns Hopkins Press, 1927. 343 p.

Sets forth the provisions of the Budget and Accounting Act of 1921 and describes the manner in which it operated in the next five years.

U.S. BUREAU OF THE BUDGET
LIBRARY

FEDERAL BUDGETING, 1960-1965: A SELECTED BIBLIOGRAPHY

This bibliography deals with United States federal budgeting concepts and practices. It excludes studies published prior to 1960 and those on State and municipal budgeting. Articles on specific annual budgets are omitted as being primarily of temporary interest. Information on budgeting in other countries is limited to materials which compare foreign practices with those of the United States.

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October 1965

FEDERAL BUDGETING, 1960-1965: A SELECTED BIBLIOGRAPHY

GENERAL

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Congress and the budget, p.46-67; The appropriations process, p.68-103; Proposals for budget control reform, p.104-127.

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Pros and cons of the capital budget technique, the pros expressed by Robert C. Turner, Assistant Director, Bureau of the Budget and the cons by Maurice H. Stans, former Budget Director.

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- Novick, David. Planning ahead in the Department of Defense. (In California management review, Summer 1963, v. 5, p. 35-42)
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- Program budgeting in the Department of Defense. Santa Monica, Calif., 1964. 29p. (Rand Corporation. Research memorandum RM-4210-RC)
This chapter from a forthcoming book describes procedural changes in planning, programming and budgeting in the Department of Defense; considers problems encountered during the transition; and discusses changes still to come.
- Program budgeting...program analysis and the Federal budget. Washington, U.S. Govt. Printing Office, 1965. 236p.
A Rand Corporation-sponsored research study.
This is an abridgment of a larger Rand Corporation study of program budgeting to be privately published. It is being made available in this form to provide timely and freely accessible assistance to those concerned with the application of program budgeting in the Federal Government.
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U.S. Bureau of the Budget. United States Government planning-programming-budgeting system. Washington, 1965, 7 l.
Charts describing the new "Planning-Programming-Budgeting System."

U.S. Congress. Senate. Committee on Government Operations. Organizing for national security: the Bureau of the Budget and the budgetary process. A study submitted... by its Subcommittee on National Policy Machinery. Washington, U.S. Government Printing Office, 1961. 8p. (87th Cong., 1st sess. Committee print)

In the job of making the budgetary process a more versatile and useful tool of the President two problems rank highest according to the Jackson Committee. These are: "How to make the budget more helpful in forward planning. And how to make it more useful in illuminating program choices and measuring program performance."

---- Organizing for national security. Hearings before the Subcommittee on National Policy Machinery... 87th Cong., 1st sess. July 24-Aug. 1, 1961. Washington, U. S. Government Printing Office, 1961. 169p.

See: pt.8: The budget and the policy process.

Includes testimony of David E. Bell, Maurice H. Stans, Charles J. Hitch and Wilfred J. McNeil.

The United States Department of Defense planning-programming-budgeting system presented by W.L. Johnson, Jr. Washington, Dept. of Defense, 1965, 55p.

Charts and commentary accompanying talk given at the Bureau of the Budget's Summer Seminar on Systems Analysis and Program Evaluation, Aug. 31, 1965.

Weidenbaum, Murray L. Another look at the budget. (In Challenge, July 1964, v. 12, p. 4-7)

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Biswas, A. N. Problems of the national budget. (In Indian journal of public administration, Jan.-Mar. 1962, v. 8, p. 75-81)

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Caulcott, T. H. Control of public expenditure. (In Public administration, Autumn 1962, v. 40, p. 267-288)

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Gantt, Andrew H. Central governments: cash deficits and surpluses. (In Review of economics and statistics, Feb. 1963, v. 45, p. 34-46)

Presents "a method for measuring cash deficits and surpluses for the central governments of the United States, the United Kingdom, France, and West Germany on a comparable basis using the concepts employed by the United States Government." Also issued as Brookings Institution. Studies of Government Finance. Reprint no. 68.

---- European budgetary experience: its implications for the U. S. Budget presentation. (In U.S. Congress. Joint Economic Committee. The Federal budget as an economic document. Hearings... 88th Cong., 1st sess... Apr. 23-30, 1963, p. 307-317)

Where deficits are no concern. (In U.S. news and world report, Sept. 2, 1963, v. 55, p. 76-78)

Findings of a survey made by the Economic Unit of U.S. News and World Report of the budget policies of seven countries.

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BUDGET LAWS

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BUDGET LAWS

The following are excerpts from public laws pertinent to the budgetary process and the responsible agencies:

1. Budget and Accounting Act, 1921. (Public Law 13--67th Cong.)

Title II.--The Budget

Sec. 201. The President shall transmit to Congress on the first day of each regular session, the Budget, which shall set forth in summary and in detail:

(a) Estimates of the expenditures and appropriations necessary in his judgment for the support of the Government for the ensuing fiscal year; except that the estimates for such year for the Legislative Branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15th of each year, and shall be included by him in the Budget without revision;

(b) His estimates of the receipts of the Government during the ensuing fiscal year, under (1) laws existing at the time the Budget is transmitted and also (2) under the revenue proposals, if any, contained in the Budget;

(c) The expenditures and receipts of the Government during the last completed fiscal year;

(d) Estimates of the expenditures and receipts of the Government during the fiscal year in progress;

(e) The amount of annual, permanent, or other appropriations, including balances of appropriations for prior fiscal years, available for expenditure during the fiscal year in progress, as of November 1 of such year.

(f) Balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the Budget are adopted;

(g) All essential facts regarding the bonded and other indebtedness of the Government; and

(h) Such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government.

Tax and Loan Recommendations

Sec. 202. (a) If the estimated receipts for the ensuing fiscal year contained in the Budget, on the basis of laws existing at the time the Budget is transmitted, plus the estimated amounts in the Treasury at the close of the fiscal year in progress, available for expenditure in the ensuing fiscal year, are less than the estimated expenditures for the ensuing fiscal year contained in the Budget, the President in the Budget shall make recommendations to Congress for new taxes, loans, or other appropriate action to meet the estimated deficiency.

(b) If the aggregate of such estimated receipts and such estimated amounts in the Treasury is greater than such estimated expenditures for the ensuing fiscal year, he shall make such recommendations as in his opinion the public interests require.

Supplemental and Deficiency Estimates

Sec. 203. (a) The President from time to time may transmit to Congress supplemental or deficiency estimates for such appropriations or expenditures as in his judgment (1) are necessary on account of laws enacted after the transmission of the Budget, or (2) are otherwise in the public interest. He shall accompany such estimates with a statement of the reasons therefor, including the reasons for their omission from the Budget.

(b) Whenever such supplemental or deficiency estimates reach an aggregate which, if they had been contained in the Budget, would have required the division (a) of section 202, he shall thereupon make such recommendations.

Justification Statements

(b) Estimates for lump-sum appropriations contained in the Budget or transmitted under section 203 shall be accompanied by

statements showing, in such detail and form as may be necessary to inform Congress, the manner of expenditure of such appropriations and of the corresponding appropriations for the fiscal year in progress and the last completed fiscal year. Such statements shall be in lieu of statements of like character now required by law.

Additional Requests

Sec. 206. No estimate or request for an appropriation and no request for an increase in an item of any such estimate or request, and no recommendation as to how the revenue needs of the Government should be met, shall be submitted to Congress or any committee thereof by any officer or employee of any department or establishment, unless at the request of either House of Congress.

Bureau of the Budget

Sec. 207. There is hereby created in the Treasury Department a Bureau to be known as the Bureau of the Budget. There shall be in the Bureau a Director and an Assistant Director, who shall be appointed by the President The Bureau, under such rules and regulations as the President may prescribe, shall prepare for him the Budget, the alternative Budget, and any supplemental or deficiency estimates, and to this end shall have authority to assemble, correlate, revise, reduce, or increase the estimates of the several departments or establishments.

Committee Aid

Sec. 212. The Bureau shall, at the request of any committee of either House of Congress having jurisdiction over revenue or appropriations, furnish the committee such aid and information as it may request.

Department Information

Sec. 213. Under such regulations as the President may prescribe, (1) every department and establishment shall furnish to the Bureau such information as the Bureau may from time to time require, and (2) the Director and the Assistant Director, or any employee of the Bureau when duly authorized, shall, for the purpose of securing such information, have access to, and the right to examine, any books, documents, papers, or records of any such department or establishment.

Budget Officers

Sec. 214. (a) The head of each department and establishment shall designate an official thereof as budget officer therefor, who, in each year under his direction and on or before a date fixed by him, shall prepare the departmental estimates.

(b) Such budget officer shall also prepare, under the direction of the head of the department or establishment, such supplemental and deficiency estimates as may be required for its work.

Department Estimates

Sec. 215. The head of each department and establishment shall revise the departmental estimates and submit them to the Bureau on or before September 15 of each year. In case of his failure so to do, the President shall cause to be prepared such estimates and data as are necessary to enable him to include in the Budget estimates and statements in respect to the work of such department or establishment.

Title III.--General Accounting Office.

Sec. 301. There is created an establishment of the Government to be known as the General Accounting Office, which shall be independent of the executive departments and under the control and direction of the Comptroller General of the United States

Comptroller General

Sec. 302. There shall be in the General Accounting Office a Comptroller General of the United States and an Assistant Comptroller General of the United States, who shall be appointed by the President with the advice and consent of the Senate,

Sec. 303. Except as hereinafter provided in this section, the Comptroller General and the Assistant Comptroller General shall hold office for fifteen years. The Comptroller General shall not be eligible for reappointment. The Comptroller General or the Assistant Comptroller General may be removed at any time by joint resolution of Congress after notice and hearing, when, in the judgment of Congress, the Comptroller General or Assistant Comptroller General has become permanently incapacitated or has been inefficient, or guilty of neglect of duty, or of malfeasance in office, or of any felony or conduct involving

moral turpitude, and for no other cause and in no other manner except by impeachment. Any Comptroller General or Assistant Comptroller General removed in the manner herein provided shall be ineligible for reappointment to that office. When a Comptroller General or Assistant Comptroller General attains the age of seventy years, he shall be retired from his office.

Claims and Demands

Sec. 305. Section 236 of the Revised Statutes is amended to read as follows:

"Sec. 236. All claims and demands whatever by the Government of the United States or against it, and all accounts whatever in which the Government of the United States is concerned, either as debtor or creditor, shall be settled and adjusted in the General Accounting Office."

Comptroller's Reports and Investigations

Sec. 312. (a) The Comptroller General shall investigate, at the seat of government or elsewhere, all matters relating to the receipt, disbursement, and application of public funds, and shall make to the President when requested by him, and to Congress at the beginning of each regular session, a report in writing of the work of the General Accounting Office, containing recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular report, or in special reports at any time when Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures.

(b) He shall make such investigations and reports as shall be ordered by either House of Congress or by any committee of either House having jurisdiction over revenue, appropriations, or expenditures. The Comptroller General shall also, at the request of any such committee, direct assistants from his office to furnish the committee such aid and information as it may request.

(c) The Comptroller General shall specially report to Congress every expenditure or contract made by any department or establishment in any year in violation of law.

(d) He shall submit to Congress reports upon the adequacy and effectiveness of the administrative examination of accounts and claims in the respective departments and establishments and upon the adequacy and effectiveness of departmental inspection of the offices and accounts of fiscal officers.

(e) He shall furnish such information relating to expenditures and accounting to the Bureau of the Budget as it may request from time to time.

2. Government Corporation Control Act, 1945. (Public Law 248--79th Cong.)

Title I.--Wholly Owned Government Corporations.

Sec. 102. Each wholly owned Government corporation shall cause to be prepared annually a budget program, which shall be submitted to the President through the Bureau of the Budget on or before September 15 of each year. The Bureau of the Budget, under such rules and regulations as the President may establish, is authorized and directed to prescribe the form and content of, and the manner in which, such budget program shall be prepared and presented. The budget program shall be a business-type budget, or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law. The budget program shall contain estimates of the financial condition and operations of the corporation for the current and ensuing fiscal years and the actual condition and results of operation for the last completed fiscal year. Such budget program shall include a statement of financial condition, a statement of income and expense, an analysis of surplus or deficit, a statement of sources and application of funds, and such other supplementary statements and information as are necessary or desirable to make known the financial condition and operations of the corporation. Such statements shall include estimates of operations by major types of activities, together with estimates of administrative expenses, estimates of borrowings, and estimates of the amount of Government capital funds which shall be returned to the Treasury during the fiscal year or the appropriations required to provide for the restoration of capital impairments.

a project, such estimated cost to be revised and necessary appropriation adjustments made when adequate data become available.

