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Federal Funds Transparency: Issues Raised by the DATA Act of 2014

Presenters: Natalie Keegan, Clint Brass, Katie Francis
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This slide show is a visual aid to accompany an oral presentation provided February 19, 2015. For more information on appropriations and federal funds transparency, please contact the presenters. Various CRS reports on federal financial management and federal grant administration issues are also available at www.crs.gov.

Seminar Objectives

- **Frame issues related to federal funding transparency**
 - Questions about demand and supply of information
 - Longstanding congressional interest in these areas
- **Understand background and context relating to federal funding transparency**
 - Federal financial management
 - Federal grants
 - Overview of recent funding transparency legislation
- **Discuss issues raised by the DATA Act**
 - Federal grants issues
 - Federal financial management issues





Framing the Issues

Framing the Issues: Questions about “Demand” for Data

- **To what extent do Congress, the public, and other audiences have convenient access to funding data?**
 - Who are these audiences?
 - For example: Congress, agencies, President, state and local governments, non-governmental organizations, universities, businesses, citizens, media, and many others.
 - What are the data needs? For what purposes? Do the needs differ?
 - For example, do different audiences need different kinds of data? Do they need varying levels of aggregation, user-friendliness, frequency, timeliness, accuracy (e.g., tolerance for “roughly right” preliminary data), privacy protection, etc.



Framing the Issues: Questions about “Supply” of Data

- **To what extent do federal agencies and partnering entities (e.g., state governments) have sufficient capacity to serve these data needs?**
 - Do they have sufficient resources, including staff, funding, and time?
 - Do they have adequate processes and information technology (IT) systems to allow for efficient, accurate, and timely compilation and presentation?
 - If existing capacity cannot be all things to all people, how do agencies adjudicate among audiences’ needs, manage trade-offs (e.g., efficiency vs. timeliness), and prioritize where to allocate resources for improvements?



Framing the Issues: Longstanding Congressional Interest

- **Addressing diverse needs of multiple audiences, while balancing (1) standardization across agencies with (2) customization for specific needs**
 - Audited financial statements (e.g., Chief Financial Officers (CFO) Act)
 - Integrity and internal controls (e.g., Federal Managers' Financial Integrity Act (FMFIA))
 - Easier access for federal “awards” (grants, contracts, and loans; Federal Funding Accountability and Transparency Act (FFATA))
 - Agency-specific budget and financial management approaches
 - Policy-specific reporting requirements (e.g., “cross-cut” spending displays)



Framing the Issues: Longstanding Congressional Interest (continued)

- **Building capacity and prioritizing improvements**
 - Appropriations for IT investments, mission-support workforces (e.g., grants, financial management), and oversight (e.g., inspectors general)
 - Statutorily established processes and institutions to focus efforts, manage risks, and provide “fire-alarm” oversight for improvement initiatives
 - CFO Act-established institutions
 - E-Government Act
 - Others





Background on Federal Funding Transparency for Financial Management and Grants Management

Context for Federal Financial Management

- **Complexity**

- Many federal agencies with diverse missions, geographic footprints, histories, cultures, and legacy systems
- Many stakeholders, inside and outside the federal government, with diverse needs

