

## **US BUDGET SERIES**

### **Introduction to the Budget Process and Terminology<sup>(c)</sup>**

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*Presidential submission and the fiscal year calendar.* The President is required by law to submit a budget to the Congress by the first Monday in February of each calendar year. The formal proposal is the result of an inter-agency coordination/negotiation process that begins about a year earlier. The Director of the Office of Management and Budget (OMB) in the Executive Office of the President is responsible for overseeing the preparation of the proposals that are submitted by the President to the Congress. The proposed budget pertains to the fiscal year (FY) that begins on October 1 of the year in which it is presented to Congress and ends on September 31 of the following year. The fiscal year is given the number of the calendar year in which it ends. E.g. the budget proposed by President Obama in February 2010 for FY2011 pertained to the period from October 1, 2010 to September 31, 2011.

*Budget presentation format.* Standard budget presentations typically include three numbers for any given program or other line item:

- *Actual* amount (i.e. "outlays") for the *previous* fiscal year;
- *Enacted* amount for the *current* fiscal year, i.e. the amount enacted by Congress and agreed by the President, which is in the process of being spent by the executive agencies; and
- *Requested* amount, i.e. the amount being *proposed* by the President for the coming fiscal year, subject to Congressional revision.

*Functional budgeting.* The core climate policy programs, as well as related ancillary programs, can be partly defined in terms of their place in the scheme of functions -- and "super-functions," and "sub-functions" -- that are identified in the current standard budget format. Some of the functional categories are redefined from time to time, as new issues, agencies and programs emerge, as programs and agencies are reorganized, and as programs and organizational units morph into different forms.

*Executive agencies.* Because functional and programmatic responsibilities related to climate change are shared by more than one agency, there are “cross walks” in the form of matrices that identify the distributions of program budgets among agencies. At least 15 executive agencies participate in programs that are explicitly identified as climate change programs in the budget. In addition, several units of the Executive Office of the President are directly involved in budgeting and other policymaking processes. Finally, of course, yet other agencies have responsibilities that bear on climate change programs at least marginally, either on a continuing basis or from time to time.

*Congressional processes.* There are three types of congressional committees and decisions that are routinely involved in the budgeting process – i.e. authorizing, appropriations and budget. *Authorizing* committees periodically write and revise legislation that establishes programs, and the legislation often includes provisions concerning amounts of money to be spent. For instance, a program of the Agriculture Department to subsidize farmers for preserving forested land to serve as carbon sinks passes through the agriculture authorizing committees; a program of the Energy Department subsidizing technology to reduce carbon dioxide emissions from coal-fired power plants passes through the energy committees. Proposals to change emissions standards in motor vehicles are considered by the transportation committees. In addition to legislation that authorizes programs, there must also be appropriation bills to provide the funds.<sup>1</sup>

*Appropriations* committees annually decide on “budget authority” levels for individual programs and agencies, often with much specificity, and these funding levels are embodied in 13 appropriation bills. These appropriation bills are key legislative vehicles, and they are considered by appropriation subcommittees in the House and a similar array in the Senate. The bills are also considered by the full appropriations committees of both houses. The chairs of these appropriations subcommittees and the committees – as well as the ranking minority party members and other members, and the individual members’ and the committees’ staffs - are highly influential in their particular policy areas.

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<sup>1</sup> The appropriation amounts must not be greater than -- but they can be less than -- any applicable authorizing legislation that has been passed. If the appropriated amounts are much less than the authorized amounts, however, they can be the occasion of conflicts between the authorizing and appropriating committees, because the former see significant under-funding as subverting the intention of the legislation that authorized the creation and operation of a program.

Yet a third process and set of committees are involved. *Budget* committees annually set overall targets for the entire budget, including expenditures and revenues, and they set targets for major functional categories (such as environment and natural resources). The purpose of the budget resolutions is to impose fiscal restraint by an explicit focus on the macro-economic issue of the relationship between expenditures and revenues. The budget resolution not only establishes a total for expenditures; it also establishes subtotals for functions and agencies. Sometimes the budget resolution is used as a legislative vehicle for trying to determine specific sub-functional or programmatic funding levels. In any case, the annual budget resolution is only for internal congressional use, and its amounts are not legally binding on the authorizing or appropriations bills.

*Tax committees* - i.e. the House Ways and Means Committee, Senate Finance Committee and Joint Committee on Taxation - are also involved in climate change related policy issues whenever tax rates or tax credits are at issue, for instance, proposals to increase taxes on carbon emissions or to reduce taxes through credits for purchases of certain types of vehicles or home appliances.

*Conference committees.* Differences between the House and Senate versions of a particular item (including authorizing legislation, appropriation bills, and budget resolutions) are reconciled by "conference committees" consisting of members of both the House and the Senate, and their "reports" (i.e. agreed amounts) must be approved by a majority in each house. Conference committees have their own political dynamics, which are only partly a function of the preferences of the two houses' committees; cross-function and cross-agency bargaining sometimes occurs within the conference committee as committee members consider funding levels for a broad range of programs, functions and executive agencies, particularly in budget resolution conference committees, where some specific items are of special local interest in the states or districts of individual committee members.

*Congressional earmarks.* Individual members of Congress sometimes introduce "earmarks," which specify that particular projects are to be funded at particular locations. Of course, the project is often located in the member's own state or congressional district and/or has other direct economic benefits for the members' constituents. In effect, an earmark is a legislative procedure that enables a member to add a line item to a budget.

*Presidential and executive agency actions.* The authorization and appropriation bills, as agreed by both the House and the Senate, must also be agreed to by the President. Formally, a Presidential veto can be overridden by Congress only if each house votes to do so by a two-thirds

majority. The President does not have a line-item veto. Informally, of course, there is a continual negotiating process between the President and other officials of the executive branch, on the one hand, and Congressional committee chairs, party leaders and other members in both houses – a process that can last for a year or even more for any given fiscal year budget.

There are possibilities for additional spending as programs are implemented during the fiscal year, as a result of “supplemental” appropriations (which have to be passed by Congress and agreed by the President). There are also possibilities for executive branch reductions or delays in previously agreed amounts (within the constraints of laws regulating Congressional oversight of “rescissions” and “deferrals.”)

*Budget authority, obligations and outlays.* The three terms -- budget authority, obligations and outlays – reflect differences between legislation by Congress and implementation by executive agencies, and also variability in the exact timing of expenditures. The appropriations bills passed by Congress and signed into law by the President establish *budget authority* for executive agencies to spend money. Not all of the funds that are appropriated necessarily have to be spent in the same fiscal year, though they do have to be spent within a time limit – such as three years – specified by the appropriation bill and/or within the limits of authorizing legislation pertaining to the program. Each year, executive agencies undertake *obligations* to spend money, perhaps for instance in the form of agreements with corporations, universities or other (private sector or public sector) organizations for R&D projects. Again, these can be over one or more years, but within the limits of the budget authority. After the end of a fiscal year – and only then – can the actual *outlays* of funds during that year be determined, and they are the result of the cumulative amounts of obligations undertaken on the basis of budget authority for that year and previous years.

*Continuing Resolutions* have become increasingly common as the Congress has failed to pass a budget by the beginning of the fiscal year on September 1. Continuing Resolutions are stop-gap measures according to which the Congress creates the legal authority for executive agencies to spend money even in the absence of the full array of 14 appropriation bills, with their specific provisions for agencies’ programs. Continuing Resolutions became especially pertinent to climate change issues in early 2011 when Continuing Resolutions were used by new members of the House of Representatives as vehicles for them to register their opposition to administration climate change policies.

Sources: This description draws upon...

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Also see...

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