

No Labels Discussion Guide: The Budget Process

EXECUTIVE SUMMARY

Another year, another budgetary failure by Congress.

Funding the government is one of the most important jobs our Founders gave Congress. But year after year, the process is a mess — and it is happening again.

The government's fiscal year ends on September 30, and if Congress does not pass legislation to fund the government before then, it will shut down. You have seen this drill before: Under a shutdown, national parks close, government employees are furloughed and critical government services you depend on (like getting a passport or a permit) get curtailed.

Under current law, both the House and Senate are supposed to pass a dozen appropriations bills to fund all the agencies and departments in the federal government, like the State Department and the Food and Drug Administration. But the House has only passed 5 of its 12 spending bills; the Senate has not passed any.

Because Congress has procrastinated — again — they will have to rely on a continuing resolution (CR) to avoid a shutdown. A CR is a stopgap measure that temporarily funds the government, often at the existing funding levels plus a little extra for inflation. That is, if they can even agree on one.

There is reason to doubt they can. House Republicans are proposing a CR that lasts until March 2025 and includes the SAVE Act, which would require proof of citizenship to vote in all federal elections. Democrats want a shorter CR that lasts until December, does not include the SAVE Act, and provides a boost in funding for veterans and food assistance programs.

If they cannot reach an agreement on a CR by September 30, the government will shut down for the sixth time in 30 years. If they do manage to agree on a CR, there is hardly cause for celebration. It is less than the bare minimum of what they are required to do.

Imagine if your household budget worked this way, where you adopted the same stagnant budget every year with no real planning or vision. Imagine trying to maintain your home under such constraints — unable to make capital improvements, put a new roof on, or dream big about future vacations or renovations.

In fact, the situation with Congress is even worse than that, because it is not determined by how much money the government is bringing in. American families set budgets based on how much they make, yet our government blows through its revenue every year and leaves massive deficits, adding to our already \$35 trillion national debt.

This congressional dysfunction hampers our government's ability to serve its people and safeguard the nation's economic stability. It threatens the long-term viability of Social Security, Medicare, national defense, and other basic services that Americans rely on.

It is time to confront this systemic failure head-on through reforms that address how and why we allocate federal funds.

Put simply, we need to force Congress to do its job. To help you understand why the congressional budget and spending process is so broken, why it is important to you and how it could be fixed, No Labels developed this primer which will give you all the facts you need to know and some key questions to ask.

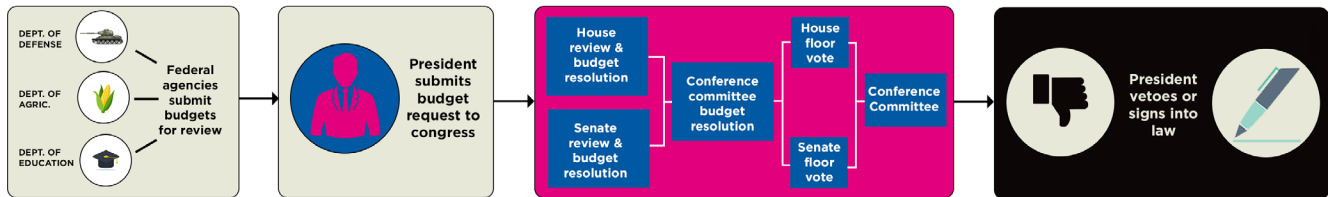
NO LABELS®

HOW THE BUDGET PROCESS IS SUPPOSED TO WORK

In 1974, Congress passed the Congressional Budget and Impoundment Control Act to establish both a formal process to review the President's budget and a timeline by which to do it. On paper, it is very simple:

- Every year, the **President submits a budget request to Congress**. The budget request is a listing of all the things they want funded, like the executive branch agencies (e.g., Department of Homeland Security) and new initiatives they would like to include (e.g., forgiving student loans).
- Next, the **House and Senate pass a budget resolution**: a non-binding framework for how much and where the government will spend money and how much money it will raise.
- Then, the Appropriations Committees in the House and Senate hold separate hearings and negotiations to draft 12 different appropriations bills (one for each of the departments of government and for Congress) that provide detailed plans for how the federal government can spend the money.
- The **House and Senate vote separately to pass the 12 appropriations bills**, and then they go to what is called a “conference committee” to hash out any differences between the House and Senate bills.
- Once the 12 final appropriation bills pass the House and the Senate, **they head to the President's desk for signature** and become law. The deadline for all of this is September 30, which marks the end of the government's fiscal year.

