

# The Federal Budget Process

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Although the federal fiscal year runs from 1 October to 30 September, the budget process is continually in motion, making it important to understand the various stages of the federal budget process. Congress is the only branch of the Federal Government with the constitutional power to tax and spend. However, the Executive Branch (Administration) has an equally significant role in the budget process and controls the first part of the annual budget cycle. Congress does not begin considering the budget for a new fiscal year until the proposed budget from the Executive Branch has been released in early January. This article focuses on the general process by which federal funding is determined annually for various agricultural programs in the Department of Agriculture and identifies some of the key positions and individuals involved in the process. Figure 1 presents a generalized diagram that highlights the various stages of the federal budget process.

## Budget Preparation in the Executive Branch

The budget tasks in the Executive Branch vary depending upon the fiscal year in question. Current year's funds are being obligated through purchase orders, contracts, grants, or cooperative agreements. Previous year's obligations are being monitored and closed out, and next year's requests are being planned. Only the relative intensity of the various activities changes with time.

An important difference between the Executive and Legislative Branches concerns the fiscal year that each is focusing on. While the Legislative Branch is working on the budget for next fiscal year, the Executive Branch is already at work preparing its request for the following fiscal year. Budget planning by the Executive Branch leads the focus of the Legislative Branch by one full year.

**Department of Agriculture**—Budget planning and development is ongoing in the Department of Agriculture, but the intensity begins to increase in March when formal Agency-Department-Office of Management and Budget (OMB) interactions relative to the next budget are initiated. This begins with OMB recommending an overall budget policy and target ceilings. The Department of Agriculture

then calls for budget requests from its individual agencies. The budget process of the Executive Branch is open to public comment and input until July, when agency requests are submitted to the Department of Agriculture. At that point the budget "goes behind the curtain," which means that employees of the Executive Branch are prohibited from discussing budget allocations.

During July and August, the Department of Agriculture Budget Committee reviews agency estimates and recommends agency allocations to the Secretary of Agriculture. In August the Secretary makes a final decision on agency allocations for the budget request and the agencies are notified. Then final budget requests are prepared by each agency, combined into a final Department of Agriculture budget request, and transmitted to OMB in September.

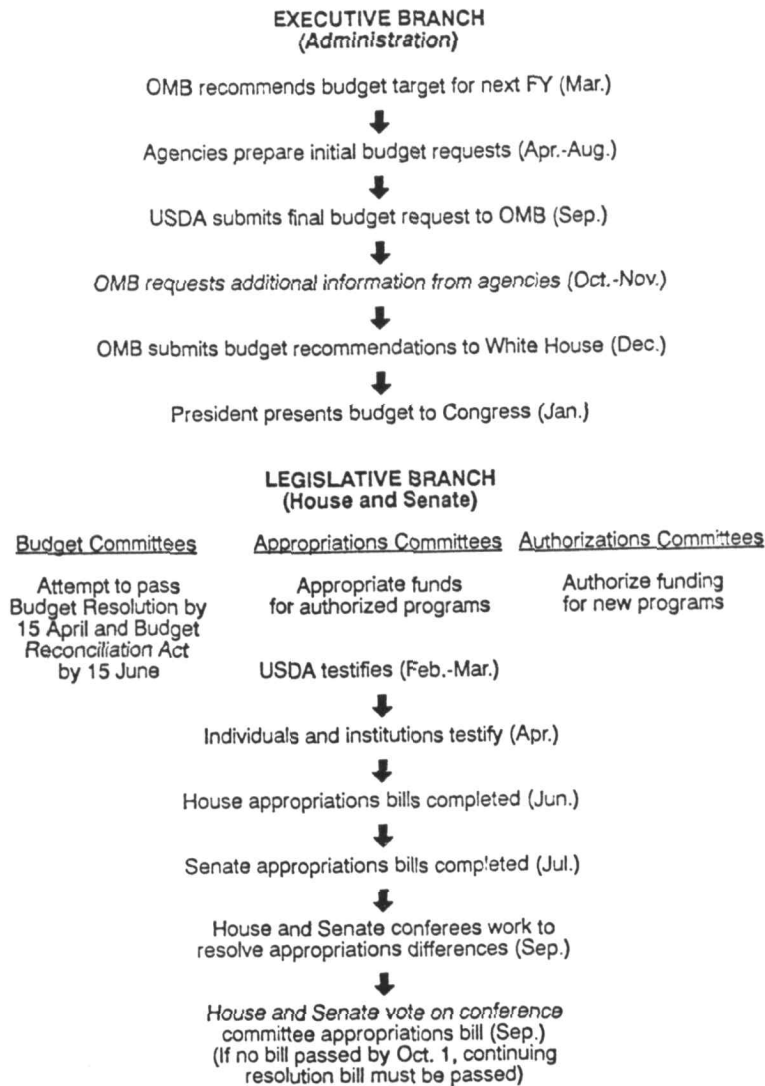
**Office of Management and Budget**—As the budget arm of the Executive Branch, OMB plays a critical role in the budget process. Once OMB receives the requests of various departments each October, OMB begins examining funding requests to determine the amount of funds requested for each program area. Most of this work is conducted by career staffers who are not displaced by personnel changes in the Administration. Susan Offut, a former agricultural economics professor at the University of Illinois, and her supervisor, David Gibbons, are the current staff members of OMB who make many critical determinations on funding support that will be recommended by the President for federal agricultural research and extension programs. These individuals ask the appropriate agencies to justify certain programs, and then try to balance funding constraints (see deficit reduction below) with the need to maintain vital programs and address new problems.

