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Understanding OMB's Role in Presidential Policymaking

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This volume examines key areas of study about the Office of Management and Budget (OMB) and executive policymaking. Since its creation in 1921 as the Bureau of the Budget (BOB) (which was reorganized in 1970 to become OMB), the agency has been instrumental in developing the president's budget, thereby putting executive policy priorities into practice. OMB also is responsible for coordinating and clearing all communications from executive agencies with Congress, including draft legislation as well as executive orders, to ensure consistency with the White House agenda. It is the largest agency within the Executive Office of the President (EOP), and as former OMB Director Jacob J. Lew stated in his highly insightful April 2019 commentary at Hofstra, "OMB is unique in that it touches every function of government and every sector of the economy, which makes it central to the business of running the country."¹

In the twenty-first century, annual U.S. budgets of more than \$4 trillion and deficits nearing (or topping) \$1 trillion illustrate OMB's widespread responsibilities. The agency works closely with the White House to determine how to allocate the discretionary spending that comprises

about 30 percent of the annual budget (including both defense and non-defense spending). The Congressional Budget Act of 1974 created a road-map for the White House and OMB, outlining how the budget process should operate. In recent years, though, polarization and party politics in Congress and between Congress and the White House have complicated the process, raising concerns about the government's attentiveness to the country's long-term economic health.²

Understanding how OMB operates institutionally and how it influences presidential policymaking is essential for determining how to address these national economic and political concerns. With a staff of just over 500 and an annual budget of about \$93 million, OMB shapes the federal government through yearly budget development, central clearance of legislation and executive orders, and regulatory review. In addition to the OMB director, five other top administrators require presidential nomination and Senate confirmation, thereby linking the agency closely to both the executive and legislative branches. The OMB director reports directly to the president, indicating the office's importance for policymaking.³ As one article notes, "The OMB Director is best known for his role in producing the annual Budget and his role trying to influence appropriations legislation that sets annual spending levels for the Government."⁴ The White House works closely with the OMB director and staff to prepare annual budgets that Congress will approve, analyze the fiscal costs of proposed legislation, and determine immediate and long-term national priorities. Examining the evolution of OMB's mandate to meet these responsibilities will demonstrate its strengths and clarify its challenges in continuing to do so in the coming decades.

This volume is organized into three sections. The first section evaluates OMB's role in the federal budget process, examining perspectives from the White House and Capitol Hill, as well as how the budget process exercises control over federal agencies. The second section examines central clearance in OMB, from its role within White House agenda-setting to its review of legislation and executive orders (EO) to its role in regulatory review. The third section analyzes how OMB manages its internal bureaucracy, incorporating perspectives from within the agency as well as scholarly and other external assessments.

OMB AND THE BUDGET PROCESS

While OMB's responsibilities extend well beyond setting fiscal priorities, the agency's leadership in the annual budget process is perhaps its most visible role in policymaking. In chapter 2, Jim Pfiffner traces the evolution of BOB/OMB's central role in budget control and identifies key challenges the office faces today. Since OMB's creation, its influence over the federal budget has been linked to U.S. fiscal flexibility and opportunity. From the 1920s to the 1970s, the annual federal budget focused primarily on discretionary spending, which enabled OMB to work with departments and agencies to establish fiscal priorities and develop a coherent spending program. But since the 1980s, rising deficits, a ballooning national debt and increasing costs for mandatory spending on programs such as Social Security and Medicare have restricted funding opportunities. Increased party polarization has severely impeded bipartisan policymaking. As Pfiffner writes: "OMB could analyze the consequences of large entitlement programs, but could not, by itself, force bi-partisan agreement in Congress on a coherent fiscal policy." Still, Pfiffner finds that OMB's highly knowledgeable career professionals continue to navigate the budget process skillfully, applying their expertise to assist agencies in maintaining fiscal viability for key programs.

Molly Reynolds examines OMB's responsibilities in the annual budget cycle from the congressional perspective in chapter 3. The legislative and executive branches are constitutionally required to work together to enact budget legislation, but the creation of BOB in 1921 and the rise of the modern presidency in the 1930s gave the executive branch a primary role in agenda setting and in shaping legislation. Congress asserted its role in the process in 1974 with the Congressional Budget and Impoundment Control Act, which created standing budget committees in the House and Senate, as well as the Congressional Budget Office (CBO) to conduct research and provide information to both legislative chambers. Reynolds examines four topics: OMB's role in the broader congressional budget process; OMB's involvement in the past three decades in enforcing congressionally-imposed fiscal limitations; congressional efforts to influence OMB operations; and conflicts between Congress and OMB in recent years about the agency's role in providing budgetary information. The chapter concludes: "these partisan dynamics [in recent years] that have shaped the various interactions between the agency and

Congress are unlikely to abate, absent broader change in the American political system.”