THE ANNUAL FEDERAL BUDGET PROCESS



HOW THE BUDGET PROCESS ACTUALLY WORKS

In practice, the budget process has been much different.

- Congress rarely passes a budget resolution; in fact, they have only passed one in the last five years.
- And instead of passing 12 separate appropriations bills, most or all of the appropriations for the year are typically lumped together into one “omnibus” bill. Congress has passed an omnibus of one kind or another in 16 of the last 18 fiscal years, dating back to 2007.

Even with the increasing use of these omnibus bills, Congress still does not meet the September 30 deadline.

- Since 1997, Congress has failed every single year to complete appropriations on time. When this happens, Congress must either pass a “continuing resolution” — a short-term extension of federal funding — or the government shuts down.

The only time the budget process worked as designed and Congress passed a budget resolution and 12 separate spending bills on time was 1977 — the first year the process was put in place. In 1989, 1995 and 1997, Congress passed all the appropriations bills on time but was late with the budget resolution. In the other 43 years, Congress had to rely on continuing resolutions.

NO LABELS®

WHY THIS MATTERS

Continuing resolutions generally allocate funding based on what the government spent the previous year. What continuing resolutions do not provide is any chance for members of Congress to ask the most fundamental question of all:

Why are we spending this money in the first place?

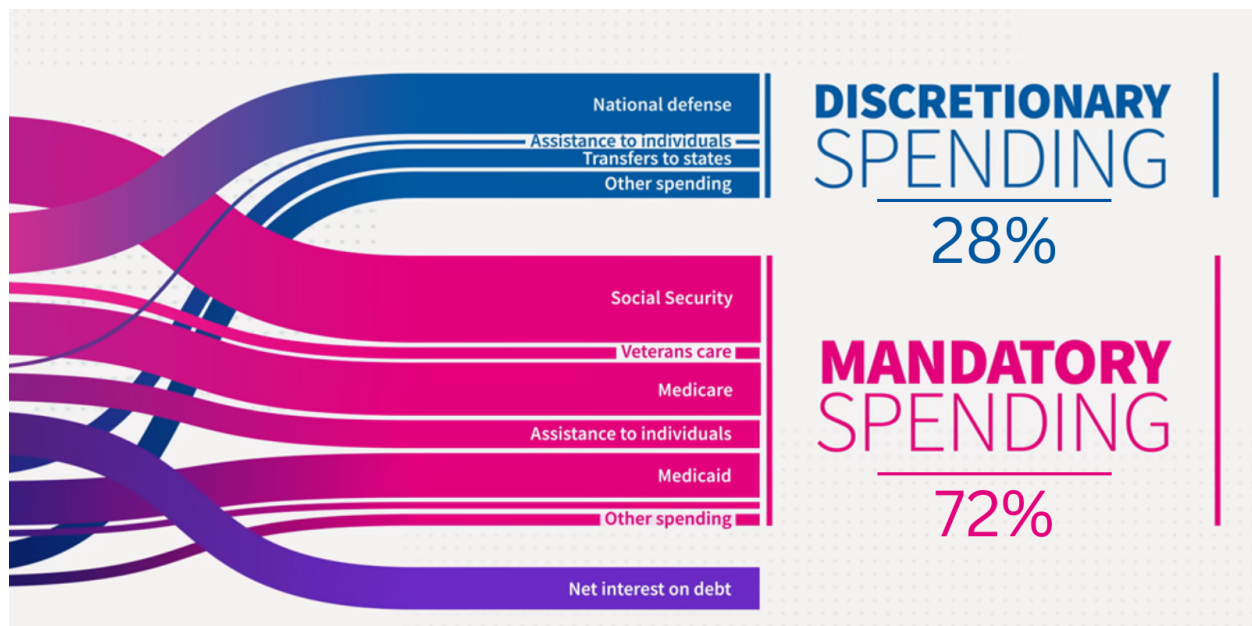
Congress spends first and asks questions later, when it should instead be spending only after figuring out what specific goals it wants to achieve.

Meanwhile, Congress's stop-and-go budgeting creates havoc for government agencies and the citizens who depend on them. What if you had to decide whether to buy a new car without knowing what your salary was or the savings you had? That would be absurd. But that is the situation facing government agencies, which often do not know how much funding they will receive or when it will even come.

