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THE ANNUAL BUDGET PROCESS

President Submits Budget to Congress

Although the Constitution does not require the President to present an annual budget, in 1921 the Budget and Accounting Act became law and laid the foundation for the modern budget process, which includes the President's budget. More recently, the Congressional Budget and Impoundment Control Act of 1974 established a timetable for the annual budget process, which is kicked off each year by the Presidential budget submission. The Budget Act specifies that the President's budget should be presented to the Congress on or before the first Monday in February. This generally coincides with the timing of the President's annual State of the Union Address before the Congress.

The President's budget is generally viewed as a detailed outline of the Administration's policy and funding priorities, as well as a presentation of the economic outlook for the coming fiscal year. The President's budget, which estimates spending, revenue and borrowing levels, is compiled from input by the various federal agencies, with funding broken down by budget function categories. This document is normally quite detailed, often comprising several thick volumes of text, charts and graphs.

While the Congress is not bound to adhere to the President's budget -- and often diverges significantly from it -- normally the President's request is considered as a starting point for the Congressional budget process. Since the President's signature is ultimately required to implement spending, policy and revenue actions, the Congress ignores the President's priorities at the peril of losing out on its own.

House and Senate Budget Committees Report the [Budget Resolution](#)

The [Congressional Budget Act](#) specifies a series of provisions that must be included in the annual Congressional Budget Resolution, a concurrent resolution that must ultimately pass both the House and the Senate in identical form -- but does not require signature by the President.

The budget resolution provides the Congress with an opportunity to lay out its spending, revenue, borrowing and economic goals -- as well as providing the vehicle for imposing internal budget discipline through established enforcement mechanisms.

The Budget Committees of the House and the Senate hold hearings on the matter of the annual budget resolution, taking testimony from Administration officials, Members of Congress and expert witnesses. Then the committees "mark-up" their respective resolutions. This process allows members of the Budget Committees to offer amendments and make changes to the starting text, which is usually presented by the Chairman. The Budget Act timetable specifies that the Budget Committee should receive views from other committees by February 25 of each year. The Budget Act also specifies that the Senate Budget Committee should report its version of the budget resolution by April 1 of each year. No specific reporting date is specified for the House although it is generally understood that House Budget Committee action will proceed concurrently with that in the Senate.

The budget resolution, which covers the upcoming fiscal year and at least five ensuing fiscal years, must contain spending limits for discretionary spending that serve as an internal control on spending through the [Appropriations](#) process. In recent years, as the budget resolution has become a blueprint for achieving a balanced budget, the budget resolution has included illustrative lists of program reforms to achieve that goal.

The budget resolution may contain instructions for various committees of the House and Senate to make changes in the laws governing entitlement programs. In addition the budget resolution must include a projection of annual budget deficits, as well as a statement of the aggregate federal debt.

Full House and Senate Consider Budget Resolution

Once the Budget Committees have marked-up and reported their budget resolutions, the full House and Senate take action. Although the Budget Act outlines the procedures for floor consideration of the budget resolution in both bodies, in the House, the budget resolution traditionally is granted a special rule by the Rules Committee to dictate the terms of floor consideration.

In recent years, the House has followed a policy of allowing only complete substitute budget resolution proposals to be considered as amendments -- and an additional requirement has been added in this Congress that all proposed substitutes must achieve a balanced budget within a set period of time. The Senate has generally operated under fewer constraints.

House and Senate work out differences in Conference

Once the House and Senate each pass their versions of the budget resolution, each body appoints conferees -- negotiators -- from their bipartisan membership to meet and work out differences. The goal of these negotiations is to come to agreement on a single version of the budget resolution, which must be signed by at least half of the conferees of each body.

Full House and Senate Consider Conference Agreement

Both the House and the Senate must pass (by majority vote) the conference agreement version of the budget resolution. In the House, this conference agreement usually is considered first by the Rules Committee, which sets the terms of the floor debate. In the Senate, debate on the conference agreement is proscribed by the Budget Act or by unanimous consent agreements on the Senate floor.

The Budget Act specifies that Congress should complete action on its budget resolution by April 15 of each year.

Once the budget resolution conference agreement is adopted by both the House and the Senate, its terms govern the remainder of the budget process for that year. The budget resolution does not require Presidential signature, although its terms are binding internally on the actions of the Congress throughout the budget process.

