

CHAPTER NINE

Office of Management and Budget

Government Accountability Office Interagency

Collaborators **Citizens** White House Congress

Interest Groups and Associations **State and Local**

Governments **Unions** White House Policy

Councils **Media** Inspectors General

Bernard H. Martin

OFFICE OF MANAGEMENT AND BUDGET

By Bernard H. Martin

There is one certainty in Washington: You will be dealing with the Office of Management and Budget throughout your tenure as an agency head. Nearly every major issue you will face will pass through OMB.

If you are sending budget requests or legislative documents to the Congress, they must first go through an OMB review and approval process. If you are seeking to submit regulations to the public, they must undergo OMB scrutiny. Guidance on financial systems and procurement actions comes from OMB. Government-wide management agendas are also typically organized and supervised by OMB. Within the Executive Office of the President, OMB works closely on policy, serves as a central clearance mechanism, and is in constant communication with the National Economic Council, National Security Council, the Domestic Policy Council, and the Homeland Security Council.

You will have to work with OMB in a variety of areas, but the budget process is the main arena of engagement. What are OMB's central budgetary concerns and operating principles? What should incoming agency heads and other appointees know in order to develop a productive relationship with OMB?

Recommendation One: Understand the presidential perspective.

The expansion of the power of the presidency and the influence of the Executive Office of the President has been an integral part of the history of the federal government in the 20th and 21st centuries. OMB, as a central EOP staff agency, has been an instrument of that expansion. It has been intimately involved in policy direction, priority setting, program and management review, and budget development for an unbroken succession of presidents.

In the current fiscal climate with the new president inheriting substantial budget deficits, interest in eventually returning the budget to long-term balance makes it highly likely that the president will put agencies under tight budget constraints for all but his most essential priorities. The translation of such presidential guidance into agency-specific spending limits may result in lower targets than agencies believe appropriate. Agencies almost certainly will find themselves caught between OMB's insistence on adhering to presidential priorities, counter pressure from a variety of constituencies and interest groups, and the ever-present pressure of scarce resources.

Insight: *You must understand that OMB examines agency budget requests within a balanced framework of presidential policies and priorities. Even a proposal of great merit may not survive this balancing process.*

Recommendation Two: Get to know OMB staff.

Your lead OMB policy official for most budget and program policy matters will be the program associate director (PAD) with jurisdiction over your agency. OMB usually has four or five PADs. Each is responsible for several departments and agencies with related missions—for example, human resource programs. They may negotiate with congressional members and staff on appropriations and authorization bills affecting the budget, along with or independent of agency appointees.

The PADs review analyses of program issues by OMB career staff and work with the staff to develop solutions to policy and program disputes. They frequently represent OMB at the policy level on interagency groups established to formulate new administration programs or address crosscutting issues.

Each PAD usually has two Resource Management Offices (RMOs) reporting to him or her. A deputy associate director (DAD), a career member of the Senior Executive Service (SES), heads the RMO. Two or more branches report to the DAD; another career SES member, the branch chief, heads each branch. The branches are normally responsible for the analysis and examination of the budget and programs of an entire department or agency—for example, the Department of Education and several related agencies—and for review of legislative, regulatory, management, and other issues in conjunction with other OMB units. Branch staff can provide insights about agency strengths and weaknesses. They will often be asked by OMB program officials to develop alternative approaches to solving difficult problems, fresh ways of considering long-standing issues, and so on.

Insight: *It is essential that you establish good working relationships with OMB policy officials and career staff. This will not guarantee easy resolution of contentious policy, program, and budget issues, but it will normally make agreements more likely and negotiations more amicable. Ask your staff to schedule a get acquainted session with your PAD and DAD during your first month in office.*

A former OMB senior staffer recalls his introduction to an agency he was examining early in his career. An agency official said that he should ask about anything he wanted and they would get him an answer, because they were so confident about their proposals that “the more you know and understand, the harder it will be for you to say no.” And he was right. Although that attitude didn’t guarantee approval for every agency proposal, such proposals always receive serious consideration.