3. Budget and Accounting Procedures Act of 1950. (Public Law 784--81st Cong.)

Title I--Budgeting and Accounting

The President

Sec. 102. (a) Section 201 of such Act is amended to read as follows:

"Sec. 201. The President shall transmit to Congress during the first fifteen days of each regular session, the Budget, which shall set forth his Budget message, summary data and text, and supporting detail. The Budget shall set forth in such form and detail as the President may determine:

"(a) functions and activities of the Government;

"(b) any other desirable classifications of data;

"(c) a reconciliation of the summary data on expenditures with proposed appropriations;

"(d) estimated expenditures and proposed appropriations necessary in his judgment for the support of the Government for the ensuing year, except that estimated expenditures and proposed appropriations for such year for the legislative branch of the Government and the Supreme Court of the United States shall be transmitted to the President on or before October 15 of each year, and shall be included by him in the Budget without revision;

"(e) estimated receipts of the Government during the ensuing fiscal year, under (1) laws existing at the time the Budget is transmitted and also (2) under the revenue proposals, if any, contained in the Budget;

"(f) actual appropriations, expenditures, and receipts of the Government during the last completed fiscal year;

"(g) estimated expenditures and receipts, and actual or proposed appropriations of the Government during the fiscal year in progress;

"(h) balanced statements of (1) the condition of the Treasury at the end of the last completed fiscal year, (2) the estimated condition of the Treasury at the end of the fiscal year in progress, and (3) the estimated condition of the Treasury at the end of the ensuing fiscal year if the financial proposals contained in the Budget are adopted;

"(i) all essential facts regarding the bonded and other indebtedness of the Government; and

"(j) such other financial statements and data as in his opinion are necessary or desirable in order to make known in all practicable detail the financial condition of the Government."

Supplemental and Deficiency Appropriations

(b) Section 203 of such Act is amended to read as follows:

"Sec. 203. (a) The President from time to time may transmit to Congress such proposed supplemental or deficiency appropriations as in his judgment (1) are necessary on account of laws enacted after the transmission of the Budget, or (2) are otherwise in the public interest. He shall accompany such proposals with a statement of the reasons therefor, including the reasons for their omission from the Budget.

Contents and Arrangement

(c) Section 204 of such Act is amended to read as follows:

"Sec. 204. (a) Except as otherwise provided in this Act, the contents, order, and arrangement of the proposed appropriations and the

statements of expenditures and estimated expenditures contained in the Budget or transmitted under section 203, and the notes and other data submitted therewith, shall conform to requirements prescribed by the President.

"(b) The Budget, and statements furnished with any proposed supplemental or deficiency appropriations, shall be accompanied by information as to personal services and other objects of expenditure in the same manner and form as in the Budget for the fiscal year 1950: Provided, That this requirement may be waived or modified, either generally or in specific cases, by joint action of the committees of Congress having jurisdiction over appropriation: and provided further, That nothing in this Act shall be construed to limit the authority of committees of Congress to request and receive such information in such form as they may desire in consideration of and action upon budget estimates."

Changes in Form

(d) Section 205 of such Act is amended to read as follows:

"Sec. 205. Whenever any basic change is made in the form of the Budget, the President, in addition to the Budget, shall transmit to Congress such explanatory notes and tables as may be necessary to show where the various items embraced in the Budget of the prior year are contained in the new Budget."

Bureau Changes

(e) The last sentence of section 207 of such Act is amended to read as follows: "The Bureau, under such rules and regulations as the President may prescribe, shall prepare the Budget, and any proposed supplemental or deficiency appropriations, and to this end shall have authority to assemble, correlate, revise, reduce, or increase the requests for appropriations of the several departments or establishments."

Department Requests

(f) Section 214. The head of each department and establishment shall prepare or cause to be prepared in each year his requests for regular, supplemental, or deficiency appropriations."

(g) Section 215 of such Act is amended to read as follows:

"Sec. 215. The head of each department and establishment shall submit his requests for appropriations to the Bureau on or before a date which the President shall determine. In case of his failure to do so, the President shall cause such requests to be prepared as are necessary to enable him to include such requests with the Budget in respect to the work of such department or establishment."

Business Type Budget

Sec. 105. The first two sentences of section 102 of the Government Corporation Control Act of 1945 (59 Stat. 597), are amended to read as follows: "Each wholly owned Government corporation shall cause to be prepared annually a business-type budget which shall be submitted to the Bureau of the Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared and presented."

Accounting Systems

Sec. 111. It is the policy of the Congress in enacting this part that--

(a) The Accounting of the Government provide full disclosure of the results of financial operations, adequate financial information needed in the management of operations and the formulation and execution of the Budget, and effective control over income, expenditures, funds, property, and other assets.

(b) Full consideration be given to the needs and responsibilities of both the legislative and executive branches in the establishment of accounting and reporting systems and requirements.

(c) The maintenance of accounting systems and the producing of financial reports with respect to the operations of executive agencies, including central facilities for bringing together and disclosing information on the results of the financial operations of the Government as a whole, be the responsibility of the executive branch.

(d) The auditing for the Government, conducted by the Comptroller General of the United States as an agent of the Congress be

directed at determining the extent to which accounting and related financial reporting fulfill the purposes specified, financial transactions have been consummated in accordance with laws, regulations or other legal requirements, and adequate internal financial control over operations is exercised, and afford an effective basis for the settlement of accounts of accountable officers.

(e) Emphasis be placed on effecting orderly improvements resulting in simplified and more effective accounting, financial reporting, budgeting, and auditing requirements and procedures and on the elimination of those which involve duplication or which do not serve a purpose commensurate with the costs involved.

(f) The Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Bureau of the Budget conduct a continuous program for the improvement of accounting and financial reporting in the Government.

Accounting and Reporting Provisions

Sec. 112. (a) The Comptroller General of the United States, after consulting the Secretary of the Treasury and the Director of the Bureau of the Budget concerning their accounting, financial reporting, and budgetary needs, and considering the needs of the other executive agencies, shall prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency, including requirements for suitable integration between the accounting processes of each executive agency and the accounting of the Treasury Department.

(b) The General Accounting Office shall cooperate with the executive agencies in the development of their accounting systems, including the Treasury Department, in the development and establishment of the system of central accounting and reporting required by section 114 of this part. Such accounting systems shall be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him.

(c) The General Accounting Office shall from time to time review the accounting systems of the executive agencies. The results of such reviews shall be available to the heads of the executive agencies concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget, and the Comptroller General shall make such reports thereon to the Congress as he deems proper.

Agency Systems

Sec. 113. (a) The head of each executive agency shall establish and maintain systems of accounting and internal control designed to provide-

(1) full disclosure of the financial results of the agency's activities;

(2) adequate financial information needed for the agency's management purposes;

(3) effective control over and accountability for all funds, property, and other assets for which the agency is responsible, including appropriate internal audit;

(4) reliable accounting results to serve as the basis for preparation and support of the agency's budget request for controlling the execution of its budget, and for providing financial information required by the Bureau of the Budget under section 213 of the Budget and Accounting Act, 1921 (42 Stat. 23);

(5) suitable integration of the accounting of the agency with the accounting of the Treasury Department in connection with the central accounting and reporting responsibilities imposed on the Secretary of the Treasury by section 114 of this part.

(b) The accounting systems of executive agencies shall conform to the principles, standards, and related requirements prescribed by the Comptroller General pursuant to section 112 (a) of this part.

Treasury Reports

Sec. 114. (a) The Secretary of the Treasury shall prepare such reports for the information of the President, the Congress, and the public as will present the results of the financial operations of the Government: Provided, That there shall be included such financial data as the Director of the Bureau of the Budget may require in connection with the preparation of the Budget or for other purposes of the Bureau. Each executive agency shall furnish the Secretary of the Treasury such reports and information relating to its financial condition and operations as the Secretary, by rules and regulations, may require for the effective performance of his responsibilities under this section.

Joint Regulations

Sec. 115. (a) When the Secretary of the Treasury and the Comptroller General determine that existing procedures can be modified in the interest of simplification, improvement, or economy, with sufficient safeguards over the control and accounting for the public funds, they may issue joint regulations providing for the waiving, in whole or in part, of the requirements of existing law that--

(1) warrants be issued and countersigned in connection with the receipt, retention, and disbursement of public moneys and trust funds; and

(2) funds be requisitioned, and advanced to accountable officers under each separate appropriation head or otherwise.

(b) Such regulations may further provide for the payment of vouchers by authorized disbursing officers by means of checks issued against the general account of the Treasurer of the United States: Provided, That in such case the regulations shall provide for appropriate action in the event of delinquency by disbursing officers in the rendition of their accounts or for other reasons arising out of the condition of the officers' accounts, including under necessary circumstances, the suspension or withdrawal of authority to disburse.

Discontinuance of Accounts

Sec. 116. The Comptroller General is authorized to discontinue the maintenance in the General Accounting Office of appropriation, expenditure, limitation, receipt, and a personal ledger accounts when in his opinion the accounting systems and internal control of the executive, legislative, and judicial agencies are sufficient to enable him to perform properly the functions to which such accounts relate.

Auditing Provisions

Sec. 117. (a) Except as otherwise specifically provided by law, the financial transactions of each executive, legislative, and judicial agency, including but not limited to the accounts of accountable officers, shall be audited by the General Accounting Office in accordance with such principles and procedures and under such rules and regulations as may be prescribed by the Comptroller General of the United States. In the

determination of auditing procedures to be followed and the extent of examination of vouchers and other documents, the Comptroller General shall give due regard to generally accepted principles of auditing, including consideration of the effectiveness of accounting organizations and systems, internal audit and control, and related administrative practices of the respective agencies.

4. General Appropriation Act, 1951. (Public Law 759--81st Cong.)

Sec. 1211. Section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), is hereby further amended to read as follows:

Obligation Authority

"Sec. 3679. (a) No officer or employee of the United States shall make or authorize an expenditure from or create or authorize an obligation under any appropriation or fund in excess of the amount available therein; nor shall any such officer or employee involve the Government in any contract or other obligation, for the payment of money for any purpose, in advance of appropriations made for such purpose, unless such contract or obligation is authorized by law.

Apportionments

"(c) (1) Except as otherwise provided in this section, all appropriations or funds available for obligation for a definite period of time shall be so apportioned as to prevent obligation or expenditure thereof in a manner which would indicate a necessity for deficiency or supplemental appropriations for such period; and all appropriations or funds not limited to a definite period of time, and all authorizations to create obligations by contract in advance of appropriations, shall be so apportioned as to achieve the most effective and economical use thereof. As used hereafter in this section, the term "appropriation" means appropriations, funds, and authorizations to create obligations by contract in advance of appropriations.

Reserves

"(2) In apportioning any appropriation, reserves may be established to provide for contingencies, or to effect savings whenever savings are made possible by or through changes in requirements, greater efficiency of operations, or other developments subsequent to the date on which such appropriation was

made available. Whenever it is determined by an officer designated in subsection (d) of this section to make apportionments and reapportionments that any amount so reserved will not be required to carry out the purposes of the appropriation concerned, he shall recommend the rescission of such amount in the manner provided in the Budget and Accounting Act, 1921, for estimates of appropriations.

Apportionment Distribution

"(3) Any appropriation subject to apportionment shall be distributed by months, calendar quarters, operating seasons, or other time periods, or by activities, functions, projects, or objects, or by a combination thereof, as may be deemed appropriate by the officers designated in subsection (d) of this section to make apportionments and reapportionments. Except as otherwise specified by the officer making the apportionment, amounts so apportioned shall remain available for obligation, in accordance with the terms of the appropriation, on a cumulative basis unless reapportioned.

Apportionment Review

"(4) Apportionments shall be reviewed at least four times each year by the officers designated in subsection (d) of this section to make apportionments and reapportionments, and such reapportionments made or such reserves established, modified, or released as may be necessary to further the effective use of the appropriation concerned in accordance with the purposes stated in paragraph (1) of this subsection."

Apportionment Procedure

"(d) (2) Any appropriation available to an agency, which is required to be apportioned under subsection (c) of this section, shall be apportioned or reapportioned in writing by the Director of the Bureau of the Budget. The head of each agency to which any such appropriation is available shall submit to the Bureau of the Budget information, in such form and manner and at such time or times as the Director may prescribe, as may be required for the apportionment of such appropriation. Such information shall be submitted not later than forty days.

before the beginning of any fiscal year for which the appropriation is available, or not more than fifteen days after approval of the Act by which such appropriation is made available, whichever is later. The Director of the Bureau of the Budget shall apportion each such appropriation and shall notify the agency concerned of his action not later than twenty days before the beginning of the fiscal year for which the appropriation is available, or not more than thirty days after the approval of the Act by which such appropriation is made available, whichever is later. When used in this section, the term "agency" means any executive department, agency, commission, authority, administration, board, or other independent establishment in the executive branch of the Government, including any corporation wholly or partly owned by the United States which is an instrumentality of the United States

Administrative Subdivision

"(g) Any appropriation which is apportioned or reapportioned pursuant to this section may be divided and subdivided administratively within the limits of such apportionments or reapportionments. The officer having administrative control of any such appropriation available to the legislative branch, the judiciary, or the District of Columbia, and the head of each agency, subject to the approval of the Director of the Bureau of the Budget, shall prescribe, by regulation a system of administrative control (not inconsistent with any accounting procedures prescribed by or pursuant to law) which shall be designed to (A) restrict obligations or expenditures against each appropriation to the amount of apportionments or reapportionments made for each such appropriation, and (B) enable such officer or agency head to fix responsibility for the creation of any obligation or the making of any expenditure in excess of an apportionment or reapportionment.

