



Federal Budgeting Guide

2020-2021

Do I Really Need to Know About the Federal Budget?

For someone still thinking about or taking initial steps toward a career, you may wonder how much you need to know about something as vast and complex as the federal budget. It seems daunting enough to think about your own budget, or expenses like paying for college or rent, right? **But as a citizen, a voter and a taxpayer, it is in your best interest to understand the basics of the federal budget, and how the fiscal decisions of elected officials can impact you and your community. It can also help you decide which candidates in an election best represent your fiscal values and interests.**

In the United States, the federal budget shows what the federal government intends to spend for the coming fiscal year, and the revenues (taxes) that will pay for it. Congress is charged with creating and approving the federal budget, and subsequently deciding how to set tax policy to support the spending.

So, What Do I Need to Know?

While the making of the Federal Budget may seem complicated, understanding the basic steps of the process will help give you the knowledge you need to be an informed and active citizen. Learning the basics is a good start. The federal budget year, for example, runs from Oct. 1 through Sept. 30. The budgeting process starts months beforehand and continues through an extended period of meetings and hearings to set priorities. After this, additional time is spent in negotiations among the House and Senate before it is sent to the President for final approval.



Timeline

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- Step 1** A year or more beforehand, Agencies, Departments, and the Office of Management and Budget begin determining how much money they need to pay for proposed programs and services and send their request to the President to inform his budget proposal.
- Step 2** On the first Monday in February each year, the President sends his budget proposal to Congress.
- Step 3** Late **January/Early February**, The CBO submits their analysis of the President's budget
- Step 4** **Early April**, Congress has typically passed a **concurrent budget resolution** that will guide the decision-making process of the appropriations committees.
- Step 5** **Mid-April**, the House and Senate appropriations committees (12 each) begin public hearings, draft and vote on **appropriation bills**, which set aside the agreed upon funding for each agency.
- Step 6** **By mid-May**, the House begins formally passing **authorization bills**, which provides funds for government agencies and programs as well as **appropriation bills**.
- Step 7** **By mid-June**, Congress typically "reconciles" the differences between the House and Senate versions. In recent years, this reconciliation process has begun in the fall.
- Step 8** There is no deadline for Congress to submit the appropriations bills to the President, who must sign or veto each of the 12 bills within 10 days of receiving them. In theory, the President must sign all bills into law by **Oct. 1**, the beginning of the fiscal year.

Office of Management & Budget (OMB) – The agency oversees and advances policy, budget, management and regulatory requirements, and things like Executive Orders and Presidential Memoranda.

Government Accountability Office (GAO) – Known as the "Congressional watchdog," the agency reports on, investigative and audits issues and programs for Congress.

Congressional Budget Office (CBO) – The agency does nonpartisan analysis of economic and fiscal issues needed to create the budget.

The 12 Appropriations Committees of the House and Senate

- Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
- Commerce, Justice, Science, and Related Agencies
- Defense
- Energy and Water Development, and Related Agencies
- Financial Services and General Government
- Homeland Security
- Interior, Environment, and Related Agencies
- Labor, Health and Human Services, Education, and Related Agencies
- Legislative Branch
- Military Construction, Veterans Affairs, and Related Agencies
- State, Foreign Operations, and Related Programs
- Transportation, Housing and Urban Development, and Related Agencies

What Happens When a Budget Agreement Isn't Reached?

As you might imagine, there are multiple points along the way where the budget process can break down. There are many debates over budget priorities and spending levels—for broad areas or even specific programs—that can drag out the process. But if the budget isn't signed by the President by the Oct. 1 deadline, it can cause a number of additional actions or consequences.

If there isn't full agreement on each of the 12 appropriations bills, for example, Congress can combine them all into one giant **omnibus spending bill** and then jointly considered under one vote in each chamber. These bills ensure that federal safety net and social programs including Medicaid, Veterans and retirement programs still receive funding while the budget agreement is still in process. If the process is going to miss the deadline, Congress can pass a **continuing resolution**, which provides funding based on the previous year's appropriations, so the government won't shut down after Sept 30.

When disagreements cannot be resolved in time and continue, there could be a **government shutdown**, meaning all "non-essential" services stop. That means that national museums, passport services and many federal offices close, although essential personnel like the military, air traffic controllers and federal law enforcement keep working.



Budget Spending Categories

Discretionary

Spending that is left to the discretion of Congress to decide upon. Includes Defense, Education, many other public service programs. This accounts for roughly one third of total spending each year.

