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The Federal Budget Process

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Washington Partners, LLC

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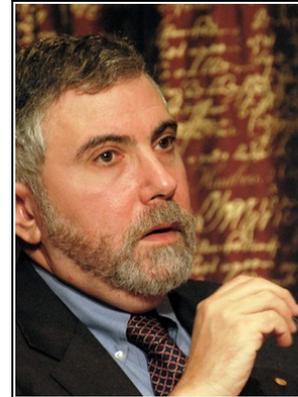
Perspectives on the Federal Budget



The size of the Federal budget is not an appropriate barometer of social conscience or charitable concern.

(Ronald Reagan)

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[The US] budget is dominated by the retirement programs, Social Security and Medicare - loosely speaking, the post-cold-war federal government is a big pension fund that also happens to have an army.

— Paul Krugman —

AZ QUOTES



The Federal Government is the people and the budget is a reflection of their need.

(John F. Kennedy)

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Cutting PBS support (0.012% of budget) to help balance the Federal budget is like deleting text files to make room on your 500Gig hard drive

— Neil deGrasse Tyson —

AZ QUOTES



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Perspectives on the Federal Budget

“Budgeting is about values, and it’s about choices.” – Rep. Rosa DeLauro (D-CT)

“This is the biggest hoax hatched upon the American people ever, that this budget process even exists.” – Sen. Bob Corker (R-TN)

“I hate to tell you Puerto Rico, but you’ve thrown our budget a little out of whack.” – President Donald Trump

“[T]he annual appropriations process has been completed on time in only four of the past 40 years. In that same period, Congress has passed 173 short term spending bills to avoid a government shutdown for an average of 186 days per year – over half of the year.” – Sen. Mike Enzi (R-WY), Chairman of the Senate Budget Committee



Perspectives on the Federal Budget

Trench Warfare!

- Since January 2011 Republicans and Democrats have had multiple battles over the budget and deficit.
- Republicans are opposed to revenue increases.
- Liberal Democrats are opposed to entitlement cuts.
- Nondefense programs have borne the brunt of the cuts.



Perspectives on the Federal Budget

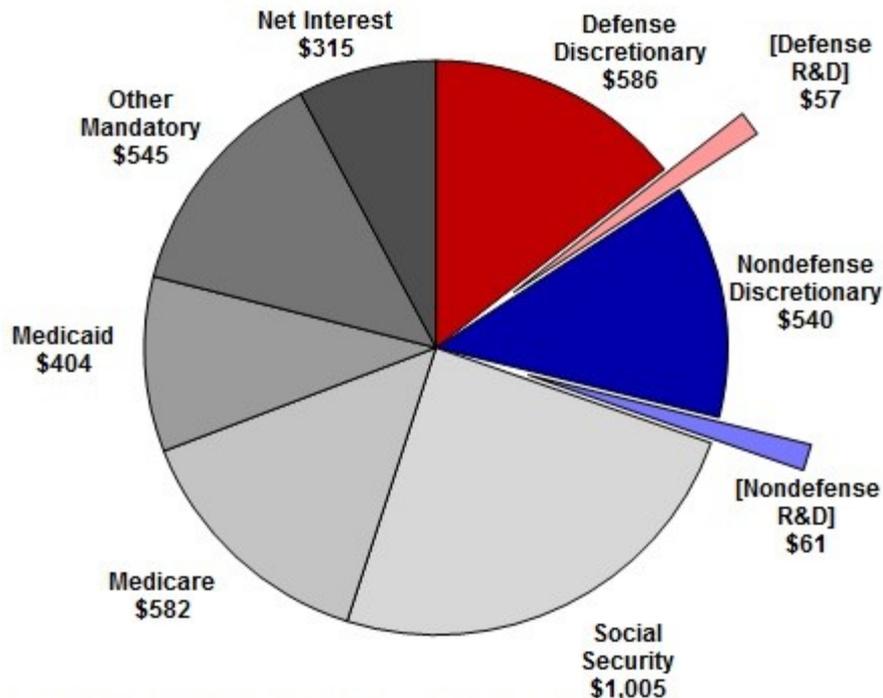
Looking Back

- Budget Control Act of 2011 set in law NDD and defense discretionary caps for 10 years (FY 2021)
 - Reduced spending by \$900 billion over ten years.
 - Brought sequestration beginning in FY 2013 with \$2.2 billion in cuts to Department of Education alone.
- Bipartisan Budget Act of 2015
 - Partially raised caps for FY 2016 and FY 2017 – did not return the caps to pre-sequester levels.
 - Caps still in place for FY 2018- FY 2021.
- Current Budget Debate (FY 2018)
 - NDD cap lower by \$12 billion.



