

OVERVIEW OF THE FEDERAL BUDGET PROCESS



A FEDERAL FUNDS WATCH FROM LEGISLATIVE BUDGET BOARD STAFF

ID: 3318

MAY 2016

Through its annual budget process, the federal government decides how to fund its various functions and operations. The U.S. Constitution grants the “power of the purse” to Congress. Although the President submits a budget request to Congress and signs an appropriation bill, Congress bears the responsibility to pass a budget. The Congressional budget process is guided by the Congressional Budget and Impoundment Control Act of 1974.

MAJOR ROLES, RESPONSIBILITIES, AND PROCEDURES

Before the President submits his formal budget request to Congress, federal agencies work with the Office of Management and Budget (OMB) to develop their budgets. The President is required to submit his official request to Congress by the first Monday in February. Congress is not required to adopt his recommendations.

To begin the process, Congress adopts a budget resolution that sets spending levels. The resolution includes revenues, budget authority and outlays, any surplus or deficit, and the debt limit. Although Congress must agree to this resolution, it is not a new law.

The budget resolution establishes the total amounts Congressional committees may spend. The House and Senate Appropriations committees divide their allocations among their own 12 subcommittees. This division sets up the process for the 12 regular appropriations bills that Congress considers.

During the budget process, Congress may also consider authorizing, revenue, and reconciliation legislation. Federal programs must be authorized to receive an appropriation. According to the Congressional Research Service (CRS), reconciliation can “bring existing revenue and spending law into conformity with ... the budget resolution.” Congress has used reconciliation to address revenue matters often. From 1980 to 2010, 20 reconciliation procedures became law.

Congress may send multiple appropriations acts to the President or consolidate the acts into one appropriations act. A single act is known as an omnibus appropriations act. The Consolidated Appropriations Act, 2016, was an omnibus.

OTHER BUDGET MEASURES

Congress may decide to pass a smaller appropriation act called a minibus. A minibus groups together appropriations by functions, such as Commerce, Justice, Science or Agriculture.

If Congress does not meet established budget deadlines or fails to reach an agreement, it may decide to fund the government through a continuing resolution (CR). A CR typically lasts for a few months and provides level funding.

TIMELINE

Figure 1 shows the official timeline for the Congressional budget process. Although these dates are established in statute, the President and Congress do not always complete each action by these deadlines.

FIGURE 1
CONGRESSIONAL BUDGET PROCESS KEY ACTIONS
FEBRUARY TO OCTOBER

| ACTION | DEADLINE |
|---|--|
| President submits budget request to Congress | First Monday in February |
| Congressional Budget Office reports on economic and budget outlook | February 15 |
| Committees submit views and estimates to House and Senate Budget committees | Not later than six weeks after the President's budget submission |
| Senate Budget Committee reports concurrent budget resolution | April 1 |
| Congress completes action on concurrent budget resolution | April 15 |
| House Appropriations Committee reports last annual appropriations bill | June 10 |
| Congress completes reconciliation action (if necessary) | June 15 |
| House completes action on annual appropriation bills | June 30 |
| Federal fiscal year begins | October 1 |

SOURCES: Congressional Research Service; U.S. House Committee on the Budget.

GOVERNMENT SHUTDOWN

If Congress fails to pass an appropriations bill or CR by October 1, the federal government shuts down. Some programs that are permanently or previously funded may continue to operate even during a shutdown.

Due to Congress' failure to reach a budget agreement or CR, funding for the federal government ceased on October 1, 2013. Federal agencies made contingency plans for an extended shutdown. In response, Texas state agencies also made contingency plans for agency operations during a continued shutdown. However, because Congressional funding resumed October 17, state agencies were able to continue normal operations without implementing those contingencies.

FEDERAL VS. TEXAS BUDGET: SIMILARITIES AND DIFFERENCES

In some ways, the federal and state budget processes are similar. Like the President, the Governor of Texas submits an executive budget. The legislative branch also passes the appropriations act. Historically, the Legislative Budget Board (LBB) develops the introduced General Appropriations Bill. The Texas Senate and House of Representatives, like their federal counterparts, mark up an appropriation bill. Differences must be reconciled in a conference committee.

However, the federal and state processes have key differences. The first difference is that the Texas Legislature appropriates funds for two fiscal years, whereas the U.S. Congress appropriates for one fiscal year. The state fiscal year begins September 1, but the federal fiscal year begins October 1. At the federal level, agency budget requests are directly tied to the President's budget request. According to CRS, "agencies are supposed to justify the President's recommendations, not their own." In Texas, state agencies submit their Legislative Appropriations Requests (LAR) to the LBB and the Office of the Governor. During the legislative appropriations process, agencies discuss their requests; the Governor's budget proposal is a separate matter. Additionally, the Legislature may not spend more revenue than the Comptroller of Public Accounts estimates will be collected for the biennium. The federal government, however, may operate with a deficit.

AUTHORIZATION VS. APPROPRIATION

Authorization legislation establishes or continues a federal program or agency and provides the purposes and other information related to the program. Federal programs can be authorized for multiple years. These programs may continue after authorization expires through the appropriations bill.

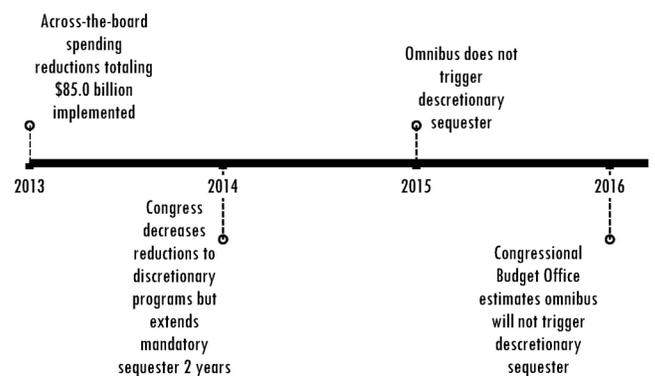
Appropriation legislation typically provides legal authority for federal agencies to incur obligations and spend money for specific

purposes. Appropriations amounts are not supposed to exceed the authorization levels.

CONGRESSIONAL BUDGET ACTIONS

The Budget Control Act of 2011 (BCA) increased the federal debt limit and imposed caps on discretionary spending to reduce long-term budget deficits. The BCA resulted in \$1.2 trillion in across-the-board reductions during 10 years, beginning in January 2013. These reductions are commonly known as the sequester. The across-the-board reductions were evenly split between domestic and defense spending, but the reductions exempted certain safety-net programs. These programs include Social Security, Children's Health Insurance Program (CHIP), Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Medicaid, and Federal-aid Highway Obligation Limitations. **Figure 2** shows the timeline for subsequent legislative changes to the BCA.

FIGURE 2
CONGRESSIONAL BUDGET ACTIONS, FISCAL YEARS 2013 TO 2016



SOURCES: Legislative Budget Board; U.S. House Committee on the Budget; Congressional Budget Office.

In December 2015, the President signed the Consolidated Appropriations Act, 2016, which replaced previous CR funding measures. The act will fund the federal government through fiscal year 2016. It included \$1.15 trillion in discretionary spending.

USEFUL REFERENCES

Introduction to the Federal Budget Process, Congressional Research Service, December 3, 2012

Budget 101: A Guide to the Budget Process in Texas, Senate Research Center, January 2013

CONTACT

Maria Hernandez FedFundsWatch@lbb.state.tx.us

The Federal Funds Analysis Team of the Legislative Budget Board conducts research on federal legislation and federal funding issues that impact the state budget.