

Federal budget timeline and process

Timeline

February: President's budget released by 1st Monday (this year Feb. 7). Congressional committees prepare budget proposals for House and Senate Budget Committees. Budget Committees hold hearings.

March-April: House and Senate work to complete **budget resolutions** by April 15. Resolutions may include **reconciliation** directives and changes in budget process rules. Budget rules to place permanent **caps** on spending might also be proposed in separate bill.

May-July: Congressional **appropriations** committees set amounts for **discretionary** programs (whose funding levels are set annually). Other committees may work on reconciliation-required cuts in **mandatory** or **entitlement** programs (which don't need annual appropriations).

Sept.-Oct.: Finish work on appropriations and reconciliation bill (if not finished), by October 1, the beginning of the new federal fiscal year. Or not. Congress routinely misses deadlines and passes short-term spending bills as needed to keep the government from shutting down after October 1.

Budget process

1. President's budget request

Starts the budget process by (1) telling Congress what the President believes overall federal fiscal policy should be; (2) laying out what the President believes should be spent on defense, agriculture, education, health, and other programs; and (3) recommending tax and entitlement changes.

2. Congressional Budget Resolution

After receiving the President's budget request, Congress generally holds hearings to gather its own members' budget ideas. The House and Senate Budget Committees each develop their own budget resolutions.

The budget resolution is extremely important. It does not produce a law, but rather a blueprint of how much money Congress will be allowed to spend in each of 20 categories (or **functions**) and how much revenue the government will collect, for each of the next five or more years.

Budget resolutions define spending in two ways: **budget authority** and **outlays**. Budget authority sets a limit on how much money each federal agency can commit to spend; it is what Congress focuses on in making most budgetary decisions. Outlays are how much the agencies actually do spend; they help determine the size of the overall deficit or surplus.

For example, a bill appropriating \$50 million to build a bridge would provide \$50 million in budget authority that year, but the \$50 million in outlays may not occur until the next year, when the bridge is built.

After the Budget Committees report their resolutions, the full House and Senate debate, amend (though with steep restrictions in the House) and pass them (or not) with a majority vote.

Differences between the House and Senate versions are resolved in a conference committee containing senior Budget Committee

Definitions

Appropriation: An act of Congress that permits federal agencies to incur obligations and spend money. Also, the amount of money made available.

Budget authority: The amount appropriated that may be spent or obligated by a government agency or for a program, project or activity.

Budget Resolution: The annual framework Congress passes to guide its decisions about spending and taxes. It includes targets for total spending, total revenues, and the deficit or surplus. It also suggests discretionary and mandatory spending targets.

Cap: A budget "cap" is a legal limit on total annual discretionary spending. A program "cap" usually limits the availability of a specific entitlement.

Discretionary spending: Spending that is not mandated by law, including money for the administration of all federal agencies, highway construction, defense, education and foreign aid. It is controlled through the annual appropriations process. About two-fifths of all federal spending is discretionary.

Entitlement: A program that legally obligates the federal government to make payments to any person, institution, or government that meets eligibility criteria and seeks payment. Examples: Social Security, Medicare, Medicaid, unemployment benefits, and food stamps.

Fillbuster: An attempt to block or delay Senate action by debating it at length or by any other delaying or obstructive action.

Fiscal year: The federal government's accounting period: October 1 to September 30.

Function: A broad budget category that includes all accounts related to its subject or purpose, such as agriculture, energy, and transportation.

Mandatory spending: Spending that is authorized by permanent law, including Social Security, Medicaid, Medicare, and interest paid to holders of federal debt. To change the level of spending, Congress must change the law. Mandatory spending accounts for three-fifths of all federal spending.

Outlays: The amount of money the government actually spends in a given fiscal year. A synonym for spending or expenditure.

Pay-As-You-Go (or PAYGO): Requirements that new spending on entitlements or tax cuts must be offset by cuts in other entitlements or by other tax increases, to ensure that their enactment does not increase the deficit. Can be circumvented by Congress and the President.