Perspectives on the Federal Budget

Composition of the Proposed FY 2018 Budget
Total Outlays = \$4.1 trillion
outlays in billions of dollars

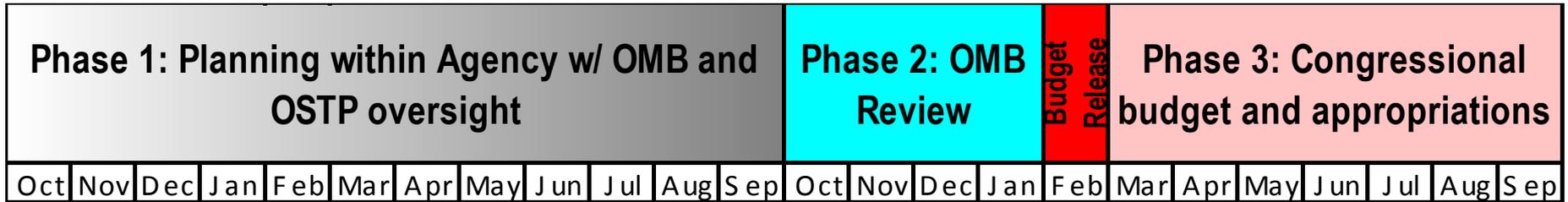


Source: Budget of the United States Government FY 2018. © 2017 AAAS

- Every dollar in the budget has its constituents!
- Every year there are negotiations between competing interests (and their proxies)
- Competing opinions on what federal dollars should be spent on
- Federal dollars crucial to research community

