An Introduction to the Federal Budget

Kei Koizumi
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THE FEDERAL BUDGET: WHERE DOES THE MONEY GO? AND WHY SHOULD YOU CARE?

- It’s a lot of money.
  - The federal government spends $3.1 trillion a year, 1/5 of the U.S. economy.
  - More than 80 percent of the money comes directly from individuals through income taxes and payroll taxes.
- You can’t do POLICY in Washington without MONEY.
  - Money makes policies possible; without money, policies can’t be implemented.
  - In these times of budget deficits, every policy has to be considered in terms of how it affects the budget.
  - The federal budget process decides how the money gets spent.
THE FEDERAL BUDGET: WHERE DOES THE MONEY GO? AND WHY SHOULD YOU CARE? (2)

- The budget takes up a lot of time and effort on Capitol Hill and in federal agencies.
  - The budget has an annual cycle that affects nearly every decision in Washington.
- The federal budget determines the health of U.S. science and engineering education.
  - The federal government spends $140 billion + a year on R&D.
  - The federal government funds 60 percent of all university R&D, and also supports fellowships, scholarships, student loans, and other aid.
- R&D funding decisions are part of the federal budget process.
Composition of the Proposed FY 2009 Budget
Total Outlays = $3.1 trillion

Net interest
Defense discretionary
Nondefense discretionary
[Defense R&D]
[Nondefense R&D]
Social Security
Medicare
Medicaid
Other mandatory

Note: Projected Unified deficit is $407 billion.
Figures exclude most Iraq and Afghanistan military costs.
Source: AAAS, based on Budget of the United States Government FY 2009.
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Composition of the Proposed FY 2009 Budget by Source of Funds
Total Outlays = $3.1 trillion

Total Receipts (without borrowing): $2.7 trillion

Source: AAAS, based on Budget of the United States Government FY 2009.
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Trends in Federal Outlays, FY 1976-2013

in billions of constant FY 2008 dollars


FEB. '08 © 2008 AAAS
Trends in Federal Receipts, FY 1976-2013
in billions of constant FY 2008 dollars


FEB. '08 © 2008 AAAS
Federal Budget Deficit (or Surplus), FY 1960-2013
in billions of CONSTANT FY 2008 dollars

Data in fiscal years. Source: Budget of the United States Government, FY 2009. FY 2008 data are estimates. FY 2009-2013 data are President's budget proposals. FY 2009 - 2013 figures exclude Iraq and Afghanistan military costs.

FEB. '08 © 2008 AAAS
WASHINGTON: The U.S. federal budget deficit soared to $454.8 billion in 2008 as a housing collapse and efforts to combat the economic slowdown pushed the tide of government spending to the highest level in history.

The administration of President George W. Bush said Tuesday the deficit for the budget year that ended Sept. 30 was more than double the $161.5 billion recorded in 2007.

It surpassed the previous record of $413 billion set in 2004.

Economists predicted a far worse number next year as the costs of the government's rescue of the financial system and the economic hard times hit the government's balance sheet.

Some analysts believe that next year's deficit could easily top $700 billion, giving the next president a formidable challenge.

The administration blamed this year's record deficit on a litany of economic woes. The prolonged housing slump sharply reduced economic growth and has sent the unemployment rate rising, developments that reduce tax revenues.

"This year's budget results reflect the ongoing housing correction and the manifestation of that in strained capital markets and slower growth," Treasury Secretary Henry Paulson Jr. said in a statement accompanying the deficit report. "While it will take time to work through this period, we will overcome the current challenges facing our nation."

The credit crisis that has swamped the financial system is increasing spending because of the costs of protecting the depositors of failed banks.

Those costs will increase significantly in coming years. The government faces the prospects of paying for the $700 billion rescue plan that will bolster spending as the government spends $250 billion in coming months to buy stock from banks to prop up their balance sheets and buys up bad assets currently on banks' books.

Both of those programs are aimed at relieving strains on banks so they can resume more normal lending and ease a credit crisis that is threatening to push the country into a severe recession.

Many private economists think the country will not be able to escape a recession even if the rescue program is successful at getting banks to resume lending.

The Bush administration is projecting that the deficit in the current budget year will rise to $482 billion,
The National Debt, 1960-2013
in billions of dollars (President's proposals)


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July 27, 2008

Congress Sends Housing Relief Bill to President

By DAVID M. HERSZENHORN

WASHINGTON — Hoping to stretch a safety net under the nation’s tumbling housing market, the Senate on Saturday overwhelmingly approved a huge package of legislation that includes a program to save hundreds of thousands of families from losing their homes to foreclosure.

