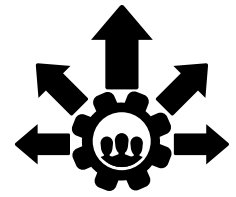


The Federal Budget and Appropriations Process



By Linda Couch, Senior Vice President for Policy, National Low Income Housing Coalition

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. The appropriations process is also handled entirely by Congress, and establishes the amount of funding for individual activities of the federal government. While the budget resolution should be completed and funds appropriated during the prior fiscal year, in recent years, Congress has not completed the appropriations processes in advance of the start of the fiscal year 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 formula. Typically, the Administration and Congress do not focus much on this spending in the budget and appropriations processes. But, 2015 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 fiscal year runs from October 1 through September 30. Planning for the upcoming fiscal year begins as early as a year and a half prior to the beginning of the fiscal year.

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 fiscal year. In 2015, the President's budget request for FY16 was delivered on time for the first time in five years.

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 fiscal year. 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. While the budget resolution establishes the overall spending level for the fiscal year, 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 which set spending caps for both FY14 and FY15, eliminating the need for Congress to renegotiate an FY15 spending level. Any budget resolutions crafted by Congress in FY15 would be used as a vehicle to state budget priorities, not as a mechanism to set FY15 spending.

For FY16, Congress is still required to adhere to the spending caps enacted by the Budget Control Act of 2011. These caps set caps for both discretionary and mandatory programs. The Bipartisan Budget Act of 2013 relieved Congress from imposing the BCA's additional sequestration of funds on top of the BCA's caps in FY14 and FY15. For FY16, Congress must agree to relief from the BCA's caps. Otherwise, discretionary spending in FY16 must be relatively flat with FY15 funding.

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 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 fiscal year, it must provide funding for the period after the fiscal year 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 fiscal year, 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 FOR 2015

Sequestration and spending caps. In 2011, Congress passed a law that essentially changed the role of the President and Congressional committees in establishing top-line spending figures for discretionary spending for a ten-year period. The Budget Control Act of 2011 (BCA) established caps on discretionary spending for ten calendar years, beginning with FY13. Congress then passed the American Taxpayer Relief Act of 2012 (ATRA), which lowered the caps for FY13 and FY14 below the levels set by the BCA. In 2013, Congress passed the Bipartisan Budget Act (BBA), which once again adjusted the FY14 spending cap, this time upwards, and also increased the FY15 cap.

These caps dictate the amount of discretionary spending allowed each year, a figure normally determined by the budget resolution.

As a result of not achieving cuts in other areas of government expenditures, Congress agreed to sequester \$1.2 trillion in discretionary funding to reduce the national deficit beginning FY13 through FY21. Across-the-board cuts were enacted during calendar year 2013. On March 1, 2013, discretionary spending was cut in order to reduce the overall spending amount in FY13. Almost all HUD and USDA rural housing programs were cut by 5%. FY14 appropriated funding was within the cap set by the BBA, so the Administration did not have to make cuts to be in compliance with the sequester. In FY15, Congress again appropriated within the spending cap and cuts required through sequestration were not necessary.

If the \$530 billion nondefense discretionary cap set by the Budget Control Act plus sequestration cuts (-\$36.5 billion) stay in place for FY16, overall funding for nondefense discretionary programs (like housing programs) will be almost flat with FY15 funding (\$492.4 billion).

In FY14 and FY15, relief from sequestration's cuts was provided by the Bipartisan Budget Act. No such deal has been offered yet in Congress for FY16, but President Obama's budget request would provide that same sort of relief.

With President Obama's budget request, FY16 nondefense discretionary spending would not be flat with FY15, instead it would increase by \$36.5 billion overall (and by about the same amount for defense programs). President Obama does this by replacing the sequester's cuts with some mandatory savings and some tax increases.

With President Obama's budget, there is still a spending cap for nondefense discretionary spending in FY16 as required by Budget Control Act of 2011 (\$530 billion, vs. \$492.4 billion in FY15).

The House and Senate struck such a "sequestration relief" deal with the 2013 "Ryan-Murray" deal (the Bipartisan Budget Act of 2013) and they could be convinced to do so again for FY16 in order to produce spending bills that have the support they need to pass the House and Senate. Otherwise, programs will be cut.

Unlike in 2013, the sequester cuts would not be imposed across the board in 2016, it'll be up to Congress to choose what gets funded and what doesn't. Therefore, it's impossible to say right now how individual programs would be impacted. Suffice it to say that any increase seen HUD's budget request will not be possible if the sequester's cuts to the spending caps remain in place.

WHAT TO SAY TO LEGISLATORS

Advocates should weigh in with the Administration and Congress on the importance of ending sequestration, the FY16 appropriations process, and development of the President's budget and Congressional budget resolutions for FY17.

- 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 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 fiscal years FY16 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 FY16, 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 fiscal years.

- Advocates should let the Administration know what programs they think are priorities to fund before the President's FY17 budget is crafted, starting in summer of 2015. ■

FOR MORE INFORMATION

National Low Income Housing Coalition, 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>