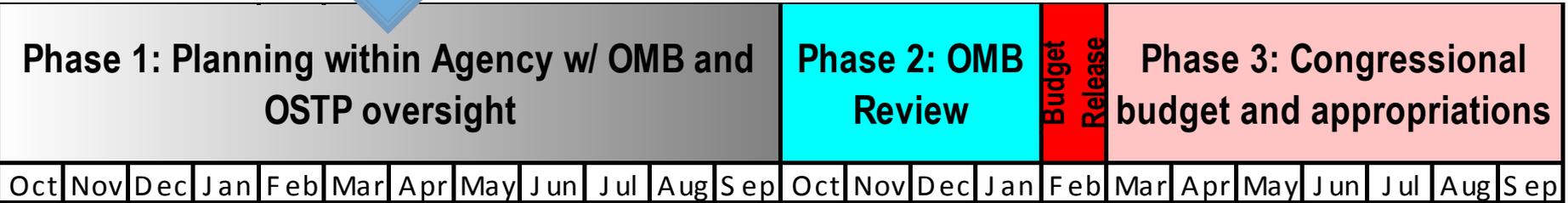
How it Works

- Four phases
- Three years



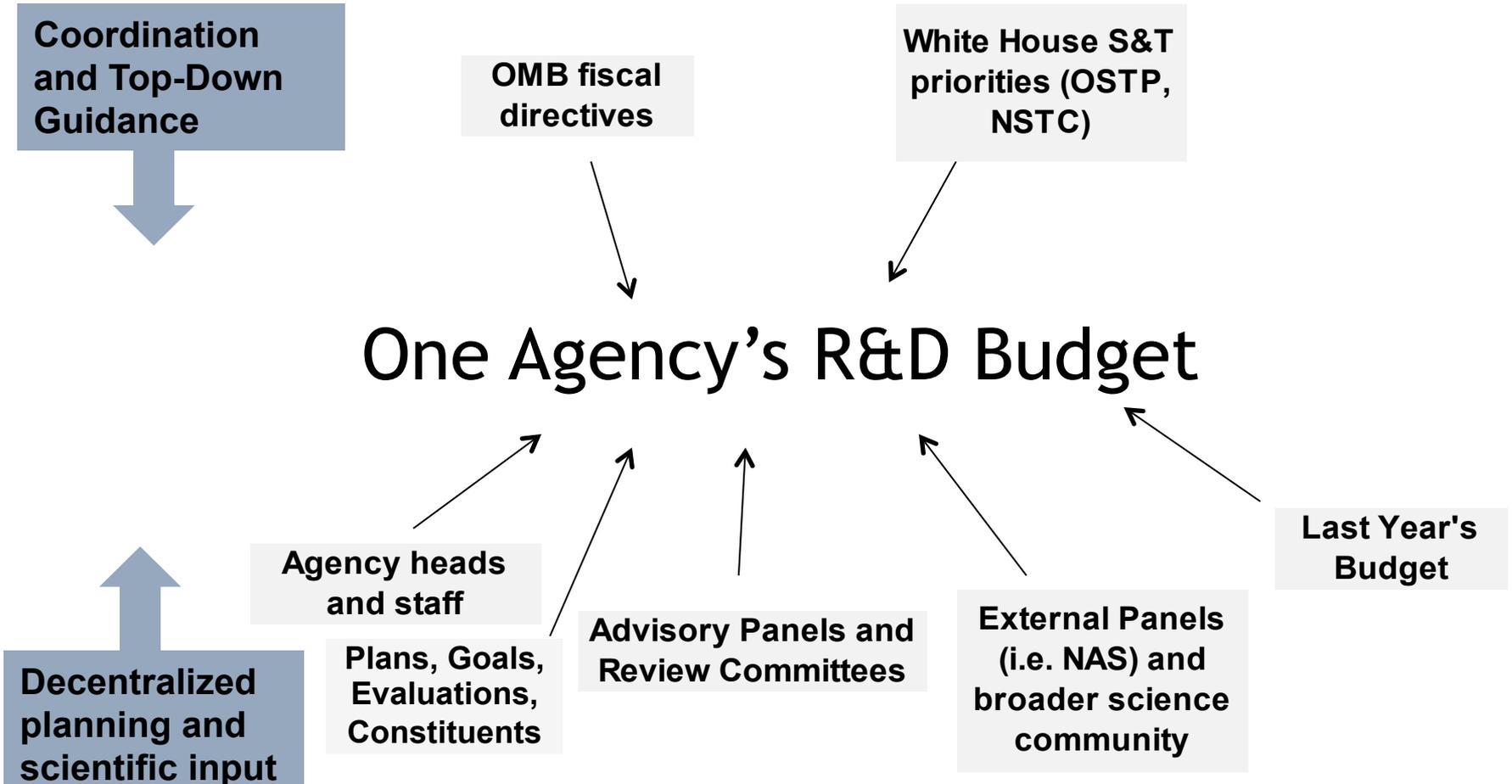
(Fourth is execution—not shown)

How it Works

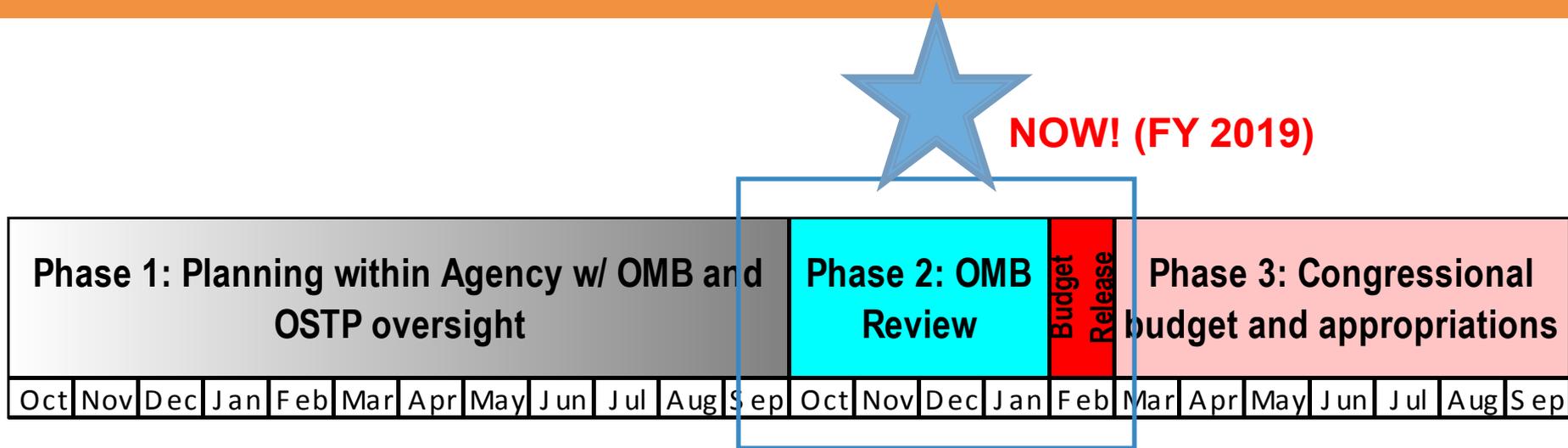


- **Phase 1: Internal agency discussions and planning**
 - Strategic plans, staff retreats, program assessments
- **OMB is present throughout**
- **Agencies deliver budget justifications to OMB (early fall)**