Overobligation

"(h) No officer or employee of the United States shall authorize or create any obligation or make any expenditure (A) in excess of an apportionment or reapportionment, or (B) in excess of the amount permitted by regulations prescribed pursuant to subsection (g) of this section.

Penalties

"(i) (1) In addition to any penalty or liability under other law, any officer or employee of the United States who shall violate subsection (a), (b), or (h) of this section shall be subjected to appropriate administrative discipline, including, when circumstances warrant, suspension

from duty without pay or removal from office; and any officer or employee of the United States who shall knowingly and willfully violate subsection (a), (b), or (h) of this section shall, upon conviction, be fined not more than \$5,000 or imprisoned for not more than two years, or both."

5. Supplemental Appropriation Act, 1955. (Public Law 663--
83rd Cong.)
Sec. 1311. (31 V.S.C. 200)

Valid Obligations

Sec. 200 (a) After August 26, 1954 no amount shall be recorded as an obligation of the Government of the United States unless it is supported by documentary evidence of -

- (1) a binding agreement in writing between the parties thereto, including government agencies, in a manner and form and for a purpose authorized by law, executed before the expiration of the period of availability for obligations of the appropriation or fund concerned for specific goods to be delivered, real property to be purchased or leased, or work on services to be performed; or
- (2) a valid loan agreement, showing the amount of the loan to be made and the terms of repayment thereof; or
- (3) an order required by law to be placed with a Government agency; or
- (4) an order issued pursuant to a law authorizing purchases without advertising when necessitated by public exigency or for perishable subsistence, supplies or within specific monetary limitations; or
- (5) a grant of subsidy payable (i) from appropriations made for payment of, or contributions toward, sums required to be paid in specific amounts fixed by law or in accord with formulas prescribed by law, or (ie) pursuant to agreement authorized by, or plans approved in accord with and authorized by law; or

(6) a liability which may result from pending litigation brought under authority of law; or

(7) employment or services of persons or expenses of travel in accord with law, and services performed by public utilities; or

(8) any other legal liability of the United States against an appropriation or fund legally available therefor.

6. To simplify Accounting, Facilitate the Payment of Obligations, 1956.
(Public Law 798--84th Cong.)

M Account

Sec. 701 (a) The account for each appropriation available for obligation for a definite period of time shall be closed as follows:

(1) On June 30 of the second full fiscal year following the fiscal year or years for which the appropriation is available for obligation, the obligated balance shall be transferred to an appropriation account of the agency or subdivision thereof responsible for the liquidation of the obligations, in which account shall be merged the amounts so transferred from all appropriation accounts for the same general purposes; and

(2) Upon the expiration of the period of availability for obligation, the unobligated balance shall be withdrawn and, if the appropriation was derived in whole or in part from the general fund, shall revert to such fund, but if the appropriation was derived solely from a special or trust fund, shall revert, unless otherwise provided by law, to the fund from which derived: Provided, That when it is determined necessary by the head of the agency concerned that a portion of the unobligated balance withdrawn is required to liquidate obligations and effect adjustments, such portion of the unobligated balance may be restored to the appropriate accounts: Provided further, That prior thereto the head of the agency concerned shall make such report with respect to each such restoration as the Director of the Bureau of the Budget may require, and shall submit such report to the Director, the Comptroller General, the Speaker of the House of Representatives, and the President of the Senate.

(b) The withdrawals required by subsection (a) (2) of this section shall be made--

(1) not later than September 30 of the fiscal year immediately following the fiscal year in which the period of availability for obligation expires, in the case of an appropriation available both for obligation and disbursement on or after the date of approval of this Act; or

(2) not later than September 30 of the fiscal year immediately following the fiscal year in which this Act is approved, in the case of an appropriation, which, on the date of approval of this Act, is available only for disbursement.

(c) For the purposes of this Act, the obligated balance of an appropriation account as of the close of the fiscal year shall be the amount of unliquidated obligations applicable to such appropriation less the amount collectible as repayments to the appropriation; the unobligated balance shall represent the difference between the obligated balance reported pursuant to section 1311 (b) of the Supplemental Appropriation Act, 1955 (68 Stat. 830; 31 U.S.C. 200 (b)), and the total unexpended balance. Collections authorized to be credited to an appropriation but not received until after the transfer of the obligated appropriation balance as required by subsection (a) (1) of this Act, shall, unless otherwise authorized by law, be credited to the account into which the obligated balance has been transferred, except that any collection made by the General Accounting Office for other Government agencies may be deposited into the Treasury as miscellaneous receipts.

(d) The withdrawals made pursuant to subsection (a) (2) of this section shall be accounted for and reported as of the fiscal year in which the appropriations concerned expire for obligation. The withdrawals described in subsection (b) (2) of this section shall be accounted for and reported as of the fiscal year in which this Act is approved.

Sec. 702. Each appropriation account established pursuant to this Act shall be accounted for as one fund and shall be available without fiscal year limitation for payment of obligations chargeable against any of the appropriations from which such account was derived. Subject to regulations to be prescribed by the Comptroller General of the United States, payment of such obligations may be made without prior action by the General Accounting Office, but nothing contained in this Act shall be construed to relieve the Comptroller General of the United States of his duty to render decisions upon requests made pursuant to law or to abridge the existing authority of the General Accounting Office to settle and adjust claims, demands, and accounts.

Sec. 703. (a) Appropriation accounts established pursuant to this Act shall be reviewed periodically, but at least once each fiscal year, by each agency concerned. If the undisbursed balance in any account exceeds the obligated balance pertaining thereto, the amount of the excess shall be withdrawn in the manner provided by section 1 (a) (2) of this Act; but if the obligated balance exceeds the undisbursed balance, the amount of the excess, not to exceed the remaining unobligated balances of the appropriations available for the same general purposes, may be restored to such account. A review shall be made as of the close of each fiscal year and the restorations or withdrawals required or authorized by this section accomplished not later than September 30 of the following fiscal year, but the transactions shall be accounted for and reported as of the close of the fiscal year to which such review pertains. A review made as of any other date for which restorations or withdrawals are accomplished after September 30 in any fiscal year shall be accounted for and reported as transactions of the fiscal year in which accomplished: Provided, That prior to any restoration under this subsection the head of the agency concerned shall make such report with respect thereto as the Director of the Bureau of the Budget may require.

(b) In connection with his audit responsibilities, the Comptroller General of the United States shall report to the head of the agency concerned, to the Secretary of the Treasury, and to the Director of the Bureau of the Budget, respecting operations under this Act, including an appraisal of the unliquidated obligations under the appropriation accounts established by this Act. Within thirty days after receipt of such report, the agency concerned shall accomplish any actions required by subsection (a) of this section which such report shows to be necessary.

Sec. 704. During the fiscal year in which this Act becomes effective, and under rules and regulations to be prescribed by the Comptroller General of the United States, the obligated balance of the appropriation account for payment of certified claims established pursuant to section 2 of the Act of July 6, 1949 (63 Stat. 407; 31 U.S.C. 712b), shall be transferred to the related appropriation accounts established pursuant to this Act and the unobligated balance shall be withdrawn.

Sec. 705. The obligated balances of appropriations made available for obligation for definite periods of time under discontinued appropriation heads may, upon the expiration of the second full fiscal year following the fiscal year or years for which such appropriations are available for obligation, be merged in the appropriation accounts provided for by section 1 hereof, or in one or more other accounts to be established pursuant to this Act for discontinued appropriations of the agency or subdivision thereof currently responsible for the liquidation of the obligations.

Sec. 706. The unobligated balances of appropriations which are not limited to a definite period of time shall be withdrawn in the manner provided in section 1 (a) (2) of this Act whenever the head of the agency concerned shall determine that the purposes for which the appropriation was made has been fulfilled; or in any event, whenever disbursements have not been made against the appropriation for two full consecutive fiscal years: Provided, That amounts of appropriations not limited to a definite period of time which are withdrawn pursuant to this section or were heretofore withdrawn from the appropriations account by administrative action may be restored to the applicable appropriation account for the payment of obligations and for the settlement of accounts.

Sec. 707. The provisions of this Act shall not apply to the appropriations for the District of Columbia or appropriations to be disbursed by the Secretary of the Senate or the Clerk of the House of Representatives.

Sec. 708. The inclusion in appropriation Acts of provisions excepting any appropriation or appropriations from the operation of the provisions of this Act and fixing the period for which such appropriation or appropriations shall remain available for expenditures is hereby authorized.

7. Act to Improve Governmental Budgeting and Accounting Methods and Procedures, 1956. (Public Law 863--84th Cong.)

AMENDMENTS TO THE BUDGET AND ACCOUNTING ACT, 1921

Sec. 1 (a) Section 201 of the Budget and Accounting Act, 1921, as amended (31 U.S.C. 11), is further amended by inserting "(a)" after the words "Sec. 201,"; by changing subsection (a) to subparagraph (1); by adding after subparagraph (1) a new subparagraph "(2) at such times as may be practicable, information on program costs and accomplishments"; by changing subsections (b) through (j) to subparagraphs (3) through (11), respectively.

(b) Section 216 of such Act, as amended (31 U.S.C. 24), is further amended by inserting "(a) after the words "Sec. 216." and by adding the following new subsections:

"(b) The requests of the departments and establishments for appropriations shall, in such manner and at such times as may be determined by the President, be developed from cost-based budgets.

"(c) For purposes of administration and operation, such cost-based budgets shall be used by all departments and establishments and their subordinate units. Administrative subdivisions of appropriations or funds shall be made on the basis of such cost-based budgets."

AMENDMENTS TO THE BUDGET AND ACCOUNTING PROCEDURES ACT OF 1950

Sec. 2 (a) The Budget and Accounting Procedures Act of 1950 is

amended by inserting after section 105 thereof the following new section:

"ACCOUNTING AND BUDGET CLASSIFICATIONS

"Sec. 106. The head of each executive agency shall, in consultation with the Director of the Bureau of the Budget, take whatever action may be necessary to achieve, insofar as is possible, (1) consistency in accounting and budget classifications, (2) synchronization between accounting and budget classifications and organizational structure, and (3) support of the budget justifications by information on performance and program costs by organizational units."

(b) Section 113 of such Act (31 U.S.C. 66a) is amended by adding at the end thereof the following new subsection:

"(c) As soon as practicable after the date of enactment of this subsection, the head of each executive agency shall, in accordance with principles and standards prescribed by the Comptroller General, cause the accounts of such agency to be maintained on an accrual basis to show the resources, liabilities, and costs of operations of such agency with a view to facilitating the preparation of cost-based budgets as required by section 216 of the Budget and Accounting Act, 1921, as amended. The accounting system required by this subsection shall include adequate monetary property accounting records as an integral part of the system."

(c) Section 118 of such Act is amended by inserting "113 (c)" after the words "section 111".

SIMPLIFICATION OF SYSTEM FOR SUBDIVIDING FUNDS

Sec. 3 Section 3679 (g), Revised Statutes, as amended (31 U.S.C. 665 (g)), is further amended by adding at the end thereof the following sentence: "In order to have a simplified system for the administrative subdivision of appropriations or funds, each agency shall work toward the objective of financing each operating unit, at the highest practical level, from not more than one administrative subdivision for each appropriation or fund affecting such unit."

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GLOSSARY

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GLOSSARY

This glossary attempts to explain in as nontechnical language as possible only the more technical and special useage terms found in the materials used in this course--all of the terms used in budgeting are NOT included.

Administrative Plan - A supplement to a project outline which constitutes the administrative framework prescribing the specific procedures and requirements applicable to the project.

Allotment - Authorization given by the head of an Agency, or his designee, to a subordinate official to obligate and expend funds from the Agency's apportioned resources.

Allotment Account - A control account covering the total operating funds for an office or covering special control items such as fund releases from the reserve for contingencies and funds from other government agencies.

Apportionment - An authorization by the Bureau of the Budget to the head of an agency to incur obligations and spend money out of appropriations and other funds made available to the agency. The apportionment represents the amount that can be committed or obligated regardless of the amounts appropriated or otherwise made available. By Act of Congress the apportionment distributes approved amounts "by months, calendar quarters, operating seasons, or other time periods, or by activities, functions, projects, or objects, or by a combination thereof, as may be deemed appropriate" in order to prevent the incurrence of a deficiency.

Appropriation - An authorization by an Act of Congress to incur obligations and make payments out of the Treasury for specified purposes within a prescribed amount.

Average Employment - The full year equivalent of paid employment stated to the nearest whole number (includes the full time equivalent of terminal leave).