Reconciliation: A special "fast-track" procedure by which Congress changes revenue and spending laws to meet targets set in the Congressional budget resolution.

members of both chambers. They work out a compromise, called a conference report, which must be approved by a majority in each chamber.

The budget resolution is not an ordinary bill. It is one of the few pieces of legislation that cannot be **filibustered** in the Senate and that the President does not sign or veto. The budget resolution is supposed to be completed by April 15, but it often takes longer. Occasionally, Congress does not pass a budget resolution and the previous year's resolution stays in effect.

Sometimes, the budget resolution includes complicated devices to ensure that particular programs receive a certain amount of funding: a "reserve fund," for example, that could be used only for a specific purpose. A resolution can also change the rules of the budget process. For example, the fiscal year 2004 budget resolution limited the amount of money that the 2005 resolution could allocate to the Appropriations Committees, and required a vote of 60 Senators – three-fifths – to increase that funding.

If Congress cannot agree on a budget resolution, as happened in 2002 and 2004, the spending and revenue framework from the last resolution remains in effect.

3. Appropriation

After receiving their spending limits from the budget resolution, Congressional committees decide which programs will be funded at what levels.

The Appropriations Committee, which is responsible for funding for discretionary programs, divides its allocation among its 13 subcommittees. Likewise, committees responsible for mandatory programs like Social Security and Medicare get a total dollar ceiling for all of the legislation they produce that year.

Any bill (or amendment) dealing with taxes or spending on entitlement programs must fit within the parameters set by the budget resolution, both in the first year and over the multi-year period it covers.

Appropriations bills are voted separately in the House and the Senate, which may amend the House bill or completely substitute its own. House rules allow it to restrict amendments and debate. In the Senate, however, one or more Senators opposed to cutting housing, for example, can stop it from coming to a vote by **filibustering** – continuing to talk at length on the Senate floor. It takes at least 60 Senate votes to stop a filibuster.

When a House-Senate conference committee is able to reach a compromise, the appropriations bill is voted upon in each chamber, and then goes to the President. He has 10 days to sign or veto it. If he takes no action in 10 days and Congress is still in session, the bill automatically becomes law; if Congress has adjourned, the bill is considered vetoed after 10 days. It takes a two-thirds vote in the House and in the Senate to override a veto.

4. Reconciliation: The filibuster buster

One might think that, having just set spending and revenue limits in the budget resolution it creates, Congress would abide by those limits when writing the actual budget. That assumption would be wrong. Before 1981, Senators in the minority party used the filibuster to hold up spending cuts or tax increases they didn't like. And committees that did not want to adhere to the tax increases or entitlement cuts in the budget resolution often simply didn't bring that legislation forward for a vote.

So when Congressional leaders think committees might balk at taxes or cuts to entitlement programs (like Medicaid), they may force compliance by including reconciliation directives in the budget resolution. These directives instruct one or more specific committees to produce legislation by a specific date that meets the resolution's spending and/or tax targets (and may even suggest how to do it). Reconciliation bills from the various committees then go to their Budget Committee, which packages them into a single large bill and presents it to the full House or Senate for a majority vote.

The special rules of reconciliation make it a powerful tool in the budget process -- in the last 25 years, every directive to cut spending has been followed. Committees comply with directives; if they don't, the Budget Committee chair can prepare amendments to meet the targets for them. A reconciliation bill can't be filibustered in the Senate, so only needs 51 votes (instead of 60 to bust a filibuster) to pass. Reconciliation bills can be amended, but any proposal that costs money must be offset by another that cuts the same amount, increases revenues, or both.

There are also limits to what can be included in a reconciliation bill. Social Security is excluded and all provisions must have a budgetary impact within the five (or ten) years the reconciliation directive covers. But reconciliation makes it easier to cut mandatory or entitlement programs including Medicaid, Medicare, Food Stamps, student loans, child nutrition programs, foster care and adoption, TANF, child care, the Earned Income Tax Credit or the Child Tax Credit.