**Southwestern Region**

**Budget Formulation and Execution Process**

**Governing Entity:**

Accountable: Regional Budget Officer – with consideration to WO expectations and allocations

Responsible: Program Development and Budget Directorate

**People and Entities Utilizing Process:**

Budget formulation and execution is a cross-functional task involving more than 100 people and multiple entities. While the process is for Region 3, this process involves multiple entities within the Forest Service (from above and below in the Forest Service):

* Executive Leadership Team
* Forest Leadership, Administrative Officers, Budget Staff, and Program Staff
* Regional Office Directors and Program Staff

**Type of Process and Timeframe**

This is both a workflow for compiling budget as well as a decision-making process as it determines alignment of allocations with Strategic Plan Outcomes, Regional priorities, Washington priorities and Leader’s Intent. Ultimate decision authority resides at the Regional Forester for final product.

**Reasons this Process is Needed**

* A significant increase or decrease in funding.
* Organizational focus has changed (Strategic Plan) – remind of the 3 Funding Capacity Outcomes
* Increased external scrutiny (IIJA).
* Desire for increased efficiency.
* Current process is confusing.

Previous budget process focused on even distribution of funds across units (peanut butter approach) which is not reflective of the Region’s collective strategic focus and the Plan’s outcomes. This means that the Budget process needs to evolve in keeping with the Region’s Strategic Plan.

**Purpose of the Process**

Budgets are a tactical and formal expression of an organization’s values and objectives and how it plans on meeting them. The Southwestern Region’s values and objectives are formally expressed in its Strategic Plan. World forces include increased expectation for results within high priority landscapes, increased pace and scale of ecological and social change, fluctuations in funding, and expanded congressional interest. These have created an environment where the Region must have a budget that is in alignment with the Regional Strategic Plan and provides amore holistic and targeted process to meet the expectations required to Steward the Whole.

The changes in the Forest Service budgeting process under [Budget Accountability & Modernization (BAM)](https://usdagcc.sharepoint.com/sites/fs-spba-wobudget/SitePages/Budget%20Accountability%20%26%20Modernization.aspx) provide an opportunity to better align and integrate how we plan the program of work (POW), manage our staffing, address acquisition management needs, and fund and manage our budget process to meet the Strategic Plan for the Southwestern Region.

Finally, meeting the three funding capacity outcomes in the Region 3 Strategic Plan are made possible with a standard process that is predictable and transparent.

**Three-Phase Process (iterative over an 18-month cycle)**

The Region’s budget process does not stand alone; it is affected by the timing of various external factors beyond our control, including WO initial and final budget, Congressional and Executive branch initiatives, continuing resolutions, etc. Because of these uncertainties, the Region needs a predictable process in which to operate effectively and continuously. For this reason, this process has been built in an iterative fashion with standard milestones to ensure the Region’s responsible fiscal stewardship.

**Phase 1. Budget Preparation** based on National direction, Leader’s Intent, the Regional Strategic Plan. This Phase begins in June of the prior FY. Final Decider: Regional Budget Officer

Step 1. Define Program of Work that Aligns with Strategic Plan Outcomes: Units & Program Areas (concurrent with Step 2)

Milestone: POW submitted to PDB using template in Budget Direction (online?)

Due: June 30 of the previous FY (or “Outyear” as used below?)

Step 2. Develop estimated funding levels (includes consideration of Must Pay): PDB (concurrent with Step 1)

Milestone: FY Funding Estimate

Due: June 30 of the previous FY

Step 3. Check POWs alignment with Strategic Plan: Strat Plan Coord Group

Milestone: POWs align with Strategic Plan

Due: July 31 of previous FY

Step 4. Optimize the Budget (Reconcile/balance Funding Gaps & Surpluses): PDB

Milestones:

Balanced FY Budget & Final POW

List of Unfunded Projects to be considered for future funding

Due: Aug 31 of previous FY

**Phase 2. Budget Authorization**: Process begins in August of the Out Year and may be repeated depending on final passage of the appropriations bill. Final Decider: Regional Forester

Step 1. Develop FY Budget Direction and Expectations: PDB (concurrent with Phase 1)

Milestone: Budget Direction, Planning Direction (Work Plan), Allocation Tables

DUE: June 1 (1st iteration), Sept 15 (Final)

Step 2. Present Budget for Regional Forester Approval: Region Budget Officer

Milestone: RF Approval of Complete FY Budget Package

DUE: September 15 of Outyear

Step 3. Formal Release: PDB

Milestone: Formal Budget Correspondence Package

DUE: Sept 25 of Outyear

**Phase 3. Budget Execution & Accountability**: Process is ongoing beginning with Formal Budget Release and Availability of Funds (Oct 1 and Passage of final appropriations bill)

Step 1. Budget to Actuals Assessment (based on Budget Benchmarks): PDB (in consultation with SPCG)

Milestone: Quarterly Report to Regional Forester for Quarterly Performance Evals

DUE: Q1 – Q4 of FY (15th of the final month of the Quarter)

Note: Result of not meeting Quarterlies is reprioritization of funds (Strat Plan Funding Cap Outcome C), which moves the funds to Unfunded Request Process (see separate workflow) and possible funding of unfunded Projects

Step 2. Reprioritize Available Funding (input from Regional Directors Forum): PDB

Milestone: ELT approves unfunded requests

DUE: Quarterly (goal: Monthly)

Step 3. Year-End Reporting: PDB

Milestone: Year-end Financial Report to RLT (at RLT Annual Review of Strategic Plan – SPCG)

DUE: Q1 RLT Meeting