

Corps of Engineers Budget Execution

Operations Manager PROSPECT Course
1-5 August 2005

OBJECTIVES

- ◆ Students will have general knowledge of:
 - Presidents Budget vs. Congressional Budget vs. Work Allowance Budget
 - What is a CRA?
 - What is the Operating Budget?
 - What is a 2101 schedule?
 - What's the difference between Basic and Current Schedule?
 - What are Expenditure and Obligation rates?
 - OPM's role in program execution
 - Some tools available for high expenditures

REMEMBER!

OPM's are always working on either execution or planning for three different FY budgets!

Presidents Budget

- ◆ The budget that is signed by the President in February, just before State of Union speech
- ◆ No Congressional Adds
- ◆ No Savings and Slippage
- ◆ It has the items which you budgeted for a year or so ago
 - Some might have already broke and been fixed
- ◆ Does not have any of the items which broke or changed since budget preparation

Congressional Budget

- ◆ Includes most things in President's Budget
- ◆ Includes congressionally added items
 - S&S is to cover the cost of any of these items that congress did not include funding
- ◆ Still includes the items which you have already fixed
- ◆ Does not include the items which have broke since budget preparation

Work Allowance Budget

- ◆ This is the important one!!!!
- ◆ What gets included in this budget is what will probably get done in the FY
 - Could still be changes during FY
- ◆ Savings and Slippage applied
- ◆ Includes your routine program
- ◆ Includes the congressional adds
- ◆ Include mandated items
 - Periodic Inspections, etc
- ◆ Includes the items you plan to do this FY
 - If you have funds over and above items above

Work Allowance Budget

- ◆ Can move funding around at this time to projects with highest priority items
 - Could require congressional approval in future
 - Did not allow this in FY 05
- ◆ Sometimes there are significant changes in funding at a given project at this time
 - New requirements, etc
- ◆ If you're going to spend a lot of time on one budget cycle – spend it here!!!

Work Allowance Budget

- ◆ Work allowance changed this year
- ◆ We received our Conference amount less S&S
- ◆ All moving of funds considered reprogramming
 - Congress has “power of purse”
- ◆ Limits flexibility for the entire year if you have to use up reprogramming authority at the beginning of the year
- ◆ Business line budgeting could really impact this in the future

Continuing Resolution Authority (CRA)

- ◆ Congress does not pass appropriation bills in time for start of FY – 1 October
 - Energy and Water in our case
- ◆ In lieu of shutting down government
 - Does anyone remember the “non-essential” employee discussions in the past?
- ◆ Allows government to continue operating until appropriation bill is passed
- ◆ Congress does not want to get blamed for shutting down government
- ◆ Can last all year if congress doesn't pass bills

CRA Rules

- ◆ Can not Obligate funds at a rate higher than last FY
 - Usually a Division level target
 - If you have huge obligation early in last FY – no problem
 - If you had very small amounts of funding last FY - problem
- ◆ Can only obligate funds up to the value approved via Funding Authorization Document (FAD) through RBC office
 - Some differing opinions across CoE on how much funding can be loaded into CEFMS
- ◆ Continuing Contracts only funded thru CRA period
 - Can cause number admin mods to contracts
- ◆ Intent is to keep minimally operating until approps are passed

Operating Budget

- ◆ Departmental overhead account
 - Overhead expenses
 - Very defined set of expenditures
 - Discretionary and Fixed costs
 - ◆ Discretionary (examples)
 - Labor, Awards, Office Furniture, PCS, VSIP, Training, etc
 - ◆ Fixed (examples)
 - Rent(SLUC), LAN, CASU, Help desk, Phone, etc
- ◆ Less flexibility
 - Rate set by dividing total expenses by total direct labor
- ◆ Once rate set, income starts generating to cover anticipated expenses
- ◆ Heavy emphasis in nominal balance

