Federal Appropriations and Budget Process

Important Terms

Authorization
This is the maximum amount of money that can be spent to fund a budget item. This is determined by the Budget Committees and set forth in a concurrent budget resolution.

Allocation
The amount of money actually provided for a budget item. This is determined by the Appropriations Committee. The Appropriations Committee may allocate less than the authorization, but may not allocate more than the authorization.

Discretionary Programs
Programs that must have their funding renewed each year in order to continue operating. Examples of discretionary programs include the budgets for K-12 education, housing, and most defense operations. Collectively, discretionary programs make up approximately one third of all federal spending.

Mandatory Programs
Programs that are not considered annually and are not controlled by the annual appropriations process. However, Congress or the administration may consider changes to these programs which would alter the overall federal spending required for their operation. Examples of mandatory programs include Medicare, Social Security, and Temporary Assistance to Needy Families (TANF).

Continuing Resolution (CR)
A temporary spending authorization that allows the government to remain funded until a budget can be passed. A CR must cover a specified period of time and must include an expiration date. The CR may authorize diminished, current, or expanded funding.

The Federal Budget Process: The Authorization of Spending

The President's Budget Request
The federal government operates on a fiscal year that runs from October 1 through September 30. Each fiscal year, the President must submit a budget request to Congress, usually by the first Monday in February. The budget request, developed by the President's Office of Management and Budget (OMB), is a long, detailed document that illustrates how the Federal budget would best be utilized to reflect the administration's goals. This proposal covers how much the Federal Government should spend on a variety of public purposes, such as education, defense, and health, as well as how much it should take in as tax revenues.

The administration is required to ask for spending levels for all discretionary programs. The President's budget request may also include changes to mandatory programs. The budget request may include proposed changes to the federal tax code in order to affect federal revenues available for funding programs.

The Congressional Budget Resolution

After receiving the President's Budget Proposal, the House and Senate Budget Committees hold hearings in which officials from the administration are questioned about their budget requests. Once these hearings have been completed, the budget committees draft their own budget proposals and a House-Senate conference committee reconciles the differences between the two versions of the bill to produce a concurrent resolution on the budget. A concurrent resolution does not have the force of law. Instead, it serves as a guide for the appropriations process that follows. Therefore, although allocations are authorized in the Budget Resolution, it does not necessarily mean that the appropriations committees will allocate the authorized sums.

Although Congress is supposed to approve a budget by April 15, it often does not happen this quickly. Furthermore, if Congress is unable to agree on a budget for the coming fiscal year, no new budget is adopted and the previous year's budget, which includes provisions for the next five years, is used.

The Federal Appropriations Process: The Allocation of Money

Determining Committee Assignment

Every Congressional Budget Resolution separates federal spending into many broad spending categories (known as budget "functions") and a report that details how federal spending is to be divvied up by congressional committee. The committees with jurisdiction over mandatory spending programs each receive an allocation representing the total dollar amount, or budget authority, for all of the legislation that they produce for the entire year. All approved spending for discretionary programs are included in a single allocation that goes to the Appropriations Committee in each chamber. The Appropriations Committees then decide how to divide this funding up among their various appropriations subcommittees having jurisdiction over one or more funding areas. For education appropriations, this is the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies.

Committee Process

For every appropriations bill, the chairman of the subcommittee with jurisdiction proposes a draft bill, known as the Chair's Mark. The subcommittee then has an opportunity to debate the chair's mark and offer amendments, a process called a mark-up. Once this process has been completed and the appropriations bill has been passed by the sub-committee, it comes before the full Appropriations Committee for consideration. The Appropriations Committee holds its own mark-up of the bill passed by the subcommittee. The bill passed by the Appropriations Committee then comes before the full House or Senate where, once again, it can be amended before it is finally passed.

It is important to note that, typically, the Senate waits until an appropriations bill has been passed by the full House of Representatives before the appropriate subcommittee takes up the bill, offering their own substitute and beginning the markup process for themselves. Once both chambers of Congress have passed their versions of an appropriations bill, these two versions must be reconciled in a House-Senate conference committee. The resulting, single bill is then, once again, voted upon in each chamber. If passed, the bill is then sent to the President to be signed into law.

Other Important Aspects of the Federal Budget and Appropriations Process

Continuing Resolutions

Sometimes the Administration and Congress have difficulties agreeing on a budget and appropriations plan. When Congress fails to authorize and appropriate a new budget for the next fiscal year, it must pass what is called a Continuing Resolution, or CR, in order to keep the government operating and avoid a government shutdown. A CR is legislation in the form of a congressional joint resolution, typically passed when a fiscal year is about to begin or has begun, to allow federal agencies and programs to continue to operate until an appropriations bill is passed. While a CR can apply to a full fiscal year, Congress can pass short-term CRs, that last for as little as a few days. In any case, a CR must be passed by both houses of Congress and signed into law by the president. Currently, the government is operating under a CR that is due to expire December 11, 2014.

National Debt Limit

The debt limit, or ceiling, is the total amount of money that the United States government is authorized to borrow to meet its **existing** financial obligations. It is important to note that legislation to raise the debt ceiling is different than appropriation or authorization bills (which fund programs). Accordingly, legislation to raise the debt ceiling neither prevents new deficits from being incurred nor permits new spending commitments. Instead, it allows the government to finance existing legal obligations. When the debt ceiling is approached, the Treasury Department must take what is called "extraordinary measures" to keep the United States from defaulting on its existing debt. While these measures will keep the government from defaulting for a short period of time, it is not a permanent solution and Congress must act by raising, or not raising, the debt ceiling.