

3 Important Things to Know About the Federal Budget and Spending Process

Decisions made during the annual federal budget and spending process in Washington directly affect you and your family, like how much gets invested in education, infrastructure, research, and security. And it may surprise you that most government spending occurs outside the annual budget process. It's essentially on autopilot, with little oversight. The money is spent without a vote.

Here are the three most important things you need to know about the budget and spending process.

1. It's broken. Congress has agreed to a budget resolution for the federal government in just 4 of the last 10 years. And it hasn't passed a budget by the April 15 statutory deadline since 2003. That means that the federal government is often making spending decisions without a basic budget. Even when a budget is agreed to, there's no guarantee it will be followed. For example, Congress in 2015 passed a budget which called for spending cuts designed to balance in ten years but failed to enact any of the spending cuts and actually added over a trillion dollars to the deficit over the decade beyond what was projected.

Congress is supposed to pass 12 separate spending bills that fund different parts of the government, and those bills are supposed to be in place before the new fiscal year begins on October 1. But this rarely happens in reality. Stopgap measures known as continuing resolutions are often required to keep the government operating. Or the deadline is missed altogether, which happened in 2013 and shut down the federal government for more than two weeks. In 2018, failure to pass some spending bills resulted in a partial shutdown that was the longest in history. In fact, the last time all spending bills were passed on time - without any being bundled together - was 1994.

2. It's shortsighted. Not much thought goes into how budget decisions affect the nation's long-term finances because of the year-to-year format of the process. And since that process often breaks down, government agencies are regularly funded by continuing resolutions that can last just weeks or even days. These short-term measures prevent the government from shutting down but make long-term planning difficult, if not impossible. And that means our government isn't working very efficiently with your tax dollars.

Even when functioning properly, the process doesn't look beyond ten years to assess how budget decisions will affect the debt and deficits or to enforce any spending restraints. It's not surprising then that most deficit reduction to date has been shortsighted as well; spending cuts have focused on the shrinking share of the budget that is controlled by the annual spending process instead of the true causes of the long-term debt. Greater focus on the longer term will help get the debt under control.

3. Most government spending is on autopilot. Surprisingly, less than one-third of government spending is subject to annual spending decisions. The largest and fastest-growing parts of the budget - Social Security, Medicare, Medicaid, and interest on the debt - are not even considered as part of the regular process. The funds are spent without any votes. This mandatory (or direct) spending is essentially on autopilot and will be the biggest contributor to our rising national debt.

On top of that, a lot of spending is done through the tax code as well and is also outside of the budget process. A multitude of tax breaks serve the same purpose as spending programs. They would make up more than one-quarter of federal spending if included in the budget. This means that the budget process ignores much of the actual budget.

Budgeting is a basic task of governing, yet breakdowns in the process are more the norm than the exception now. We need to look at all government spending, as well as revenue, in order to fix the debt.