Budget Call - General guidelines and detailed instructions issued by the Budget Division for the preparation and submission of a particular budget document, e.g., operating budget, office estimates.

Confidential Funds - Funds used for necessary official purposes of a confidential, extraordinary, or emergency nature under the authority of the Central Intelligence Act of 1949, which are accounted for outside the Agency solely on the certification of the DCI.

Cost-Benefit (or Cost-Effectiveness) Analysis - An analytical approach to solving problems of choice which requires the definition of objectives and identification of the alternative that yields the greatest benefit (effectiveness) for any given costs; or what amounts to the same thing, that yields a required amount of benefits (effectiveness) for the least cost. The term benefits usually applies to situations in which the alternative outputs can be quantified in dollars, while the term effectiveness is used where the alternative outputs cannot be easily quantified in dollars.

DCI Certification - The certification executed by the DCI or the DDCI on a voucher which summarizes by fiscal year and directorate all expenditures recorded in the Agency records during a given quarter and which constitutes the formal accounting for all expenditures of a confidential, extraordinary, or emergency nature pursuant to Section 8(b) of the Central Intelligence Act of 1949, as amended.

Disbursement - A payment of money by cash or check for properly authorized and approved purposes.

Expenditures - The charges incurred against allotments (appropriations) for goods and services received and other assets acquired.

FAN - Abbreviation for Financial Analysis Number which is the identification of an allotment and operating account. The FAN System is designed to array basic financial data (obligations, expenditures, encumbrances, issues) in any one or combination of program, organization, geographic, and object classifications to respond to management and budgetary requirements.

Fiscal Annex - A supplement to a project outline which sets forth funding arrangements, specific accounting controls, financial reporting requirements, and write-off provisions.

Fund - A loosely used term that has been given varied meanings. Technically a fund is an accounting entity reflecting the monetary transactions related to a specified purpose. Also used to identify a sum of money available for a specified purpose. In the Agency the term is also used in distinguishing between vouchered and confidential transactions (vouchered funds, confidential funds).

Issue Memorandum - A presentation of specific program considerations or issues which require top management attention and decision prior to developing the Agency's five-year program plans. Issues may consist of: major changes in program emphasis or thrust; significant changes in allocation of resources; lower priority activities which may be diverting resources from more important programs; major upcoming developments bearing on Agency programs; and so forth.

Object Classification - An accounting device for identifying obligations and expenditures by the nature of the goods and services obtained (salaries, travel, supplies, equipment, etc.). The purposes for which the goods and services are used are identified by the FAN operating account charged.

Obligation - A valid commitment (order placed for goods and services such as contract, travel order, personnel action) to pay out money. An obligation reserves funds pending the delivery and acceptance of the ordered goods and services.

Obligation Abstract - Form used by an allottee to report pertinent information (date, reference number, operating account number, object class, amount) of the obligation transactions incurred by an office. Use of this form not only facilitates computer processing of financial data but avoids some of the damage risk involved in handling and transporting original obligation documents which must be preserved for accounting and auditing purposes.

Obligation Reference Number - A number assigned by an allottee to identify individual obligations established for travel orders, purchase orders, contracts, payroll obligations, etc.; the same number is used to identify related expenditures in the liquidation of the obligations.

Operating Account - Account established at the office level or at some point below the office level (branch, project, station, cost item such as contract, etc.) to record the use of the fund and property authorities granted to an office. Separate accounts are maintained for vouchered and confidential transactions.

Operating Budget - A financial plan for the coming fiscal year updating the Congressional Budget in order to reflect current conditions and costs as compared with those prevailing at the time the Congressional Budget was prepared.

Planning Assumptions - A survey of the world situation with particular emphasis on those trends and uncertainties that may confront the policy makers and intelligence planner during the forward five-year period. The paper includes for each major world region, an identification of some implications to intelligence programs.

Positions - A term widely applied to all tasks performed by persons for which the compensation is solely based on a time factor. In a budget context the term is most usually applied to permanent jobs subject to staff ceiling control.

Program - A major Agency activity; a grouping of like or related activities.

Program Budget - A budget which defines programs of work and arrays the planned use of resources to accomplish the objectives of the programs.

Program and Financial Plan (PFP) - A comprehensive multi-year summary (the past year, current year, budget year and the four succeeding years) of Agency programs in terms of their outputs, costs, and financing needs over the planning period.

Program Memorandum (PM) - A document which presents the five-year program plans and resource requirements for a major program activity (e.g. Collection of Intelligence) of the Agency. In addition, the program memorandum will treat major program issues which have been identified by the Bureau of the Budget. The program memoranda provides the programmatic context for the budget which is in great detail and covers a shorter time period.

Program Structure - A hierarchical framework of program categories, program subcategories and program elements which will permit the grouping of like activities with related objectives, regardless of where the activities are going on in the Agency. The basic purpose of the program structure is to organize data about all Agency activities for review, analysis, and presentation to senior management.

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Project - A management device through which definite activities are undertaken to meet programmed objectives, and to which funds and other resources are allocated and accountability maintained.

Property Requisitioning Authority (PRA) - The authorization to acquire supplies and equipment up to an approved limitation. PRA is not an allotment of funds.

Reprogramming - The changing or shifting of programmed activities and related resources within the approved program to accommodate new developments and to adjust programs according to actual experience in executing the approved program.

Reserve - A term applied to funds (obligational authority) designated for use in meeting unforeseen contingencies which can not be funded within the resources apportioned for regular programs. The reserve consists of funds appropriated for reserve purposes and unobligated prior year funds. Withdrawals from the reserve must be approved by the Bureau of the Budget and appropriate Congressional Committees informed.

Systems Analysis - Systems analysis has several definitions depending on the field of endeavor. However, when used in the context of cost-effectiveness studies it may be viewed as the search for and evaluation of alternatives which are relevant to defined objectives, based on judgment and, whenever possible, on quantitative methods, with the objective of presenting such evaluations to decision-makers for their consideration. In this sense, systems analysis encompasses both cost-benefit and cost-effectiveness analyses and other analyses which may be more limited in scope.

Target Oriented Display - The compilation, analysis and presentation of financial and manpower data according to their distribution against specific target geographic areas.

Vouchered Funds - Funds which can be accounted for and audited in conformance with the laws that apply to other Government agencies and with standard Government regulations and procedures.

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**CENTRAL
INTELLIGENCE
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Planning, Programming, and Budgeting System

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CIA

PLANNING, PROGRAMMING, AND BUDGETING SYSTEM



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INTRODUCTION

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Introduction

The Planning, Programming, and Budgeting System (PPBS) is a management system which is designed to help the Agency accomplish its business in the most rational, systematic manner possible. It is the tool the Agency uses to bring resource management into focus: to determine Agency objectives, to weigh competing needs and set priorities, to evaluate alternative program options by measuring costs and benefits, and to facilitate management direction and control of the operations of the Agency.

Much of the essence of PPB is not new. Its activities, to a large extent, occur in any business or governmental organization. The system does, however, provide a new emphasis because it is the first system which is designed to integrate the functions of planning and budgeting. The vehicle for this integration is programming. The programming process is designed to achieve more objective directed budgeting and more realistic, more thorough planning. PPBS seeks:

- (1) to improve the quality of the decision making process in the Agency;
- (2) to provide evaluation and analysis of plans and performance; and
- (3) to support a sound budgetary control and reporting mechanism.

Improvement of decision-making through PPB is based on the concept that decisions in implementing programs should involve choice among

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explicit alternatives. The techniques used to systematize this process and to present full factual analysis of all costs and benefits narrow the area of judgment in the decision-making task. PPBS does not eliminate the need for judgment; rather, it pinpoints that need.

The process of planning, programming, and budgeting requires the interested involvement of all levels of the Agency. PPB products must have sound substantive content and must reflect imagination, ingenuity, and managerial expertise if PPBS is to accomplish effectively the task it is designed to accomplish.

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CHAPTER I: PLANNING

1. Planning Defined

In a generic sense planning involves setting goals and devising methods of action for the future. In the continuing search for the most effective techniques for rational business and for governmental planning many narrower and more useful definitions of planning have been proposed. The most useful definitions generally point to two distinct aspects of planning: determination of objectives; and evaluation of alternative resource allocation strategies so that the best courses of action can be chosen. For example, the US General Accounting Office's Planning, Programming, Budgeting Glossary defines planning as:

The selection or identification of the overall, long-range objectives of the organization and the making of systems analyses of various possible courses of action in terms of relative costs and accomplishments or benefits in order to aid managers in deciding on courses of action (i.e. programs) to be followed in working toward achieving those objectives. These analyses are variously referred to as cost-effectiveness, cost-utility, or cost-benefit studies.

Essentially, this level of planning involves deciding on what the organization is in business to do and generally how it is to be done. This is also called strategic planning.

2. Establishment of PPBS

One of the basic objectives of the August 25, 1965, directive, from President Johnson to all agencies, which required establishment of an

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integrated "Planning, Programming, Budgeting System", was to create an environment in which rational future action could be more easily planned. The directive stated that, when properly implemented, PPBS should help achieve four major Presidential objectives:

- Identify national goals with precision and on a continuing basis.
- Choose from among those goals the ones that are most urgent.
- Provide information not merely on next year's program costs -- but on the second, third, and subsequent years' costs.
- Measure program performance to insure a dollar's worth of service for each dollar spent.

Of the four major objectives, it is significant to note that three are planning or future oriented. The emphasis of the PPBS is not on financial management or budgeting. Rather it is concentrated on the need for agencies to establish an effective system for rational resource allocation to meet appropriate objectives. BOB Circular 66-3, which implemented the President's directive, was organized to show that planning, programming and budgeting are part of a single integrated and continuous process for decision making.

3. Planning and Managing

The intimate concern of planning with the objectives of an organization and with the way in which these objectives are achieved emphasizes the

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inaccuracy of saying that planning is a distinct entity which is followed by programming and finally by budgeting. Planning is an ongoing activity organic to all processes of the PPB System. It is an integral part of managing, and, as such, must be included, in some form, in any management system. It is not a distinct activity of management which occurs at a given time with respect to specially tailored inputs. Every activity performed within a management system involves plans in a variety of forms and must implicitly or explicitly contribute to the planning system. For example, the budget itself is a plan expressed in financial terms; manpower projections are plans expressing personnel numbers; qualifications, and pay levels; and support needs are formulated in plans.

Since planning is so intimately tied to the every day process of managing, planning, and, indeed, the entire PPB system, is highly dependent on full involvement of competent operating managers. PPB requires planning at all relevant organizational levels, reserving for top management only those decisions which it should make. Thus planning is a two-way proposition. On the one hand, the Directorates must be intimately involved in any Agency planning process, initiating and justifying proposals for Agency activities on the basis of professional, substantive judgment about efficient ways to achieve sound goals. Given the complexity of operations which exist today, the line organizations must play the major part in relating decisions to the actual

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operational environment. On the other hand, planning requires guidance and policy direction from top management, particularly with respect to identification of broad objectives and priorities, as well as final decisions on certain proposed activities.

4. Relationship of Planning, Programming, and Budgeting

Although planning, programming, and budgeting are all aspects of the PPBS, programming and budgeting involve planning. The title Planning, Programming, and Budgeting System may, therefore, have been an inauspicious choice since the title implies a sequential occurrence, first of planning, then programming, and finally budgeting. In fact, the entire system is formed around the new concept of programming which encompasses both traditional substantive non-fiscal planning and traditional budgeting. Programming really implies both fiscally responsible planning and budgeting tied to substantive goals. When first instituted at the Defense Department, a main objective of programming was to link the Joint Strategic Operations Plan with fiscal reality. It was a systematic effort to allocate scarce resources optimally over a five to ten year period. Thus Agency programming is an effort to make substantive plans for the future within the context of the resources likely to be available, and eventually to budget within that context as well.

5. Elements of Planning

The two key elements of a fully developed programming system which are intimately tied to Agency planning are those noted in the planning

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definition in paragraph (1): determination of objectives, and systematic analysis, which is essentially evaluation of alternative courses of action so that the best courses of action can be selected.

a. Determination of Objectives

An organization can play only insofar as it can group its anticipated outputs (achievements) under its objectives. Only they can resource inputs and resource allocation strategies be adjusted so that outputs will meet objectives. Objectives must, therefore, be carefully defined. Further, outputs must be measurable in terms of objectives, although not necessarily in quantitative terms. The PPB system assesses outputs against objectives by means of packages in which outputs are lumped under the objectives which they are designed to achieve. Similar output-objective packages tend to group together, as program elements, program sub-categories and program categories, at each higher organizational level which has a definable output. It is therefore imperative, if planning is to be effective, that objectives be clearly and succinctly stated by line managers. Further, they must be stated in terms of capability to achieve them by a given point in time.

b. Systematic Analysis

Systematic analysis is the technique which helps determine which input-output combinations are likely to achieve objectives most effectively.