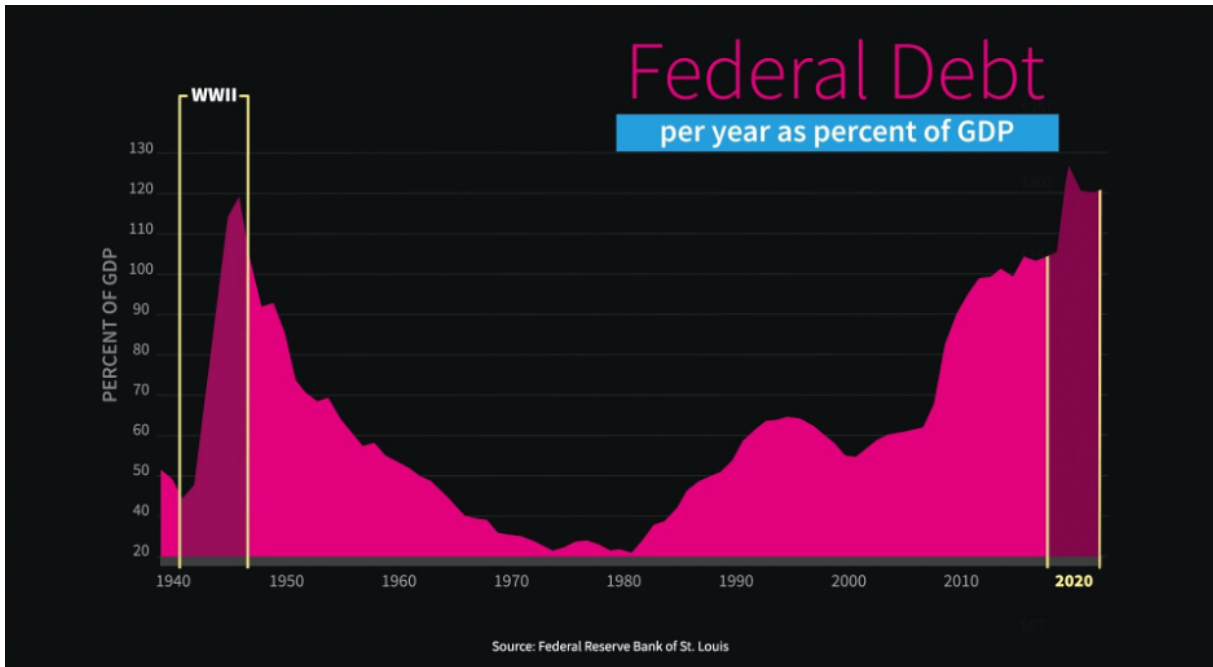
Here is just one example of how this impacts all of us. Earlier this year, a Department of Defense official [said](#) that short-term continuing resolutions are harmful because they do not encourage industry to invest in manufacturing the weapons and ammunitions that America needs. That can lead to shortages, especially as the U.S. is sending supplies to Ukraine and Israel. The Defense official pointed out that under the continuing resolution in place in January 2024, the Navy could not replenish the missiles it was using to shoot down drones in the Red Sea launched by the Houthi terrorists.

MOST GOVERNMENT SPENDING IS ON AUTOPILOT

For all the energy and attention spent on the annual budgeting and spending process, this process does not determine how most of the government's money is spent. Not even close. **Almost three quarters of all government spending is classified as "mandatory spending,"** which refers to programs and commitments like Medicare, Social Security, Medicaid, and interest payments on our debt that are authorized by laws that are already on the books. The annual congressional budgeting and spending process does not address mandatory spending. It is focused instead on "discretionary spending," which includes everything else the federal government does, ranging from defense and medical research to education, transportation and agriculture spending.



