

# Corps of Engineers Budget Execution

Operations Manager PROSPECT Course  
7-11 August 2006

## 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?
  - Huge change for FY 06 – Obligations vs Expenditures
  - What's the difference between Basic and Current Schedule?
  - What are Expenditure and Obligation requirements now?
  - OPM's role in program execution
  - P2 and the O&M program???

## REMEMBER!

We 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 or % cuts
- ◆ 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
  - % cut in Pres Budget project amounts 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
- ◆ % cuts 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

- ◆ Used to be able to move funding around at this time to projects with highest priority items
  - Can't do this any more
  - Must live within the amount in the Conference report
- ◆ Used to be able to look at O&M program and do the highest priorities within the District's O&M program
- ◆ Now we do the highest priorities within a given Operating project
- ◆ Very limited ability to move funds between projects
- ◆ This means we could be doing activities at one project that are lower priorities than items at another project which are not funded

## Work Allowance Budget

- ◆ FY 06 had 10% across the board cut
- ◆ FY 06 had another cut for Dam safety independent review funding
- ◆ We received our Conference amount less all cuts
- ◆ All moving of funds considered reprogramming
  - Congress has "power of purse"
- ◆ Business line budgeting could really impact this in the future

## The Huge Change in 2101's this year

- ◆ We changed from a Expenditure based system to an Obligation based system
- ◆ Still gauged on expenditures
- ◆ Obligations are the key
- ◆ Receiving funding from obligation schedule
- ◆ We must all understand the importance of this change and how to live in the system

## Program Execution Goals

- ◆ Obligations: +/- 5% of schedule
  - This is not too hard to get close
- ◆ Expenditures: +/- 5% of schedule
- ◆ We can carry funding out of FY
  - No penalty as long as it is scheduled that way
- ◆ Funds need to be obligated when carried out
  - We need to be 100% obligated
- ◆ If not obligated funds **could** be deemed excess
  - Excess is the new term
  - Excess to our current FY requirements
  - These funds could/will be available for reprogramming

## Other FY 06 Changes

- ◆ No (very limited) use of continuing contract clause
  - Scheduled carry out to expend next FY is ok
  - O&M program is only place we can use
    - ◆ Are the next FY funds in the President's Budget?
- ◆ Reprogramming restrictions
  - O&M does have \$2M or 50% whichever is less
    - ◆ District commander ?
    - ◆ Funds need to be deemed excess

## Reprogramming

- ◆ FY 06 significant change
- ◆ "power of the purse" issue
- ◆ By moving funds around we were telling congress "we know better"
- ◆ We were given \$2M or 50% of project funds
- ◆ No real delegation
- ◆ Unbudgeted project could not get funds without going to committees

## 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
  - Shouldn't be many of these now
- ◆ 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

## Operating Budget

- ◆ FY 07 will have Regional rate
  - All districts within a regional will have same rate?
  - Same issue as when we applied to field
  - Some winners and some losers
    - ◆ More FTE more chance to be losers
- ◆ Consistent charging practices
- ◆ Consistent use of resource codes
- ◆ IT costs very high for FY 07 with transition costs included

## 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 % cuts
  - 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 track scheduled expenditures and obligations
- ◆ 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

## 2101's continued

- ◆ Updated numerous times this FY
- ◆ Received FAD equal to obligations thru end of March
- ◆ Received March thru June in late Feb.
- ◆ Received July thru Sept in July
  - Created a number of problems

## Important to understand terms

- ◆ Commitment
  - What occurs to create a commitment?
  - Can committed funds be used elsewhere?
  - Is a commitment automatically obligated?
- ◆ Obligations
  - What occurs when obligation done?
  - How do we obligate some things?
- ◆ Expenditure
  - What occurs when expenditure happens?
  - How do we expend funds?

## Quiz

- ◆ When does labor commit?
- ◆ When does labor obligate?
- ◆ Can you do a PR&C for something scheduled for obligation in June?
- ◆ Should we use more zero dollar PR&C's?

## White Paper

- ◆ Signed Aug 1, 2005 by Maj. Gen. Riley
- ◆ Empower OPM's to function as PM for all routine or "below the line" activities
  - PDT members from orgs that support project
- ◆ OPM as customer on "above the line" activities
  - PM can be anywhere, but there must be a operating project member on PDT

## 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
  - Ranking meetings
- ◆ 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 exist without the dam's!!
- ◆ Done correctly, will be an incredibly valuable tool for program/budget execution

## Tools for Expenditures

- ◆ Not as important as in the past – we are now Obl. based
- ◆ 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 – Very limited use
- ◆ IDIQ contracts
- ◆ On-the-shelf plans and specs
- ◆ Do not fund quick turn around items unless absolutely critical
- ◆ I.E. Have contingency plans

## P2 and the O&M Program

- ◆ Is the routine program, “below the line”, in or out of P2?
- ◆ How would FEM information take the place of P2 information in the routine program?
- ◆ Will we put non routine “above the line” program in P2?
- ◆ Does P2 help the O&M program?

## P2 and the O&M program

- ◆ Will the 2101 be automatic in P2?
- ◆ What happens when we status a project?
- ◆ Do we need to put schedules into P2 on “above the line” projects?
- ◆ Can we still use “hammocks” activities?
- ◆ Do we need to resource our “schedule” activities?

## Who's inputting P2?

- ◆ Contractors
  - ◆ Project Managers/OPM's
  - ◆ Program Analysts in District office
  - ◆ Program/Budget analysts in field office
  - ◆ Combination of some or all of these
  - ◆ What is your district doing?
- ◆ P2 – still more questions than answers

**QUESTIONS????**