

## **The Federal Budget Process: An Overview**

The federal budget process is a long one, actually starting 18 or more months before the official start of the fiscal year (October 1<sup>st</sup> of the year prior to the named fiscal year; so, the 2013 budget ends on September 30<sup>th</sup>, and the 2014 budget starts on October 1<sup>st</sup>).

The presidential administration sets budget guidelines and priorities at the start of this process and then transmits the information to executive agencies to begin preparing their part of the budget. This information is then collected and combined into an executive proposed budget that is given to Congress in the early months of the actual fiscal year; Congress then must consider this proposal, make adjustments including alterations, cuts and additions, then appropriate the funds for the budget. Once this is done, the budget is approved and sent to the President. Finally, the Executive branch implements the services with the funds.

Let's consider the various stages of the process.

The Executive Budget: Through the Office of Management and Budget (OMB), the President calls upon agencies over a year in advance of the budget to figure out how much will be required to continue current programs implemented by the agencies, estimate costs for possible new programs, and submit the numbers for combination into a Presidential Budget Request. This is submitted to both houses of Congress early in the calendar year before the start of the named fiscal year.

Agency budgets: Agencies have their work cut out for them with this process, as they need to estimate what their budgetary needs will be 12-18 months in the future. This means analyzing past spending patterns, making decisions on which programs will be continued and which ones should be shut down, and then creating concrete numbers. If agencies are under pressure to cut expenditures per Presidential guidelines, this process becomes even more difficult as agencies need to prioritize what will be given funds at all. If an agency is smart, it will be working on this process long before the OMB requests the numbers, gathering information on trends in its policy area, anticipating changes, and coming up with justifications for decisions.

The Finished Presidential Budget Request is a complete statement of what the Executive branch feels it needs to continue its services and regulatory functions. The OMB takes the numbers from the agencies, asks questions where needed and makes adjustments, and then finalizes the document. It is not a final budget, but a proposal to be taken to Congress for discussion and appropriations. This budget could be correctly understood as the "management" budget; the "political" budget will surface after Congress meets and alters the request.

Congressional Evaluation and Separate Budget: Congress' equivalent organization to the OMB, the Congressional Budget Office (CBO) considers the budget request in light of the numbers for the agencies, the possible impact on the government and the economy. The CBO then makes recommendations on what adjustments might need to be made because of fiscal needs or political priorities.

Discussion: The House and Senate Budget Committees also evaluate the budget, asking issue committees in their respective houses to evaluate whether or not the agencies affected by the budget should receive the funds, or if there should be changes (cuts, raises, etc.). This information is then transmitted to the Budget Committees, which formulate budget resolutions. The House and Senate create separate resolutions; they then must resolve any discrepancies before the resolution goes to a vote. This resolution then sets the boundary for how

much total funding will be spent for the fiscal year.

Appropriations: Although a budget resolution is passed, the House and Senate must then appropriate individual amounts of funds from the total for various areas of the budget that are not automatically set (entitlements such as Medicare, for example). The committees representing the policy areas make recommendations to the Appropriations committees of their respective house. Then, each of the 13 bills must be voted upon separately by the representatives as a whole. Once all of these bills have passed, the budget can actually be enacted.

Execution: Passing the budget then “releases” appropriated funds to agencies. But agencies may get funds from areas of the budget that do not require appropriations, or exercise *authority* to gain funds through loans or other sources. And just because an agency is supposed to get funds does not mean that it will. This is because:

- a) Anticipated revenues fall short, requiring decisions on how to deal with less money;
- b) Funds for programs are *sequestered* (forced to stop spending due to policy constraints, such as not creating deficits);
- c) The President *impounds* funds (refuses to allow spending)
- d) Funds are shifted between agencies because needs are re-prioritized with lack of revenue, emergencies, etc.

Thus, a budget that is passed is rarely the exact budget that is implemented.

It is important to note that this is how the budget process is supposed to work; the last four fiscal years have resulted in delays in the process, to the point that budget have not been passed in some of these years and extensions of appropriations have happened instead. The upcoming fiscal year (2014) has a budget that is close to being on schedule, with the Presidential Budget Request coming out in April of 2013.