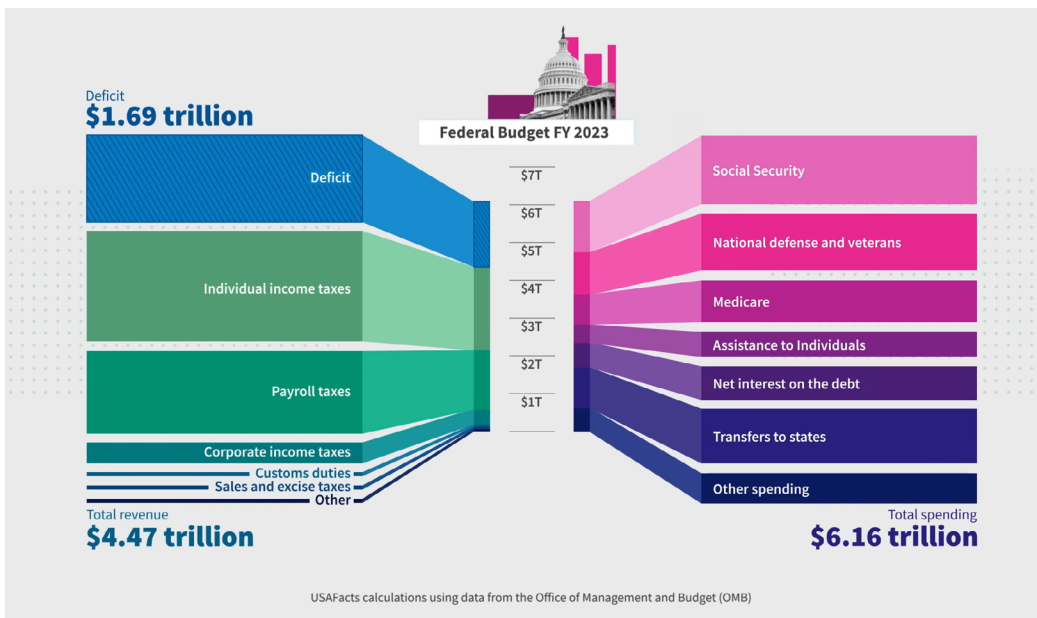
Because Congress does not have to re-authorize the programs, **mandatory spending is essentially on autopilot, and that means so too is our national debt**, which has skyrocketed in recent years:



Source: USAFacts

According to the [Federal Reserve](#), the national debt is \$35 trillion or 120 percent of our Gross Domestic Product (GDP), which measures the size and health of U.S. economy. In other words, **America is underwater: the U.S. Treasury owes more than our economy creates.** We have been in a similar position before, but that was during World War II. Today, jobs are being created, wages and the stock market are up, GDP is growing... and yet we are still racking up record debt. In September, the Congressional Budget Office projected that the deficit — which is the difference between what the government spends and raises in taxes in a single year — will approach \$2 trillion this year.

Our national debt is a function of both government spending and revenue. Last year, the government spent \$1.6 trillion more than it brought in:

