

THE FEDERAL BUDGET AND APPROPRIATIONS PROCESS

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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, among other issues.

Types of Federal Spending and Revenue

There are three categories of spending for which the budget and appropriations process establish limits and define 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 through the annual appropriations process. 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 on administrative and congressional priorities. While the administration puts forward a budget request every year, ultimately how much funding to provide discretionary programs is up to Congress.

MANDATORY SPENDING

Mandatory spending is almost entirely made up of spending on programs with funding authorized in statute, such as Social Security, Medicaid, Medicare, and the Supplemental Nutrition Assistance Program (SNAP). Expenditures for these programs 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, rather than set by Congress.

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 fiscal year (FY) runs from October 1 through September 30; for example, FY26 began on October 1, 2025, and will last until September 30, 2026. Planning for the upcoming FY begins as early as 18 months in advance.

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 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. While an important tool to signal the administration’s priorities and desires, the president’s budget request does not actually provide any funding—only Congress may appropriate federal funding.

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 federal programs, including HUD and the US Department of Agriculture (USDA)’s affordable housing activities. Even though the budget resolution establishes the overall spending level for the FY, it does not detail how funding will be allocated. The details are the responsibility of the House and Senate 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 to hear testimony from administration officials on the White House’s budget request. The Budget Committees each create 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 statutory deadline of April 15, the Appropriations Committees are free to begin their work without one.

If Congress does not pass its appropriations bills by the start of the new FY on October 1, it must pass a continuing resolution (CR) to provide continued funding for the period after the FY ends and before appropriations bills are passed. A CR extends the previous year’s appropriated level of funding for a designated period, with exceptions or “anomalies” sometimes included for certain programs in need increased funding to maintain services in the interim. If Congress does not pass a CR and appropriations bills have not been enacted, the government shuts down. The most recent government shutdown lasted from October 1 to November 12, 2025, a record-breaking 43 days. Before that, the record for longest shutdown occurred in December 2018 and lasted 34 days.

BUDGET RECONCILIATION

The “Congressional Budget and Impoundment Control Act of 1974” established “budget reconciliation,” an optional, special procedure that expedites Congress’s consideration of legislation impacting federal spending or revenue. To start the process of budget reconciliation, the House and Senate must adopt a budget resolution; without a resolution, Congress cannot trigger the reconciliation process.

The reconciliation process is designed to allow for (relatively) quick consideration of bills, including by limiting debate on the bill to 20 hours, and forgoing the filibuster rule that establishes a 60-vote threshold for legislation to pass the Senate. Instead, under reconciliation a bill only needs a simple majority (51 out of 100 votes) to pass the Senate. While budget reconciliation was originally intended to decrease the federal deficit by forcing committees to identify areas where spending could be cut or taxes could be raised, the procedure has also been used to enact policies that increase the federal deficit through federal spending and tax cuts. Most recently, budget reconciliation has

been used to pass the “Tax Cuts and Jobs Act of 2017,” the “American Rescue Plan Act of 2021,” the “Inflation Reduction Act of 2022,” and the “One Big Beautiful Bill Act of 2025.”

Budget reconciliation is a powerful tool, but there are also limits to the kind of policies that can be enacted through reconciliation. Under the “Byrd Rule,” named after late Senator Robert Byrd (D-WV), permissible policies are limited to those impacting federal spending or revenues – any “extraneous” provisions or amendments are not allowed to be included in a reconciliation bill, unless more than 60 senators vote to waive the rule. For example, a provision that attempts to amend the “Fair Housing Act of 1968” would not be permissible under the Byrd Rule.

The Appropriations Process

The appropriations process—deciding how much funding to provide federal programs—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 12 subcommittees. These subcommittee allocations are known as “302(b)” levels. Each subcommittee is responsible for drafting their respective appropriations bills for the upcoming fiscal year using the “302(b)” level as their topline.

The two appropriations subcommittees in the House and Senate that provide most funding for federal affordable housing and community development programs are the Transportation, Housing, and Urban Development (THUD) Subcommittee, which funds HUD’s affordable housing, homelessness, and community development programs, and the Agriculture, Rural Development, Food, and Drug Administration Subcommittee, which funds rural affordable housing programs.