Agency Budgeting

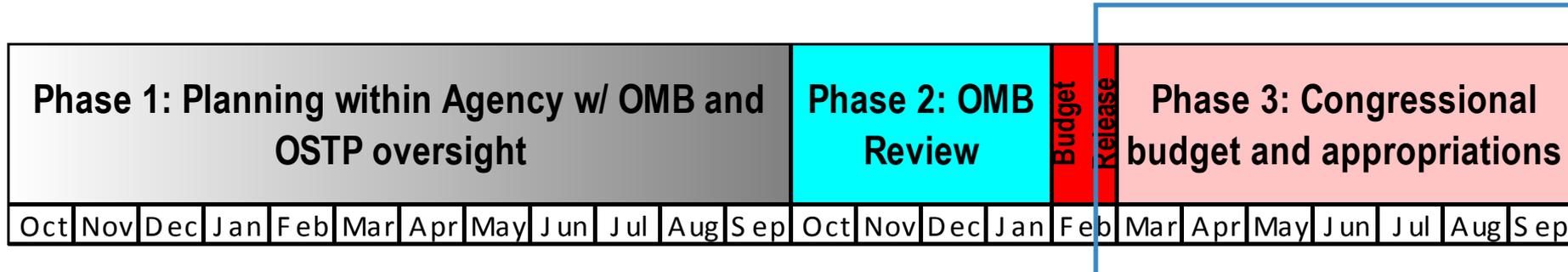


How it Works



- Phase 2: OMB performs multi-stage review, responds to agencies (“passbacks”)
 - Agencies and agency heads can and do negotiate
- Budget proposals are finalized in January
- President presents the proposed budget to Congress early February

