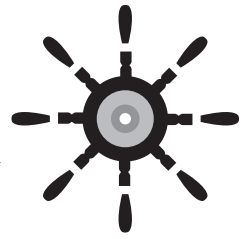


The Federal Budget and Appropriations Process



By Linda Couch, Senior Vice President for Policy, NLIHC

Funding the federal government is a two part process that occurs annually. First, a federal budget resolution is passed, and funds are appropriated among federal agencies and programs.

Both the administration and Congress participate in the process of developing a federal budget resolution that establishes the overall framework and maximum dollar amount for government spending in a fiscal year (FY). The appropriations process is also handled entirely by Congress, and establishes the amount of funding for individual activities of the federal government. Although the budget resolution should be completed and funds appropriated during the prior FY, in recent years, Congress has not completed the appropriations processes in advance of the start of the FY due to disagreements between the House and Senate over top line budget amounts.

TYPES OF FEDERAL SPENDING AND REVENUE

There are three categories of spending for which the budget and appropriations process establishes limits and defines uses: discretionary, mandatory, and tax.

Discretionary Spending. As the name suggests, government expenditures in the discretionary portion of the budget are subject to annual evaluation by the president and Congress. Though the discretionary portion of the budget represents less than half of total annual expenditures, it is the area of spending that the president and Congress focus on most. Each year, the administration and Congress re-evaluate the need to allocate funds for federal departments, programs, and activities. Discretionary spending amounts vary annually, depending upon administration and Congressional policy priorities.

Mandatory Spending. Mandatory spending is almost entirely made up of spending on entitlements, such as Social Security and Medicaid. Expenditures for entitlements are based on a formula that is applied to the number of

households eligible for a benefit. The amount of funding in a given year is determined by that formula. Typically, the administration and Congress do not focus much on this spending in the budget and appropriations processes. But, 2016 could be an exception if Congress uses the budget resolution to direct authorizing committees to participate in a budget cutting processes called budget reconciliation, whereby authorizing committees are required to suggest savings from mandatory programs.

Tax Revenue. Taxes provide revenue to the government to fund spending priorities. Tax policy includes not just revenues, but also expenditures in the form of deductions, credits, and other tax breaks. These expenditures reduce the total potential tax that could be collected to provide revenue for the federal government. Each year, the administration and Congress decide what tax revenues to collect and what tax expenditures to make by forgoing revenue collection in pursuit of certain policy priorities.

BUDGET PROCESS

The federal FY runs from October 1 through September 30. Planning for the upcoming FY begins as early as a year-and-a-half prior to the beginning of the FY.

President's Budget Request. The budget process officially commences on the first Monday of February, when the president is required by law to provide a budget request to Congress for all administration activities in the coming FY. In 2015, the president's budget request for FY16 was delivered on time for the first time in five years. In 2016, the president's request was submitted to Congress on February 9.

The president's budget request to Congress includes funding requests for discretionary programs, mandatory programs, and taxes. The majority of housing programs are funded through the discretionary portion of the budget. The president's funding request for discretionary programs varies from year to year to reflect the administration's evolving policy priorities.

Congressional Budget Resolution. Once the president submits a budget to Congress, the House and Senate Committees on the Budget prepare to craft a budget resolution. The budget resolution sets the overall framework for spending for a one year fiscal term. The resolution includes a top-line spending figure for discretionary activities. The House and Senate Committees on appropriations use this figure as the maximum amount of funding that can be appropriated in the next FY. This new discretionary cap either increases or decreases the overall amount of funding that the Committees on Appropriations have available to allocate to HUD and USDA's affordable housing activities. Even though the budget resolution establishes the overall spending level for the FY, it does not go into detail as to how this funding will be allocated. The details are the job of the Committees on Appropriations, which begin their work after Congress agrees to a budget resolution.

To craft the budget resolution, the House and Senate Committees on the Budget first hold hearings at which administration officials testify regarding the president's budget request. The Committees on the Budget each craft their own budget resolutions. The House and Senate then attempt to agree on a final budget resolution. Because this is a resolution, not a bill, it does not have to be signed into law by the president.

Once Congress passes a budget resolution, the appropriations work begins. If Congress does not pass a budget resolution by the statutory deadline of April 15, the Committees on Appropriations are free to begin their appropriations work.