Each subcommittee must divide their “302(b)” allocations between the various programs funded in their 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 budget 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 specific activities.

After appropriations hearings are completed, the subcommittees draft their bills. The subcommittees then hold a review of their drafts, known as a “markup,” vote on their bills, and pass the approved versions to the full Appropriations Committee for consideration. Appropriators hold a full committee markup and vote on each bill, and then send the bills to the full House or Senate chamber for a vote. Once the House and Senate have passed their version of the bills, lawmakers must negotiate and pass final spending bills that reflect an agreement between the two chambers. After these bills are passed by Congress, they are signed into law by the president.

Forecast for 2026

Congress passed and the president signed into law a new FY26 spending bill for HUD programs on February 3, 2026. Overall, the bill provides \$77.3 billion for HUD programs, an over \$7.2 billion increase from the previous year. This significant increase is thanks to the hard work of advocates and members of Congress championing affordable housing and homelessness funding.

The over \$7.2 billion increase provided in the final FY26 spending bill is significantly more than the \$3.3 billion increase for HUD programs provided in the Senate’s FY26 spending bill; the House FY26 bill proposed cutting HUD programs by \$2.2 billion. Key rental and homelessness assistance programs received funding increases, including some of NLHHC’s top priorities:

- \$34.9 billion is provided for renewing Tenant-Based Rental Assistance (TBRA) contracts, including for the Housing Choice Voucher (HCV) program. This level is expected to be sufficient to ensure the renewal of existing TBRA contracts.
- Appropriators provided approximately \$601 million for new Tenant Protection Vouchers (TPVs), a \$264 million increase from the previous year. The bill includes language allowing HUD to use Tenant Protection Voucher

(TPV) funding to ensure no one with an Emergency Housing Voucher (EHV) loses assistance in 2026.

- Homeless Assistance Grants (HAG) programs will receive over \$4.4 billion, a \$336 million increase from the previous year. This includes level funding of \$290 million for the Emergency Solutions Grants (ESG) program, and \$4.01 billion for the CoC program, a \$466 million increase. While this increase is welcome, it is still less than what the National Alliance to End Homelessness estimates will be required to ensure full renewal of existing programs.
- Appropriators maintained funding for the Indian Housing Block Grant (IHBG) program, at just over \$1.1 billion; however, the bill provides slightly less funding for the IHBG-Competitive program, which received \$125 million, a \$25 million decrease from last fiscal year.
- The Eviction Protection Grant Program (EPGP) will receive \$7.5 million.
- Unfortunately, funding for both public housing operations and public housing capital needs decreased by \$477 million and \$210 million, respectively. Public housing operations will receive \$5.02 billion in FY26, and \$3.2 billion will be provided for capital needs in public housing.

Read NLIHC’s [full analysis](#) of the final FY26 appropriations bill for HUD (<https://tr.ee/tDamYK>).

Congress was also significantly delayed in enacting a [final FY25 spending bill](#) (<https://tr.ee/OXoAGe>) for HUD programs. Ultimately, Congress was unable to reach a final agreement on updated FY25 spending bills; instead, lawmakers enacted a year-long continuing resolution (CR) [March 17, 2025](#) (<https://tr.ee/DGeKvq>). The CR extended FY24 funding levels for the remainder of FY25, cutting domestic spending by about \$13 billion from the previous fiscal year when accounting for inflation; however, HUD programs received an additional \$4.6 billion for key programs, including contract renewals for the Housing Choice Voucher (HCV), Project-Based Rental Assistance (PBRA), Section 811 Housing for People with Disabilities (Section 811), and Section 202 Housing for the Elderly (Section 202) programs, for a total funding level of around \$70 billion in FY25. Because the cost

of housing development and rental assistance rise every year, it is crucial that rental and homelessness assistance programs receive increased annual funding. Flat funding acts as a cut, reducing the number of families assisted by HUD programs.

