

Budget Authority: The total amount of money Congress allows a federal agency to commit to spend. For example, \$10 million is appropriated for building a new embassy. The project would have \$10 million in budget authority, but the money might not actually be spent (outlays) until the following year, when the embassy is actually constructed.

Outlays: Expenditures that actually flow out of the federal treasury in a given year.

Deficit/ Surplus: The difference between outlays (actual spending) and revenue (actual income) in any given fiscal year.

Appropriations Process: Meetings and decisions of subcommittees in the Senate and House, to allocate money to specific programs for the next fiscal year. The process must be completed by October 1 or federal departments will not be able to spend any funds.

Discretionary Spending: Also known as appropriated spending. This funding falls under the jurisdiction of the House and Senate Appropriations Committees. Funding must be renewed each year to continue operation. Almost all military spending is discretionary, as are budgets for health research, K-12 education, and housing. Discretionary programs make up about one-third of all federal spending. Mandatory spending accounts for the rest.

Mandatory Spending: Spending that is already obligated, either to individuals, as in entitlements, or through other types of obligations, such as interest on the federal debt.

Reconciliation Bill: Reconciliation was intended as a deficit-reduction mechanism, but is also used to pass costly tax-cutting legislation as well. The bill typically includes multiple provisions that affect federal revenue and spending. It is the only kind of legislation that cannot be filibustered on the Senate floor, so it can pass by majority vote.

Continuing Resolution: This legislation maintains temporary funding to agencies and programs until the regular appropriations bills are enacted.

* Federal funds budget does not include trust funds like Medicare and Social Security, which are paid for with separate, dedicated payroll taxes.

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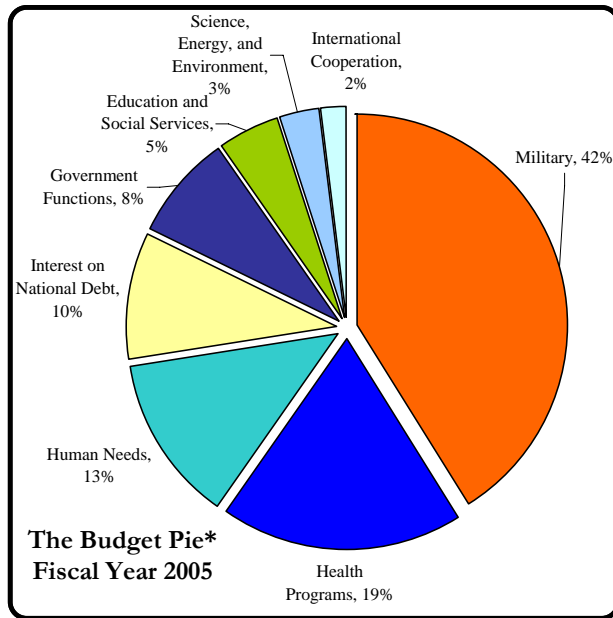
An FCNL Presentation

The Federal Budget Process: A Congressional Performance in Three Acts

Plot Summary: Get Your Priorities Funded

How do you effectively reduce the nation's nuclear arsenal? Ensure that basic human needs are met for all? Bring the health status of Native Americans up to the level of the general public? Promote a timetable for withdrawal from Iraq?

The federal budget reflects the moral choices of the nation and is key to implementing the priorities you support. To advance our beliefs and the values that are legislated, we must understand how the budget works.



Overture: The Authorization Process

Before any program can receive government funding, it must be authorized. That means that there must be a statute currently in effect that describes and defines the program. Programs are designed and overseen by *authorizing committees*. These committees approve bills, such as the “Higher Education Act,” that describe the programs, decide how the federal government will fund them, and set eligibility criteria for open-ended “*entitlement*” programs. Authorizations are normally renewed (reauthorized) every 3-5 years except for military programs – they come up for reauthorization every year. These committees work year-round.

Cast of Characters (In order of appearance)

Authorizing Committees: Congressional committees that design and oversee the creation of or changes in federal programs and benefits. These committees work throughout the year and advise the budget committees of their program priorities and needs. (See “reconciliation”)

Entitlement Programs: Entitlement programs are one kind of mandatory spending. They include programs that authorize benefits for anyone who is eligible. Social Security, Medicare and food stamps are examples of these programs.

Budget Proposal: Submitted by the president by the first Monday in February, the budget proposal is compiled by the White House Office of Management and Budget (OMB). It provides an initial glimpse of the administration’s priorities for the coming fiscal year.

Fiscal Year (FY): A financial year used as an alternative to a calendar year. The federal government’s fiscal year begins on October 1 and ends September 30. The fiscal year carries the name of the calendar year in which it ENDS. For example, FY07 began October 1, 2006, and ends September 30, 2007.

Budget Committees: The House and the Senate each have a budget committee. There are 39 members on the House Budget Committee (less than 10% of the House), and 22 members on the Senate Budget Committee (about 20% of the Senate). These few people on these powerful committees make the first major decisions about how money gets spent.

Budget Resolution: This is a relatively simple document consisting of a set of numbers stating how much Congress is supposed to spend in each of the 19 budget functions (see below) and how much total revenue the government plans to collect over the next five years.

Budget Functions: Major categories in the federal budget organized by the purpose of spending. Examples include military, health care, law enforcement, and environment. Spending limits in the budget resolution (known as 302a allocations) are organized by budget function.

