



The Federal Budget Cycle A Primer

Like most individuals, businesses, and organizations, the federal government operates on a purposefully debated and approved budget. The federal budget funds federal government activities as well as many state and local activities. The fiscal year (FY) runs from October 1 to September 30, and the entire process of the federal budget cycle can take up to a year to complete. The National Multiple Sclerosis Society is actively involved throughout the federal budget cycle to help ensure that programs and activates that benefit individuals living with MS receive the funding they deserve.

The President's Budget

Every year, the President submits his budget priorities and policy objectives. A budget proposal is developed based on these requests. [The Office of Management and Budget \(OMB\)](#) manages this process between the President's Administration and the executive departments and agencies of the federal government.

The President submits his budget recommendations to Congress on the first Monday of February, as required by law. The non-partisan [Congressional Budget Office \(CBO\)](#) then submits to Congress a review of the President's budget by March 1.

Congressional Budget Resolution

Following the President's budget submission, the [U.S. House Committee on the Budget](#) and the [U.S. Senate Budget Committee](#) consider the President's budget recommendations. Each committee holds public hearings to evaluate the current federal fiscal climate and weighs the impact on the budget.

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These hearings help them as they begin to make tough fiscal policy decisions on revenue levels, spending levels for individual programs, and changes — if any — to entitlement programs and the tax code.

The work of these committees results in the Congressional budget resolution. This document serves as a blue print for federal spending as constructed by Congress. It outlines expected revenues and expenses. It sets the spending limits for each budget category (including health, transportation, etc.) and allocates a dollar amount to each House and Senate committees of jurisdiction.

The budget resolution also gives a lump sum of money that is allowed to be spent on discretionary programs to the House and Senate Appropriations committees, who then split up this pot on money among thousands of federal government programs (e.g. the [National Institutes of Health \(NIH\)](#), [Centers for Disease Control and Prevention \(CDC\)](#), [Department of Labor](#)). The budget resolution is non-binding, and April 15 is the target date for the completion of the congressional budget resolution by the Budget Committees.

Discretionary Versus Mandatory Spending

The government has two types of spending — discretionary and entitlement (or mandatory).

Discretionary spending accounts for approximately one-third of all federal spending and includes money for items ranging from health education programs and research at NIH to highway projects and education. Congress explicitly determines how much to spend on these programs on an annual basis through the appropriations process. If the federal budget process equates to a household budget, the appropriations process equates to writing out checks for household needs.

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Entitlement, or mandatory, spending is *not* subject to the annual appropriations process. Instead, this spending cannot be changed and is authorized by law, set by formularies, and varies depending on the number of people enrolled in the programs. Mandatory spending programs include Social Security, Medicare, food stamps, and others.

The Appropriations Process

When Congress passes a budget resolution, members of Congress have until the start of the fiscal year, October 1, to set funding levels for all federal programs through the appropriations process and legislation. The [House Committee on Appropriations](#) and the [Senate Appropriations Committee](#) subdivide their budget allocations among their 12 subcommittees (one appropriations bill per subcommittee) that have responsibility over various aspects of federal government spending, such as agriculture, defense, energy, and health.

For example, the NIH is funded out of the health subcommittee, which produces the Education-Health & Human Services-Education Appropriations bill every year. When an appropriations subcommittee has completed “marking up” its appropriations bill for the upcoming fiscal year, the bill then goes to the full Appropriations Committee for consideration.

Following full committee action, all the appropriations bills travel to the House or Senate floor for a vote. When each chamber passes their respective appropriations bill, it then goes to a House-Senate Conference Committee, where the differences between the two versions of the bill are worked out. Once complete, the reconciled bill will be voted on again in the House and Senate. If both chambers pass an identical bill, then the bill moves on to the President, who may sign the bill into law.

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What If...

Congress strives to complete action on all 12 appropriations bills by the start of the next fiscal year — October 1. Often Congress fails to meet this deadline. When that occurs, members of Congress must pass a continuing resolution (CR) in order to keep the federal government operating while they work to complete the appropriations process.

In addition, politics play a significant role in this process. In the end, it is not unusual for Congress to take two or more appropriations bills and roll them into one piece of “must pass” legislation. This is called an omnibus bill.

This document is based on the following sources. For more information on the Federal Budget Cycle, visit their Web sites:

Center on Budget and Policy Priorities

www.cbpp.org/3-7-03bud.htm

Washington Budget Report

www.washingtonbudgetreport.com/bprocess2.php

The U.S. Senate: Virtual Reference Desk

www.senate.gov/reference/reference_index_subjects/Budget_vr_d.htm

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