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It helps assess priorities. Systematic analysis itself is simply an analytical method which is characterized by a systematic and rational approach to issues with assumptions made explicit, objectives and criteria clearly defined, and alternative courses of action compared in the light of their possible consequences. Systematic analysis relates outputs to objectives in comparable terms. An effort is made to use quantitative methods, but this is not essential. What is essential is a procedure that enables expert intuition and judgment to be applied efficiently. This is a difficult task since the Agency has not, except in isolated instances, developed adequate means to measure the value of its intelligence product. Therefore, the planning process must operate with approximate definitions of program benefits in terms of progress toward objectives.

There are two aspects to Systematic Analysis. Both are discussed in more detail in Chapter II. On the one hand is Program Evaluation, either of the Program Submission or of its elements as it rises through the organization. On the other hand are Special Analytical Studies which analyze issues in more detail than the program evaluation process allows.

6. Agency PPB

a. Participants The Agency PPB planning process revolves around six key management elements each of which has differing inputs and responsibilities:

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- (1) Top Management (the DCI, DDCI, and ExDir);
- (2) The Office of Planning, Programming, and Budgeting (O/PPB);
- (3) The Deputy Directors (DD's)
- (4) The Deputy Directors' Planning Staffs
- (5) The Operating Managers (Division and Branch Chiefs); and
- (6) The Operating Units, including the Field

b. Agency-wide The Office of Planning, Programming and Budgeting is directly responsible to the Executive Director-Comptroller. O/PPB develops the Agency's program planning concepts, structure and procedures. It initiates and develops Agency planning by (1) issuing Agency-wide Planning Assumptions and the annual Program Call to the Directorates, (2) providing guidance to Directorates from top management on program matters which may require special emphasis in their Program Submissions, (3) reviewing and analyzing Program Submissions received from Directorates, (4) identifying objectives, issues and programs requiring special study, and (5) identifying those issues requiring DCI policy guidance or resolution and (6) issuing the Budget Call and developing an Agency budget. In consultation with the Directorates involved, O/PPB prepares Program Memoranda, for submission to the DCI and then to the Bureau of the Budget, on each Agency program category. It is important to note, although it is

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more fully explained in Chapter II, that the Program Submissions from the Directorates, and the Program Memoranda for the Bureau of the Budget, are essentially planning documents and constitute program plans.

c. Directorate Planning Each Directorate maintains a Planning Staff which is directly responsible to its Deputy Director. The Directorate planning staffs undertake, at the Directorate level, essentially the same process at their own levels. Effective five-year planning is not possible at the highest levels of the Agency unless it is also done effectively at the lowest levels. Top management seeks to guide the Agency by using the five-year plans submitted by subordinate managers as a means to discover what output-objective packages need to be changed to reach future goals.

7. Planning Outputs

Since planning is primarily concerned with the identification of how future developments and requirements will affect programs and resource allocation, it is a continuous process of identifying issues, developing alternative solutions to those issues, and recommending decisions which should be made to resolve them. PPBS planning can be described as a process of preparing a set of decisions, for future action, directed at establishing and achieving objectives by optimal means. The critical

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outputs of the planning process are:

- a. Determination of objectives
- b. Policy guidance
- c. Issue identification and decision forecasting.
- d. Issue analysis through identification of alternative means of pursuing objectives.

Each of these outputs is involved in the Agency's planning process, a process probably best described as five year program planning. The five-year planning period is practical because Agency activities are, by their nature, largely impossible to specify in detail for longer periods and do not, in general, have lead times exceeding five years.

8. The Planning Environment

Agency operators are all involved in planning. They should have no misapprehensions about the difficulty of planning. The environment in which CIA operates is dynamic rather than static. CIA customers and problems are diverse. Time and quality standards, communication, security, and behavioral processes all pose particular problems which must be met. The unique and diverse nature of the Agency's missions and responsibilities, coupled with constant changes in the requirements placed upon it, therefore, present a real challenge to planning.

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9. Agency Planning Today

The details of implementing the planning process through programming and budgeting are contained in the succeeding Chapters. As background for these Chapters, it may be useful to summarize what Agency planning seeks to accomplish:

- It focuses on identifying fundamental program objectives, by country and target where feasible, and relates all Agency activities to these objectives, regardless of where the Agency activity is located within the organizational structure.
- It identifies alternative courses of action for accomplishing objectives and systematically analyzes them in terms of cost and benefits.
- It identifies future year implications and ensures management consideration of these implications.
- It ensures line manager participation in the planning process and is sensitive to the organizational structure within the Agency.
- It assists the DCI in discharging his intelligence coordination responsibilities by providing systematic procedures for accomplishing the Agency's mission.

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CHAPTER II:

The Programming System

1. General

The basic Agency programming documents or activities are:

- (1) Planning Assumptions; (2) Program Call; (3) Guidance letters to DD's from the Executive Director outlining topics for Special Emphasis;
- (4) Directorate Issue Identification and Analysis; (5) Program Submissions;
- (6) O/PPB Issue Identification and Analysis; (7) Issue Memorandum;
- (8) The Five Year Program; (9) DCI Program Guidance Memoranda to the DD's; (10) Program Memoranda; (11) Five Year Program Financial Plan and
- (12) The Budget.

2. Planning Assumptions

Since Agency objectives and supporting programs must be responsive to a sound assessment of foreign affairs trends which have CIA resource allocation implications, the Executive Director-Comptroller initiates the annual five-year program planning cycle by issuing planning guidance in the form of Planning Assumptions which contains two inputs to the planning process:

--A forecast of the world environment, which draws heavily upon the expertise of the Office of National Estimates and which seeks to identify major foreign affairs trends on a regional and selected country basis. Where possible basic U.S. national interests are

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noted as they relate to developments that may arise during the planning period. It attempts to develop a common understanding of the world environment in which all elements of the Agency will engage in program and resource planning.

--An estimate of how the forecasted world environment seems likely to affect intelligence requirements. This estimate tentatively identifies program implications and areas of Agency activities which should be examined. An effort is made to identify particularly important resource implications from an assessment of both the forecast of the world environment and the achievements and failures of current programs. Management implications are developed on the basis of executive guidance, technical developments and the existing budgetary climate as reflected in the Bureau of the Budget advice to the Agency. These guidelines are generally short, target-, or end-product oriented statements designed not to be comprehensive but to suggest program changes by noting critical contingencies and changes of emphasis. These implications are meant to be supplemented in more detailed fashion by the directorates.

Neither the forecast nor the implications in the Planning Assumptions are designed to be directive. Rather, they are to provide general guidance, for the Directorates and Independent Offices responsible for submitting program plans and resource requirements, to provoke thought, and to

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generate ideas and thorough assessment of programs.

3. The Program Call

The annual Program Call is issued by O/PPB to all Directorates and Independent Offices. It specifies both the required contents of the Directorate Program Submissions for the time period covered by the Call and the CIA program structure. Specifically, components are asked to present their accomplishments and progress against stated objectives during the preceding twelve-month period, their objectives for the future five-year period of the Call, their program plans to accomplish the objectives, and resources (manpower and funds) required. In discussing plans, components are requested to indicate risks and uncertainties, alternatives that were considered in developing the proposed program plan, and coordination undertaken.

a. Program Structure

A major function of the Program Call is to present the Agency program structure. The program structure is the vehicle which presents the Agency's input-output-objective packages. The program structure organizes program data for review, analysis, and decision making. It groups like activities with related objectives, regardless of organizational lines, so that reviews and decisions can be made on a program basis, not on a project or organizational basis. Programs are mission oriented;

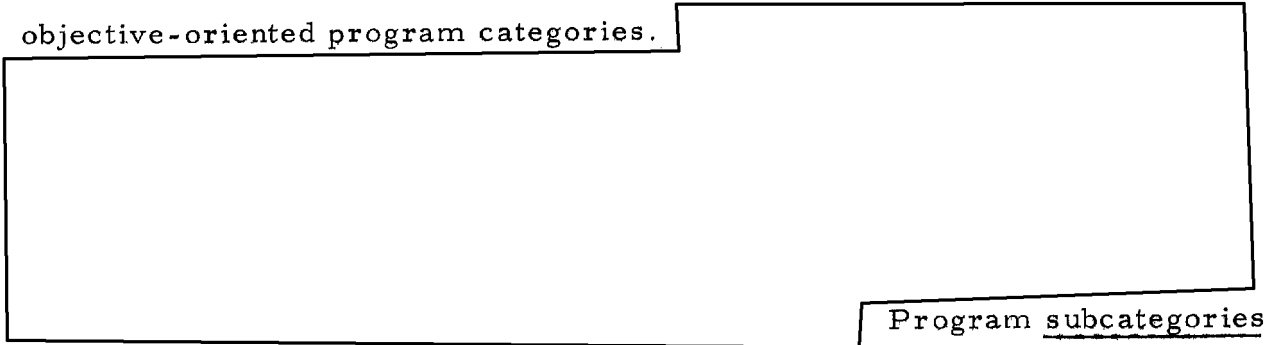
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their purpose is to delineate broad areas of Agency responsibility and to organize under them the outputs designed to achieve them.

The Agency program structure includes three levels of classification: program categories, program sub-categories, and program elements.

The categories in a program structure provide the framework for considering and resolving major questions of mission emphasis and scale of operations in the several primary activities for the Agency as a whole, e. g. , relative resource allocations for collection and production of intelligence. Agency activities are arranged within seven major objective-oriented program categories.



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are an intermediate breakdown of program categories, e. g. , collection of intelligence through clandestine means. Program elements are more specific Agency activities related directly to the production of a discrete Agency outputs, e. g. , unilateral clandestine collection activity. The following is an example of the hierarchial relationship within the program structure, using the Collection program category.

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particularly to address those projects for which full treatment is desirable or where there seems to be an emerging issue. Identification of these topics is designed to increase programmatic flexibility by encouraging new projects and revaluing old projects.

5. Directorate Issue Identification and Analysis

After analysis of the Planning Assumptions, and in response to the Program Call and the Special Emphasis letters, the Directorates begin to develop and evaluate their programs, to identify their own issues, and to undertake special studies to resolve them through systematic analysis. Each Directorate then develops a program submission based on Directorate program evaluation and decisions arising out of special studies. However, if PPB is to be an effective force in the Agency, and not simply a staff exercise to produce a program submission, PPB techniques and approaches must be major management tools within the Directorates. They should be a way to help make decisions about what should be done, not a reflection of line decisions already made. Line management must be actively involved in PPB since the principal inputs to the Program Submissions demand detailed consideration of existing and projected contracts, projects, and ongoing activities. The quality of the Program Submissions is largely dependent on the skill and interest of line managers.

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6. Program Submissions

Directorate Program Submissions describe accomplishments, objectives, program plans and resource requirements. They are presented under the appropriate category in the program structure down to at least the program element level. Particular features of the program plans developed to attain objectives are: the intended targets, the rationale of the approach, significant milestones, risks involved, alternatives considered, and resources required. Directorate submissions also contain a summary of fund and position requirements for each program for the full five-year period of the Program Call. Substantial changes in fund and manpower levels from year to year are discussed.

Since the effectiveness of Agency planning is largely dependent upon the analytical and managerial skills of Directorate line elements in the execution of the PPB system, managers should give particular care to the Program Submissions. These are the Agency's critical planning documents, and must provide thoughtful presentation of objectives, identification of targets and alternative plans, while indicating risks involved and resources required. Plans should be projected not only for the first year of the program submission, for which budgets are ultimately prepared, but also for the following four years. Projection of out-year requirements is critical to effective planning since there is still time, at that point, to develop

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alternative plans. Important issues which must be decided at various times during the five year period should be identified as concisely as possible.

7. O/PPB Issue Identification and Analysis

a. Issue Identification

During the entire planning cycle O/PPB tries to identify, for top management, issues which should be resolved during the program planning process. Issues may be identified for O/PPB by the Directorates, O/PPB staff members, other elements of top management, or BOB. Issues are identified not only for the next budget year, but also for the later years of the planning period. Issues may be country, policy, (e.g. counter-insurgency policy), programmatic, functional, organizational or methodological. Some issues will arise from changes in the world environment to which the CIA must react. Other issues may have existed for some time, but either have not been analyzed or have not been fully resolved.

b. Systematic Analysis of Issues

O/PPB handles two quite different types of analytical problems during the course of the PPB cycle. On the one hand is the process of program evaluation. On the other are issues requiring Special Analytical Studies.

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(1) Program Evaluation

Evaluation of the Program Submissions begins upon their receipt by O/PPB. O/PPB conducts an overall program review in order to provide top management with the information needed to make choices between what Agency components would like to do and what the Agency might reasonably expect to do with the resources that are likely to be available. O/PPB uses teams of officers with broad Agency experience, one team for each Program Category, to review and evaluate the program submissions. These teams develop the questions and issues which are raised in the program hearings, identify issues for the Director, propose alternatives and make recommendations to the Director, and draft the Program Memoranda.