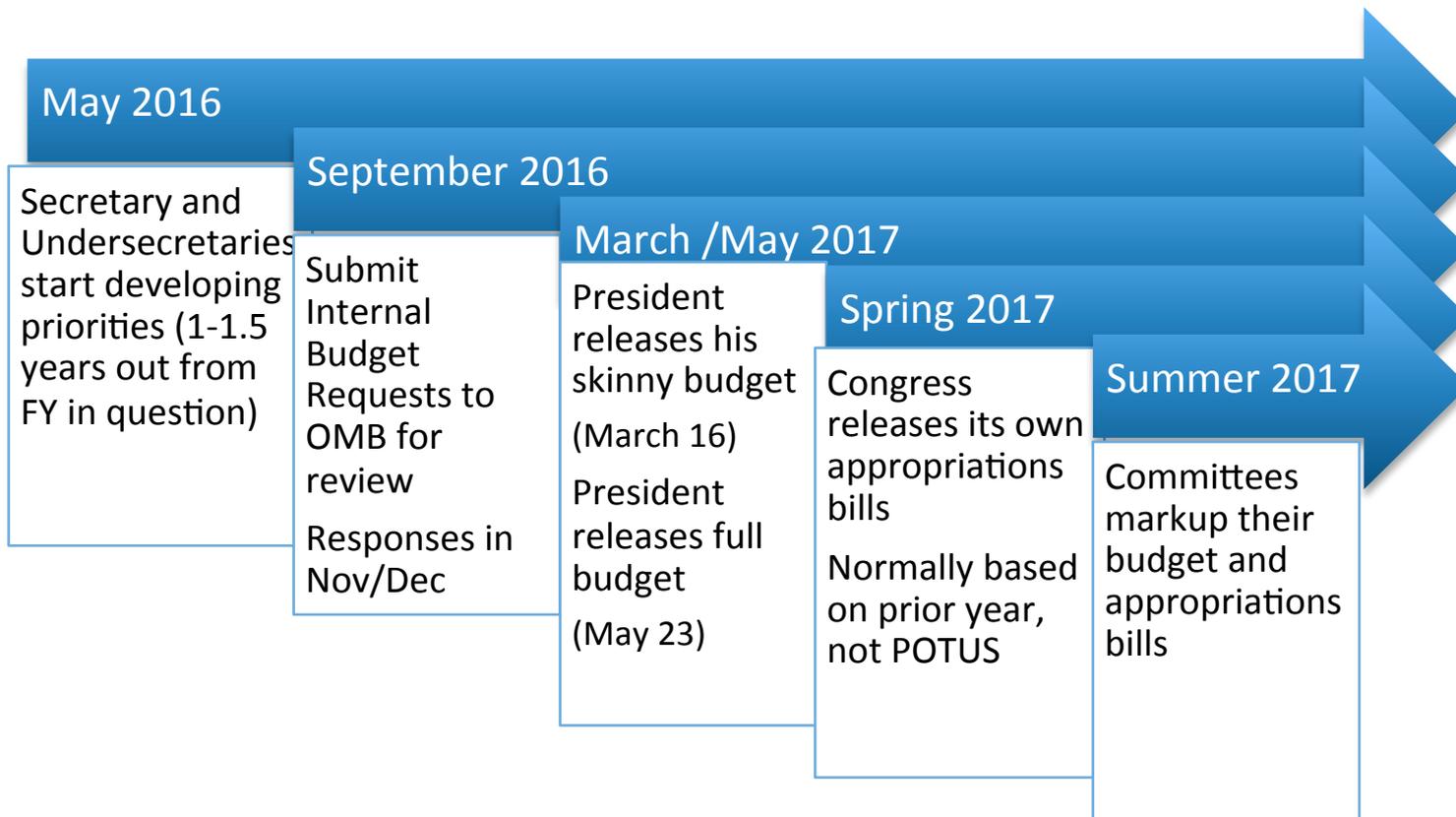
How it Works



- Phase 3: Congress gets involved
- Receives and reacts to President's budget, holds hearings
- **Approves budget resolution (simple majority)**
- Writes and passes appropriations