The delay in finalizing FY25 spending bills also delayed Congress’s work on FY26 spending bills. On May 30, 2025, President Donald Trump and HUD Secretary Scott Turner released the full text of their FY26 budget request for HUD programs. [The request](#), as indicated in a partial request released by the administration May 2, proposed extensive changes and massive funding cuts to HUD’s programs (<https://tr.ee/BAGCNZ>). The budget request proposed combining HUD’s five largest rental assistance programs—HCVs, PBRA, Section 202, Section 811, and public housing—into one State Rental Assistance Block Grant program, funded at \$31.79 billion—an unprecedented 43% cut to rental assistance programs. The proposal would also impose unnecessary, bureaucratic barriers to obtaining and maintaining housing assistance, like work reporting requirement and time limits on receiving HUD assistance.

In addition, the Trump administration’s FY26 budget request for HUD programs proposed about \$4.02 billion for HUD’s Homeless Assistance Grants (HAG) program, a decrease of around \$27 million from FY25. The request reframes the HAG program as “an expanded emergency solutions grants program,” specifying that assistance would be used to “assist homeless individuals or those at-risk of homelessness on an emergency, short-term, or medium-term basis,” and proposing no additional funding for the Continuum of Care (CoC) or Permanent Supportive Housing (PSH) programs. This would severely limit communities’ ability to use HAG funding for permanent housing and supportive services, crucial tools for addressing the long-term housing needs of people who have experienced chronic homelessness and those who require additional support for long-term stability.

The request would also allow HAG grantees to create a preference for assisting “elderly individuals or families, or disabled individuals or families.” It would not provide additional funding for the Youth Homelessness Demonstration Program or the National Homeless Data Analysis Project. In addition, the President’s FY26 budget request would not provide additional

funding for the Housing Opportunities for Persons with AIDS (HOPWA) program, previously funded at \$505 million in FY25. The budget request argues that “individuals living with HIV/AIDS who are homeless or at-risk of homelessness may be served through the expanded emergency solutions grant program.” Taking into consideration cuts to both HOPWA and HAG funding, the budget request would slash homelessness assistance by \$532 million, or 12% from the previous fiscal year. The proposals would also zero-out funding for the HOME Investment Partnership program, and slash funding for fair housing investigations and enforcement. Read NLHC’s full analysis of the Trump administration’s FY26 budget request [here](https://tr.ee/Eskkz4) (<https://tr.ee/Eskkz4>).

Overall, neither the House nor Senate took up in their FY26 spending bills the drastic changes and funding cuts proposed by the Trump administration, although the House’s bill made significant cuts to many vital HUD programs. Overall, the House bill would decrease funding for HUD programs by about \$2.2 billion from the previous fiscal year, including a decrease of \$773 million for housing vouchers overall, and flat funding for renewals. The House bill also includes some problematic proposals from the President’s FY26 spending request, including zeroing out funding for the HOME Investment Partnership program, and allowing Public Housing Authorities (PHAs) to implement time limits or work requirements in HUD-assisted housing.

The [Senate’s FY26 spending bill](https://tr.ee/WvQzvl) increases funding for HUD programs by about \$3.3 billion from FY25, and includes increased funding for HCV renewals and other rental assistance (<https://tr.ee/WvQzvl>). The Senate bill does not include the problematic language in the House bill; importantly, however, neither the House nor Senate bills are expected to include enough funding to ensure the renewal of all existing HCV contracts.

What to Say to Legislators

With the final FY26 spending bill finalized, lawmakers have until October 1, 2026, to pass a new bill to fund federal programs through FY27. 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.

ADDITIONAL FUNDING REQUIRED FOR VOUCHER RENEWALS

Because the cost of rent rises every year, it is crucial for HUD rental assistance programs to receive increased funding to maintain the number of households receiving assistance. Without sufficient funding, vouchers are lost to attrition—when an assisted household no longer needs their voucher, rather than being reissued to a new household on the waitlist for rental assistance, the voucher is no longer available because there is not enough funding for it to continue helping households. Already, only one in four households eligible for rental assistance receive it, leaving 75% of otherwise qualified households to struggle affording the cost of rent. Losing vouchers through attrition reduces the availability of rental assistance even further. Advocates should also continue fighting for expanded voucher funding to continue ensuring that Emergency Housing Voucher (EHV) holders do not lose their assistance in 2027.

For More Information

NLIHC, 202-662-1530, <https://nlihc.org/federal-budget-and-spending>

NLIHC’s Toolkit, “Opposing Cuts to Federal Investments in Affordable Housing”: <https://tr.ee/aT6Ps0>