Mandatory

Spending "mandated" by ongoing laws and does not require annual appropriations. However, the President's budget will typically propose to alter some mandatory programs, eligibility criteria and benefit formulas. Mandatory spending accounts for major health programs such as social security, Medicare, and unemployment insurance, and is more than half of the federal budget.

Interest on Debt

The cost of borrowing money each year and the third major category of spending. Interest on debt is part of our legal obligation each year, and accounts for roughly 8-10% of federal budget each year but is projected to reach 20% by 2049. Interest is the fastest growing portion of the budget.

While there are many reasons that the budget process could get stalled that have little to do with politics, the main political parties often need to negotiate and find compromise to get to a final budget they can all agree on. They agree on some things, such as the need to fund education or Social Security but have differing perspectives on the government's role and spending obligations, as well as how to pay for it all. While there are few viewpoints that are universally held by Republicans or Democrats, there are some general principles aligned with each party's approach to fiscal issues:

- ➡ **The Republican Party** generally supports limited government involvement in economic decisions, and, therefore, Republicans typically favor a budget that allows lower taxes, limited regulation and free enterprise. This point of view reflects a supply-side economics principle, which posits that creating conditions for producers to produce (such as businesses, trade, and investors) will drive growth in the economy.
- ➡ **The Democratic Party** generally supports government intervention to strengthen the economy and the higher taxes needed to do so. During economic downturns, for example, Democrats may support enhancing and extending welfare programs to help citizens amid poor economic conditions. This point of view reflects a demand-side economics principle, which posits that creating conditions for the consumer to consume is what will drive economic growth.



Coming Together in a Crisis

When there is an "emergency," such as the COVID-19 pandemic, or natural disasters affecting parts of the country, Congress has some flexibility in approving emergency spending to respond to the crisis. In such emergencies, and especially amid the unprecedented crisis caused by the coronavirus, lawmakers must take action to address the most pressing needs and minimize suffering. The country would be in a much better position right now if our debt and deficits weren't already at such high levels, but our current fiscal outlook should not impede the response to this emergency.

Longer term, we all need to be aware of the impact of the federal budget on the National Debt.

Whenever federal budgets exceed expected revenue it creates a deficit, meaning the Treasury will have to borrow money to cover the additional spending. That is added to the National Debt, which increases each year—and is currently more than \$26.6 billion—until the government begins to pay it down. To learn about the debt right now, check out our National Debt 101 Guide.

You Have a Say In All This

There are opportunities for lobbyists, interest groups and members of the general public like you to weigh in and tell Congress what the federal budget should and shouldn't include and how they can best serve the interests of your community. Before each bill is written in the House and Senate, for example, appropriations committees hold public hearings. **Prior to and throughout the budget process, or at any time, you can reach out to your own representatives in Congress, and officials in your state, to express your preferences and concerns for how your tax dollars should be used.** For more guidance on how to contact public officials, read our Get Heard Guide.

The federal budget affects your community and your life regardless of your background or political beliefs. America's current fiscal path is not sustainable, The structural mismatch between spending and revenues will continue to increase the national debt and strain our ability to meet other fiscal obligations. Your representatives in Congress are there to represent you and your community, and so you have a say in influencing fiscal policy. Part of the federal budget supports your state and local governments, too, and some of the programs that are at work in your community, such as education and transportation. While federal funding represents a small portion of state spending, it is an important source of financial support for many public programs and services. So, now that you are more informed than most Americans about the federal budget process, you should feel empowered to speak up and be heard on the budget policies you feel strongly about. **It is important to all of us that our elected officials begin planning and acting to ensure a more sustainable fiscal future.**

Sources and Links for Further Learning

- **Budget of the U.S. Government** (USA.Gov)
- **The Office of Management and Budget** (The White House)
- **Republicans Economic Views and How They Work in the Real World** (The Balance).
- **How Does the Federal Budget Process Work?** (Tax Policy Center)
- **Federal Budget 101: Why Should you Care About the Federal Budget.** (National Priorities Project)
- **Legislative Process 101-Authorization vs. Appropriation** (Indivisible)
- **Policy Basics: Introduction to the Federal Budget Process** (Center on Budget and Policy Priorities)
- **Republican and Democratic Approaches to Regulating the Economy** (Investopedia).
- **Outlook for the Budget and the Economy** (CBO.gov)