Recommendation Three: Understand the numbers—recognize that budget and policy are inseparable.

To those who have not been previously involved in its preparation, the federal budget can appear a bewildering mass of numbers. You must realize that the numbers are the reflection of policy decisions, program initiatives, performance goals, and management systems. Paul O’Neill, a former deputy director of OMB, chief executive officer of Alcoa, and secretary of the treasury, described the fundamental importance of the numbers and the budget process as follows:

One of the secrets only the initiated know is that those who labor here [at OMB] for long do so because the numbers are the keys to the doors of everything. Spending for the arts, the sciences, foreign policy and defense, health and welfare, education, agriculture, the environment, everything—and revenues from every source—all are reflected, recorded, and battled over—in numbers. And the sums of the numbers produce fiscal and monetary policy. If it matters—there are numbers that define it. And if you are responsible for advising the president about numbers, you are—de facto—in the stream of every policy decision made by the federal government.

OMB’s budget review is fundamentally policy and program based within a broad framework of fiscal and budget policy goals. OMB will ask questions such as:

- Is the proposal consistent with White House policy objectives?
- Does the program show convincing evidence that it is meeting its goals?
- How does it compare with other similar programs?
- How well is it being managed?
- What would be the impact of increasing, decreasing, or even terminating the resources provided to the program?
- Is there a reasonable basis for the design and goals of new initiatives? How effectively can the agency implement them?

Of central concern is a focus on program performance. This focus was described by a former senior career staff member at OMB:

In every administration, ... OMB is the institution that is most consistently focused on the results that programs and program managers achieve; consideration of these results is a required ingredient in the budget and policy decision-making process.

Insight: *You should not get mired in budget details but you must appreciate the policy implications of the numbers. Program performance should be at the core of your agency’s justifications for initiatives and spending levels.*

Recommendation Four: Master the budget process—start early.

By law, the new president has to send up his or her first budget request to the Congress within a month or two of the inauguration. This puts enormous pressure on the agencies. In most cases, only a small number of policy officials have been named and confirmed. They have normally not had much opportunity to get to know all the programs or the career civil service staff they have inherited, but the budget process proceeds. New White House and OMB policy officials may suggest drastic changes on agency activities, sometimes with limited knowledge of agency or program history or capability.

This period can present opportunities for you. The long hours and intense deadlines can offer you a “crash course” in the programs you have inherited and the current policies you may wish to change. You can propose your own policy and program ideas for inclusion in the president’s budget. You can observe the White House and OMB officials and staff that you will have to work with in coming years, see how they operate under significant time constraints, and make some preliminary judgments about their strengths and weaknesses (and vice versa).

Even with the time pressures, agencies can appeal budget decisions to the director of OMB and, in limited cases, to the president. The appeals are serious matters and often involve millions or billions of dollars and major policy choices. A former senior career staff member in OMB recalls one appeal session:

The Secretary opened with a statement of his total desired increase. The OMB director countered with a much lower number. The Secretary promptly agreed to the lower number, throwing the OMB contingent, which was anticipating a tense negotiation, off balance. The director suggested that they move on to discussing the distribution of both the base and incremental resources across programs. The Secretary waved at [the] chief appointed and career budget aides and said, “No, let’s let these fellows figure all that out.” The meeting adjourned. And we did figure all that out.

Insight: *In the midst of the budget complexity and tension, you are a valued source of new thinking. New proposals won’t always succeed. But their reception and the resolution of budget appeals can depend on personal relationships and the confidence established between OMB and agency policy officials and staff. An agency head’s strategic and/or tactical sense can be crucial.*

Bernard H. Martin served as a senior career executive in the Office of Management and Budget for over 20 years. He spent a decade as the head of a unit which developed the President’s Budget for, and reviewed the policies and programs of, several Cabinet departments. At OMB, he also headed the unit responsible for one of OMB’s core functions—the review and clearance of legislative documents sent to the Congress by executive branch agencies.