

Corps of Engineers Budget Execution

Operations Manager PROSPECT Course
23-27 July 2007

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?
 - Obligations vs Expenditures as a measure
 - 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 Reductions for 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
 - Funding these items has become a source of contention. FY 07 had "no adds". Everything was different due to the fact congress threw out the original FY 07 President's budget submission and went to the FY 06 congressional budget as the starting point.
- ◆ 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 Congressionally added items
- ◆ 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 07 Congress went back to FY 06 conference amount as the starting point
 - Some districts were winners and some losers
- ◆ HQ had to cut for FEM, NRRM and Chiefs 12 priorities
- ◆ 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

Huge Change in How We are Measured

- ◆ We changed from a Expenditure based system to an Obligation based system in FY 06
- ◆ Expenditures still reported
- ◆ 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 Recent 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
 - ◆ Division commander
 - ◆ Funds need to be deemed excess

Reprogramming

- ◆ "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 we 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
 - 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

- ◆ Using OFA as the tool
 - Rounding and smoothing, etc
- ◆ We now "status" projects to bring them up-to-date in the OFA tool
- ◆ Receive Funding late in FY after 2101's in place
- ◆ E-PRB's and E-PRC's
 - Using schedules in P2 for PRB's and PRC's

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?
 - Currently in
- ◆ How would FEM information take the place of P2 information in the routine program?
- ◆ Does P2 fit the O&M program?
 - Not a very good fit for routine

P2 and the O&M program

- ◆ 2101's in OFA?
- ◆ What happens when we status a project?
- ◆ Use of P2 on Asset activities
 - Must have project in P2
- ◆ Can we still use “hammocks” activities?

- ◆ Still working thru p2 and the O&M program

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 working thru difficulties

QUESTIONS????