The legislation is the latest in a series of extraordinary interventions this year by the Bush administration, Congress and the Federal Reserve as they seek to limit shockwaves in the housing sector from rippling across the American economy and the world financial system. In the process, the central bank and taxpayers have taken on what critics warn are incalculable liabilities and risk.

The bill grants the Treasury Department broad authority to safeguard the nation’s two mortgage finance giants, Fannie Mae and Freddie Mac, potentially by spending tens of billions of dollars in federal money to prevent the collapse of the companies, which own or guarantee nearly half of the nation’s $12 trillion in mortgages.

To accommodate the rescue plan for the mortgage companies, the bill raises the national debt ceiling to $10.6 trillion, an increase of $800 billion and the first time that the limit on the government’s credit card has grown to 14 digits.

The Senate, convening for a rare Saturday session as it neared summer recess, approved the bill by a vote of 72 to 13, with 27 Republicans joining all the Democrats in attendance to support it.

The measure now goes to President Bush, who has said he will sign it, perhaps early this week, to send a reassuring message to the credit markets.

The White House quickly issued a statement praising the vote, but also affirming opposition to nearly $4 billion in grants to local governments to buy and refurbish foreclosed properties, which Mr. Bush views as a giveaway to lenders.

“It’s good that the Democratic Congress has finally acted,” said Tony Fratto, the deputy White House press secretary.

Lawmakers in both parties hailed the bill, saying it was crucially needed. “It will make a difference not only in the housing market but in the entire economy,” the majority leader, Senator Harry Reid of Nevada, said.
(3) Any reports required under this section shall also be submitted to the Congressional Oversight Panel established under section 125.

(g) FUNDING.—(1) Of the amounts made available to the Secretary of the Treasury under section 118, $50,000,000 shall be available to the Special Inspector General to carry out this section.

(2) The amount available under paragraph (1) shall remain available until expended.

(h) TERMINATION.—The Office of the Special Inspector General shall terminate on the later of—

(1) the date that the last troubled asset acquired by the Secretary under section 101 has been sold or transferred out of the ownership or control of the Federal Government; or

(2) the date of expiration of the last insurance contract issued under section 102.

SEC. 122. INCREASE IN STATUTORY LIMIT ON THE PUBLIC DEBT.

Subsection (b) of section 3101 of title 31, United States Code, is amended by striking out the dollar limitation contained in such subsection and inserting “$11,315,000,000,000”.

HR 1424 EAS
How the Budget Becomes Law
FY 2009 Proposal = $3.1 Trillion

Net interest - automatic

Discretionary Spending -
12 appropriations bills,
plus war supplemental bill(s)
from Appropriations
Committees

Entitlements -
Reconciliation bill,
other bills from
various committees
(such as Medicare drug
bill) (optional)

Revenues -
Reconciliation bill,
other bills from various
committees (such as the
energy bill) (optional)

Source: AAAS, based on Budget of the United States Government FY 2009.
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THE FY 2009 BUDGET PROCESS (1)

SUMMER 2007 – Agencies submit their FY 2009 proposals to OMB (Office of Management and Budget) based on broad strategic guidance from OMB in spring 2007.

FALL 2007 – Agencies negotiate with OMB over their FY 2009 proposals.

January 2008 – Agencies finalize their requests.

February 2008 – President Bush releases his proposed FY 2009 budget and transmits it to Congress.
THE FY 2009 BUDGET PROCESS (2)

Feb. – May 2008 – Agency officials, public witnesses, and others testify at congressional budget and oversight hearings; authorizing committees try to write and pass authorization bills.

Spring 2008 – Congress approves its FY 2009 budget resolution.

Various committees receive instructions from the budget resolution to draft reconciliation bills.

Appropriations committees receive 302(a) allocations: total $1.013 trillion, $21 billion more than the President’s budget.

Appropriations committees determine 302(b) allocations dividing total discretionary spending among 12 bills.

Some entitlement programs need to be reauthorized: in June, Congress completed action on a 5-year farm bill.
Senate passes fiscal 2009 budget resolution along party lines (6/4/08) -- www.GovernmentExec...