- **Scale**

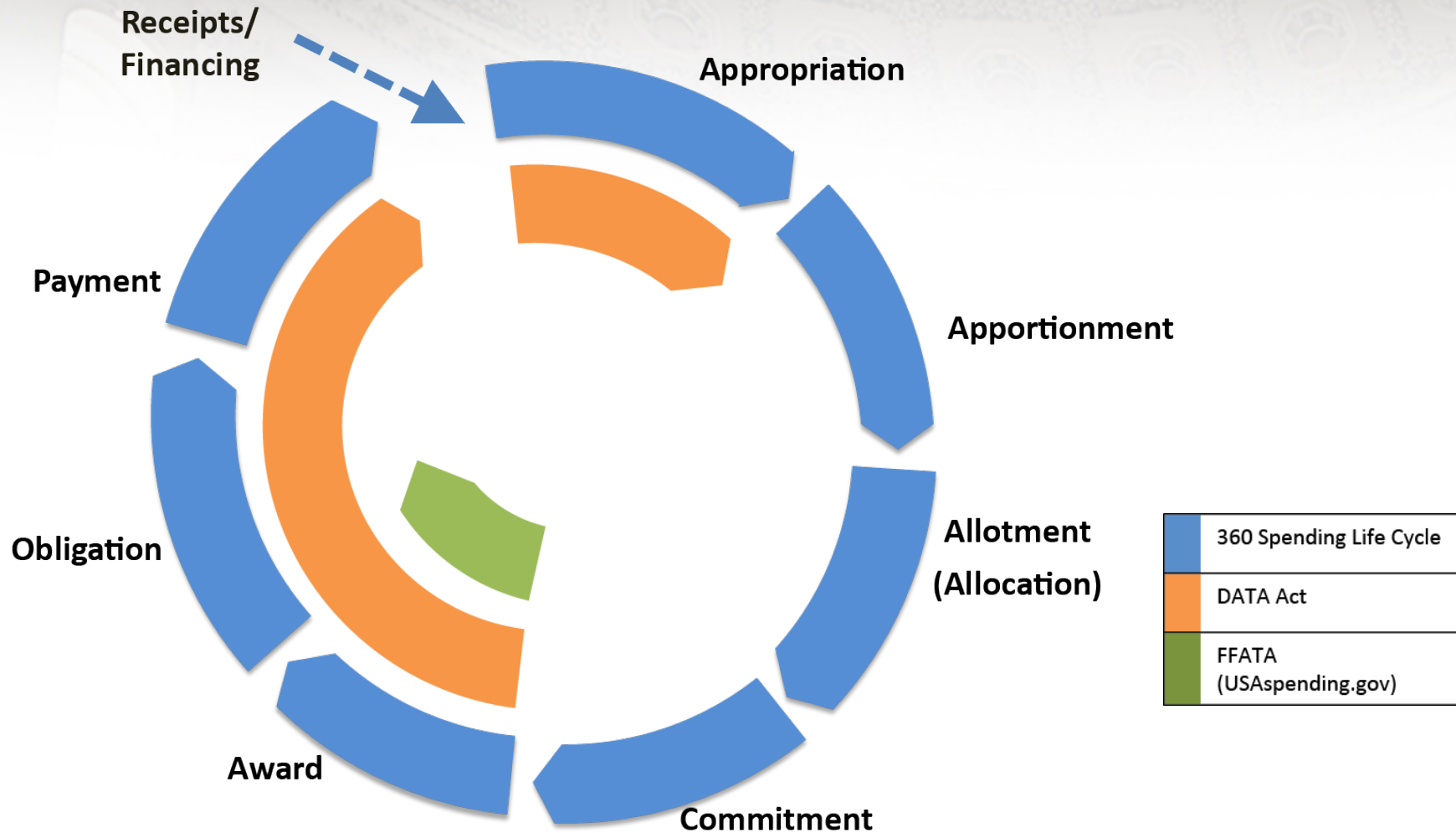
- Spending relative to Gross Domestic Product (GDP) has been relatively stable
 - Fluctuating around 20% after 1950
 - In FY2014, GDP was \$17.2 trillion
- For FY2014, total receipts were \$3.0 trillion, and total outlays were \$3.5 trillion, corresponding to 17.5% and 20.3% of GDP, respectively

(Source: <http://www.whitehouse.gov/omb/budget/Historicals>)

(Source: http://www.fiscal.treasury.gov/fsreports/rpt/combStmt/current_rpt.htm)



