

The Federal Budget Process

A Congressional Performance in Three Acts

Overture: The Authorization Process

Before any program can receive government funding, it must be authorized. That means that there must be a piece of legislation currently in effect that describes and defines the program. Authorizations are renewed every 3-5 years (reauthorizations). For example, the Higher Education Act was reauthorized during the 110th Congress in 2008. Previously it was renewed in 1998, and survived on a number of temporary extensions well past the original renewal deadline.

Act One: The Budget Resolution

The President introduces a budget proposal in February. It includes a lot of detail about individual programs, past spending, trends, legislative proposals, etc. The budget committees in each house of Congress receive the President's proposal and consider it, but typically come up with a budget resolution of their own. By April 15 (in theory) the House and the Senate are supposed to have agreed on a budget resolution. This resolution, generally only a few pages long, sets out:

1. the amounts to be spent on major functions or purposes served by federal government programs -- for example, transportation, defense, and income supports are three different budget functions;
2. the amount of revenue to be raised; and
3. "reconciliation instructions" which are orders to various congressional committees to find ways to reduce the cost of entitlement programs, or to raise revenues by a certain amount.

Act Two: Appropriations

Each house of Congress has an appropriations committee with several subcommittees overseeing spending for a set of departments or agencies. At the moment the Senate has 12 subcommittees, and the House has 10. For example, the appropriations subcommittee on Labor, Health & Human Services and Education oversees the spending of the Department of Education (and other agencies.)

After the budget committee sets ceilings for spending on the various government functions, each appropriations subcommittee is given an "allocation" -- a total dollar amount to be divided up among for all the programs under its jurisdiction. (This is called the "302b" allocation.)

Each sub-committee then recommends specific appropriations for specific programs, line by line. The committee can trade off spending among programs, as long as all the trade-offs are within the sub-committee's jurisdiction and the total amount allocated to all programs stays under the sub-committee's limit. The sub-committee's recommendations become one of 13 appropriation bills, reported out to the full Appropriations Committee.

After the full Appropriations Committee approves the bill, it goes to the floor in each house. After approval by the full Senate and House, and after working out the differences between House and Senate bills, the bills go to the President for his signature. Then, and only then, are departments of the federal government able to draw their funds from the Treasury.

Act Three: Reconciliation

The committees that receive reconciliation instructions report back to the budget committee by about September. Then the budget committee in each house compiles a "reconciliation bill," which might include tax increases for some, tax cuts for others, and cuts or increases in various entitlement programs.

Finale: End of the Fiscal Year

The federal government's fiscal year ends on September 30. By that time, all 13 appropriations bills and a reconciliation bill must be approved by both houses and signed by the President. Any remaining bills are combined into a "continuing resolution" or "CR."

Typically, the CR provides temporary spending authority -- until a specific date given in the bill -- at a set level (such as last year's level plus or minus 1% or 2%.) Usually, the CR is negotiated by the leaders of both parties -- including the President. This part of the process tends to give the President a lot of power to affect the details of the spending bills.

Taken from <http://www.aaup.org/AAUP/GR/lobbytools/The+Federal+Budget+Process.htm>