Executive-legislative budget negotiations determine the national government’s policy priorities every year. In chapter 4, Eloise Pasachoff examines three stages of the president’s budget process—preparation, execution, and the president’s management agenda, which takes place as part of the budget process—discusses how the Trump administration has used these policy levers to advance priorities, and considers possibilities for procedural reforms. The Trump White House has employed or attempted to use several funding tools to control policy choices, from apportionment of appropriated funds to rescission and deferral of funds to transfer or reprogramming of funds. While procedural reforms could be enacted to restrict these actions, Pasachoff concludes: “the only realistic source of regular control over the presidential budget process lies with political actors in Congress, as bolstered by the public and other civic institutions.” Instead, Pasachoff argues for increased transparency about executive budgetary actions, so Congress and the public are able to evaluate the consequences of funding decisions.

CENTRAL CLEARANCE

In addition to its foundational role in budgetary politics and policymaking, the OMB guides many other areas of policymaking for the White House as well. Martha Coven, who served in the Obama White House on the Domestic Policy Council and then as OMB Associate Director for Education, Income Maintenance, and Labor, explains how the White House staff and OMB can work together most productively to accomplish the president’s policy objectives. Coven discusses how building trust between White House appointees and OMB’s career staff takes time, especially at the start of a new administration, but that doing so is essential for “operationalizing the president’s agenda throughout an administration.” OMB’s “problem-solving” expertise applies to budget issues and management, including procurement, information technology, legal issues, and regulatory processes. Coven demonstrates how White House staff and OMB work together to advance policy development through two case studies: the annual preparation of the state of the union address and executive mobilization for crisis response, using the example of natural disaster relief efforts.

Another way in which OMB operationalizes the president's agenda is through its review of legislation, enrolled bills, congressional testimony by executive branch officials, and executive orders. OMB's "central clearance" responsibilities were established when its BOB predecessor agency moved from the Treasury Department to the newly created EOP in 1939. In chapter 6, Andrew Rudalevige examines the evolution of central clearance for legislation and executive orders, finding that it provides a systematic review process to enact the president's policy program. While some appointees may, and will, try to bypass the review process and approach the president directly with policy proposals, Rudalevige shows how central clearance ensures numerous useful checkpoints that are difficult to ignore. As he writes, central clearance "is an early warning system. . . . This informational service helps agencies find out what their peers are up to—and to protect themselves against any self-aggrandizement those peers might attempt. This in turn helps OMB protect the president."

The creation of OMB's Office of Information and Regulatory Affairs (OIRA) in 1980 (replacing an office with comparable responsibilities) extended the agency's central clearance responsibilities to include regulatory review. Rachel Potter, in chapter 7, examines how OIRA has fared since then in reviewing agency rules (and, more recently, guidance documents), evaluating both successes and failures. Among the office's successes are keeping and expanding regulatory review functions, establishing core principles for such review, and managing transparency in its review process with the need to achieve policy goals. Given numerous conflicts about OIRA's jurisdiction over the years, Potter notes that "OIRA's foremost success lies in its very survival." But Potter also identifies weaknesses in OIRA's work, including failures to routinize Regulatory Impact Analyses (RIAs), systematically oversee guidance documents from executive agencies, standardize regulatory lookbacks, and increase staff capacity. Addressing these issues is necessary, Potter concludes, for OIRA to have "a more streamlined and effective regulatory review process, one that instills confidence among both agencies and the public."

OMB—MANAGING THE BUREAUCRACY (AND ITSELF)

As OMB's budgetary and central clearance responsibilities have expanded, so, too, have its management duties for overseeing activities of federal agencies. A comprehensive understanding of OMB's management

role requires perspectives from federal executives inside the agency as well as in other agencies that work with OMB. In chapter 8, David E. Lewis, Mark D. Richardson, and Eric Rosenthal examine data from two surveys of federal executives, conducted in 2007 and 2014, to evaluate how OMB works with federal agencies. They find variations in OMB's influence over policymaking, depending on the type of agency. For political actors, OMB exercises strong influence over agency policy decisions, and it is highly important in interagency processes. But independent agencies and agencies that have differing policy views from the White House, or that have reputations for skilled workforces, tend to view OMB as less influential. Consequently, the authors conclude that "presidents would be well advised to take great care to select qualified appointees to run OMB and be attentive to its health and effectiveness." Furthermore, "for independent, highly skilled, and more ideological agencies," presidents should identify "carefully selected appointees to head those agencies rather than relying on centralized control."

