

BUDGET AND PROGRAM

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The congressional fiscal process...made little formal headway this past week as hopes for a House budget resolution mark-up didn't materialize.

This blueprint...is most important to Republicans, they need its protective framework to push their ideas forward - to push any budget ahead.

One big concern...is if they fail to write and adopt a budget as occurred in 2016, the GOP can't use reconciliation to overhaul the tax code - which is a large chunk of their agenda. Failure would also have major implications for FY 2018 appropriation top-line levels.

There are competing views among the myriad House factions - on what to reach for.

Spending-wise...budget panel members seem to be coalescing around at least a \$72 billion defense increase - blowing way past the statutory dollar cap. It would be coupled with a slight cut (-\$5B) to non-defense.

But such an imbalance...would almost assuredly hit a brick wall in the Senate. Rule number #1...60 votes are needed to pass appropriation bills - Democrats won't allow domestic programs to be left behind.

As it is...members in both chambers are standing by to grab at a pot of money that may materialize - if only a new budget pact can be written between the two parties.

Until that happens...no large increases are going to occur that have any chance of final enactment - because the withholding from domestic funds needs to occur for defense-related to climb.

Unfortunately...no high-level discussions on raising the caps is ongoing.

Structure-wise...a closed-door meeting this past week, led by Speaker Paul Ryan (R-Wisc), laid out options to the influential House Republican Conference. They included moving all 12 bills individually or having a 12-bill omnibus. The funding levels in the plans were described as "security" and "security plus."

Senate appropriator, Harold Rogers (R-KY), said there were varying levels of support for each option, while indicating that he favors another - passing a "security omnibus" - which would be made up of four or five appropriations.

Meanwhile...the Senate is consumed with passing its health care overhaul bill, which is moving thru the FY 2017 budget reconciliation process. Timeline for assembling an upper chamber budget resolution is unclear.

As the cross-currents swirl...congressional testimony by departmental heads lent further confusion.

Why? Because a number of Secretaries and agency heads are veering off the traditional script - of defending an incoming White House budget. This past week, the anomaly included the heads of Labor, Agriculture, VA and HUD. One told panel members - that "the budget could benefit from some guidance."

They face committee members...who generally object to the cuts being requested of federal departments. It potentially signals that many agencies could actually gain ground in the FY 2018 round - not lose.

FY 2017 Homeland Security appropriation...is provided \$51B, (+\$1.5B).

Within this measure...is appropriated discretionary budget authority of \$45.8B (+\$1.3B); disaster relief funding of \$6.7B (flat); OCO dollars at \$162M (+\$2M); "other defense" monies at \$1.9B (+\$171M); rescissions totaling \$1.5B and offsetting fee collections of \$3.8B.

This year...Congress undertook a major reworking of the budget structure within the 22-agency bill, that contains nearly 70 appropriations. Its purpose is to move away from the original legacy account structures and budgeting format that have persisted since DHS was hurriedly flung together in 2002. Appropriators have long viewed it as a consolidation that created an enduring lack of "comparability among components and programs."

The new set-up...is a standardized account framework - distilled down to four common categories under which programs can be "funded consistently across departmental components based on common assumptions and definitions" - to greatly help in the quest to normalize planning & budgeting.

Only current exception to the change...is Coast Guard, which needs more time as it transitions to a new financial management system.

But for everyone else...the four categories are: 1) Operations & Support; 2) Procurement, Construction and Improvements; 3) R&D; and 4) Federal Assistance.

Earlier House report language...referred to this shift as "a strategic imperative that must move forward with haste."

Furthermore...budget justifications, currently viewed as "woefully inadequate" - are to now be developed thru a standard template - based on the new common appropriations structure.

One thing that has not changed...is the avalanche of congressional reporting requirements tied to this bill - dates and briefing deadlines for agencies under it. There is no other measure quite like it - panel members are always seeking more extensive oversight, more responsiveness from DHS, greater detail and clarity in what they receive, etc.

Ofc of the Secretary...is provided \$19M (flat). Conferees direct that it convene a public compliant & feedback system working group, of representatives from DHS components "with public-facing operations." Members to be briefed by Aug 1...on its progress. Details laid out in the earlier House committee report.

Customs & Border Protection (CBP)...at \$13.2B (+\$241M).

Within it...\$10.9B is provided under operations & support - \$681M of it available for two years. Staff funding is cut \$200M, based on re-estimates provided by CBP in March, 2017...indicating it would hire 3,000 fewer employees than originally estimated. But members believe far more savings should be derived from staff cuts that large..."at least" \$450M. As such, CBP is directed to provide more granularity in future budget justifications concerning its personnel costs and FTE model - and to revise its hiring projections on a quarterly basis to ensure the committee has accurate projections to formulate funding levels.

Within the new account structure...mission support is provided \$1.6B. CBP is to use incentives to boost retention at hard to fill locations...particularly remote areas along both borders. By Sept 1...CBP is to brief the committees on recruitment/retention strategies - while along the way, provide monthly updates on frontline staffing levels.

