Overview
The government operates on a fiscal year (FY) which begins on October 1st of the previous calendar year. The federal budget is divided into two categories: mandatory and discretionary. Mandatory spending comprises approximately two-thirds of the budget and includes entitlement programs such as Social Security and Food Stamps which are controlled by eligibility rules or payment guidelines. Funding for these programs is essentially automatic and not subject to debate.

Discretionary spending is the other third of the federal budget and the part that tends to generate news headlines. Programs of the Departments of Defense and Education are two important areas of discretionary spending.

The federal budget process consists of a series of steps which culminate in a document that is enacted for October 1 – the beginning of the new fiscal year. In order for this to happen, the process begins early in the calendar year.

Step 1: The President Submits the Budget Request
The President’s Budget Request, released in early February, is his budget proposal for the coming fiscal year. Based on priorities decided by the President and his Cabinet, the White House Office of Management and Budget (OMB), through a series of guidelines, instructs federal agencies how to prepare their strategic plans and budgets. The agencies then submit their budget requests with written documents, defending them to the OMB and the Appropriations Committees of the House and Senate. The OMB evaluates all these documents and prepares the President’s Budget which typically includes:

- Budget of the U.S. Government
- Analytical Perspectives
- Historical Tables
- Appendix
- Summary Tables
- Citizen’s Guide to the Federal Budget (Public Budget Database)

Step 2: Congress Passes a Budget Resolution
After the President submits his budget, the House and Senate traditionally spend the early spring preparing budget resolutions for mid-April. A budget resolution is a framework for making budget decisions about spending and taxes. It does not set binding spending amounts for particular programs. After the House and Senate pass their budget resolutions, a joint conference is formed to reconcile the two versions, the outcome of which is then voted on by each chamber.

Step 3: Congressional Subcommittees ‘Markup’ Appropriation Bills
In late spring and early summer, using the budget resolutions, the Appropriations Committee of each chamber sets allocations for each of its subcommittees (twelve each in the House and in the Senate). Each subcommittee reviews the relevant budget requests with justifications submitted by agencies, conducts hearings, and follows up with agencies to obtain answers to questions that arise. Each subcommittee then writes a first draft of its appropriations bill, called the ‘chairman’s mark’. After passage by the subcommittee, the bill moves to the full Appropriations Committee which reviews and sends the entire appropriations bill to the floor for a vote, attaching any special riders that it deems necessary.
Fact Sheet #1 continued

**Step 4: The House and Senate Vote on Appropriation Bills and Reconcile Differences**

After both versions of a particular appropriations bill are passed in their respective chambers, ideally in the late summer or early fall, a conference committee resolves differences between the House and Senate versions. The House and Senate both vote on a conference report for each bill.

**Sources and Resources:**

National Priorities Project Federal Budget Timeline,

*Updated September 2010 by Christopher Hellman, NPP*

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**Step 5: The President Signs each Appropriations Bill and the Budget is Enacted**

The President must sign each appropriations bill after it has passed Congress. When he has signed all of the bills, the budget is enacted. The objective is to complete the budget process before October 1. Often, however, the process takes longer, sometimes until December. Delays can also occur at the beginning of the process. For example, the Obama administration’s first budget request was not presented until May 2009.

If the budget is not enacted by October 1, Congress must pass continuing resolutions in order for the government to continue operations. These resolutions continue funding for agencies and programs at current levels until the budget for the new fiscal year is enacted.

The National Priorities Project (NPP) analyzes and clarifies federal data so that people can understand and influence how their tax dollars are spent. Located in Northampton, MA, since 1983, NPP focuses on the impact of federal spending and other policies at the national, state, congressional district and local levels.

This fact sheet is part of a series. Access the full series at www.nationalpriorities.org