

# Overview of the Budget Process

## Steps in the Budget Process

Americans express their national priorities by how they spend the nation's money—by how the federal budget allocates the tax revenue the government collects. Elected representatives build that budget, and tracking the process is the first step to exercising more direct influence. The process itself can be reduced to as few as seven steps, as shown in the following list, adapted from *A People's Guide to the Federal Budget* (National Priorities Project, 2012). Note: on a yearly basis, this process drives decisions about *discretionary* spending—the approximately 40 percent of spending that can be modified from year to year. Approximately 60 percent of the budget must be set aside for *mandatory* programs like Social Security and Medicare—programs for which spending is contractual.

### Executive Branch Proposes

- Federal agencies submit budget proposals to the Office of Management and Budget (OMB) based on the President's priorities.
- The OMB helps the President prepare a budget request for Congress, providing economic and accounting expertise.

### Congress Reviews and Approves

- House and Senate Budget committees prepare a budget resolution that gives a general outline of the budget.
- House and Senate Appropriations committees and subcommittees review, revise, and approve the President's requests for specific programs.
- The full House and Senate approve a separate appropriations bill for each of 12 areas of the federal government and iron out differences in conference committees, consisting of members of both chambers.

### Final Approval

- The House and Senate must pass the bills again—now in the identical forms that emerge from the conference committees.
- The President signs each appropriations bill to make it law.

This seven-step process captures the essential elements of legislation, but in practice, actual legislation can follow multiple variations of this process, and the process can be managed or manipulated by participants to increase their influence and advance an agenda. At each stage, participants have an opportunity to support, reject, or modify budgetary proposals. These participants might base their activities on a conscientious study of the issue and the legislation; they might also base them on a range of factors that include political ideology, electoral politics, party loyalty, the efforts of lobbyists, pressure from constituents, and campaign contributions.

## The Budget Process in Action: Snapshots

The following mini case studies show how different pieces of legislation have navigated the budget process. These snapshots illustrate a few of the ways in which complementary and/or competing agendas are reflected in creating or blocking legislation.

**1997: The State Children's Health Insurance Program (SCHIP) is created through budgetary negotiations between Democratic President Bill Clinton and Republican majorities in both houses of Congress.** The program is a hybrid, with features of a traditional entitlement program like Medicaid (President Clinton's agenda) but with the greater flexibility of coverage and implementation that is provided

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by block grants (money given to the states in a “block” so that each state has local control over specific spending, which Republicans prefer). The program aims to address the problem of uninsured children by providing low-cost insurance for those with too much income to be eligible for Medicaid, but too little to be able to afford private insurance (Edmunds & Coye, 1998).

**May 2001: Congress passes the Economic Growth and Tax Relief Reconciliation Act—the “Bush tax cuts.”** The law reduces marginal income tax rates, provides rebate checks to individuals to stimulate the economy, and makes a number of other changes to the tax code. Congress decides to pass the bill as a “reconciliation bill,” a special bill that enacts components of a budget resolution and has stricter debate limits than ordinary bills, making it easier to pass the Senate. The White House relies heavily on centrists in both parties to negotiate a version of the bill that could be expected to face stiff opposition from many progressive legislators, without undermining its central principles and losing conservative support.

**March 19, 2003: In a search for weapons of mass destruction, President Bush authorizes the invasion of Iraq in a military action that would, by May 2012, cost \$506 billion.** The invasion and its military aftermath, which has lasted nearly 10 years, is funded through a series of supplemental appropriations rather than the budget process outlined earlier, thereby sidestepping opposition (Shakir, 2006). President Bush and the Defense Department argued that combat operations were too unpredictable to be included in the lengthy and cumbersome budget process, and required an expedited separate process to deal with the inevitable contingencies of warfare (Hellman, 2010).

**December 8, 2003: President Bush signs the Medicare Prescription Drug, Improvement,**

**and Modernization Act, adding coverage for prescription drugs to Medicare.** This act does not go through the budgetary process because it is a legislative change to Medicare, a preexisting program. It increases *mandatory* spending. The budget process outlined previously generally describes how *discretionary* spending is determined each year, but the majority of the budget is mandatory spending—that is, spending committed by longer-term legal and contractual obligations—and so is not set through the budget process.

**2010: President Obama tries to overcome the limitations of the budget process.** Because of perceived flaws in the budget process (the inevitable short-sightedness of year-to-year budgeting and the ease with which proposals can be blocked, but the great difficulty in advancing them through compromise), President Obama creates the National Commission on Fiscal Responsibility and Reform, co-chaired by Republican and former U.S. Senator Alan Simpson and Democrat and former White House Chief of Staff Erskine Bowles and consisting of representatives of both parties and both houses of Congress. It is one of several formal and informal attempts by various stakeholders to achieve goals outside the regular budget process, in this case lowering the debt and achieving long-term fiscal stability. The commission makes several recommendations for long-term budgetary changes, but the results are not formally endorsed by the full commission and not supported by the president (National Commission on Fiscal Responsibility and Reform, 2012).

**August 2, 2011: Congress automates budget cuts for the fiscal year 2012.** With great difficulty, President Obama and Congressional Republicans reach the compromise required to raise the nation’s debt ceiling and authorize the Treasury to engage in necessary borrowing to pay for already-authorized expenditures. This

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compromise falls outside of the regular budget process as outlined in the seven steps, instead attempting to constrain that process. As such, it has far-reaching consequences for the fiscal year 2012 and future budgets. Congress created the Joint Select Committee on Deficit Reduction (also referred to as the Super Congress or Super Committee), and charged it with proposing a series of spending cuts and revenue additions to reduce the deficit over the next 10 years. The law authorizing the creation of the committee required that it make recommendations to be approved by Congress by a December 23, 2011, deadline or automatic cuts in the budget of 8.5 to 10 percent would take effect beginning January 2, 2013. The Super Committee failed to reach a compromise between those on the committee who wanted to achieve deficit reduction through both increased revenue and reduced spending and those who wanted to achieve all of the reduction targets through spending cuts alone, triggering a countdown to the cuts (Lilly, 2012).

Consider the following questions for each of the mini case studies:

- ▶ *What* can you learn from the headings alone?
- ▶ *Who* (or what alliance) is exercising political power? *How* are they using the budget process to help them get what they want?
- ▶ *What* is influencing decision makers—their own values and priorities? The views of their constituents? The influence of lobbyists?
- ▶ *To what degree* is each influence affecting the outcome of the legislation?
- ▶ *What more* would you need to know to decide whether the budget process effectively allocates tax revenues according to the nation's priorities?

## Getting Involved

The budget process, both in theory and in practice, can be quite insular—it might seem like

you would have to “pay to play.” However, there are a number of critical ways in which citizens can influence the outcomes of legislation. The National Priorities Project suggests the following ways to take action (National Priorities Project, n.d.):

- Know who represents you.
- Register to vote.
- Contact your representative.
- Meet with your representative.
- Stay informed.
- Contact the media.
- Join or start an organization that advocates for a cause you believe in.
- Run for office yourself.

## References

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