Senate passes fiscal 2009 budget resolution along party lines
By Humberto Sanchez  CongressDaily  June 4, 2008

The Senate by a 48-45 vote approved a compromise fiscal 2009 budget resolution Wednesday that would cap discretionary spending at $1.013 trillion, $21 billion more than President Bush requested. The House is expected to take up the measure Thursday.

If approved by both houses, it would be the first time since 2000 that Congress has approved a budget resolution in an election year. Senate approval of the budget included the vote of Sen. Barack Obama, D-Ill., who is expected to be the Democratic nominee. His rival for the Democratic nomination, Sen. Hillary Rodham Clinton of New York, did not show up for the vote. Presumptive Republican nominee Sen. John McCain of Arizona also did not vote.

Sens. John Warner, R-Va., and Pete Domenici, R-N.M., who oppose the budget, agreed to withhold their votes, also known as pairing, so that the absence of two ill Democratic senators who support the budget would not affect the outcome. Warner agreed to pair his vote with Sen. Edward Kennedy, D-Mass, who is recovering from surgery on a brain tumor and preparing to undergo chemotherapy, while Domenici paired his vote with Sen. Robert Byrd, D-W.Va., who was hospitalized this week after feeling feverish. He is expected to remain in the hospital for several days for monitoring and treatment for a mild infection. Sens. Olympia Snowe and Susan Collins, both of Maine, were the only Republicans to vote in favor of the resolution. Sen. Evan Bayh of Indiana was the only Democrat to vote against measure.

After the vote, Senate Budget Chairman Kent Conrad, D-N.D., praised the action. "We have passed a fiscally responsible budget today," he said. "This plan provides tax relief for the middle class. It makes critical investments in energy, education and infrastructure. And it returns the budget to surplus in 2012 and 2013. Passing this budget represents a major accomplishment." The budget, which includes a five-year horizon, is intended to achieve a surplus of $22 billion in 2012 and $10 billion in 2013. The proposal also calls for $340 billion in tax cuts, including permanent extension of the 10 percent income tax bracket, increased childcare tax credit, elimination of the marriage penalty and fixing the estate tax at 2009 levels. A number of so-called reserve funds have been included in the budget for energy and infrastructure spending. But this funding must be offset if enacted.

Republicans lambasted the budget in part because they contend it includes a record tax increase since it assumes some of the tax cuts enacted in 2001 and 2003 would expire. "For the second year in a row, the Democratic majority has crafted and passed a tax-and-spend budget -- one that most Americans can't afford as they struggle with a slowing economy and rising food and fuel costs," Senate Budget ranking member Judd Gregg, R-N.H., said during debate.

Gregg and OMB Director Jim Nussle were also critical because the budget's $1.013 trillion discretionary figure would be the first time it has ever surpassed $1 trillion. They pointed out that spending would increase by $87 billion above the President's level, or 8.7 percent.

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PRINTER-FRIENDLY VERSION
COMMENT ON THIS STORY
Trends in Discretionary Spending, FY 1976-2013
in billions of constant FY 2008 dollars

Data in fiscal years. Source: Budget of the United States Government, FY 2009. FY 2008 data are estimates. FY 2009-2013 data are budget projections. FY 2009-2013 figures exclude Iraq and Afghanistan military costs. FEB. '08 © 2008 AAAS
Discretionary Spending by Appropriations Bill
FY 2009 Request = $992 billion

Source: Congressional Budget Office. Excludes bridge fund for
Iraq and Afghanistan military operations.
FEB. ’08 © 2008 AAAS
THE FY 2009 BUDGET PROCESS (3)

Summer 2008 – Appropriations subcommittees write appropriations bills. The full committees try to get the bills through the legislative process.

September 2008 – The House and Senate try to conference appropriations bills and send them to the President.

October 1, 2008 – FY 2009 begins. Discretionary programs must have a signed appropriations bill, or shut down. To allow more time, lawmakers pass continuing resolutions (CR’s). (For FY 2008, 4 CR’s were needed. The current CR extends to March 6, also contains final versions of 3 bills.)

Feb. – March 2009 (?) – Congress will probably pass an omnibus appropriations bill. (For FY 2008, an 11-bill omnibus was enacted Dec. 26. A 9-bill omnibus for FY 2009?)
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Note: The President signed into law a continuing resolution (CR; HR 2638; Public Law 110-329) extending funding for all programs in unsigned 2009 appropriations bills at 2008 funding levels through March 6, 2009.