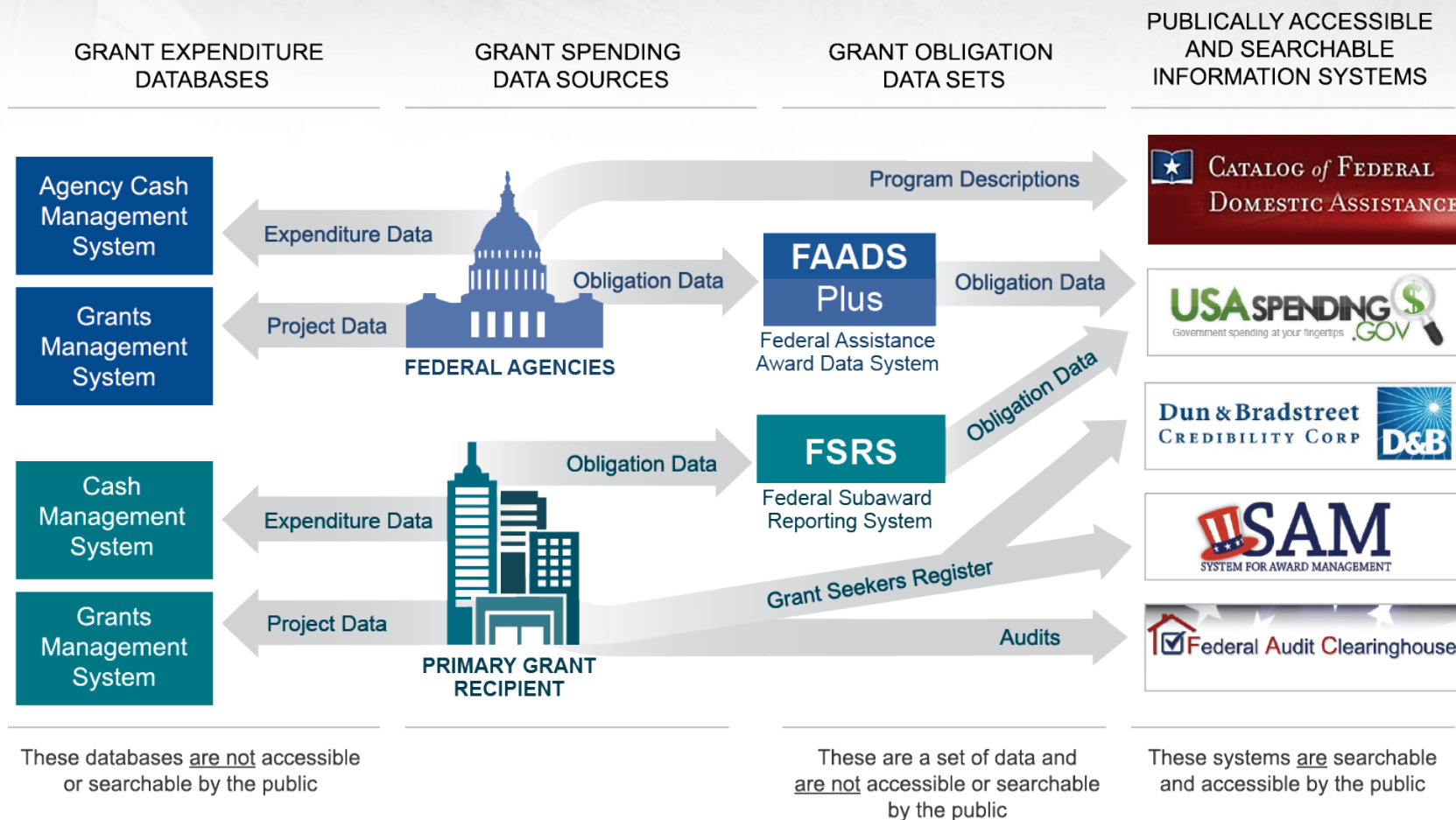
How FFATA and the DATA Act Apply to Federal Spending Processes



Source: Adapted from Treasury and OMB, "The Data Act: What It Is and What It Means," September 26, 2014, at http://www.fiscal.treasury.gov/fstraining/events/townhall_presentations.htm.