The Director of O/PPB provides specific guidelines to assist the program review teams as the cycle progresses. For example, criteria are prepared for use in analyzing program submissions and preparing Program Memoranda. These criteria provide guidance for, among others, judging whether a proposed program is an appropriate Agency responsibility, and for evaluating alternatives and risks. The Program Call, Planning Assumptions, and the Executive Director's special emphasis letters to the Deputy Directors provide additional guidance and criteria for program review.

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(2) Special Analytical Studies

Those issues which have major program implications and which can best be resolved through detailed consideration of alternatives are systematically analyzed in Special Analytical Studies. The various issues which require systematic analysis demand differing capabilities. Some are done by O/PPB. Others are prepared by the Directorates with terms of reference provided by O/PPB. Still others are done by Agency task forces.

Special Analytical Studies provide the analytical basis behind many of the decisions reflected in the Program Memoranda. These studies are designed to assist the decision maker in his task of identifying a preferred course of action from among competing alternatives. Such studies typically try to compare alternative courses of action in terms of a mission requirement, or conversely, to maximize output for given resource limits. Such studies are frequently used to resolve budget year issues. They support the Program Memoranda, and, as such, may be released to the Bureau of the Budget. Broader studies are conducted where basic policy level considerations are involved.

8. Issue Memorandum

The issue memorandum is a particularly significant document in the Agency's PPB System. Its purpose is to obtain guidance and decisions from top management on specific program considerations which have been

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identified during the analysis of the Program Submissions and during the O/PPB hearings on these submissions. For each issue which is raised, the Issue Memorandum presents a brief description of the problem area, identifies alternatives available and their costs and implications, and recommends a course of action for approval of the Executive Director-Comptroller and the Director. Recently the Issue Memorandum has been presented in three sections -- resource related issues, general program considerations, and future managerial concerns and suggested areas of study. Resource issues are presented when major new programs are proposed or when there is serious question about the level of effort the Agency should commit for specific programs. The general program considerations section provides a method for obtaining guidance on the topics and positions to be presented to the Bureau of the Budget in the Agency's Program Memoranda. The future managerial concerns and suggested studies section raises potential issues or proposes studies on problems which may require future decisions. They are not usually associated with the forthcoming Agency budget submission.

An important characteristic of the Issue Memorandum process is that it is an internal Agency management tool used to identify problem areas and to obtain executive guidance in developing the Agency's program plans and the budget levels which the Director will support in the ensuing budget and appropriation process. It addresses major program issues of which BOB may not be aware, as well as those identified by the Bureau

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of the Budget. Any issue deemed by the team members to require top management's attention is considered for inclusion in the Issue Memorandum.

9. The Five-Year Program

The decisions made on the issues raised in the Issue Memorandum act as changes to the Program Submission. The result is the Agency's Five-Year Program --- the Agency's projection of the activities it should undertake over the planning period. It should be a consistent entity which reflects the demands on the Agency as well as its internal needs. It is, of course, a dynamic program. It is constantly being changed through the reprogramming process and through detailed planning studies.

10. Program Guidance Memoranda

The purpose of these memoranda is to inform the Deputy Directors of the DCI's decisions on both program scope and emphasis and on resource levels which are to be submitted to the Bureau of the Budget in the Draft Program Memoranda. These levels become the basis for the resource levels to be included in office budget estimates.

11. Program Memoranda

Program Memoranda are prepared for the Bureau of the Budget. They present major program issues, cost and effectiveness comparison of alternatives for resolving the issues, the Director's decisions on programs

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to be carried out, and the rationale behind them. These memoranda document the Director's decisions on policies and programs for the Agency, and they relate them to requirements for resources.

The Bureau of the Budget requires Program Memoranda to address only those major program issues which have been identified by BOB. These involve "questions requiring decision in the current budget cycle, with major implications in terms of either present or future costs, the direction of a program or group of programs, or a policy choice." Agency policy, however, has been to view the Program Memoranda more broadly, and to use them as an effective means of presenting the thrusts, trends, and rationale for Agency Programs, as well as general problem areas. The Issue Memorandum provides ample opportunity for development of other issues the Director may elect to present to the Bureau of the Budget.

12. Program and Financial Plans (PFP)

The Program and Financial Plan is a comprehensive multi-year summary of funding and manpower requirements for Agency programs for the period covering the past year, current year, budget year, and four future years. Program and Financial Plans provide a continuing record from year to year of costs and financing of Agency programs. They are submitted to the Bureau of the Budget twice annually -- in September and February -- and serve as the vehicle for summarizing in dollar and man-

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power terms all program decisions made in the Agency. The September submission is the Agency's proposed PFP and is reviewed by the Bureau of the Budget and the President; the February submission reflects changes incorporated in the President's budget submission to Congress in January.

13. Planning, Programming and Budgeting Timetable

The aspects of the CIA PPB cycle described above occur in roughly the following time sequence.

- | | |
|---------------------------------|--|
| 1. October | 1. O/PPB issues Planning Assumptions and Program Call to Agency Directorates and Independent Offices. Special Emphasis letters sent to DD's. |
| 2. 1st Quarter of Calendar Year | 2. The Bureau of the Budget identifies major program issues requiring treatment in the Agency's Program Memoranda and suggests special studies to be undertaken. |
| 3. Feb. 15 - July 15 | 3. Agency holds internal program hearings, makes basic decisions regarding programs, and submits draft Program Memoranda to the Bureau of the Budget. |
| 4. July - August | 4. The Bureau of the Budget reviews Program Memoranda and Special Analytical Studies and responds to the Agency with a suggested budget total. Final adjustments are made to programs. |
| 5. September 30 | 5. Final Program Memoranda, Special Analytical Studies, and Annual Budget Estimate submitted to the Bureau of the Budget. |

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6. October - December
6. The Bureau of the Budget reviews Agency budget submissions, holds hearings with Agency officers on specific programs, and makes recommendations to the President concerning Agency resource levels to be included in the President's Budget.
7. January
7. The President's Budget is transmitted to Congress. Agency revises the PFP to conform to President's Budget.

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Planning-Programming-Budgeting Timetable

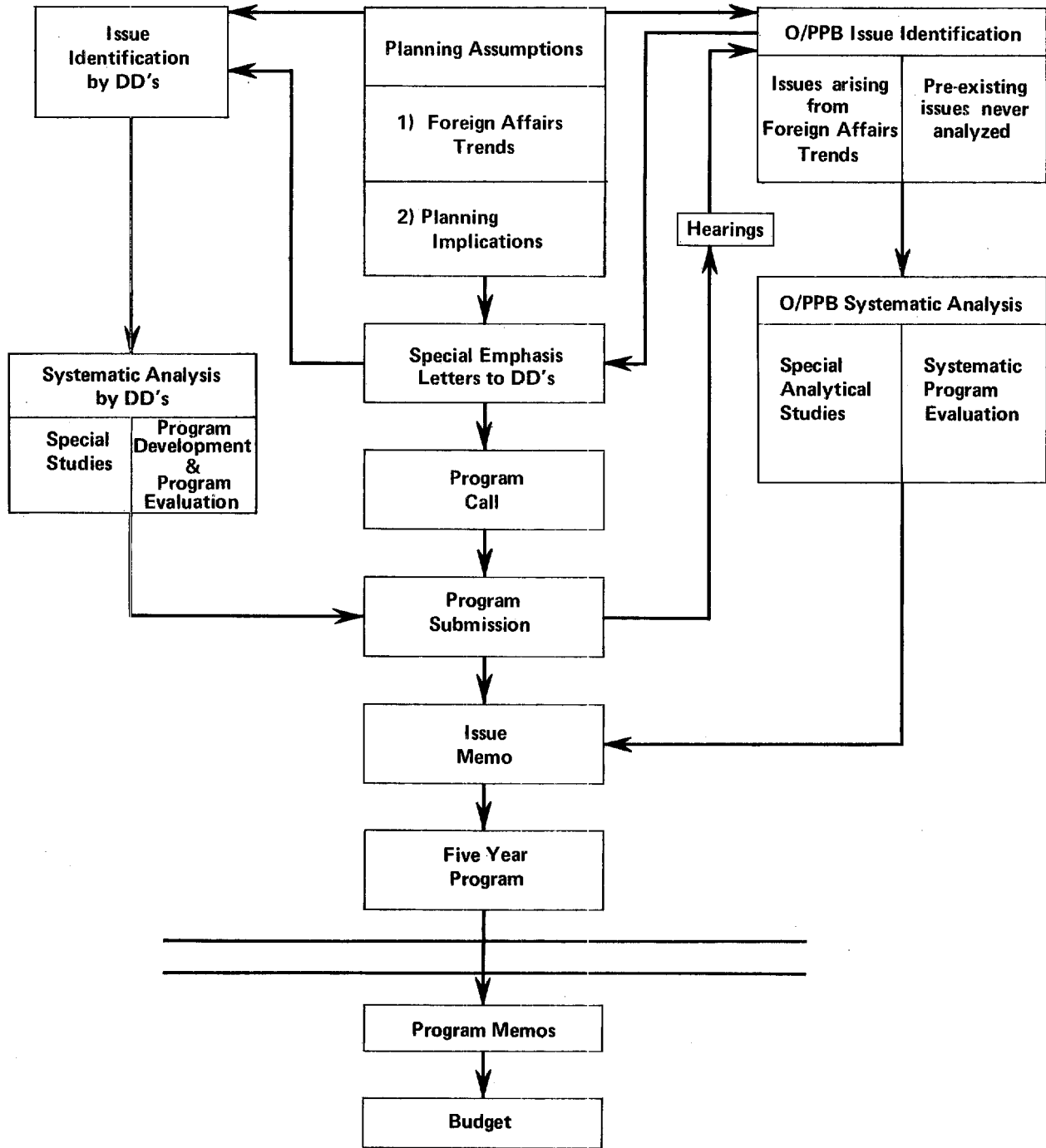
SEQUENCE of EVENTS	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	P L A N N I N G & P R O G R A M M I N G	
Prepare Planning Guidance & Assumptions													P L A N N I N G & P R O G R A M M I N G	
Issue Program Call														
DD's prepare Programs*														
Review Programs														
Prepare Issue Memo. for DCI**														
Prepare Draft Prog. Memo. & P.F.P.														
DCI mtg. w/Dir. BOB on Prog. levels														
Prepare final Prog. Memo. for BOB														
Issue Office Estimate Call														B U D G E T I N G
DD's prepare Office Est.														
Prepare BOB Budget Submission														
BOB hearing on budgetary levels						CURRENT FY +1								
DCI meeting with Dir. BOB on Pres. Budget														
Prepare & defend Congl. Budget														
Issue Oper. Budget Call														
Review & approve Oper. Budget		CURRENT FY												
Budget execution														

*Programs cover five year period starting with current FY +2.

**Special Studies on Selected Issues are conducted throughout the year.

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CHAPTER III: Budget Formulation1. The Role of Budgeting

The budget is a planning document in the sense that it is a detailed projection of the financial and manpower needs of the Agency's approved program. It expands in detail the fund and manpower estimates contained in the first year of the five-year Program and Financial Plan. It is the basis for appropriation action by Congress and provides a framework for legal expenditure of funds and for fiscal accountability. Ultimately the budget is the major determinant in the final allocation of Agency resources. It serves as a vital link between the Agency and the overseeing activities of the Bureau of the Budget and the special Congressional review committees.

However, the budget is more than a device for detailing resource allocation intentions. It is an essential management tool. Through the formulation and execution phases of the budget process, it strives to achieve sound, efficient, and economical program administration by:

1. Providing a sounder basis for forecasting and scheduling work production;
2. Improving the utilization of personnel by highlighting distribution of work, aiding in the detection of overstaffing, and supporting requests for personnel and facilities;
3. Providing comparisons of results to check performance; and
4. Furnishing useful information concerning program progress in relation to plan.

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The budget process provides a reporting system which brings information to the proper level for decision making and which ensures that decisions are properly carried out. Further, by providing a base against which results of activities can be evaluated, the budget is a control device which facilitates reallocation of resources to cope with changing needs as operations progress.

2. Types of Budgeting

The traditional object class budget emphasizes inputs by organizational unit and by objects of expenditure (such as personnel and travel) within each organizational unit. This approach has been in use longer than other types of Government budgeting. It is the most meaningful way that an Agency can identify and monitor expenditures in a given resource area.

The program budget emphasizes the various substantive areas of effort being carried out. Costs are attached to a program, such as collection of intelligence or covert action, regardless of the organizational unit that incurs that cost.

The performance budget emphasizes outputs, which are goods or service produced, in relation to inputs, which are resources consumed in producing those outputs. This third type of budgeting is derived from the other two and represents the basis for any qualitative cost-benefit analyses. The Agency budget is not presently arrayed in a formal performance budget format, distinct, from a program budget display, due to difficulties in quantifying

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output measures. Rather, performance budgeting is basically an analytic tool to encourage efficiency and responsibility by providing some means of measuring the degree to which efficiency is achieved.

