The American Budget Process

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OVERVIEW OF THE BUDGET PROCESS

The five major steps in the federal budget process are:

1. President submits Budget Request to Congress
2. The House and Senate pass a budget resolution
3. Appropriations committees consider authorizations bills
4. The House and Senate vote on appropriations bills and resolve differences in conference committee
5. President signs bills

("Budget Process: Federal Budget 101")

PRESIDENTIAL BUDGET REQUESTS

It is Congress's responsibility to pass the budget each year. But, Congress found it difficult to generate a budget on its own, and in 1921 passed the Budget and Accounting Act, which required the president to submit a budget for their consideration. By being the person to take the initial step in the budget process, the President gains a lot of agenda-setting power. And where the President suggests Congress spend money indicates three things: what the President recommends for the fiscal year (Oct. 1st –Sept. 30th), what the President's goals and priorities are for the year, and if the President is recommending any spending or tax policy changes.

THE CONGRESSIONAL BUDGET RESOLUTION

The next step in the budgeting process involves Congress generally holding *hearings* to question Executive Administration officials about their requests and then develops its own budget plan, called a **budget resolution**. The budget resolution sets out the congressional budget by establishing budget totals, allotments, entitlements and some reconciliation instructions. It declares how much Congress is supposed to spend and estimates how much Congress will collect. The difference between these two numbers – the spending ceiling and the revenue floor – illustrates either the deficit or surplus that the U.S. will face for the year, and for the next few years down the road. As you have read, budget resolutions are not always reached, and thus they are written out to last for several years.

All the work on these budget resolutions is done by the House and Senate Budget Committees, whose key function is to draft and implement the budget resolution. Once the Budget Committees pass their budget resolutions respectively, the bills go to the House and Senate floors, where they can be amended. A House-Senate conference committee will then resolve any discrepancies between the two bills, and the budget resolution for the year is adopted when both houses pass the conference report.

Technically, Congress should be able to pass the budget resolution by April 15, but in very recent years, it has become the norm for Congress not to pass a budget resolution. Failures to pass a budget resolution have occurred in the years 1999, 2003, 2005, 2007, and since 2011, Congress has not passed a budget resolution at all ("Policy Basics: Introduction to the Federal Budget Process"). If and when this occurs the previous year's resolution, which is a multi-year plan, stays in effect. A budget resolution is a "concurrent" resolution which means that it is not formally a law, and only binds Congress. This is why is does not need to go to the President for approval or denial.

Mandatory and Discretionary Spending

Two types of spending comprise the budgeting process. Discretionary spending is dealt with in House and Senate Appropriations Committees which differs from Mandatory (Entitlement) spending, which is handled by House and Senate Authorizing Committees. Discretionary spending is government spending implemented through an appropriations bill. This spending is an optional part of fiscal policy, in contrast to entitlement programs for which funding is mandatory. Examples of discretionary spending include federal agencies, Congress, the military, or space programs, whereas mandatory spending includes entitlement programs such as Social Security, Medicare, Medicaid, unemployment benefits or food stamps.

Authorizations and Appropriations

> "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law" (Article I, section 9).

Discretionary spending must go through the dual procedure of Authorizations and Appropriations. A background on the authorizations and appropriations sequences dates back to early to mid nineteenth century. Appropriations were muddled with policy and legislation irrelevant to the budgeting bill at hand, so in 1835 John Quincy Adams suggested that appropriations bills be authorized to only reflect budgeting requests and disbursements, and in 1837, the authorization process was adopted (Davidson, Oleszek, Lee, 2011). Today though, appropriations bills still do sometimes carry policy and legislation through restrictions set on what the money can and cannot be spent on, such as abortion limitations.

Authorization laws accomplish three main tasks: (1) they establish and/or reauthorize federal agencies and programs, (2) they define functions of these federal agencies and programs, and (3) they recommend the appropriation of funds to said programs. Authorization can be thought of as 'what a government should do', whereas appropriations is 'what the government can afford to do'. After an authorization bill has recommended that a certain amount of money be appropriated to fund a federal program, typically the appropriations process will begin with the House initiating an appropriations bill. The House Appropriations Committee will do one of three things:

1. Grant up to the amount asked for in the appropriations bill (but never more).
2. Give less that the appropriations bill asked for.
3. Give no money.

Then the Senate Appropriations Committee evaluates the same authorizations bill, and any discrepancies in the final amount appropriated by each committee can be worked out in a conference committee. For example, a defense authorizations bill recommends that $20 million be appropriated for the purpose of tank construction. The House Appropriations Committee has the **budget authority** to recommend that $15 million be appropriated. But the Senate Appropriations Committee recommends that only $10 million be appropriate to fund tank building, so a House-Senate compromise is worked out, and the money that is officially spent on the tank building are called **outlays** (United States. Cong. Senate. Committee on the Budget).

Continuing Resolutions

If Congress does not take action on an appropriations bill before the start of the fiscal year, it must pass, *and* the President must sign, a continuing resolution to provide stopgap funding for agencies and discretionary programs that require re-appropriations. If Congress cannot pass the continuing resolution or the President won't sign it, any agency that did not get funding through the typical appropriations process will be shut down ("Policy Basics: Introduction to the Federal Budget Process").

In 2013, the United States saw its third longest shutdown of governmental organizations ever, which was over disagreements about President Obama's health reform policies. This lasted only 16 days, but affected the pay of over 2 million federal employees, and an estimated $10 billion was lost during the government shut down.

Implementing Budget Legislation

Following the acceptance and adoption of the budget resolution, Congress reviews any annual appropriations bills that are needed to fund discretionary programs in the coming fiscal year and considers any legislation to endorse changes to mandatory spending as instructed in the budget resolution. Several mechanisms exist to enforce the terms of the budget resolution during the consideration of such legislation, and a specific mechanism known as **reconciliation** exists to expedite the consideration of entitlements and tax policy.

ENFORCING THE BUDGET RESOLUTION

The main way that the budget resolution is enforced, is through the budget "points of order" ("Policy Basics: Introduction to the Federal Budget Process"). A single member of Congress may prevent the passage of any legislation that would violate the terms of the budget resolution or exceed a committee's spending allocation can raise a point of order to block the legislation. This point of order is more effective in the Senate than it is in the House. Once a budget point of order is raised in the House, a simple majority can 'waive' it, yet in the Senate, 60 votes must be attained in order to waive the point of order.

Appropriations bills must stay within their designated amount in order to stay within the overall spending limit established by the budget resolution. Similarly all tax or entitlement bills must fit within the budget resolution's spending limit both in the first year and over the total multi-year period covered by the budget resolution ("What are 302(A) Allocations?").

THE RECONCILIATION PROCESS

Every so often, Congress will utilize a procedure known as *reconciliation* to force Congressional committees to quickly consider and act upon any mandatory spending or tax legislation. Initially, Congress developed this process to help reduce the deficit by compelling committees to make their necessary spending cuts or tax increases laid out in the budget resolution. However, the Senate now prohibits any committee from using reconciliation to consider legislation that would increase the deficit and the House prohibits using reconciliation to increase any mandatory spending, after it was abused by the Bush Administration to cut taxes which led to an increase deficit ("Policy Basics: Introduction to the Federal Budget Process").

Works Cited

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