Context for Federal Grants Management: Complexity



Source: Congressional Research Service, February 2015

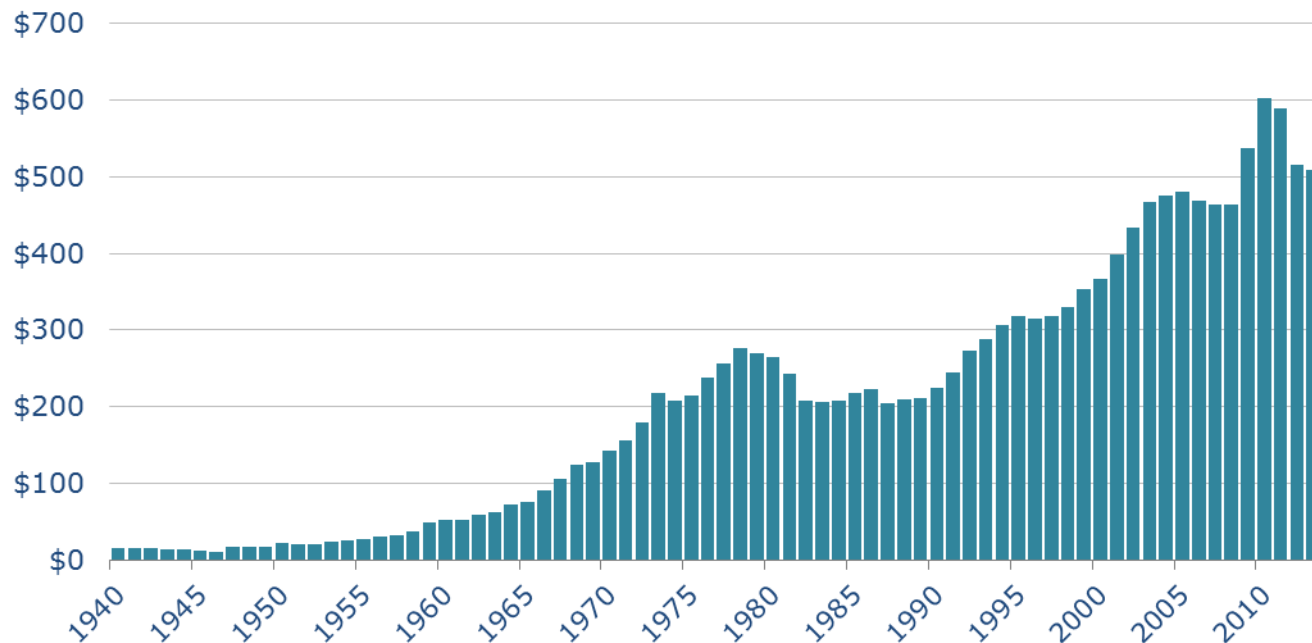


Context for Federal Grants Management: Complexity (continued)



Context for Federal Grants Management: Scale

Total Grant Outlays to State and Local Governments: 1940-2014 (in Billions of Constant FY2009 Dollars)



Source: CRS analysis of data obtained from the Office of Management and Budget, *Fiscal Year 2015 Historical Tables: Budget of the U.S. Government: Table 12.1 Summary Comparison of Total Outlays for Grants to State and Local Governments*.



Summary of Recent Funding Transparency Legislation: FFATA

- **Federal Funding Accountability and Transparency Act of 2006 (FFATA, P.L. 109-282), as amended (see 31 U.S.C. §6101 note)**
 - Required OMB to establish a publicly available website that would allow users to search for detailed information about federal “awards” (grants, loans, contracts, and other forms of assistance)
 - OMB launched the database, *USAspending.gov*, in late 2007
 - Sub-Award Reporting System (FSRS) database contains data required to be reported under FFATA



Summary of Recent Funding Transparency Legislation: ARRA

- **American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5), Division A, Title XV**
 - Supplemental appropriations enacted in the wake of severe economic recession (“stimulus legislation”)
 - Title XV established a public website and extensive online reporting to facilitate oversight of ARRA funding and activities
 - ARRA appeared to be influential in formulation of the proposed DATA Act, whose text evolved considerably during congressional consideration between 2011 and 2014





Federal Funds Transparency: Issues Raised by the DATA Act

DATA Act Implementation: Potential Grants and Financial Management Issues

- **Selected grant issues (Sections 4 and 5 of DATA Act)**
 - Pass-through funds
 - Grant obligation vs. expenditure data
 - Additional challenges for grants management
- **Selected financial management issues (Sections 3 and 4 of DATA Act)**
 - Data standards development and data reporting
 - Alignment of two efforts:
 - DATA Act implementation, and
 - Migration to shared services for financial management