Budget Resolution Must Contain Spending [Allocations](#)

Among the provisions in the budget resolution are spending allocations, the annual limits on [discretionary spending](#), affectionately referred to as the 302 (a) and 602(a) allocations -- this term is derived from the sections in the Budget Act that specify the process for allocating this money. These spending allocations are provided for the coming fiscal year and at least the ensuing five fiscal years. Levels are provided for budget authority and for outlays for each of the relevant years.

The aggregate spending allocation provided by the budget resolution for discretionary spending serves as an internal control, enforceable through points of order and other procedural mechanisms. The Appropriations Committees in the House and the Senate may not exceed these aggregate totals in their work on the annual spending process.

House and Senate Appropriations Committees Develop 13 Spending Bills

When the Appropriations Committees receive the totals from the budget resolution, they divide the aggregate allocations into suballocations (affectionately known as 302(b)'s and 602(b)'s after the operative sections of the Budget Act) for each of their 13 Appropriations Subcommittees. In other words, the Committee takes the total discretionary spending pie (the aggregate allocations) and divides it into 13 pieces (the suballocations).

Once the 13 subcommittees receive their suballocation totals, each subcommittee begins work on their annual spending bills for the areas of government operations they cover. The subcommittees work off the Administration's budget request, as well as previous year's spending bills, incorporating any new priorities that they have.

Once the subcommittees complete their work, the 13 spending bills are considered, can be amended and ultimately must be approved by the full Appropriations Committee.

The ideal model for this process is that all funding that is approved for spending programs through the [Appropriations](#) cycle should have already been authorized (established in law) by the Congress. The House and Senate have committees whose job it is to oversee and authorize federal programs. These so-called authorizing committees cover all aspects of the federal government and frequently consider one- or multi-year authorization bills for the programs in their jurisdiction. There is a rule in the House against appropriating funds for programs that have not been authorized.

In practical terms, however, many programs do not have current authorization because of the difficulty in completing authorization bills. As a result, the rule is often waived and many programs receive annual funding through the Appropriations process without having been previously authorized. This can lead to additional struggles in the committees and on the floor of each House regarding spending priorities.

Full House and Senate Consider 13 Annual Spending Bills

Although the Constitution designates the House as the House of Revenue, meaning revenue bills must originate in the House, there is no similar requirement enumerated for spending bills. However, by tradition Appropriations bills originate in the House. The Budget Act specifies that the House may begin consideration of annual Appropriations bills by May 15 and the Appropriations Committee should be finished with its work on the 13 bills by June 10.

In the House, Appropriations Bills have privileged status, meaning that they can come straight from the Appropriations Committee to the floor if they don't violate any of the standing rules of the House. In recent times, however, given the extraordinary pressure to reduce federal spending, given the numbers of programs that have not been authorized, and given the tendency to include in spending bills policy matters not directly related to the expenditure of funds, most Appropriations bills have come to the Rules Committee for special floor debate procedures.

If a special rule is granted by the Rules Committee governing floor consideration of an Appropriations bill, the House must first agree to that special rule before it may consider the spending bill itself. Then the House will proceed to consider the spending bill and any amendments to it that conform with the rules for debate.

In the Senate, terms of debate on Appropriations bills are governed by the normal procedures of the Senate.

Appropriations bills must be passed by majority vote in both the House and the Senate.

House and Senate work out differences in Conference

Upon passage of their respective Appropriations bills, the House and Senate each appoint conferees -- negotiators -- to meet and work out differences in their respective versions of the bills. Ultimately they must agree on one version that can achieve the support of at least half of the conferees and that can pass both the House and Senate by majority vote.

These conferences must occur on all 13 Appropriations bills.

Full House and Senate Consider 13 Conference Agreements

Once the conference agreements are completed, both the House and the Senate must approve them by majority vote.

The Budget Act specifies that final House action on conference agreements for the 13 spending bills should occur by June 30.

President May Sign or Veto the Appropriations Bills

The Congress will present the Appropriations Bills to the President for his signature or veto, as proscribed by the Constitution. The President has ten days in which to decide: (1) to sign the bill, thereby making it law; (2) to veto the bill, thereby sending it back to Congress and requiring much of the process to begin again with respect the programs covered by that bill; or (3) to allow the bill to become law without his signature, thereby making it law but doing so without his express approval.