How it Works

FY2018 planning started in calendar year 2016



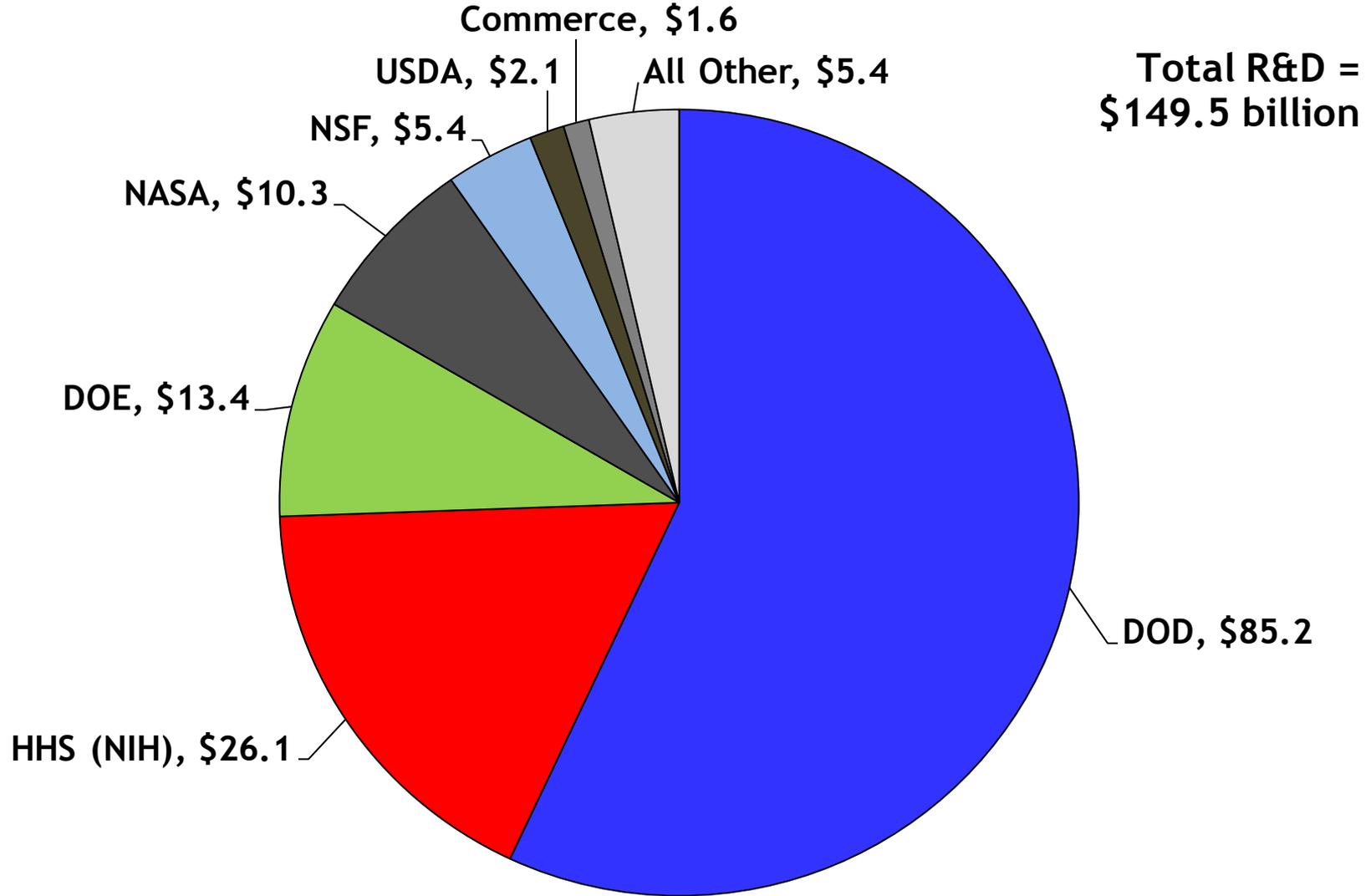
How it Works

FY 2018	Phase 4: Spend the Fiscal Year Budget																	
FY 2019	Phase 2: OMB Review			Budget Release	Phase 3: Congressional budget and appropriations					Phase 4: Spend the Fiscal Year Budget								
FY 2020	Phase 1: Planning within Agency w/ OMB and OSTP oversight									Phase 2: OMB Review			Budget Release	Phase 3: Congressional budget and appropriations				
<div style="display: flex; justify-content: space-between;"> OctNovDecJanFebMarAprMayJunJulAugSep OctNovDecJanFebMarAprMayJunJulAugSep </div>																		



Total R&D by Agency, FY 2018

budget authority in billions of dollars



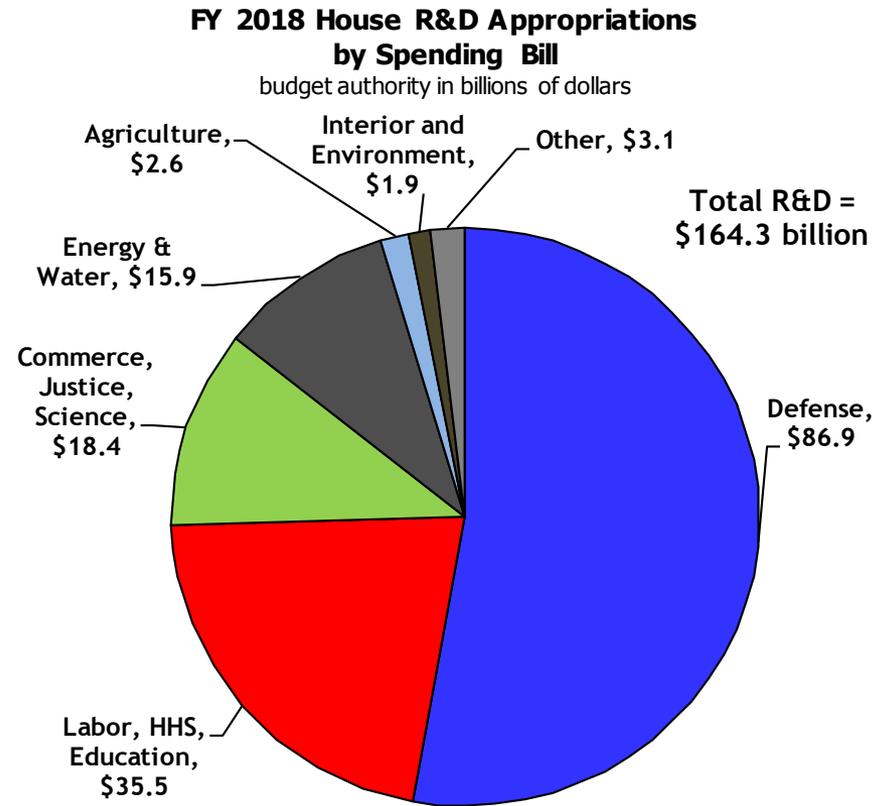
From Budget to Appropriations

Budget Resolution

- Established by 1974 Congressional Budget Act
- Overall framework
 - Discretionary spending
 - Also revenue, deficit, and total spending targets
 - Also non-binding recommendations from majority
- Isn't law and can't change law, but can set up reconciliation instructions (health care, tax reform)
- The budget resolution is a political document