DATA Act Provisions Related to Grants Management: Data Standards

Section 4: establishment of data standards

- Treasury and OMB, consulting with agency heads, are required to establish financial data standards (deadlines over three years)
- Multiple requirements for standards (e.g., computer-readable format)
- Consultations: they “shall consult with public and private stakeholders in establishing data standards”



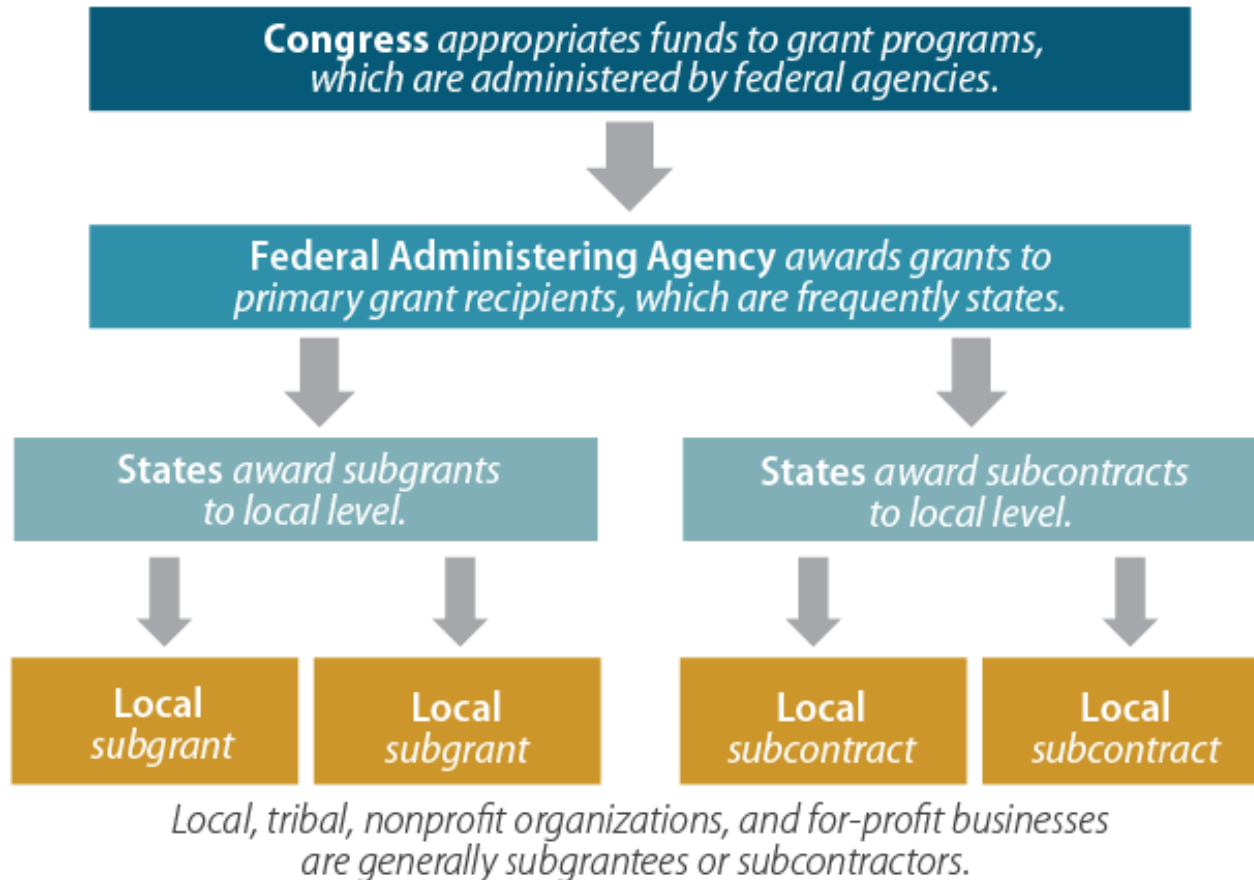
DATA Act Provisions Related to Grants Management: Pilot Program

Section 5: establishment of award reporting pilot program

- Requires OMB to establish a pilot program to develop recommendations for:
 - Standardized reporting elements across the federal government
 - Elimination of unnecessary duplication in reporting
 - The reduction of compliance costs for award recipients



