

The Federal Government's Budget Process

Each year, Congress works on a federal budget for the next fiscal year. The government's fiscal year runs from October 1 of one year to September 30 of the next. The budget includes a detailed spending plan.



The Constitution puts Congress in charge of the budget, granting it the power to collect taxes, borrow money, and approve spending.

How does the government get money? Where does it go?

Most government money comes from:

- Collecting taxes, or revenue, from people and businesses
- Borrowing it by selling Treasury securities (savings bonds, notes, and Treasury bills)

The government spends money on:

- Social Security, Medicare, and other mandatory spending required by law
- Interest on the debt—the total the government owes on all past borrowing
- Discretionary spending, the amount Congress sets annually for all other programs and agencies

Money In

- Revenue
- Borrowing



Money Out

- Mandatory spending
- Interest on the debt
- Discretionary spending



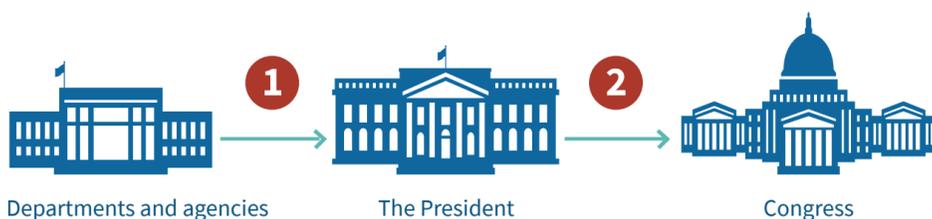
Creating the budget, step by step

Step 1: Departments and agencies submit proposals

About 1 ½ years before a budget goes into effect, agencies start work on their proposals. These go to the White House to help create the President's budget request.

Step 2: The President submits his plan

Typically by the first Monday in February, the President gives Congress his budget proposal for the next fiscal year.

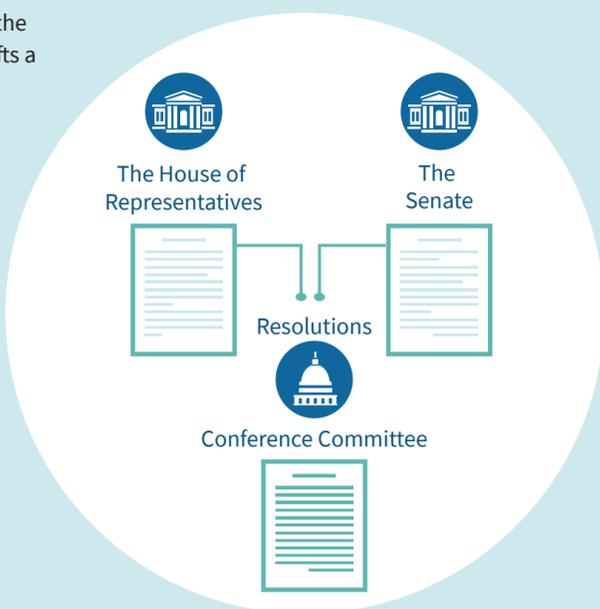


Step 3: The House of Representatives and the Senate create budget resolutions

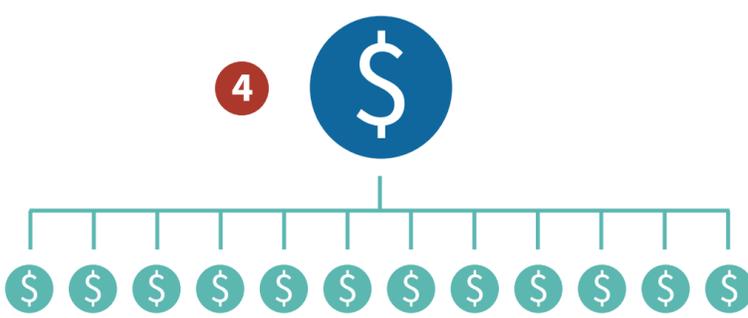
Each chamber of Congress analyzes the President's budget proposal and drafts a budget resolution setting overall spending levels.

A conference committee of House and Senate members resolves differences between the two plans to create a final version that each chamber votes on.

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Step 4: Appropriations committees distribute funding

House and Senate appropriations committees divide the discretionary spending portion of the budget resolution among 12 subcommittees. Each subcommittee oversees a different group of agencies, like Interior and Environment or Transportation and Housing. The subcommittees draft appropriations bills setting the funding for each agency.

Step 5: Chambers vote on appropriations bills

The full House and Senate vote on their bills. Both versions of each bill go to a conference committee to merge the two. Both chambers vote on the same version of each bill. If approved, it goes to the President.

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Step 6: The President signs the bills into law

If any appropriations bill is not signed by September 30, the government will not have a budget for the new fiscal year.

Without a budget, many government services stop

With no budget, Congress must pass a continuing resolution to fund the government temporarily. Otherwise, the government will shut down, and many functions will stop.

If Congress can't agree on 12 separate appropriations bills, it can pass an Omnibus bill that includes multiple funding areas. If the President signs that, the budget becomes law and goes into effect.

