Funding the federal government is a two-part process that occurs annually. First, a federal budget resolution is passed, and then 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 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 before the new FY begins on October 1, Congress has not completed the appropriations processes in advance of the start of the FY since 1997 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 spending, mandatory spending, and tax revenue.

**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. Although 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 the 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 applied to the number of households eligible for a benefit. The amount of funding each year is determined by that formula. Typically, the Administration and Congress do not focus much on this spending in the budget and appropriations processes. However, Congress can use 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 tax amount that could potentially 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 before 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; however, failure to meet this requirement carries no repercussions, and the
The president’s budget request is typically released later in February or March. The president’s budget request to Congress includes funding requests for discretionary programs, mandatory programs, and taxes. Most 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 Budget Committees prepare a budget resolution. The budget resolution sets the overall framework for spending for a one-year fiscal term and includes a top-line spending figure for discretionary activities. The House and Senate Appropriations Committees 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 appropriators have available to allocate to HUD and the United States Department of Agriculture (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 Appropriations Committees, which begin their work after Congress agrees to a budget resolution.

To craft the budget resolution, the House and Senate Budget Committees first hold hearings at which Administration officials testify regarding the president’s budget request. The Budget Committees each craft their own budget resolutions and then attempt to agree on a final budget resolution. Since this is a resolution and 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 October 1 start of the new FY, it must provide funding for the period after the FY ends and before appropriations bills are 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, although exceptions or “anomalies” may sometimes be included for certain programs. If Congress does not pass a CR and appropriations bills have not been enacted, the government shuts down. The last government shutdown occurred in December 2018, and lasted for a record-breaking 34 days.

THE 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 Appropriations Committees divide the top-line figure for discretionary spending – known as a “302(a)” allocation – among their 12 respective appropriations subcommittees. These subcommittee allocations are known as “302(b)” levels.

The two appropriations subcommittees that provide most funding for affordable housing and community development programs are the Transportation, Housing, and Urban Development (THUD) Subcommittee and the Agriculture, Rural Development, Food, and Drug Administration Subcommittee in each chamber of Congress.

Each subcommittee must divide the amount of funding allocated by the Appropriations Committee 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. To determine their priorities, the subcommittees hold hearings, during which Administration officials testify on 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 review of their draft bills, known as a “markup,” and report out the bill they pass to their broader appropriations committee. Appropriators hold a markup of each bill and report out on those bills to Congress. The House and Senate must then negotiate final spending bills. Once these bills are passed by Congress, they are signed into law by the president.

FORECAST FOR 2024

While Congress was charged with passing a new FY24 spending bill by October 1, 2023, the FY24 process has been mired with drama, causing significant delays in enacting a final FY24 spending bill. As of this article’s writing, Congress has yet to pass any of the 12 appropriations bills needed to fund the federal government.

Appropriators are writing FY24 spending bills according to the spending caps imposed by the “Fiscal Responsibility Act” (FRA), a bill signed into law in June 2023 that allowed Congress to raise the federal debt ceiling until 2025, in exchange for capping federal spending programs at FY23 levels in FY24 and allowing an only 1% increase in spending in FY25.

Thanks to the hard work of advocates around the country and champions in Congress at a time when many departments face spending cuts, HUD’s budget received an overall spending boost in both the House and Senate draft FY24 proposals. The House proposed a roughly 10% increase to HUD’s budget, and the Senate provided an increase of just over 13% from FY23 enacted levels. The House budget, however, also proposed cuts to – and even the elimination of – many HUD programs.

Importantly, recent analysis from the Center on Budget and Policy Priorities (CBPP) suggests that neither proposal adequately funds HUD’s vital Housing Choice Voucher (HCV) program. At levels proposed, the Senate draft would result in 80,000 vouchers being lost upon turnover, and the House draft would result in the loss of 112,000 vouchers upon turnover.

It is critical that housing advocates urge Congress to provide funding to renew all HCV contracts, and the highest level of funding possible for affordable housing, homelessness, and community development programs in the coming year. Congress must provide substantial investments in HUD and USDA’s vital affordable housing and homelessness programs to ensure no one loses their current assistance and to expand the availability of safe, affordable, accessible housing for people with the lowest incomes.

WHAT TO SAY TO LEGISLATORS

Advocates should weigh in with the Administration and Congress on the importance of strong funding for affordable housing.

- Advocates should urge their members of Congress to provide robust funding for HUD and USDA affordable housing, homelessness, and community development programs. 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 the low spending caps required by law resulted in the loss of affordable housing opportunities in their states and districts. Budget caps should not be continued into future years, and robust funding is needed to address the severe shortage of housing for people with the lowest incomes.

FOR MORE INFORMATION