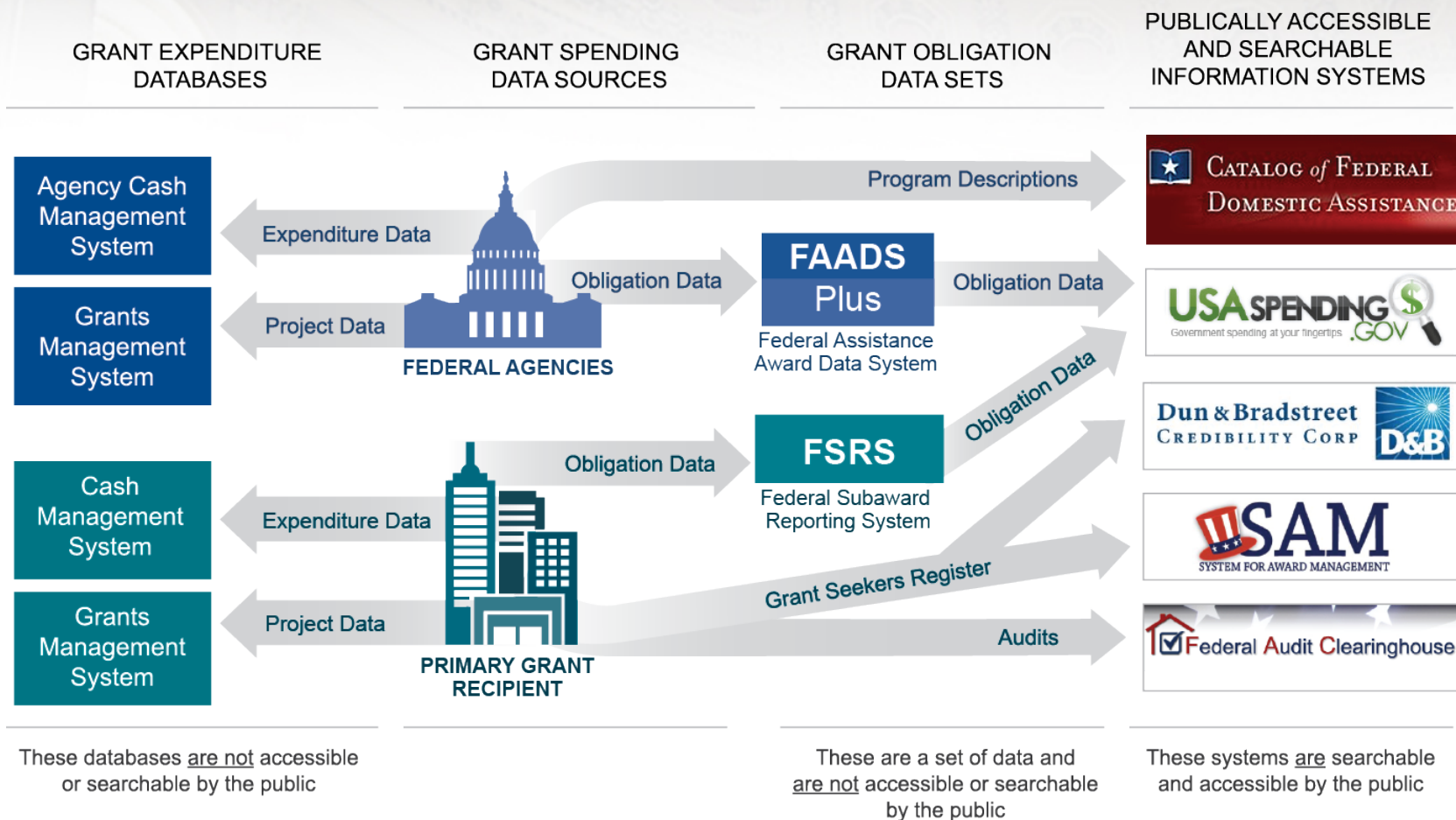
Challenges of Tracking Data and Implementing Standards with Pass-Through Funds



Source: CRS, March 2014.



