



The Hows of Government Spending: A Primer on the Budget Process

Center Forward Basics

March 2021

Overview

Each year, one question drives the bulk of Congress's work: how to spend taxpayer dollars. The failure of Congress and the administration to agree on this task is what led to a government shutdown in late 2018. Understanding the basic budget and spending process is critical to understanding 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 outlines *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. In 2018, the Trump administration decided to end the Deferred Action for Childhood Arrival (DACA) program. As a result, the government shut down when Democrats refused to pass the budget until they saw progress on a deal that included protections for DACA recipients.

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 in fiscal year 2018.

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

Center Forward Basics

Center Forward brings together members of Congress, not-for-profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit www.center-forward.org

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 Sep. 30 deadline: **Four**
- Number of continuing resolutions
 - FY 2016: **Three**
 - FY 2017: **Three**
 - FY 2018: **Five**
- Number of times the government has shutdown in modern history: **21**

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 is a deal. Without a CR, spending authority expires and the government risks a shutdown, which is what happened in late 2018. The CR expired on December 22, 2018 and funding lapsed until January 25, 2019. It was a partial shutdown, only affecting the agencies whose appropriation bills had not been passed.

times

- Authorization: bills that create, extend, or make changes to statutes and specific programs and specify the amount of money that appropriators may spend on a specific program.
- Appropriation: bills that provide the discretionary funding available to agencies and programs that have already been authorized.

Key additional budget terms

Budget authority and outlays

Appropriations to an agency or program do not 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 2018, for example, the Department of Defense received \$639 billion in discretionary budget authority, but actual outlays totaled \$610 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.

Links to Other Resources

- CNN — [Government Shutdown: By the Numbers](#)
- Committee for a Responsible Federal Budget — [Summarizing the FY 2019 House Budget Resolution](#)

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 2019 budget resolution calls for \$29 billion over the next 10 years 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.

Earmarks

Earmarks are funding for specific projects that are typically inserted into broad spending bills. In 2011, then-Speaker John Boehner banned earmarks as a result of several controversies. Now, many Republicans and Democrats are in support of bringing earmarks back under specific rules: each earmark’s sponsor must be identified, no private sector entity can be a recipient, and members cannot have a financial interest in the project the federal aid is benefitting.

- Congressional Budget Office — [Summary of Continuing Resolutions for 2019](#)
- Congressional Research Service — [Introduction to the Federal Budget Process \(98-721\)](#)
- Congressional Research Service — [Continuing Resolutions: Latest Action and Brief Overview of Recent Practices](#)
- Office of Management and Budget — [Budget Concepts and Budget Process](#)
- Select Committee on the Modernization of Congress — [Democrats want to bring earmarks back as a way to break gridlock in Congress](#)
- The White House — [The President’s Budget for Fiscal Year 2018](#)