Finale: End of the Fiscal Year

The federal government's fiscal year ends on September 30. By that time, all appropriations bills and a reconciliation bill (if there is one) must be approved by both houses and signed by the president. Any remaining bills are combined into a "*continuing resolution*" or "CR."

Typically, the CR provides temporary spending authority -- until a specific date given in the bill -- at an agreed upon level (such as the previous year's level plus or minus 1% or 2%.) Usually, the CR is negotiated by the leaders of both parties -- including the president. This part of the process tends to give the president a lot of power to affect the details of the spending bills.

Curtain Call: The Show Always Goes On

In Congress, talk about money and budgets is always ending and always beginning. At any point in the year, you can begin your personal effort to change Congress' spending priorities, to bring attention to your community's needs, and to urge responsible investment in our future.

Casting Call: Find Your Key Actors

How do your senators or representative participate in the federal budget process? Does your senator sit on the budget committee?
Does your representative hold a position on the appropriations committee?

Find out at <http://capwiz.com/fconl/dbq/officials/>

Enter your zip code, find the legislator you want to learn more about, click on his/her picture and look under "Other Information."

Act One: The Budget Resolution

The president introduces a *budget proposal* in February. The proposal is the first indicator of the administration's priorities for the coming *fiscal year*, which begins the following October 1. It includes a lot of detail about individual programs, past spending, trends, legislative proposals, etc. The president's proposal is available on the Internet and on a CD.

The *budget committees* in each chamber of Congress receive the president's proposal and consider it. Typically, they then come up with a budget resolution of their own. By April 15, (in theory) the House and the Senate are supposed to have agreed on a *budget resolution*. This resolution, generally only a few pages long, sets out:

1. the amounts to be spent on major functions or purposes served by federal government programs -- for example, transportation, defense, and income supports are three different *budget functions*;
2. the amount of revenue to be raised; and
3. "reconciliation instructions" which are orders to various congressional committees to find ways to reduce the cost of entitlement programs, or to raise revenues by certain amounts.

The budget committees' decisions of how to slice the "budget pie" offer an opportunity to discuss funding choices for federal spending. Congress rarely takes advantage of this opportunity to make different choices between more weapons and better schools, between maintaining a larger military force and maintaining a better health care system. But many of these choices will be traded by the time the detailed spending choices are made by the appropriations committees.

The budget resolution is a simple document that defines spending in terms of *budget authority* or *outlays*. Budget authority provides a spending limit for current and future years. Outlays represent actual spending anticipated for the current year only.

Act Two: Appropriations

Each chamber of Congress has an *appropriations committee* with several *subcommittees* overseeing spending for a set of departments or agencies. At the moment the Senate has 12 subcommittees, and the House has 10. For example, the Appropriations Subcommittee on Labor, Health & Human Services and Education oversees the spending of the Department of Education (among other agencies.)

After the budget committee sets ceilings for spending on the various government *functions*, the appropriations committee allocates funds among its subcommittees. Each appropriations subcommittee is given an "allocation" -- a total dollar amount to be divided up among all the programs under its jurisdiction. (This is called the "302b" allocation.) For example, the budget for military functions is allocated to the Department of Defense, Department of Energy, and several other agencies. Actual spending for each of these departments or agencies may be considered by different appropriations subcommittees.

Each subcommittee holds hearings and then recommends specific appropriations for specific programs, line by line. This type of spending is known as *discretionary*, as opposed to *mandatory*, spending. For example, one subcommittee gets to decide how many "gold-plated" F-16 fighter jets to buy, and another subcommittee decides whether to cut school lunches or a senior meal program. The committee can trade off spending among programs, as long as all the trade-offs are within the subcommittee's jurisdiction and the total amount allocated to all programs stays under the subcommittee's limit. The subcommittee Chair then drafts a bill -- "the chairman's mark" -- which the subcommittee considers and reports out to the full appropriations committee.

After the full appropriations committee approves each subcommittee's bill, it goes to the floor in each chamber. After approval by each chamber, the House and Senate appoint a conference committee to work out the differences between their bills. After final approval each appropriations bill goes to the president for his signature. Then, and only then, are departments of the federal government able to draw their funds from the Treasury.

Act Three: Reconciliation

In the process of developing the budget resolution, the budget committees check to see whether the spending limits they are setting match the amount of money expected to be coming in to the government (revenue). When the two don't match, the two amounts have to be "reconciled," and the budget committees will "instruct" other committees to do this.

The committees that write tax laws (the finance committee in the Senate and the ways and means committee in the House) may be given "reconciliation instructions" to find a way to raise more money (through income tax revenues, user fees or trade tariffs) or to decrease spending on entitlement programs such as Medicare or Medicaid, which are also under the jurisdiction of these committees. Other committees that oversee entitlement programs (such as the Agriculture Committee, which oversees the food stamp program) might also be told to find ways to reduce the costs of the program, by changing who is eligible or changing the program's benefits. These committees then report their decisions to the budget committees in the House and the Senate which compiles them into a "reconciliation bill."

The full Senate and the full House must approve their versions of the reconciliation bill before September 30 each year. The two chambers then conference and agree on a final bill, which is then approved by both the House and Senate and is then signed by the president. The reconciliation bill can be one of the toughest pieces of legislation that Congress handles all year.