Labor Calculation

- ◆ Labor largest portion of routine
- ◆ 3 added components to labor
 - Effective rate: Government contributions (1.5 times hr rate)
 - ◆ Annual leave, Sick leave, health insurance, etc
 - General and Administrative overhead (20%)
 - ◆ District level overhead offices expenses
 - RM, LM, OC, IM, Safety, IR, Etc
 - Operations Division overhead (25%)
 - ◆ Indirect labor, IT, VSIP's, training, awards, etc
- ◆ $\$10 \text{ Hr} \times 1.5 = \15 (effective rate burden = \$5)
- ◆ $\$15 \times .2 = \3 (G&A burden)
- ◆ $\$15 \times .25 = \3.75 (Department overhead burden)
- ◆ Total hourly rate: $\$15 + \$3 + \$3.75 = \21.75
- ◆ Total Labor Multiplier(TLM): $\$21.75/10 = 2.175$

Operating Budget Schedule

- ◆ Original done by July prior to FY starting
 - Not sure of work allowance
 - Not sure of Savings and Slippage
 - Best guess at the time
 - Set rate to start year
- ◆ Mid-year Update
 - Use end of February data – usually
 - Gives chance to update plans
 - Usually have a rate change
 - ◆ More/Less direct labor, More/Less expenses

What are 2101's?

- ◆ Used to determine expenditure rate
- ◆ Schedule for obligations and expenditures for all funds received at your project
- ◆ Scheduled on a monthly basis
- ◆ Basic schedule is the schedule for all funds received at work allowance
- ◆ Current schedule is the schedule for funds as changes +/- during the FY
- ◆ Can be a tremendous amount of work to keep current if funding is changing often
- ◆ P2 Oracle Financial Analyzer should be great help in P2 is kept current and accurate

Program Execution Goals

- ◆ Obligations – 100%
 - This is not too hard to get close
- ◆ Expenditures – 98%
 - This one takes lots planning and effort
 - Rate is calculated against total available funds at the end
- ◆ If they take the use of continuing contract clause away – 98% expenditure rate will have to go
 - Unless all contracts do not go over FY

Joint Activities/Costs

- ◆ Multipurpose projects – category 300 projects
- ◆ Cost allocation studies are completed at start of operating project development to determine project principle purposes
- ◆ Specific costs are costs associated with an authorized project principle purpose. Ex. Hydropower
- ◆ Per ER 37-2-10 Chapter 31:
 - “Joint costs are shared by all authorized purposes of the project.”
 - “Joint costs are distributed to individual purposes using joint allocation percentages.”
- ◆ Ex: Putting roof on administration building. Admin building supports all purposes not just one

OPM's Role

- ◆ Lead Project PDT
- ◆ Oversee preparation of PgMP
- ◆ Approve the PgMP for FY
- ◆ Assure funds within Project are managed according to PgMP
- ◆ Have quarterly (?) PDT meetings
 - Could be virtual, net-meetings, etc
 - More or less often as required
- ◆ Articulate funding arguments for Non-routine activities in support of project
 - Work allowance ranking meeting
- ◆ Assure execution of on-site funding for project

PgMP

- ◆ Overall plan for project funding for that FY
- ◆ What product's will be provided by each organization with the funds that FY
 - Product's will be agreed on in PDT meetings
 - Operations is customer to these other organizations
 - Utilize O&M funding to get product's in support of management of projects
 - ◆ Dam Safety program would not exists without the dam's!!
- ◆ Done correctly, will be an incredibly valuable tool for program/budget execution

Tools for Expenditures

- ◆ Under funding labor in anticipation of slippages
 - If you fund labor at 100% of FY need on 1 Oct. there will be excess funds
 - ◆ Vacancies, unanticipated leave, etc
- ◆ Accruals
 - Assures earning that have not been billed are accounted for
- ◆ Continuing Contract clauses – **New thoughts in future**
- ◆ IDIQ contracts
- ◆ On-the-shelf plans and specs
- ◆ Do not fund quick turn around items unless absolutely critical
- ◆ I.E. Have contingency plans

QUESTIONS????