**The President's Budget**—The White House staff makes few changes in individual program allocations recommended by OMB. Instead, the top policy staff at OMB cooperates with the White House to make macro level changes, such as the relative balance between the Department of Defense and the Department of Agriculture. What appears in the President's budget is almost entirely the output of the OMB staff (reflecting the earlier agency requests), which completes its work in late December. The Administration's FY 1990 budget recommendations to Congress for various agriculturally-related programs are compared with previous fiscal year budget allocations in Table 1. Budget figures related specifically to U.S. Department of Agriculture agencies involved in rangeland research are contained in Table 2.

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Fig. 1. Generalized diagram depicting the major stages of the federal budget process for the Executive and Legislative Branches of the U.S. Government. Months in parentheses are approximate times for particular activities, but occasionally action is delayed, particularly in the Legislative Branch. The fiscal year (FY) for the federal government begins 1 October and ends 30 September.



**Budget Development in the Legislative Branch**

**Congressional Budget Committees**—Activities for both the House and Senate Budget Committees intensify with the release of the President's budget in January. The Budget Committees work to pass a concurrent Budget Resolution by 15 April, but this target date is often missed. The Budget Resolution is not signed into law by the President, but is enforced by the rules of the House and Senate. The current chairs of the House and Senate Budget Committees, respectively, are Rep. Leon Panetta (D-CA) and Senator Jim Sasser (D-TN). The House Budget Committee is unique in that its members can only serve on the Committee in three consecutive Congresses;

the Senate has no such limitations. The Budget Committees divide the federal budget into 20 major accounts, each with a three-digit number. For example, agriculture is the 350 account; natural resources and the environment is the 300 account; and general science, space, and technology is the 250 account.

The Budget Committees seldom deal with funding for any specific program, instead concentrating on the relative allocation among the 20 accounts, and the overall revenue and expenditure levels. Projections on estimated federal revenues and outlays for currently authorized programs are made by the Congressional Budget Office (CBO). In the past, Administration revenue forecasts

**Table 1. Agricultural appropriations for Fiscal Year 1988 and 1989, plus the Administration's recommendations for Fiscal Year 1990 (amounts not adjusted for inflation).**