To find the text of these bills, go to THOMAS (Library of Congress) and type the bill number into the search engine at the top of the page.
A DETOUR: SUPPLEMENTAL APPROPRIATIONS

Anytime – For unbudgeted needs, Congress and the President can pass supplemental appropriations bills outside the regular budget cycle in a compressed process. Usually for natural disasters and other emergencies, but in recent years Iraq and Afghanistan spending as well.

June 2008 —$187 billion FY 2008 supplemental bill, mostly for war operations.

Often, this spending is designated as ‘emergency’ spending, meaning it doesn’t count against budget resolution targets. Congress may draft a 2009 supplemental bill this week for economic stimulus.
Figure x. Stages of the federal budget process in the United States

The President
Office of Management and Budget (OMB)
Office of Science and Technology Policy (OSTP)
Federal Departments and Agencies
Executive Branch

Congress
Budget Committees (produce budget resolution)
Congress approves budget resolution
Appropriations Committees (draft 13 appropriations bills)

Other committees (produce parts of optional reconciliation bill - changes in entitlements or revenues)

Authorizations, guidance to appropriators

House version
Senate version
House - Senate Conference
House approval
Senate approval

President signs bills into law OR vetoes
Agencies receive funds

Summer Fall Winter February Spring Summer Fall (Start of fiscal year)- Oct. 1
Trends in Federal R&D, FY 1976-2009 (as of 9/08) *
in billions of constant FY 2008 dollars

Source: AAAS analyses of R&D in annual AAAS R&D reports. * FY 2009 figures are AAAS estimates of R&D in the FY 2009 omnibus / continuing resolution. R&D includes conduct of R&D and R&D facilities. Data to 1984 are obligations from the NSF Federal Funds survey. GDP figures are from OMB, Budget of the U.S. Government FY 2009.
SEPT. ’08 REVISED © 2008 AAAS
Congress Endorses Physical Sciences Increases as 2009 Appropriations Get Underway

The congressional fiscal year (FY) 2009 appropriations process is now underway. Both the House and Senate Appropriations Committees have begun drafting their versions of the 12 appropriations bills providing 2009 funding for the federal government's discretionary programs. In actions so far, congressional appropriators have endorsed large increases for the three physical sciences agencies in the American Competitiveness Initiative (ACI), increases for human spacecraft development, increases for biomedical research in the National Institutes of Health (NIH), and increases in other parts of the federal research and development (R&D) portfolio. Details of federal R&D funding in the 2009 appropriations bills are available in a series of AAAS R&D Funding Updates on the AAAS R&D web site.

Armed with a budget resolution adding $21 billion to the President's request for 2009 appropriations for a total of $1.01 trillion, congressional appropriators have begun drafting program-by-program funding levels in...
NEXT…

Write your own appropriations bill!
This Commerce, Justice and Science bill makes key investments into some of the most important functions of our government:

- How do we keep our citizens safe?
- As American workers are struggling in this tough economy, how do we make the long term investments that ensure the future strength of our economy?
- How does our nation tackle the threat of global climate change?

The bill starts by rejecting the President’s proposal to once again gut funding – a $1.6 billion cut – for state and local law enforcement programs, ensuring that law enforcement has the tools they need to fight crime. It also rejects the administrations shortsighted plans not to fund the Adam Walsh Act requirements to track child predators. And it fully funds the needs of the FBI, ATF, and DEA, so Federal law enforcement officials can do their work.

This bill makes critical investments into scientific discovery. These long-term investments improve our quality of life and will ensure the strength of our economy for generations to come.

Key investments target global climate change, providing our scientists with the tools they need to measure its progress, predict its path, and find ways we can slow it down and adapt to it.

**Bill Total**
- **2008 Enacted:** $51.8 billion – Base Bill
- **$286 million – Emergency Funds: Cyber & Border Security**
- **President’s Request:** $53.7 billion
- **Committee Mark:** $56.9 billion

**KEY INVESTMENTS**

**JUSTICE**

**Fighting Methamphetamines:** $68 million, $45 million above the President’s request, rejecting the President’s proposal to eliminate funding for grants to fight meth in “hot spots” and investing new funds into DEA meth enforcement programs.

**Adam Walsh and Child Exploitation:** $113 million, not requested by the President, to locate missing children, investigate child pornography and child prostitution, and begin to track down the 100,000 registered sex offenders whose whereabouts are currently unknown.