Grants Obligation vs. Expenditure Data



Source: Congressional Research Service, February 2015



Additional Challenges for Grants Management

- Time lag in tracking federal grants
- Modeling grants on contract data
- Stakeholder participation in creating data standards
- DATA Act implementation and compliance



DATA Act Provisions Related to Financial Management: Data Standards

Section 4: establishment of data standards

- Treasury Secretary and OMB Director, consulting with agency heads, are required to establish financial data standards (deadlines over three years)
- Multiple requirements for standards (e.g., computer-readable format)
- Consultations: they “shall consult with public and private stakeholders in establishing data standards”



DATA Act Provisions Related to Financial Management: Reporting

Section 3: after three years, required quarterly posting of data

- For each appropriations account (i.e., at the “account level”): budget authority, obligations and unobligated balances, other budgetary resources
- Two ways of breaking down contents of each account
 - For each “program activity” (subset of account), obligations and outlays
 - For each “object class” category (e.g., personnel compensation, rent, supplies), obligations and outlays
- Within each “program activity,” obligations and outlays for each object class



What is a *Program Activity*, and What is a *Program*?

What is a *program activity*?

In the *Appendix* volume of the President's budget proposal, each account has a list of one or more "program activities." Each could include one or more "activities or projects."

- **Account X**
 - Program Activity 1
- **Account Y**
 - Program Activity 1
 - Program Activity 2
 - Program Activity 3

Program activities may not track directly to underlying agency financial systems.

What is a *program*?

The Federal Accounting Standards Advisory Board (FASAB) says

[t]here is no firm definition for the term "program;" it varies in the eye of the beholder.

(SFFAC 2, p. 8)

Why?

Audiences use the term in a variety of contexts and for different purposes. A "program" may refer to a statutory provision, organizational component, budget allocation, function, policy, activity, project, initiative, or group thereof.



Object Class Data: Prospective Challenges

FISCAL YEAR 2016

APPENDIX

BUDGET OF THE U.S. GOVERNMENT

Object Classification (in millions of dollars)

Identification code 011-0300-0-1-802	2014 actual	2015 est.	2016 est.
Direct obligations:			
11.1 Personnel compensation: Full-time permanent	55	59	61
12.1 Civilian personnel benefits	15	17	19
23.1 Rental payments to GSA	7	7	7
23.3 Communications, utilities, and miscellaneous charges	1	1	1
25.2 Other services from non-Federal sources	10	6	8
26.0 Supplies and materials	1	1	1
31.0 Equipment	1	1	1
99.0 Direct obligations	89	91	97
99.0 Reimbursable obligations	1	1	1
99.5 Below reporting threshold	1	1	1
99.9 Total new obligations	90	93	97

Program and Financing (in millions of dollars)

Identification code 011-0300-0-1-802	2014 actual	2015 est.	2016 est.
Obligations by program activity:			
0001 National Security programs	11	11	11
0002 General Government programs	9	10	11
0003 Natural Resource programs	9	10	10
0005 Health programs	8	8	8
0006 Education, Income Maintenance, and Labor programs	5	6	6
0007 Office of Federal Financial Management	3	3	3
0008 Information and Regulatory Affairs	9	9	10
0009 Office of Federal Procurement Policy	3	3	4
0010 OMB-wide Offices	32	32	34
0100 Direct program activities, subtotal	89	92	97
0799 Total direct obligations	89	92	97
0801 Reimbursable program activity	1	1	1
0900 Total new obligations	90	93	97

- **Different agency approaches.** There may be considerable variance in the legal and operational foundations for how agencies collect object class data
- **Substantial break with past practice.** Object class data are reported to OMB once a year by budget account, in aggregated form. Other data are reported through highly structured systems several times a year.