A major challenge for OMB senior staff is meeting increasing responsibilities with limited resources. Geovette E. Washington and Thomas E. Hitter examine in chapter 9 how OMB's power and influence have grown even as its size has remained largely constant over the last few decades, and they evaluate the agency's current resources and needs. They find that even though both the White House and Congress have increased their expectations for OMB to work with agencies on internal management, the staffing for both the agency's "B side" (budget) and "M side" (management) "largely reflect[s] what was in place when the agency was originally organized under President Nixon's administration." As other chapters in the volume discuss, OMB oversees the preparation and publication of executive orders and proclamations, coordination and clearance of agency recommendations on legislation, and coordination and review of federal regulations. The authors recommend creation of a senior career-level position in OMB as well as strategic planning of the agency's "role and responsibilities," stating that these changes "will allow the agency to continue to deliver for each of its stakeholders in a way that also supports the health of the organization and those that serve within it."

OMB senior staff present additional important insights about the agency's responsibilities in the policymaking process. In chapter 10, Matthew J. Dickinson builds upon interviews conducted with more than two

dozen current and former OMB employees to evaluate how the agency has changed since BOB's reorganization as the OMB in the Nixon administration. In particular, Dickinson examines whether political scientist Hugh Hecló's widely cited concern from the mid-1970s that OMB was experiencing a decline in what he termed "neutral competence" applies today. Dickinson finds that OMB employees are highly committed to providing the White House with professional expertise, regardless of the president's political party. At the same time, the White House expects OMB to assist with development and execution of the president's policy agenda, and that responsibility has implications for the agency's actions as well as for perceptions thereof. As Dickinson writes, after the Nixon administration's reorganization of the OMB, "presidential expectations became greater, time horizons for accomplishing them shorter, the political constraints more daunting, resources increasingly scarce and—not least—the budgetary, regulatory, and management tasks even more complex." Meeting these responsibilities while maintaining "neutral competence" is no easy task.

CONCLUSION

As OMB moves forward in the twenty-first century, certain agency reforms may promote more effective policymaking within the organization as well as in the federal government more broadly. In 2016, the nonprofit, nonpartisan Partnership for Public Service organization prepared a report that examined OMB's areas of responsibilities and recommended measures to improve the agency's effectiveness in achieving results that meet public needs.⁵ For this edited volume, in chapter 11, the Partnership presents a special update of recommendations from its 2016 report. Consistent with several of the analyses presented in the volume, the Partnership discusses how changes in OMB's "organizational structure and processes" would improve the agency's ability "to ensure its directives have been adopted and that the priorities and goals outlined in the president's budget have been met." The conclusion also anticipates questions about transitions in a presidential election year, whether from one administration to another or from a first to second term, and explains how OMB can be employed to advance a president's agenda from the outset, working with the Cabinet and other agencies to plan strategically on how to enact top priorities.

As the conceptually coherent and empirically grounded analyses in the forthcoming chapters demonstrate, OMB is well positioned to serve as the engine of the president's policy agenda for many years to come. With additional external resources of funding and staff and internal efforts to strengthen budgetary, regulatory, and management processes, the agency may improve its ability to achieve an administration's priorities as well as its own long-term agency goals. The chapters in this volume demonstrate why those changes are needed in the twenty-first century and how they may be achieved.

Notes

1. Secretary Lew's commentary from April 11, 2019, is reprinted as the Introduction in this volume.

2. Center on Budget and Policy Priorities, "Policy Basics: Introduction to the Federal Budget Process," www.cbpp.org/research/policy-basics-introduction-to-the-federal-budget-process.

3. The White House Transition Project, 1997–2017, Report 2017–22, *The Office of Management and Budget: An Insider's Guide*, www.whitehousetransitionproject.org/wp-content/uploads/2016/10/WHTP2017_22_OMB_an_Insiders_Guide.pdf.

4. Jeffrey A. Weinberg, "The View from the Oval Office: Understanding the Legislative Presidency," *Journal of Legislative Studies* 24, no. 4 (2018), pp. 395–412.

5. Partnership for Public Service, "From Decisions to Results: Building a More Effective Government Through a Transformed Office of Management and Budget," October 2016, pp. 1–42, <https://ourpublicservice.org/publications/from-decisions-to-results/>.