

Analysis: The Budgetary Process

Much of the documented federal budgetary process starts with the President's budget submission to Congress. The broad steps are as follows:

1. The President submits a budget request to Congress.
2. The House and Senate pass budget resolutions.
3. House and Senate Appropriations subcommittees "markup" appropriations bills.
4. The House and Senate vote on appropriations bills and reconcile differences.
5. The President signs each appropriations bill and the budget becomes law.

There is a tremendous amount of prework that goes into developing the President's budget request. Before the President's budget request is finalized, there is a complex maze of processes, discussions, and collaboration between an agency, the Office of Management and Budget (OMB) and Congress.

Every agency has a comprehensive budget office. At some agencies, the budget office is part of the agency's Office of the Chief Financial Officer. At some larger agencies, the budget office may be a standalone office and report directly to the Deputy Secretary or the Secretary.

Any given budget cycle starts approximately eighteen months before the beginning of the fiscal year, which runs from October 1 to the following September 30. Congress is supposed to approve the budget before the start of the fiscal year. But this seldom happens. Instead, the government either shuts down or Congress passes a "continuing resolution," which funds the government for a specified period of time under the prior fiscal year's budgetary amounts. Continuing resolutions have become increasingly common over the past several years.

The budget process begins with OMB. For each agency, OMB has dedicated teams that study forecasted and economic needs related to the agency's mission. OMB works closely with the agencies during the budgetary process in the buildup of projected economic assumptions used in the President's budget.

Take, for example, the budget process for the fiscal year beginning October 2020. It began in the spring of 2019. In late April OMB provided budget guidance to each agency, based on its evaluation and forecasted needs related to the President's priorities. Each agency then followed roughly the below process to craft its detailed budget proposal:

- **Phase 1—Agency formulation phase:** Early May to Mid-September 2019
 - Agency receives OMB top-line guidance for fiscal 2021.
 - Given OMB's top-line guidance, agency's program offices, i.e., those parts of the agency that are responsible for administering particular programs, individually prepare and submit policy changes and budget request to agency leadership.
 - Agency leadership holds internal budget meetings to review policy changes and the program's proposed budgets.
 - Agency prepares a detailed narrative justification of each budget component to submit to OMB.
 - Agency leadership and the Secretary approve the budget for submission to OMB.
 - During the middle of September, Agency formally submits the 2021 budget request to OMB.

- **Phase 2—The agency and OMB budget negotiation process:** Mid-September to Mid-December 2019
 - OMB meets with agency leadership to discuss policy changes and the submitted budget narratives, including line-item budget numbers.
 - OMB agrees or disagrees (disagreements are much more common and sends a revised budget back to the agency (referred to the "pass-back" process).
 - The agency is allowed to appeal the pass-back for further discussions and negotiations.
 - By mid-December the agency and OMB reach a final agreement on the budget to be included in the President's Budget.

- **Phase 3—Agency and OMB prepare material to present to Congress:** Mid-December to February 1, 2020
 - Agency and OMB prepare written justifications to submit to Congress (referred to as Congressional Justifications).
 - Agency submits the President's Budget, including Congressional Justifications, to Congress on February 1.

- **Phase 4—The congressional approval process:** February 1 to September 30, 2020
 - The Senate and House appropriations committees separately hold hearings with the agency head to review the agency’s budget submission.
 - The Senate and House appropriation committees will form their own budget and caucus to settle differences and disagreements.
 - Congress will finalize and pass a budget resolution, which is submitted to the President for his signature. This “enacted budget” is the official government budget for the year.
 - Congress was supposed to approve the 2021 budget by September 30, 2020, so the enacted budget could become effective before the start of the fiscal year in October.
 - However, as is becoming more typical, Congress did not approve the 2021 budget until after October 1, 2020.
 - To bridge the gap, Congress passed a Continuous Resolution (referred to as the CR), which authorized agencies to operate under prior year’s enacted budget until the current fiscal year’s budget is enacted.

If the budget process seems confusing and arduous, that’s because it is. It’s filled with inefficiencies and bureaucracy, and it’s nearly incomprehensible. It is generally simpler in the private sector and is almost never a two-year process.

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