	FY 88	FY 89	FY 90
	-----\$ in millions-----		
<u>USDA Agencies (partial listing)</u>			
Agricultural Research Service	540.6	561.6	604.6
Cooperative State Research Service	303.7	315.1	295.4
Extension Service	357.7	352.3	324.8
APHIS	329.3	331.2	284.9
Economic Research Service	48.2	49.3	51.9
National Agricultural Statistics Service	61.2	63.1	71.2
Soil Conservation Service	687.2	704.6	631.9
<u>Other Programs</u>			
Hatch Act Funds to Experiment Stations	155.5	155.5	155.3
1890 Land Grant Colleges	23.3	24.3	25.3
National Agricultural Library	12.2	13.3	14.9
Low Input-Sustainable Agricultural Grants	3.9	4.5	0.0
<u>Competitive Research Grants</u>			
Plant Science	12.1	8.0	12.1
Animal Science	6.0	6.0	14.0
Pest Science	2.8	2.0	2.0
Human Nutrition	2.4	1.0	3.0
Biotechnology	19.0	19.0	21.6
Stratospheric Ozone	0.0	3.7	7.4
Science and Technology Centers	0.0	0.0	3.4
Total	42.3	39.7	63.5
Special Research Grants (Total)	31.2	41.9	15.1

have been significantly higher than those of CBO, which affects the projections on how many program cuts are needed.

Soon after receiving the President's budget, the House and Senate Budget Committees request the numerous authorization committees to estimate funding levels required for new program authorizations and identify where reductions can be made in current programs to offset new projects and still meet budget targets. These projections form the basis of the Budget Reconciliation Act, normally scheduled for passage by 15 June of each year. The Budget Reconciliation Act differs from the Appropriations Bill in that the latter bill only provides funding for existing programs.

**Congressional Appropriations Committees**—While the Budget Committees are working on the Reconciliation Act, the Appropriations Committees are conducting hearings on appropriation needs. The House and Senate Appropriations Committees each have a specific subcommittee which holds hearings on agricultural funding. The Senate subcommittee, currently chaired by Sen. Quentin Burdick (D-ND), is the Subcommittee on Agriculture, Rural Development, and Related Agencies. The House subcommittee, currently chaired by Rep. Jamie Whitten (D-MS), is the subcommittee on Rural Development, Agriculture, and Related Agencies. Rep. Whitten also chairs the full House Appropriations Committee, while the full Senate Appropriations Committee is cur-

**Table 2. Appropriations to U.S. Department of Agriculture agencies for rangeland research for Fiscal Years 1988 and 1989, plus a projected amount for Fiscal Year 1990 (amounts not adjusted for inflation).**

	FY 88	FY 89	FY 90
	-----\$ in millions-----		
Agricultural Research Service (ARS)	11.1	11.3	11.3
<u>Cooperative State Research Service (CSRS)</u>			
Hatch Act	1.7	1.7	1.7
Evans-Allen, 1890 Colleges & Tuskegee	0.1	0.1	0.1
McIntire-Stennis Cooperative Forestry	0.1	0.1	0.1
Rangeland Research Grants	0.5	0.5	0.5*
Total CSRS	2.4	2.4	2.4
Forest Service (FS)	2.8	2.8	2.6
Grand Total (ARS+CSRS+FS)	16.3	16.5	16.3

\*Although both the House and Senate Appropriations Committees have \$475,000 in their proposed legislation for FY 90, this budget figure has not been finalized.

rently chaired by Sen. Robert Byrd (D-WV), former majority leader of the Senate.

The Appropriations Subcommittees first hear from witnesses from the Department of Agriculture during February and March. About April, open hearings are held in which individuals, representing themselves or organizations, can testify on programs of specific interest. Members of Congress will occasionally testify at these April hearings on behalf of particular programs that they would like to support.

Based on the input obtained during these hearings and the year-round input provided by direct contact with the subcommittee members and their staffs, preliminary budget allocations are assembled. These allocations and previous levels of appropriations are discussed during closed executive sessions by the House Agricultural Appropriations Subcommittee, and in open business meetings by the Senate Agricultural Appropriations Subcommittee. Neither Subcommittee publishes a transcript of its meetings, unlike most authorization subcommittees where discussions become part of the public record.

During the agricultural appropriation meetings, individual subcommittee members have considerable freedom to propose the addition or elimination of particular projects. Subcommittee members sometimes earmark funding for particular projects in their own district or state. Certainly the more familiar a member of Congress is with a particular program, the more likely he or she is to request funding for that program.