The Agency's budget approach is a combination of all three of these approaches. However, because of the difficulties of obtaining quantitative output measures in most of the Agency's substantive program areas, the program budget approach best characterizes the Agency's budgetary process at the present time.

3. The CIA Budget Cycle

The Agency budget is first prepared about twelve months prior to its implementation. The CIA budget cycle consists of two phases, budget formulation and budget execution, which take approximately twenty-four months to complete for a given fiscal year. As such there is, at any point in time, an overlap of these two phases during which the budget of the current fiscal year is being executed while that of the next fiscal year is being formulated. The exhibit on page 28 shows the organizational and functional relationships of the Agency budget process in detail. This chapter will discuss the process of budget formulation and Chapter IV will examine budget execution.

4. The Formulation Environment

The Agency budget is in large measure determined in content and in format by external reporting and review obligations to the Bureau of the Budget and to selected Congressional subcommittees. While recognizing

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the sensitive nature of the Agency's mission, the BOB and Congress require extensive display and justification of the Agency program.

a. BOB Guidance

The Director of the Bureau of the Budget, as the primary staff for the President in budgetary and management responsibility matters, issues instructions and guidance to all Federal agencies for the preparation and submission of annual budget estimates. The most important instruction comes in BOB Circular A-11. Although much A-11 guidance is the same from year to year, some aspects of the submission requirements do change.

Section 13 of Circular A-11 contains instructions for the preparation and submission of annual budget estimates by setting forth broad guidance, applicable to all Federal agencies, which is consistent with the President's fiscal policies. This policy guidance for program decisions requires budget estimates to be based on:

- "(1) Consideration of the broad goals and specific program objectives to be achieved over the next several years;
- (2) Selection of the best alternative methods for accomplishing desired goals and objectives;
- (3) Reasonably accurate forecasting of work output expected;
- (4) Appropriate use of work measures to show progress towards goals and objectives."

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Additionally, in an agency with an integrated PPB System, program proposals are to be based upon its director's evaluation of the issues identified, studies through systems analysis techniques, and BOB advice from the latter's analysis of the Agency's Draft Program Memoranda submitted in the previous summer.

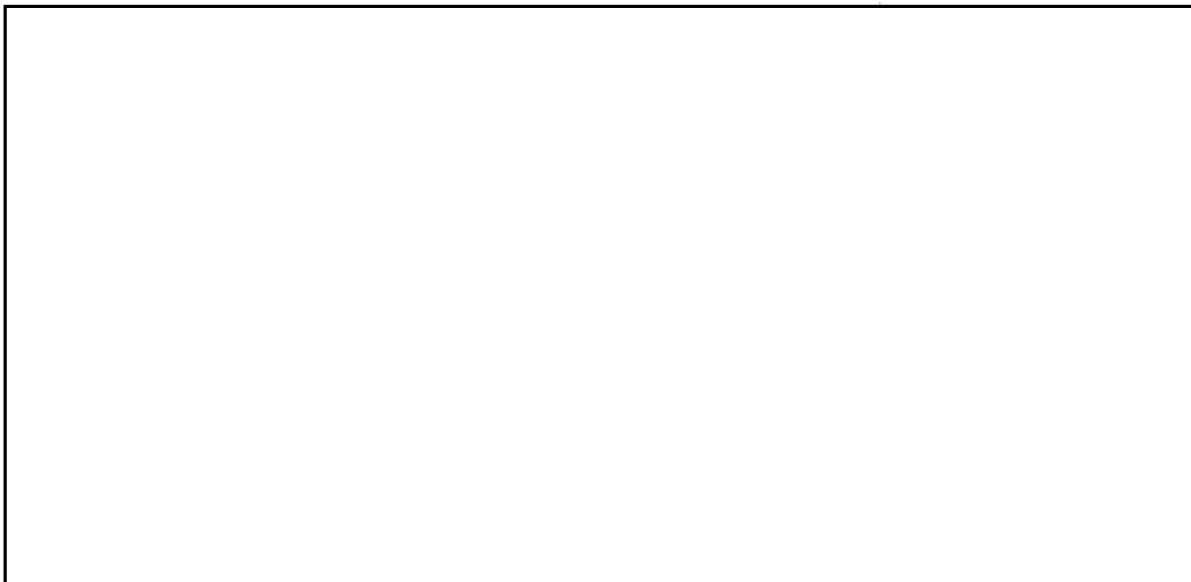
Section 13 also prescribes standard procedures for developing the funding requirements for various expenditure categories. For example, personnel compensation and allowances are based on a 40-hour work week and the compensation scales in effect on September 15 of the current year. Estimates on other objects of expenditure are also to assume general price stability during the budget year.

The material required by A-11 in the budget submissions for each appropriation of funds is composed of three primary sections and two supplemental sections. The primary section consists of Summary Statements, Detailed Material on Appropriation and Funds, and Justifications and Explanations. The supplemental sections consist of detailed personnel compensation schedules and other special interest material such as data on external research contracts, reimbursements, motor vehicles, and computers.

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In addition to the general requirements of A-11, the Director of BOB informs the DCI of the general financial policy to be followed in preparing his budget estimates for the upcoming fiscal year. He forwards a planning target for total Agency estimates in July or August, after completion of his review of the Draft Program Memoranda. General administration policy on the reduction of U.S. presence overseas and on gold flow are examples of other items which have a key impact on BOB planning guidance. The Agency incorporates the outcome of these various items of guidance in its subsequent budget submission. However, with respect to the overall target figure, the Agency may or may not adhere strictly to BOB guidance, depending on new requirements which may have arisen since the submission of the Draft Program Memoranda.

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b. Agency Guidance

The Executive Director-Comptroller and O/PPB provide centralized budget direction within the Agency. Much of this internal direction is provided through a formal Budget Call and special contingency exercises, responsive to BOB instructions and changing fiscal or operational conditions. The authority for O/PPB's centralized position and functions can be found in several CIA Headquarters Regulations. [redacted] outlines the office's broad responsibilities in the form of a mission and functions statement. Headquarters Regulations governing budget formulation procedures within the Agency are contained in [redacted]

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5. The Formulation Process

While the status and content of an individual budget are always in a state of flux, there is a general sequence of events for its formulation around which a process has been structured. This process recognizes the continuously changing operational and fiscal conditions contributing to the final product of budget formulation, the Congressional Budget.

a. The Office Estimates

The first formal step in the budget cycle occurs in July with the O/PPB Budget Call to the Agency offices for the fiscal year beginning twelve months hence. The resultant submissions, called the Office Estimates, are the raw material for the Agency's submission to the BOB. They reflect a) the actual obligations incurred in the past fiscal year (PY); b) the latest plan for obligations in the current year (CY); and c) the proposed obligations for the budget year (BY). The BY Submission is based on the levels approved for the first year of the most recently developed Five Year Program Memoranda and modified by the most recent thinking of the DCI and the BOB.

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The office control levels for both positions and dollars are issued by the Executive Director-Comptroller at about the same time as the Budget Call. The main thrust of the narrative in the Office Estimates is to justify and explain reasons for increases and decreases between BY and CY, and between CY and PY.

The individual offices prepare their Office Estimates for submission to O/PPB about the third week in August. While the responsibility for budgetary detail on program activities and resource requirements rests with the individual offices, staffs, and divisions, the Directorates are responsible for overseeing and coordinating their components' inputs. The specific content and format for this BOB, and the later Congressional, Submissions will be discussed in the following section of this chapter.

b. The BOB Submission

The Budget Division of O/PPB then organizes these submissions for consolidation into a single Agency budget for review by the Bureau of the Budget. This process consists first of screening the individual office budgets for completeness, computational accuracy and consistency, and adherence to the most recent DCI and BOB guidance and Program Memoranda. Then the submissions are consolidated by the content format and degree of specificity required

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for the Bureau. Special programmatic summaries, explanations of changes, and highlight statements are included. This budget, known as a BOB Submission, is due at the Bureau the last day of September.

During the month of October and into middle or late November the BOB holds hearings with various Agency components based on programs and items in the Agency budget which the Bureau would like to have justified or explained. O/PPB representatives specializing in the area involved are always present at these meetings, which are held at the Agency. Additional papers and back-up detail are frequently requested by BOB during the course of the hearing schedule in October and November. In these circumstances, and in all other Agency contacts with the Bureau, O/PPB serves as the single point of coordination.

By the middle of December the BOB gives the Agency a "mark-up" (or "mark") of the budget with dollar and manpower revisions based on its evaluation of specific Agency programs. O/PPB, as agent for the Directorates affected, is given two days, (sometimes longer, depending on the time available before the President's Budget goes to press) to respond to the Bureau's cuts. The Agency appeal process is called a "reclama". The DCI and Executive Director decide which cuts they feel should be restored and, with specific supporting materials from the offices involved, appeal

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to the Bureau. There then follows a period of bargaining between the Agency and the Bureau in which some of the cuts are usually restored. These negotiations can provide the Agency with a useful insight into BOB logic and attitudes. In some cases the President may be called upon to make final decision on programs where the DCI and Director, BOB are in disagreement, and, of course, the President gives his final stamp of approval on the level of the appropriation request.

c. The Congressional Budget

Based on the budget levels arrived at during the BOB and Presidential negotiations, the dollars are included (unidentified) in other government agency appropriation requests and incorporated in the President's Budget. For offices not affected by BOB cuts or revisions initiated within the Agency, this process is little more than a resubmission of a budget prepared the previous August. Those offices affected by the BOB "mark" have a correspondingly larger task. During this period also the Agency may be directed to pursue major new operational programs, necessitating realignment of programs which might otherwise be untouched by budgetary revision. During January and February O/PPB (with the help of data from the Directorates) prepares the Congressional Budget using the same procedures of analysis and consolidation of source data as in the BOB submission. In addition, a generalized distillation

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(called "House Notes") of the full Congressional Budget is prepared for the members of the special congressional sub-committees, highlighting the more important changes within each Program Category of Agency activity. Usually during the month of February the Agency budget is sent to Congress. This submission is highly classified and available only to the Appropriations subcommittees charged with Agency supervision although two other special subcommittees are also made aware of the main essentials of the Agency's request.

The final stage in the formulation process involves Congressional hearings. These occur during the spring and summer, at the same time as the review of the President's total budget is conducted on the Hill. At these hearings the Agency is represented by the DCI, the Executive Director, the Director of O/PPB, and the Chief of the Budget Division. The resultant approved Congressional Budget level is transmitted in the form of a letter to the BOB from the Senate Committee. The BOB, in turn, informs the DCI. This becomes the Agency's approved operating program level for the fiscal year in question. The total congressional appropriation level to the Agency is called "New Obligation Authority" (NOA). Specific supplementary guidance is usually provided either formally in the letters or informally. While program direction and the basic priorities presented in the budget are generally observed, as in all government operations

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there exists an understanding that some internal reprogramming will be necessary in the subsequent course of budget execution.

6. Budget Content and Format

In accordance with government-wide developments in planning, programming, and budgeting, the Agency budget is organized to display planned expenses primarily on a programmatic basis, but much additional information, particularly in supporting details, is provided by organization structure and by the traditional object classifications. In various contexts these differing structures are required in order to develop and justify a budget program both within the Agency and to outside review authorities.

a. Program Categories. Program Categories constitute the primary structure for accumulating and displaying the Agency budget. As discussed in paragraph 3(a) of Chapter II, this structure includes three levels of program classification (categories, subcategories, and elements) which arrange the Agency's activities in increasing degrees of specificity. The Program Category structure provides a common link between budgeting and programming.

b. Organizational. Organizational budgeting is a presentation of the resources (dollars and personnel) that each office, staff, and division organizational unit requires to do its assigned activities. This is a "user" oriented structure. However, each organization ties its budget needs into the Agency programming structure previously described and arrays these resource requirements by country or by location, or related

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special-interest organizational configurations.

c. Object Class. Object class data represent the traditional building blocks of budgeting by providing the answer to "what kind of resources are required?" Every expenditure is associated with one of the twelve object classes which are established on a government-wide basis by BOB and are defined in They include such items as personnel compensation, transportation of things, supplies and materials, etc. As in the program category descriptions, the object class narrative is directed towards specific reasons for increases and decreases between the BY and CY, and between the CY and PY.

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d. Target Oriented Display. Although not presently in use as a budget tool, a Target Oriented Display (TOD) is being developed to show the Agency's budgets and programs on a common basis with the rest of the Intelligence Community. The TOD structure arrays resources against an intelligence target, such as the Soviet Bloc or Communist China, and within major targets to sub-targets such as "military" or "economic". This program is still in its formative stage, however, and suffers from the problems of allocating or prorating individual and office activity to a specific target area.