Immigration & Customs Enforcement (ICE)...at \$6.6B (+\$405M).

ICE... "continues to struggle" with financial management across the agency. Underlying problem stems largely from the "limited authority and organizational placement" of the CFO. Conferees believe that unless the CFO reports directly to the director - "unfiltered financial information" will not be forthcoming. Director is "strongly urged" to elevate the CFO position, expand responsibilities.

Department of Homeland Security, FY 2017
(\$ millions - new budget authority)

	Enacted FY 2016	Presidential Request FY 2017	Approved FY 2017		Enacted FY 2016	Presidential Request FY 2017	Approved FY 2017
Grand total	49,432	51,999	50,951	Transportation Security Administration (net).....	4,861	4,116	5,186
Discretionary funding	47,828	50,332	49,284	Aviation screening operations	4,463	4,543	4,752
Discretionary appropriations.....	44,525	46,774	45,817	Other operations and enforcement	1,399	1,421	1,407
Offsetting collections.....	-3,769	-3,794	-3,802	Mission support	924	951	946
Offsetting collections, legislative proposals.....	-	-880	-	Aviation security passenger fees (offsetting collect)	-2,130	-2,130	-2,130
Disaster relief category.....	6,713	6,709	6,713	Passenger security fee increase (offsetting collect)	-	-460	-
Rescissions.....	-1,506	-420	-1,484	Aviation security infrastructure fee (offsetting coll)	-	-420	-
OCO funding.....	160	-	163	Procurement, construction and improvements	200	206	206
Other defense.....	1,705	1,943	1,876	Research & development	5	5	5
Mandatory funding.....	1,604	1,667	1,667	Fee funded programs	(199)	(205)	(205)
				Aviation security capital fund (mandatory)	(250)	(250)	(250)
Title I - Departmental Management, Operations & Intel...	1,103	1,434	1,195	United States Coast Guard.....	10,922	10,110	10,455
Ofc of the Secretary & Exec Mgmt, Operations & Support	137	136	137	Operating expenses	7,061	6,987	7,080
Office of the Secretary	19	22	19	Environmental compliance and restoration	13	13	13
Office of Policy	39	37	37	Reserve training	111	112	112
Office of Public Affairs	5	5	5	Acquisition, construction and improvements	1,945	1,137	1,370
Office of Legislative Affairs	5	5	5	RDT&E	18	18	36
Office of Partnership and Engagement	13	12	15	Health care fund contribution (permanent, indef)	169	176	176
Office of General Counsel	19	19	19	Retired pay (mandatory)	1,604	1,667	1,667
Office for Civil Rights & Liberties	22	21	23	United States Secret Service.....	1,934	1,891	1,915
Citizenship & Immigration Services Ombudsman	6	6	6	Protection operations	753	735	754
Privacy Officer	8	8	8	Field operations	813	766	783
Management Directorate - Operations & Support.....	563	875	619	Basic and in-service training & development	60	60	60
Immediate Ofc of UnderSecy for Management	3	3	3	Mission support	244	218	225
Office of the Chief Security Officer	69	62	63	Procurement, construction and improvements	63	111	91
Office of Chief Procurement Officer	61	101	98	Research and development	-	3	3
Office of Chief Human Capital Officer	30	36	39	Title III - Protection, Preparedness and Response.....	13,090	12,418	13,338
Office of Chief Readiness Support Officer	32	128	54	Nat'l Protection & Programs Directorate (net).....	1,636	1,589	1,819
Office of the Chief Financial Officer	56	100	54	Cybersecurity	596	682	669
Office of the Chief Information Officer	292	296	286	Infrastructure protection	192	178	186
Procurement, Construction and Improvements	18	145	19	Emergency communications	101	101	102
Research and Development	3	3	3	Integrated operations	114	111	110
Intelligence, Analysis and Operations Coordination	265	266	264	Office of Biometric Identity Management	215	-	235
Office of Inspector General	137	157	175	Mission support	77	75	69
(By transfer)	(24)	(24)	-	(Defense)	(23)	(23)	(22)
Title II - Security, Enforcement and Investigations...	34,826	33,932	35,168	Federal Protective Service	1,443	1,451	1,451
Customs and Border Protection - gross budget.....	13,268	13,989	13,509	Offsetting collections	-1,443	-1,451	-1,451
Border and Security operations	4,203	4,309	4,222	Protection, construction & improvements	334	437	440
Trade and Travel operations	3,992	4,393	4,091	Cybersecurity	189	349	299
Integrated operations	982	1,024	1,014	Next generation networks priority services	79	88	88
Mission support	1,497	1,614	1,574	Biometric identity management	66	-	53
Procurement, construction and improvements	374	323	274	R&D	6	4	6
CBP Services at user fee facilities	9	9	9	Office of Health Affairs	125	-	124
Fee funded programs	1,977	2,055	2,055	Federal Emergency Management Agency (FEMA).....	11,329	10,829	11,396
Administrative provisions - gross	234	259	270	Operation and support	919	1,038	1,049
Immigration and Customs Enforcement - gross budget....	6,154	6,234	6,559	Procurement, construction and improvements	43	35	35
Homeland security investigations	1,981	2,121	2,073	Federal assistance	2,993	2,407	2,983
Domestic investigations	1,762	1,892	1,834	Disaster Relief Fund (net)	7,375	7,349	7,329
Intelligence investigations	140	147	159	Nat'l Flood Insurance Fund	181	182	182
Intelligence	80	82	80	Offsetting fee collections	-181	-182	-182
Enforcement & removal operations	3,218	3,108	3,472	Title IV - R&D, Training and Services.....	1,501	1,635	1,498
Custody operations	2,317	2,179	2,558	United States Citizen & Immigration Services	122	132	121
Fugitive operations	157	133	152	Fee funded programs - non-add	(3,612)	(4,021)	(4,181)
Criminal Alien Program	317	347	312	Federal Law Enforcement Training Centers	245	243	243
Alternatives to detention	114	126	126	Science & technology	786	759	782
Transportation & removal program	313	323	324	Domestic Nuclear Detection Office	347	-	352
(UAC contingency fund)	-	(7)	-	Chemical, biological, radiological & nuclear office	-	501	-
Mission support	340	364	365	Title V - General Provisions.....	-1,087	-420	-1,388
Ofc of the Principal Legal Advisor	240	268	259	Title VI - Additional Appropriations.....	-	3,000	1,140
Procurement, construction and Improvements	53	50	30				
Fee funded programs	322	322	361				