From Budget to Appropriations

- Budget Resolution limits → Approps Committees → Subcommittees [302(b) allocations]
 - These caps remain in place all the way to floor, but can be revised as needed
- Twelve Appropriations Subcommittees
 - **Eight responsible for >\$1 billion of R&D**
- Led by “Cardinals”
 - Committee Chairs: Rep. Rodney Frelinghuysen (NJ), Sen. Thad Cochran (MS)
 - Ranking Members: Rep. Nita Lowey (NY), Sen. Patrick Leahy (VT)
- Appropriators will often have their own priorities
 - All politics is local
 - “President proposes, Congress disposes”
 - Getting bills that can *pass*



R&D includes conduct of R&D and R&D facilities. © 2017 AAAS



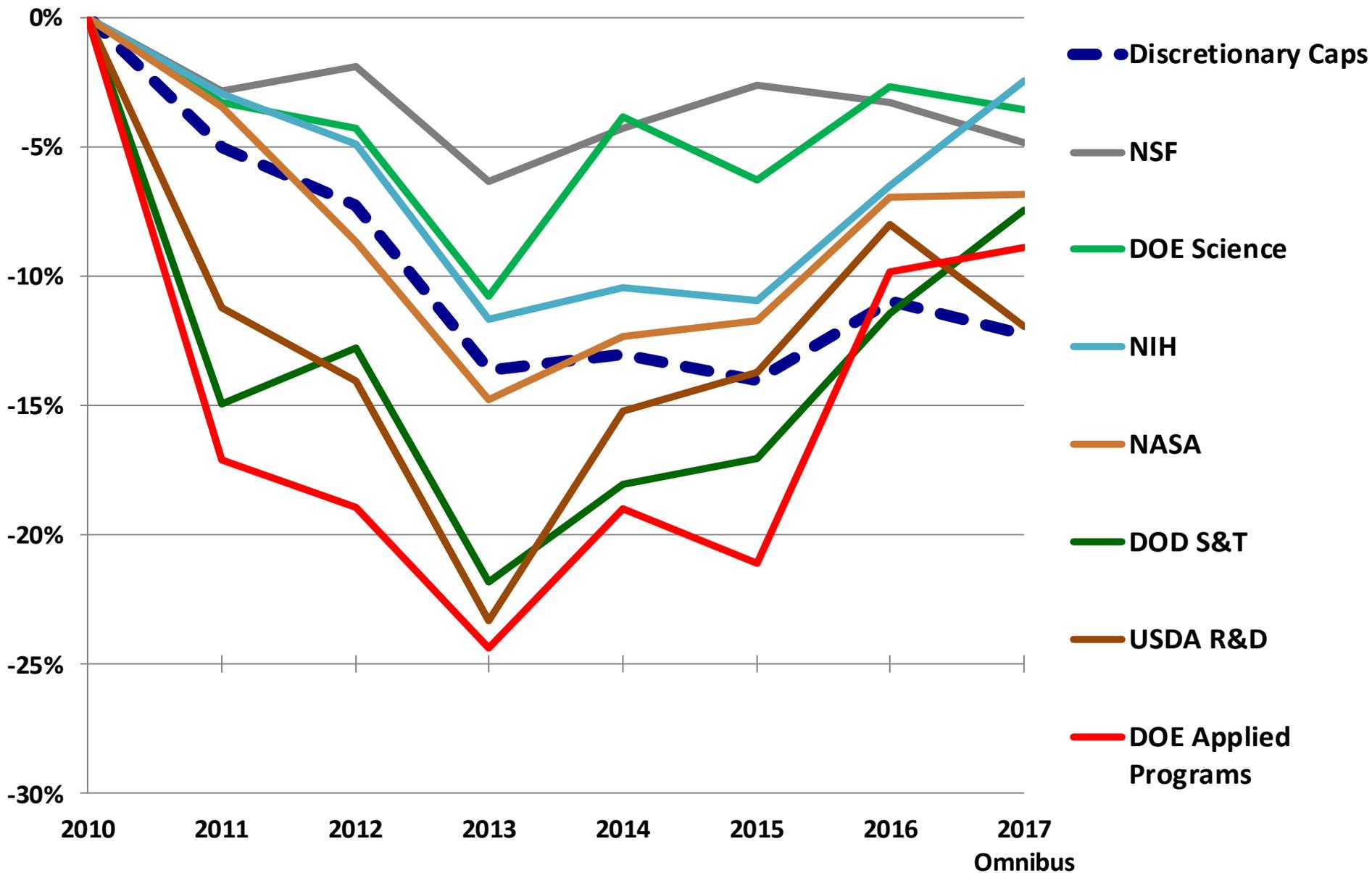
Regular Appropriations (Budget Authority)