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CHAPTER IV: Budget Execution

1. General

The budget execution process formally begins the first day of July each year and continues through the last day of the next June. In essence, it consists of the obligation and expenditure of funds to conduct approved programs of the Agency. It entails the day to day operating procedures which enable managers at all levels of the Agency to exercise varying degrees of program and financial control. Beyond its traditional administrative control function, budget execution also involves management techniques for optimizing the use of available resources in carrying out approved and constantly changing programs. As such, it provides a source of management information needed to operate programs and make decisions.

2. Legal Requirements

The CIA Act of 1949 provides (1) that sums made available to the Agency could be expended for purposes necessary to carry out assigned functions regardless of other provisions of law and (2) that expenditures for objects of a confidential or emergency nature could be accounted for solely on the Director's certification. There thus exists a mistaken impression that the Agency is not bound by the legal provisions on appropriated funds which govern other Federal agencies. Such is not the case. In addition to the provisions of Section 3679 of the Revised Statutes (31 USC 665), which

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require all obligations to be legally authorized and within limitations imposed by apportionments and allotments, the Agency follows the general legal requirements governing individual Government transactions when security considerations do not govern, as in salary schedules and per diem rates. The Agency policy as contained in has been to limit, to the extent possible, the exercise of the special provisions of the CIA Act. Normally the Agency abides by all the provisions of the statutes governing fund management and accounting, except where Agency activities require protection in the national interest.

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3. Funding Authorities

The flow of funds within the government and, in turn within the Agency, is accompanied by funding authorities permitting obligation of funds up to a certain limitation. Such formal authorities are standard concepts in government administration.

a. Joint Resolution

Because the annual appropriation bill is seldom passed by Congress by the beginning of the fiscal year, Congress passes by July first of each year a Joint Resolution, which provides authority to the Agency and other government agencies to continue operations until the appropriation bill is passed. This authority limits operations to a rate not to exceed the rate in the prior year's obligations or that envisaged in the present year budget request, whichever is less. This authority

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is in turn subdelegated to the individual offices within the Agency by means of a Headquarters Notice or by Executive Director-Comptroller memorandum just prior to the beginning of the fiscal year. Offices are directed not to exceed (on a monthly basis) one-twelfth of the annual limitation referred to in the Joint Resolution. Internally this would be one-twelfth of the Operating Budget mentioned later, if the Agency's Operating Budget happens to be less than the previous year's obligations. Under special circumstances O/PPB will issue upon request monthly authority of greater than one-twelfth to those offices requiring heavy obligations (e. g. for contracts) at the beginning of the year so long as the Agency as a whole does not exceed the limitation. Such excess authority is usually available on an overall Agency basis since overseas activities are in some cases a month late in reporting their obligations. Allotments are not issued until the appropriation act is passed and funds are apportioned by the Bureau of the Budget, except for Reserve releases.

b. Appropriation

An appropriation is an authorization by an Act of Congress to incur obligations and make payments out of the Treasury for specified purposes. Congressional action gives the Agency an appropriation for the conduct of regular operations and when necessary, a replenishment to the Agency's Reserve for Contingencies. As explained in the previous chapter, the Chairman of the Senate Appropriations Committee advises the Director,

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BOB of the amount appropriated to the Agency for the ensuing fiscal year. The bureau in turn advises the Agency and the budget execution process proceeds in the same manner as that of any other Federal Agency, i. e., by an apportionment request to the Bureau of the Budget submitted on standard form 132.

c. Apportionment

An apportionment is an authorization made by the Director of the Bureau of the Budget. Under the concepts of Section 3679 it represents an obligation limitation. The initial apportionment request includes a financial plan based on the Agency's current Operating Budget. BOB reviews the financial plan within the context of the Congressional appropriation and will approve the request in whole or in part depending upon current administration direction.

d. Allocation

An allocation is the planned division of the Agency's apportionment in accordance with the approved Operating Budget. In recent years it has been issued in the form of a memorandum from the Executive Director to the Deputy Directors and independent office chiefs indicating position ceilings and dollar allocations by office.

The allocation differs from an allotment in that it does not constitute legal authority to obligate. In fact, the allocation memorandum asks that allotment requests be submitted in conformance with the allocation ceilings contained therein.

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e. Allotment

An allotment is a formal authority to obligate which is issued to the head of each Agency office by O/PPB on Form 716. The individual allotments are based on allocations approved by the Executive Director and are signed by the Chief of the Budget Division. Reimbursements and advances from other government agencies are also allotted on Form 716. These allotments can be sub-allotted as necessary by each office through Form 716a.

Each allotment indicates the amount of funds allotted and the Property Requisitioning Authority (PRA) for supplies, materials, and equipment to be issued and/or procured by the Office of Logistics on the Office's behalf. Funds to cover the PRA are allotted to the Office of Logistics in a consolidated allotment from O/PPB. If property is to be procured locally by the office concerned, allotment advice for such funds is also indicated on the office's basic Form 716. For more information on the Agency's property management procedures see Office of Logistics pamphlet "Funding of Agency Property, June 1968."

4. Reserve for Contingencies

The BOB and Congress have recognized that many of the Agency's activities are directed by operational considerations and intelligence community decisions which cannot be foreseen and included in the Agency's annual budget submission. To give the Agency appropriate financial

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flexibility to undertake such operations without recourse to special supplemental Congressional appropriations, a special Reserve for Contingencies has been established. This Reserve is replenished as necessary at the time of the annual appropriation to provide an adequate level for the range of contingency situations that may arise. During the course of the fiscal year any release of funds from the Reserve must be fully justified with appropriate supporting material. It must have BOB approval in form of an apportionment. The DCI then notifies the Chairmen of the Congressional Appropriations Committees when such releases are made and justifies the need for the releases as called upon. The Reserve cannot be used as a hedge against over-obligation of the regular operational program. Once approved, the amount of the release is merged with regular operational funds (although usually accounted for separately) to provide a new level of the Operating Budget for the Agency as well as the office concerned.

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5. The Operating Budget

The budget execution process actually begins during the Spring before the beginning of the fiscal year in the form of an Agency review to determine what changes are necessary to the annual program as expressed in the Congressional Budget. This review does not adhere to a formal pattern, but in recent years has been conducted on an ad hoc basis at the direction of the Executive Director-Comptroller. Directorates and offices are requested to revise their annual program to reflect requirements that may not have been anticipated six to nine months previously or included in the Congressional Budget. Conversely, they may be requested to adjust their financial plan downwards to eliminate lower priority needs or programs no longer needed, in order to accommodate unfunded requirements. This reprogramming effort, coordinated at the Directorate level and ultimately approved by the Executive Director, results in the "Operating Budget", or financial plan for the ensuing year. In no case can the resulting plan for allocation of resources exceed in toto the amount anticipated to be appropriated by Congress for regular operations.

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At the office level internal reprogramming among divisions and programs will be necessary to provide for specific operational situations. The increased needs and excesses should be highlighted in the Spring in conjunction with the overall Agency "review" and results made known at the Directorate level. The Directorate level in turn will attempt to balance the increases and decreases among offices in conformance with overall guidelines or ceilings approved by the Executive Director.

By 1 July each office and Directorate should be well prepared to proceed with its Operating Budget for the new fiscal year. However, since Congress seldom passes the appropriation bill by the first of the year, the Directorates and offices are provided a tentative operating target which corresponds to the approved Operating Budget but is tentative inasmuch as the appropriation has not been passed.

6. Reprogramming

The operational and, accordingly, the funding needs of the Agency are always changing. As stated in the previous chapter, recognizes the need to realign Agency resources to reflect changing fiscal and operational conditions and changing priorities. Reprogramming actions should represent a tangible product of these changes and thus form a very visible part of budget execution. Reprogramming resources within an office can be handled by that office provided the program changes are consistent with Agency policies and priorities. Any change which involves the shifting of funds (and hence

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allotment) between offices must be processed through O/PPB, which centrally manages Agency resources, as authorized by [redacted].

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When reprogramming occurs either within an office's allotment or between offices (upon allotment approval), that action is reported on a monthly basis on the Program Status Report discussed later in this chapter. Reprogramming is constrained not only by the allotment medium but also by the approvals system and administrative plans discussed below.

7. The Approvals System

[redacted] also establishes the framework for a project approval review system administered by the Executive Director through O/PPB. This regulation describes the need for special review and study of projects based on their scope, cost, or policy implications and directs that appropriate reporting and review formula be established. Under present Agency policy the Executive Director, through O/PPB, reviews for the Director's approval:

(a) All new research, development, and engineering projects, and all non R&D scientific and technological projects of more than

[redacted] and all extension and amendments to such projects of more than [redacted]

(b) All other new projects of more than [redacted] and all extensions and amendments to these projects of more than [redacted]

(c) All property purchases and sales, including real estate, vehicles, and aircraft, and automatic data processing equipment of more than

[redacted] and

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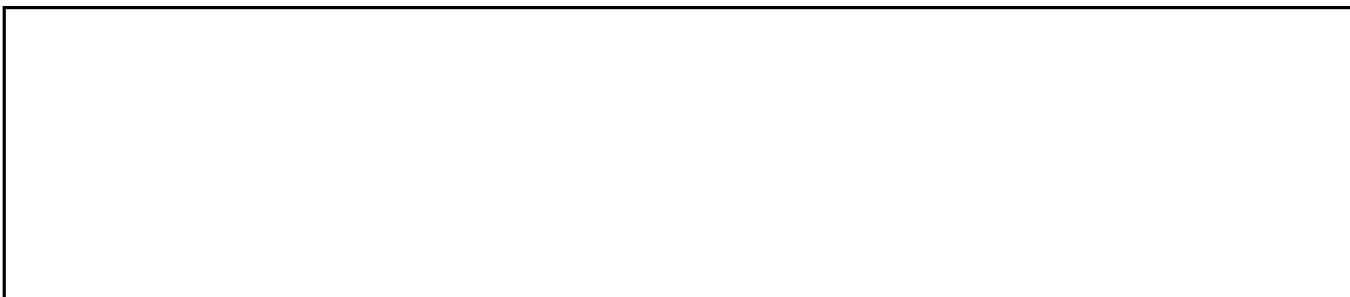
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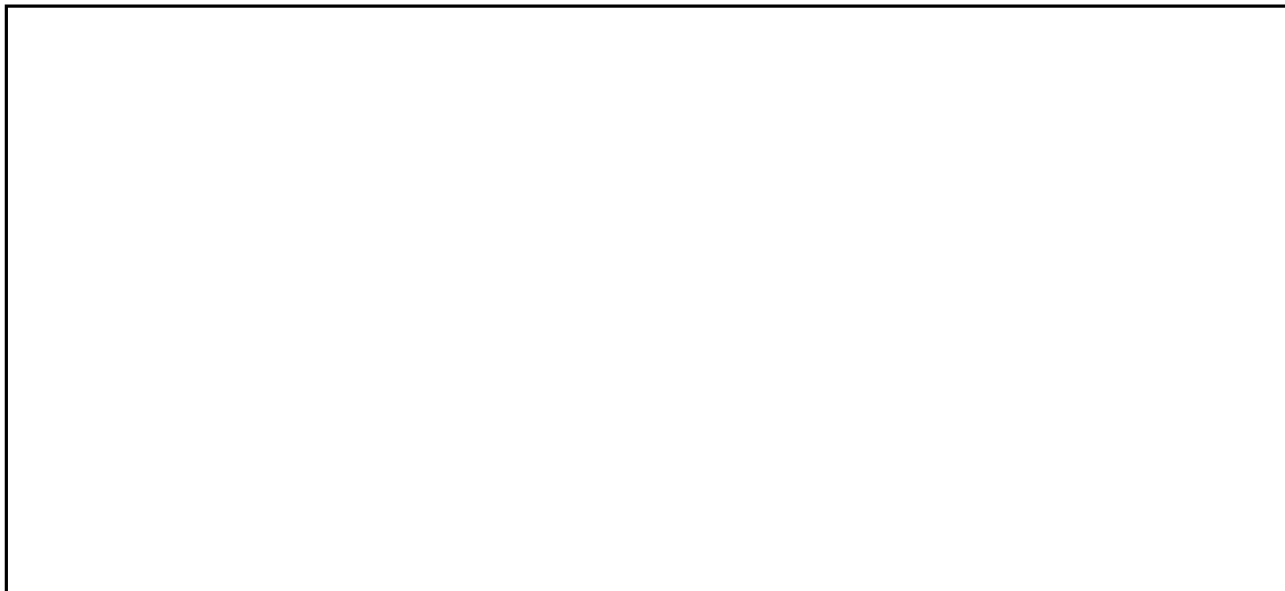


9. Management Reports

The Agency generates a variety of internal reports to provide management information for all levels of budgetary review. These reports provide both status information on the current budget and justification data for future budget submissions.

a. Office-Level Reports. The Agency's accounting system produces two major monthly reports to enable each office, as an individual allottee, to comply with the requirements for not exceeding its obligation authority. These are the Status of Allotments and Property Authorizations Report and the Obligation Status Report.

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Planning, Programming, and Budgeting System

APPENDICES

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Planning, Programming, and Budgeting System

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APPENDIX I

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