

Overview

Each year, one question drives the bulk of Congress's work: how to spend taxpayer dollars. The failure of Congress to agree on this task is what nearly led to a government shutdown this spring. Understanding the basic budget and spending process can help you understand what led to this breakdown.

How does Congress make decisions on spending?

Ideally, the annual budget and spending process looks like this:

- **Step 1—The President sends a budget wish list to Congress (February).** Since 1921, federal law has required the President to send an annual budget proposal to Congress with requests for each agency and program. The President's proposed budget is due to Congress by the first Monday in February.
- **Step 2—Congress decides how much to spend (April).** After the President's budget arrives, Congressional committees hold hearings on programs they oversee, such as education or highways, and prepare their own "views and estimates" on what the budget should be. The House and Senate Budget Committees then draft a budget resolution that spells out *overall* limits on government spending, including 20 general program categories. The deadline for a resolution is April 15.
- **Step 3—Congress decides where to spend it (June).** Because the budget dictates only *overall* spending, Congress must next make specific spending decisions in each funding category. Congress does this through new or existing laws that *authorize* programs to spend money. Some programs, such as Social Security, can spend directly. But others—most agencies in fact—need a second step: an *appropriation* of funds from Congress, which specifies to the dollar how much a program can spend in a fiscal year.

What happens if (or rather, when) Congress can't agree?

Whether it's the overall amount or the spending for each budget category or programs, disputes on priorities and specifics are common when 535 Members of Congress are trying to agree. The fiscal 2013 budgets proposed by President Obama and House Budget Committee Chairman Ryan, for example, were \$24 billion apart.

If Congress fails to pass a budget: The 1974 Congressional Budget Act generally prohibits Congress from considering tax or spending bills without a budget, although there are many exceptions. For example, Congress can still consider regular appropriations bills after May 15. This happened last year in fiscal 2012.

If Congress fails to pass spending bills: Because appropriations bills expire when the fiscal year ends September 30, Congress must approve next year's spending before then to avoid a shutdown of the programs that must be funded annually. If Congress misses this deadline—which is often—a *continuing resolution* (a "CR") can provide stopgap funding until there's a deal. Without a CR—which almost happened this spring—spending authority expires and government risks a shutdown.

Key Facts

- Deadline for submission of the President's Budget to Congress: **First Monday in February**
- Deadline for passage of a budget resolution by Congress: **April 15**
- Deadline for passage of regular appropriations bills: **September 30**
- Number of times since 1977 that Congress has passed all appropriations bills by the September 30 deadline: **Four**
- Number of continuing resolutions
 - 2010-2011: **Five**
 - 2011-2012: **Three**

Other Resources

- [The President's Budget Fiscal Year 2013](#)
- [House Committee on the Budget – Proposed Fiscal 2013 Budget Resolution](#)
- [Congressional Budget Office- Continuing Resolutions for 2011](#)
- [Office of Management and Budget- Budget Concepts and Budget Process](#)
- Congressional Research Service – Introduction to the Federal Budget Process (98-721)
- Congressional Research Service – Continuing Resolutions: Latest Action and Brief Overview of Recent Practices (RL3043)

Key additional budget terms

Budget authority and outlays

Appropriations to an agency or program don't come as cash. Instead, programs get the Congressional equivalent of a debit card in the form of "budget authority." This is the legal authority to ask the Treasury to pay for expenses, contracts and other obligations up to the appropriated amount. Budget authority represents the *maximum* a program can spend. "Outlays," on the other hand, are what is actually spent. In fiscal 2010, for example, the Department of Defense received \$692 billion in discretionary budget authority, but actual outlays totaled \$664 billion.

PAYGO

Congress has created a variety of "budget enforcement" mechanisms—such as the "PAYGO" rules in both the House and Senate—to ensure that it lives by its budgets. PAYGO requires all bills that increase spending or lower revenues to have a corresponding offset (in other words, they can't add to the deficit). Likewise, the 1974 Congressional Budget Act bars Congress from considering bills that would spend more than the budget

allows. Bills violating budget enforcement mechanisms can be blocked by "points of order" from reaching debate in Congress.

Reconciliation

As mentioned above, the budget resolution passed by Congress dictates the *overall* amount of spending in a fiscal year, including both "discretionary" and "mandatory" spending. From time to time, the spending or revenue numbers included in a budget resolution may be very different from what would be spent or raised under existing law. When this happens, the budget resolution may order Congress to "reconcile" existing law with the budget resolution so the numbers come into line. During "reconciliation," specific committees in Congress are "instructed" to propose changes in the law to save or generate money. If, for example, the fiscal 2012 budget resolution calls for \$80 billion in deficit reduction as the President wants, the Senate Finance Committee and the House Ways and Means Committee may be instructed to propose changes in tax law to generate part of that amount.

Links to Other Resources

- The President's Budget for Fiscal Year 2013
<http://www.whitehouse.gov/omb/budget>
- House Committee on the Budget – Proposed Fiscal 2013 Budget Resolution
<http://budget.house.gov/fy2013Prosperity/>
- Congressional Budget Office – Summary of Continuing Resolutions for 2011 in the 112th Congress
<http://www.cbo.gov/publication/22067>
- Office of Management and Budget – Budget Concepts and Budget Process
<http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/concepts.pdf>
- Congressional Research Service – Introduction to the Federal Budget Process (98-721)
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