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# Federal Budget and Appropriations

Budget and spending decisions by governments affect all Americans and these decisions can have immediate and serious consequences for the people nonprofits serve and the communities in which they operate.

## Why It Matters

As frontline providers of services and as organizations grounded in their communities, charitable nonprofits have a stake in the strength and well-being of the economy and of governments at all levels. Conversely, given the vital role nonprofits play in both the economic and social well-being of our nation, society has an equally strong stake in ensuring that our nonprofits are healthy and able to fulfill their missions in support of the public good.

## Timelines and Process

The federal budget process begins each year with the release of the President's blueprint in early February.

The House and Senate consider these Executive Branch recommendations as they adopt a budget resolution that sets spending and revenue targets for the year. Once the spending targets are established, the House and Senate Appropriations

Committees each process 12 separate bills that are supposed to be completed before the start of the new fiscal year on October 1.

The enacted legislative package funds the federal government for the fiscal year which ends on September 30 of the following calendar year

## **Budget Resolution**

The [House](#) and [Senate](#) Budget Committees establish the level of total spending and revenues and how it is to be divided among the different functions of government in a broad blueprint known as the “budget resolution.” A “concurrent resolution” is then approved by both houses of Congress, and binding on each. The budget resolution is not sent to the President for his signature and does not become law.

The budget resolution is considered in the U.S. Senate under expedited procedures that limit time for debate, restrict the scope of amendments, prevent it from being filibustered, and require all provisions to be germane to the budget. Provisions that are considered extraneous can be removed from the bill based on what is known as the Byrd Rule, named for former Senator Robert Byrd (D-WV).

## **Appropriations**

Once the budget resolution is approved, the appropriations process begins. The [House](#) and [Senate](#) Appropriations Committees divide up the budget among the 12 subcommittees on each side. The subcommittees determine spending levels for each line-item of the budget, and send them to the full Appropriations Committees, which also make revisions before sending the individual bills to the House and Senate for floor consideration.

Congress must enact each of the 12 bills before the start of the new fiscal year on October 1, or pass stop-gap spending measures, known as “continuing resolutions,” to keep the government departments and programs running until they complete the unfinished appropriations bills. Failure to do so results in the shutdown of the federal government.

## **Budget Reconciliation**

The process known as “budget reconciliation” is a tool for securing statutory changes in mandatory spending (entitlements) or revenue programs (tax laws) to achieve goals set forth by the budget resolution.

The budget resolution includes instructions requiring specific authorizing committees with jurisdiction over mandatory spending and revenue policies to make changes to ensure budgetary savings. These legislative changes are packaged into one bill and considered under the same expedited procedures as resolutions.

## **The Budget Process in Practice**

Although the above is the text-book description of how the process is supposed to work, in the last two decades Congress has rarely enacted each of the 12 appropriations bills by the beginning of the fiscal year on October 1. More commonly, Congress approves continuing resolutions to fund the federal government for short periods before approving the full budget much later than in the year.

## **Pay As You Go (PAYGO) Budget Rules**

Pay as you go, or PAYGO, is the term used for a special budget rule designed to ensure that legislation does not add to the federal deficit. When the rule is in effect, PAYGO requires that any new spending or tax cuts must be fully paid for with new revenue (tax increases) or spending cuts. The House and Senate can waive the PAYGO requirements upon a vote of 3/5ths of either chamber.

## **More About Budgets and Appropriations**

- [Federal Shutdown Drama Ends \(Finally\) with Passage of Spending Bills](#), *Nonprofit Champion*, Mar. 25, 2024.
- [The Once and Future Government Shutdown Threat](#), *Nonprofit Champion*, Mar. 11, 2024.
- [As Congress Flirts with Another Federal Government Shutdown, The Impact on People, Communities, and Charitable Nonprofits Could Be Catastrophic](#), *Nonprofit Champion*, Sept. 18, 2023.

## **Additional Resources**

- [Introduction to the Federal Budget Process](#), Congressional Research Service, February 26, 2020.
- [Budget Process Law Annotated](#), Committee on the Budget.