In addition, beginning on January 1, 1997, the President will also have the [line item veto](#) as a tool to use on spending and tax bills. The 104th Congress passed the Line Item Veto Act, granting the President the authority to cancel specific items of spending from Appropriations bills, by identifying those items within 5 days of signing the entire measure into law. The President's use of this authority triggers a process by which the Congress has an opportunity to disapprove the President's action, although the bias is toward saving the money rather than spending it.

Budget Resolution May Contain Reconciliation Instructions

Because [discretionary spending](#) only accounts for about 1/3 of the total federal budget, in order to achieve deficit reduction Congress must grapple with the spending that occurs through entitlement programs and make decisions about appropriate levels of federal revenues (taxes).

Since there is no requirement that these spending and revenue policies be addressed on an annual basis -- because they are provided for in permanent law -- Congress has instituted a process known as reconciliation.

The [reconciliation](#) process is an important budget enforcement tool designed to force the Congress and the President to come to agreements about the policies that drive the entitlement and revenue portions of the federal budget equation.

If the Congress determines that it wishes to trigger the reconciliation process, the budget resolution that is adopted will contain so-called "reconciliation instructions." These provisions are instructions to the authorizing committees with jurisdiction over entitlement and tax policies, instructions which require those committees to make changes in those programs to effect a specified level of budgetary savings. When the Congress adopts an annual budget resolution that includes reconciliation instructions, it agrees to enforce those level of savings, although the authorizing committees have some leeway in terms of how they wish to achieve those savings.

House and Senate Authorizing Committees Develop Legislation

The budget resolution normally includes a timetable by which the authorizing committees must report legislation that meets the savings specified in the reconciliation instructions. The relevant committees will hold hearings and mark-up legislation as necessary to achieve the savings they are required to find, and that legislation will be reported to the Budget Committee.

House and Senate Budget Committees Compile Reconciliation Package(s)

Once the relevant authorizing committees have reported their legislation to the Budget Committees, it is the Budget Committees' responsibility to combine those bills into a reconciliation package (or packages) as specified by the budget resolution.

The Budget Committees' function is largely administrative at this point, since the Budget Act provides that, if the savings targets are met, the Budget Committee may not make substantive changes in the legislation. However, if one or more authorizing committees do not report legislation meeting the savings targets specified in the reconciliation instructions, then the Budget Committees are authorized to develop legislation to find those savings.

Full House and Senate Consider Reconciliation Package(s)

The Budget Act specifies that Congressional action on reconciliation legislation should be complete by June 15. The Budget Act also provides specific procedures and restrictions for floor consideration of reconciliation measures, particularly in the Senate, to ensure timely completion.

In the House, reconciliation legislation is brought from the Budget Committee to the Rules Committee, which grants special rules governing floor consideration of the measure.

House and Senate Members work out differences in Conference

Once a reconciliation bill is passed in the House and the Senate, members of each body meet to work out their differences. At least half of those conferees must agree on a single version of the bill before it can be brought back to the full House and Senate for a vote on final passage.

Full House and Senate Consider Reconciliation Conference Agreement

The House and Senate must each by majority vote pass the conference agreement on the reconciliation legislation. In the House the conference agreement goes first to the Rules Committee for a special rule governing floor consideration. In the Senate, the floor debate is governed by Senate rules and specific provisions of the Budget Act.

President May Sign or Veto Reconciliation

The Congress will present the reconciliation legislation to the President for his signature or veto, as proscribed by the Constitution. The President has ten days in which to decide: (1) to sign the bill, thereby making it law; (2) to veto the bill, thereby sending it back to Congress and requiring much of the process to begin again with respect to the programs covered by that bill; or (3) to allow the bill to become law without his signature, thereby making it law but doing so without his express approval.

In addition, beginning on January 1, 1997, the President will also have the line item veto as a tool to use on spending and tax bills. The 104th Congress passed the Line Item Veto Act, granting the President the authority to cancel specific items of new direct spending or limited tax benefits from bills, by identifying those items within 5 days of signing the entire measure into law. The President's use of this authority triggers a process by which the Congress has an opportunity to disapprove the President's action, although the bias is toward saving the money rather than spending it.