NOTE: Figures may not add exactly due to rounding and treatment of fee accounts.

Conferees single out...ICE enforcement and removal operations, (ERO).

Specifically...“The lack of discipline and cavalier management of funding for detention operations, evidenced by inaccurate budget formulation and uneven execution - seems to be the result of a perception that ERO is funded by an indefinite appropriation. This belief is incorrect.”

Consequences include...requirements that the DHS Secy or CFO - certify monthly to the committee whether ERO is operating within its appropriated levels. First certification is due within 30 days of bill enactment. Number 2...GAO is directed to review ICE current methodologies concerning detention resource needs, recommendations expected by Nov 1. Number 3...more in-depth budget justification details are laid down. Number 4...a new and immediate briefing schedule appears.

TSA...nets \$5.2B (+\$325M), with gross totals of \$7.8B after offsetting collections, fee funded programs and capital funds are added. Denoting tight oversight...conferees load up on reporting dates and emphasize that appropriations are to be used in accordance with the new standardized structure, not on spending items that do not appropriately fall within their designated categories.

Coast Guard...falls to \$10.5B (-\$467M). Members direct that a Cyber Protection Team be created and provide extra funds to bolster staffing within Cyber Command to do so. By Aug 1...committee is to be briefed on Coast Guard’s “cybersecurity posture.”

Switching gears...by Nov 1, a report is due on plans “to ensure long-term search and rescue coverage for the Arctic.” Also, a report on polar icebreaker requirements, informed by the new joint Coast Guard/Navy, “Polar Ice Breaking Vessel Integrated Program Office.” Is due by Aug 1.

Coast Guard OCO/GWOT activities...at \$163M (+\$3M).

Conference report...is within the Congressional Record of May 3, book 2.

The first phase...of an “extensive review process” concerning previous OMB memorandums is now underway - directly affecting agency reporting burdens.

The overall push...is to identify “low-value, duplicative and obsolete activities” that can be ended. Effort is to provide “relief” - and to “allow those who know their agencies best, agency managers, to manage operations.”

OMB...lists over 50 memorandums where some type of action is being taken (elimination, modification or pausing). Six areas are targeted...1) IT; 2) financial management; 3) procurement; 4) performance management; 5) customer service; 6) program management. Like magic...requirements vanish in a number of instances, greatly streamlined in others.

In many cases - OMB guidance is considered outdated because subsequent legislation rendered it obsolete or because other guidance overlaps the subject in question.

The largest area tracked by far...is information technology. The oldest one, M-97-12, April 1997 - gone. 30 directives later...we arrive at the most recent to be listed...M-15-10 - “Focusing on Implementation to Drive Improvements,” (April, 2015)...eliminated.

Along the way...we encounter seven Y2K memorandums that were to prepare for the great disruption that was feared, we encounter five IT asset management and agency oversight memos that are “already implemented through various other OMB efforts,” we encounter six IT management & planning directives that are rescinded (spanning 14 years), seven FISMA directives disappear, etc.

In addition...federally-hosted conferences “have become incredibly burdensome for agencies” - management of them must evolve a “more risk-based approach.” As such, memos are rescinded & amended.

Furthermore...a dozen financial management directives are eliminated, amended or modified. Performance management elements also scaled back.

It is OMB memorandum M-17-26 - “Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda.” Runs 12 pages.