The House Appropriations Subcommittees usually complete their appropriation legislation in June or July, then the Senate follows with its recommendations. During the fall, the House and Senate Appropriations Committees designate specific committee members to serve as conferees to resolve differences between the appropriation levels of the House and Senate legislation. The full membership of the House and Senate must then agree to the recommendations of the Appropriations Committees. This process should be completed by the start of the new

fiscal year, which begins 1 October; however, in many years this process is not completed until after 1 October. If the appropriations bills are not passed by 1 October, a continuing resolution bill must be passed to provide continued funding at the previous year's levels. These continuing resolutions are notorious for picking up many "pork-barrel" amendments at the last moment.

**Congressional Authorization Committees**—An interesting interaction occurs between the appropriations committees and the numerous authorization committees. Although the various authorization committees, such as the House Agriculture Committee and the Senate Committee on Agriculture, Nutrition, and Forestry, have the authority to recommend funding amounts for new programs that they authorize, no funds for these programs can be expended unless the appropriations committees specifically appropriate funds for that program. As a result, many of the programs that are authorized by law receive only part or none of the intended funding. Sometimes the appropriations committees will even use an authorization as an excuse to fund a completely unrelated project.

Consequently, the authorization of a new program will not necessarily result in any actual funding for the program. Usually a year passes before the appropriations committee is able to consider allocating funds for a new authorization. Even if appropriations are made for new agricultural programs, the appropriate agency or agencies do not always use those funds in accordance with the original intent. As a result, working directly with a federal agency is frequently more effective in initiating a new program than interacting with Congress. However, Congress often seems to respond more quickly to emerging public concerns than the Department of Agriculture.

**Congressional Revenue Committees**—Two congressional committees control the sources of revenue or income, namely the Senate Finance Committee and the House Ways and Means Committee. These two committees work with the budget committees and the leadership of Congress to determine the total amount of revenues.

#### Other Considerations

**Deficit Reduction**—One of the dominant factors affecting budgets for the last few years as well as the next several years is the Emergency Deficit Control Reaffirmation Act (PL100-119), popularly known as the Gramm-Rudman-Hollings Act. This act requires that annual deficit reduction targets be met. For FY 1990, the budget deficit, assuming no additional programs or changes in revenue, is projected at \$141 billion by CBO (OMB is more optimistic and projects a \$127 billion deficit for FY

1990). The Gramm-Rudman-Hollings target is \$100 billion for FY 1990, \$64 billion for FY 1991, \$28 billion for FY 1992, and zero dollars for FY 1993. If these deficit reduction targets are not met within a \$10 billion margin, then automatic percentage reductions in the budget are imposed, with 50% of the reduction coming from defense and 50% coming from domestic discretionary programs (some entitlement programs are exempted).

Assuming no revenue increases, an additional \$27 to 41 billion must be eliminated from current programs, and additional reductions will be required to fund any new programs. The 14% of the budget that represents interest payments on the national debt cannot be changed. Congress also is unlikely to allow major reductions in the 23% of the budget comprising entitlement programs including: Medicare, Medicaid, farm price supports, veterans benefits, retirement programs, and food stamps. Two other areas of the budget that will also probably not receive substantial reductions are the 26% of the budget comprising defense, and the 21% of the budget representing Social Security.

This leaves only 16% of the budget available for reductions, namely domestic discretionary spending, which includes a broad range of federal programs in transportation, energy, education, law enforcement, environmental protection, and research. This portion of the budget amounts to \$206 billion for FY 1990. With the projected \$127 to 141 billion in budget reductions that will have to be made over the next four years, many federal programs would be completely decimated. Consequently, many budget analysts think that new revenues will have to be raised, and other areas of the budget besides domestic discretionary funding will have to be reduced.

**Prioritization Process**—Groups that serve an advisory role in the federal agricultural budget process include: the USDA User's Advisory Board, the USDA Joint Council on Food and Agricultural Sciences, the Experiment Station Committee on Policy (ESCOP), the Extension Committee on Policy (ECOP), and the Resident Instruction Committee on Policy (RICOP). Although these advisory panels and committees provide formal input on the agricultural portion of the budget, considerable informal input occurs also. Many environmental groups, agricultural industry associations, and farmer organizations provide input on specific portions of the agricultural budget. Most scientific and agricultural professional societies traditionally have not provided input on the budget, but with the probable future funding reductions, a greater need exists for selective budget input from professional organizations.