

Appropriations 101

Understanding the federal budget process

By Molly Brogan

Government Affairs Manager

Wait, so an authorization doesn't really guarantee funding? Continuing resolutions can actually fund agencies for an entire year without an appropriations bill?

Understanding the federal budget process is an important step in getting a grasp on how the National Small Business Association (you) can impact legislation. We'll do what not even "Schoolhouse Rock" attempted -- make the appropriations process easy to understand (gulp).

Perhaps the easiest way to understand the Congressional budgeting system is by examining what takes place during a calendar year. Starting in January when the President comes back (or is newly elected) following the winter holiday, he initiates the appropriations process by submitting his budget for the upcoming fiscal year (FY). The federal government operates on a fiscal year beginning October 1 through September 30 of the following year (FY04 will begin October 1, 2003). The President's budget, which must be submitted by the first

Monday in February, is merely a set of recommendations which is reinforced by detailed justifications from federal agencies.

Once Congress receives the President's budget, they will respond by passing a budget resolution for the upcoming fiscal year, as well as the following four years. The budget resolution is not law, nor does it impart any spending authority. Rather, it acts as a guide for Congress as they consider both appropriation and tax measures for coming years. This resolution sets spending floors and ceilings, or allocations, for House and Senate committees with spending jurisdiction and must be adopted no later than April 15. Though Congress is supposedly prohibited from consideration of revenue or spending bills until the passage of the budget resolution, if the resolution is not ratified by May 15th, committees may begin consideration of regular appropriations bills, which happens as often as not.

While all this is happening, both House and Senate authorizing committees will begin work to authorize federal agen-

Glossary

Allocations - Total spending ceilings for House and Senate committees as determined in the budget resolution.

Budget authority - The legal authority for federal agencies to spend, Congress doesn't give cash to agencies and programs, rather enables Treasury to pay bills for the agency.

Budget reconciliation - A set of committee instructions that is included with the budget resolution to ensure compliance, and enables committees to include legislative language packaged into one budget reconciliation bill. This is an option for Congress, but has become more popular in terms of including legislative language that may be difficult to pass independently.

Budget resolution - Guide for Congress as they consider both appropriation and tax measures for the next 5 years. Sets spending floors and ceilings (allocations) for House and Senate committees.

Conference report - Report generated

by conference committee outlining compromises reached where differences in House and Senate-passed bills existed.

Continuing resolution - Joint resolutions passed to provide temporary funding in the case that a regular appropriations measure isn't passed by the Sept. 30 deadline, allows agency or program to function at previous FY funding levels.

Discretionary spending - Funding controlled by appropriations measures under purview of Appropriations committees, approximately 1/3 of the federal budget.

Entitlements - Statutory spending requirements that government must fund (ie. Social Security).

Justifications - Federal agencies provide Congress with detailed materials outlining their spending needs as enumerated in the President's budget.

Mandatory (direct) spending - Funding controlled by legislative measures generally under purview of House Ways and

Means and Senate Finance Committees (entitlements).

Omnibus - Appropriation measure that packages more than one regular appropriations bill, used as a way to resolve conflict and increase negotiating power.

Outlays - Obligations of an agency to pay future expenditures, i.e.: multiple-year contracts for ship-building.

Regular appropriations bills - 13 bills stemming out of the House and Senate Appropriation subcommittees that give agencies and programs new budget authority for the next fiscal year (Oct. 1 - Sept. 30).

Riders - Appropriations or legislation on an appropriations bill that has not been authorized by the appropriate committee (generally prohibited though exceptions exist).

Supplementals - Appropriation measures for additional funding for specified activities that can occur throughout the year.

cies and programs. The formal process adopted by Congress of appropriating spending is broken into two basic steps: 1) Authorization of programs and agencies and their appropriate spending levels, and 2) Appropriating spending, or budget authority. These two tasks were specifically separated to ensure the integrity of the process and to prevent any one committee from having the power to create and/or destroy, both ideologically and financially, a federal agency or program. The timing of authorizing is relatively subjective -- an agency or program must be authorized before it can be appropriated funds. That authorization can happen annually, multi-annually or can serve as an ongoing authorization until Congress sees fit to change it.

Historically, the House would generate all regular appropriations bills via subcommittee and full committee work, leading to passage in the full House. Those House-approved bills would then begin the process over, beginning with the appropriate Senate appropriations subcommittees. However, in more recent times, both chambers have taken to generating their own original bills. Ideally, both Senate and House begin

work at the subcommittee level in May leading to both Senate and House passage of all regular appropriations bills by the August recess.

Again building upon the "ideal" timing of things, appropriations conference committees will work throughout September to reconcile differences between Senate and House bills. The conference committees are generally required to reach an agreement that is within the scope of the difference in the bills. Once the conference committee has reached agreement, the members will create a conference report outlining the concessions and agreements made. That report will then be sent to both the House and Senate.

Whichever house takes up the report first has the option of approving the report or recommitting it back to the conference committee for further consideration. As soon as the first chamber adopts the conference report, the conference committee is automatically defunct leaving the second house to either approve or reject the conference report. Once the conference report is approved, the appropriations legislation is passed and sent on to the President for his signature.

Lawmakers must have the appropriations bills passed by September 30 in order to have spending authorizations in place by the beginning of their fiscal year. So, what happens when these "ideal" timelines don't work out? The agencies and programs funded by appropriations bills must cease any nonessential activities unless Congress passes a continuing resolution to maintain current spending levels until the regular appropriations bills are passed.

Continuing resolutions have become an increasingly popular method to expand the time for considering appropriations bills. In the last 25 years (1977 - 2002), Congress and the President enacted all 13 appropriations bills by the Sept. 30 deadline only 4 times.

As September 30 quickly approaches and the time for appropriators to settle their differences lessens, you will be hearing more about the Congressional budget. Most certainly, you will be hearing more and more about the growing national deficit. Please see our Appropriation Glossary for definitions of various terms.

Appropriation can lead to frustration, but have no fear - NSBA is here. Take that, Schoolhouse Rock.