In 2013, Congress passed the Bipartisan Budget Act (BBA), which set spending caps for both FY14 and FY15, eliminating the need for Congress to renegotiate an FY15 spending level. In 2015, Congress passed another Bipartisan Budget Act (of 2015), lifting the spending caps just enough to allow FY16 bills to be enacted. The BBA of 2015 also increased resources for FY17, presumably making it easier for Congress to enact spending bills in an election year. However, the process for FY17 is anything but straightforward. For FY17, funding limits for nondefense discretionary programs are level with those of FY16, making paying for programs like housing difficult.

APPROPRIATIONS PROCESS

Unlike the budget process, which is initiated by the administration, the appropriations process rests entirely in the hands of Congress.

After Congress passes a budget resolution, the House and Senate Committees on Appropriations divide the top-line figure for discretionary spending among their 12 respective appropriations subcommittees. The two appropriations subcommittees that provide the majority of funding for affordable housing and community development programs are the Transportation, Housing and Urban Development, and Related Agencies (T-HUD) Subcommittee and the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee in each chamber of Congress.

Each subcommittee must divide the amount of funding allocated by the Committee on Appropriations between the various priorities funded in its bill.

Each subcommittee must also determine the priority programs within each of their bills and provide sufficient funding for those priorities. In order to determine its priorities, the T-HUD subcommittees hold hearings, during which HUD or USDA officials testify regarding specific programs and initiatives included in the president's request. Witnesses in these hearings provide a far greater level of detail on programmatic activity than witnesses testifying at budget committee hearings, which focus on overall proposed spending rather than particular activities.

After appropriations hearings are completed, the subcommittees craft their bills. The subcommittees then hold a markup of their draft bills, and report out the bill they pass to their respective appropriations committees. The appropriations committees hold a markup of each bill and report out those bills to Congress. The House and Senate must then negotiate final T-HUD and Agriculture bills. Once these bills are passed by Congress, they are signed into law by the president.

If Congress does not pass its appropriations bills by the October 1 start of the FY, it must provide funding for the period after the FY ends and before an appropriations bill is passed. This funding is provided by a continuing resolution (CR).

A CR continues funding for programs funded in the prior FY, usually at the funding level from the year prior. If Congress does not pass a CR and appropriations bills have not been enacted, the government shuts down, as it did for 17 days in October 2013.

FORECAST

The nondefense spending caps Congress agreed to for FY17 would fund programs at their lowest level, as a percentage of gross domestic product, ever recorded. And, there are many in Congress who believe the spending caps are too generous. The FY17 appropriations cycle will be challenging, at best.

Two key principles must remain important to advocates working on strong housing funding. First: the principle of parity. If Congress decides to increase funding for defense spending, the same funding increase must also be made for nondefense programs. Without rigid adherence to parity, nondefense programs could quickly be further deflated. Second: the principle of fairness. Funding for housing programs must not come at the expense of other programs that serve people with low incomes.

WHAT TO SAY TO LEGISLATORS

Advocates should weigh in with the administration and Congress on the importance of ending sequestration altogether and the importance of strong FY17 housing funding.

- Advocates should write to and, if possible, meet with their Members of Congress to tell them to provide sufficient funding for HUD and USDA affordable housing programs and about

the issues mentioned below. If Members of Congress do not hear from advocates, they will not know how important these programs are in their districts and states.

- Advocates should let their Members of Congress know that sequestration-mandated cuts have already resulted in the loss of affordable housing opportunities in their states and districts. In order to prevent further loss of HUD and USDA rural housing units, Congress needs to end sequestration for FY17 and beyond.
- Advocates should stress the importance of appropriating funds for affordable housing and community development. It is particularly important that Members understand how much funding for affordable housing programs is needed to restore cuts to HUD programs in recent years, both from sequestration and from years of cuts or flat funding for many programs starting in FY10.
- In order to provide sufficient funds to HUD in FY17, appropriators must increase the T-HUD 302(b) subcommittee allocation. This allocation is the top line spending number for the T-HUD appropriations bill. Congress needs to provide a substantial allocation in order to prevent loss of housing units in future FYs.

FOR MORE INFORMATION

NLIHC, 202-662-1530, www.nlihc.org/issues/budget

Coalition on Human Needs, 202-223-2532, www.chn.org/issues/budget

Center on Budget and Policy Priorities, 202-408-1080, <http://bit.ly/151BQ9K> ■