Alignment of DATA Act and Shared Services for Financial Management

This section will discuss:

- Background: agency financial management systems and related improvement efforts
- OMB initiative: shared services for financial management
- Relationship between DATA Act and shared services
- Issues related to alignment of DATA Act implementation with migration to shared services



Background: Agency Financial Management Systems

- **Status quo**
 - Agency systems are decentralized
 - Agency systems and data often are not standardized or interoperable
 - Agency systems are sometimes cumbersome and costly to maintain
- **Financial management improvement efforts**
 - Non-IT system changes (e.g., accounting principles and standards, workforce)
 - Modernize individual agency systems
 - Standardize agency systems and data
 - Consolidate agency systems



OMB Initiative: Migrate to Shared Services for Financial Management

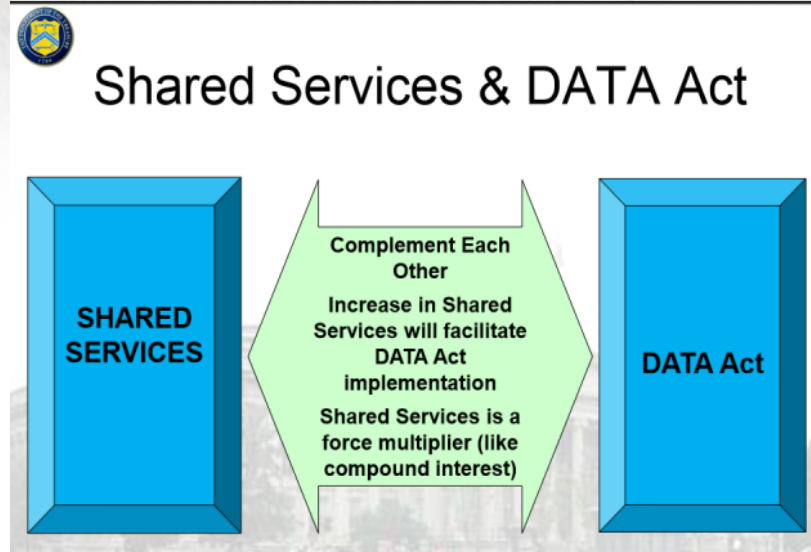
- Shared services for financial management involves transferring some or all of an agency's core financial management functions from internal systems to other agencies (centralized providers)
- To address decentralized agency financial management systems, OMB increasingly has focused on moving toward shared services in recent years
- OMB guidance directs agencies to migrate to one of four federal shared service providers (SSPs)



Relationship Between DATA Act and Shared Services Migration

The move to SSPs also supports the ability to modernize agency financial systems to allow for greater spending transparency. It will also allow more efficient implementation and adoption of the Digital Accountability and Transparency Act (DATA Act) of 2014. This Act requires the creation and adoption of standard definitions for Government spending data and the display of that data on *USASpending.gov*. The Budget includes funding that will allow agencies to make progress in implementing the DATA Act and increase Federal spending transparency.

Source: President's FY2016 Budget



Source: 2014 Treasury Presentation

- Parallel, but interdependent, efforts to increase standardization and transparency of financial data
- Successful development and adoption of government-wide financial data standards may depend on the extent to which implementation is aligned
- It is not clear if there are detailed implementation plans that explicitly address alignment of DATA Act with migration to financial management shared services



A Challenge: Alignment of DATA Act with Shared Services Migration

Different Implementation Timelines

- DATA Act government-wide data standards adoption – May 2017
- Full migration to SSPs – 10 to 15 years(?)
- DATA Act deadlines may introduce risk to SSPs and current or prospective customer agencies

Capabilities of Federal Shared Service Providers

- OMB on shared services: “If [DATA Act] standards are adopted first by the shared service providers, customers will benefit from that early adoption both economically and logistically.”
- Multiple actors with diverse needs (OMB, Treasury, SSPs, agencies, Congress, non-federal stakeholders)

Potential issues:

- **Inconsistencies between DATA Act and SSP data standards**
- **Influx of new customer agencies**
- **Competing priorities**

Potential issues:

- **Alignment between guidance, SSP capabilities, and agency needs**
- **Transparency for Congress and non-federal stakeholders into implementation of the two efforts**





Questions?

Contact Information

Natalie M. Keegan

*Analyst, American Federalism & Emergency
Management Policy*

nkeegan@crs.loc.gov

7-9569

Clinton T. Brass

Specialist, Government Organization and Management

cbrass@crs.loc.gov

7-4536

Kathryn A. Francis

Analyst, Government Organization and Management

kfrancis@crs.loc.gov

7-2351