Subcommittee	FY 2017 Appropriation	FY 2018 House Committee
<i>Agriculture</i>	\$21.8 billion	\$20.0 billion
<i>Commerce, Justice, Science</i>	\$55.7 billion	\$54 billion
<i>Defense</i>	\$514.1 billion	\$584.2 billion
<i>Energy and Water</i>	\$37.2 billion	\$37.6 billion
<i>Financial Services and General Government</i>	\$23.2 billion	\$20.2 billion
<i>Homeland Security</i>	\$41.0 billion	\$44.3 billion
<i>Interior and Environment</i>	\$32.2 billion	\$31.4 billion
<i>Labor, HHS, Education</i>	\$162.1 billion	\$156.0 billion
<i>Legislative Branch</i>	\$4.4 billion	\$3.6 billion
<i>Military Construction and VA</i>	\$79.9 billion	\$88.1 billion
<i>State, Foreign Operations</i>	\$37.8 billion	\$35.4 billion
<i>Transportation, HUD</i>	\$57.3 billion	\$56.5 billion
TOTAL	\$1.067 trillion	\$1.131 trillion

Source: House Appropriations Committee, [CBO](#).

Federal S&T Spending Since FY 2010

Percent change from FY10 levels, constant dollars



Budget-Speak

Authorizing Legislation:

- They establish, continue, or modify federal programs.
- They serve as the required basis for operating a program and provide guidance to the Appropriations Committees as to an appropriate level of funding for the program.

Appropriations Bills:

- 12 appropriations bills cover discretionary spending for federal programs.
 - ✓ 35% of federal spending is discretionary (majority of R&D money is here)
 - ✓ 65% of federal spending is mandatory (entitlements)

Budget-Speak

Continuing Resolution (CR):

- Legislation to provide budget authority for an agency when Congress and the president have not completed action by the start of the fiscal year. The CR thus allows the Federal government to continue operating.

Debt Limit/Debt Ceiling:

- The maximum amount of money the U.S. Treasury can borrow.

Discretionary Spending:

- Resources provided by Congress in appropriations bills.

Discretionary Spending Cap:

- A limit placed on certain categories of discretionary spending. Any legislation that is enacted that would cause a breach of the cap will trigger a sequester.

Budget-Speak

Entitlement:

- Legislation that requires the payment of benefits to all who meet the eligibility requirements established in the law. Examples of entitlement programs are Social Security, Medicare, the student loan program, and veterans pensions.

Mandatory Spending:

- Outlays for entitlement programs and certain non-entitlements that Congress controls by defining eligibility and payment rules rather than through appropriations.

Omnibus Appropriation:

- A single bill that includes the appropriations that are usually included in 12 separate bills. An omnibus appropriation is often adopted when there is not enough time for Congress to consider each bill individually.

Budget-Speak

Sequester:

- The cancellation of budgetary resources provided by discretionary appropriations or a direct spending law.

Supplemental Appropriation:

- An act appropriating funds in addition to the 12 regular annual appropriations. Supplemental appropriations are supposed to be enacted when the need for additional funds is too urgent to be postponed until the next regular appropriation is considered, such as a national disaster or war.

What's Ahead?

- FY18 spending caps: Where do we end up?
 - House and Senate have budget resolutions, but...
 - Will need to work with Senate Democrats on any deal to change the caps
- FY18 appropriations:
 - CR in place until December
 - House finished, Senate close
- Will the White House ultimately go along with any of this?
 - Signaled willingness to sign House omnibus
- Implications of other policy issues: tax reform, border wall, healthcare, etc?



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U.S. House approves 2018 spending bills, but process far from finished

By David Malakoff | Sep. 14, 2017, 3:02 PM

The U.S. House of Representatives today took a major step toward setting federal science budgets for the 2018 fiscal year that begins 1 October. But Congress is still far from the finish line, and final spending levels aren't likely to be finalized until late this year at the earliest.

Legislators voted largely along party lines in approving a **package of 12 appropriations bills** that would provide about \$1.23 trillion in 2018 for so-called discretionary programs. That category covers about one-third of the federal budget and includes most research budgets. (The rest pays

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Thanks! Questions?

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