

Background

How does the federal budget process work?

FEDERAL BUDGET PROCESS

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Q. How does the federal budget process work?

A. Ideally, following submission of the president's budget proposal, Congress passes a concurrent budget resolution setting total spending, revenue, and deficit targets for at least the next five years, and then passes annual appropriation bills to fund discretionary programs and legislation to enact changes to mandatory programs and taxes. The process has typically broken down at various points in recent years, however, with Congress failing to pass a concurrent resolution or completing action on appropriations.

THE PRESIDENT'S BUDGET

The congressional budget process begins each year with the president submitting a budget for the following fiscal year. The president's budget proposes spending levels for federal programs whose funding is determined annually (discretionary programs) and may recommend policy changes to ongoing programs that do not require annual appropriations (mandatory programs) and to the tax code.

CONGRESSIONAL BUDGET RESOLUTION

Within the six weeks following submission, the various congressional committees report to the House and Senate budget committees outlining how their spending and revenue proposals will differ from the president's budget. After each budget committee compiles this information, Congress is required to pass a concurrent budget resolution setting out total spending, revenue, and deficit targets for at least the next five years and more usually for 10 years. Concurrent resolutions are endorsed by both the House and the Senate, yet lack the force of law and do not require the president's signature—which, of course, implies that the president cannot veto them, either.

The budget resolution divides total spending among the main functions of government, such as defense, transportation, and health, through spending allocations to individual congressional committees. The House and Senate appropriations committees further divide their spending allocations among their subcommittees. The budget resolution allows individual congressional committees to decide the details of their budgets, program by program, consistent with the aggregate targets. In practice, however, the debate over the resolution often becomes a debate over individual program budgets and their implications.

In recent years the Senate and the House have had difficulty agreeing to a single budget resolution. In early 2015, they agreed to a resolution for fiscal 2016—the first time they'd been successful since fiscal 2010. For fiscal 2017 and 2018, they passed perfunctory resolutions for the sole purpose of repealing the Affordable Care Act and passing a tax cut and tax reform.

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During 2018 neither house plans to even pass a budget resolution out of committee. It is the first time that has happened since the budget process was enacted in 1974.

Even when they pass a resolution, Congress frequently violates the resolution's spending and revenue targets.

THE APPROPRIATIONS PROCESS

After the budget resolution passes, the House Appropriations Committee may begin the appropriations process. If a budget resolution is not passed by May 15, the House Appropriations Committee may begin appropriations in its absence. There are 12 appropriations bills covering different parts of the government. Agencies that are not funded because their appropriations have not been passed by October 1 are funded under continuing resolutions. These typically cover spending for only part of a year, but Congress sometimes extends them to cover the whole fiscal year. Continuing resolutions often limit spending to last year's level. Recently, it has become more common for no appropriation bills to pass by October 1. Then the government is funded by an extremely complicated omnibus bill. This makes it difficult for legislators to implement a rational set of national priorities.

THE CONGRESSIONAL BUDGET OFFICE

The Congressional Budget Office provides Congress with technical, nonpartisan advice on budget matters. Every bill Senate and House committees report to the floor must include a Congressional Budget Office cost estimate that covers at least five years (more recently, 10 years).

RECONCILIATION

Congress occasionally uses a special procedure called reconciliation to fast-track revenue and entitlement spending legislation. The budget resolution instructs committees to implement certain targets for changing revenues and mandatory expenditures. The resulting reconciliation bill combines spending and revenue provisions into a single piece of legislation. Debate is limited and the bill cannot be filibustered in the Senate. The Senate's Byrd rule states that a reconciliation bill cannot contain items not germane to the budget and that the bill cannot increase the deficit beyond the budget horizon, usually 10 years.

Further Reading

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