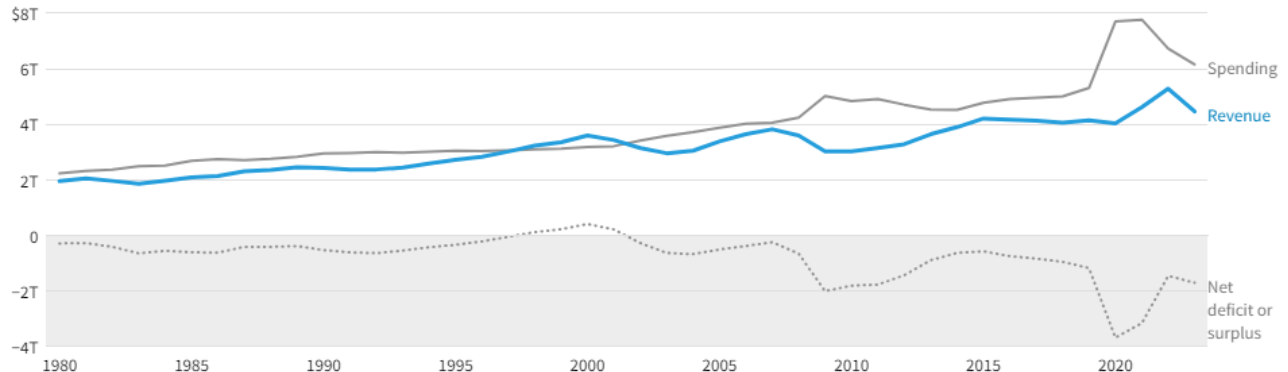


Source: USAFacts

NO LABELS®

FEDERAL GOVERNMENT FINANCES

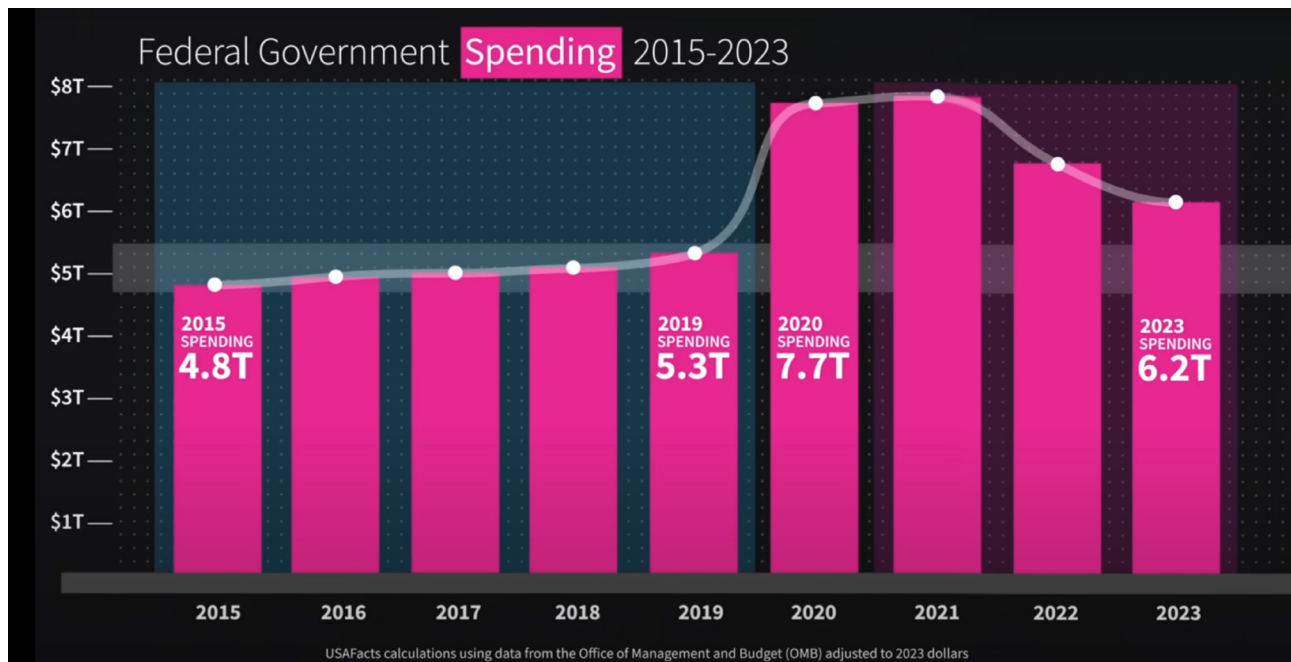
Adjusted for inflation (FY 2023 dollars)



Source: USAFacts

The last time Washington had a budget surplus — when revenue was greater than spending — was 2001. Since then, revenues have risen gradually, especially in the 2010s, while spending has recently grown exponentially.

For the first time in our history, the **U.S. is now spending more on interest for our national debt than we are paying for our national defense.**



Source: USAFacts

A POTENTIAL SOLUTION?

In 2010, the bipartisan Simpson-Bowles Deficit Reduction Commission produced a report laying out a long-term vision to stabilize America's finances through a mix of modest spending cuts and tax increases.

The report was sensible, responsible, and dead on arrival.

Members of Congress from both parties could not distance themselves from Simpson-Bowles fast enough.

NO LABELS®

Politicians are smart enough to know that most policy ideas — especially most deficit reduction ideas — never become law. And they did not want to go on the record to support the kinds of tax increases or spending cuts that give opponents easy fodder for attacks ads.

Washington cannot and will not solve the deficit issue unless our leaders are forced to the table by a crisis or a mechanism that simply will not let them kick the deficit can down the road any longer.

That is why No Labels is calling for a bipartisan deficit reduction commission — featuring nonpartisan financial experts and members of Congress from both parties — but with one key difference from Simpson-Bowles.

Congress would be required to vote yes-or-no on the plan in its entirety; no amendments, no political games.

Let's put everything on the table — from what and how we spend to what and how we tax — and let's get everyone in Congress to decide whether they are part of the solution or part of the problem.

DISCUSSION QUESTIONS?

1. Does your family have a budget? How often do you revise it?
2. What concerns you most about the national debt?
3. How do you think the growing national debt will affect future generations, like your kids or grandkids?
4. What government-funded programs or priorities are most important to you?
5. Would you be willing to pay more in taxes to help reduce the debt?
6. What are some other ways we can pressure Washington to take tough-but-necessary measures to reduce the debt?
7. Would you support “No Budget, No Pay” where Members of Congress don't get paychecks if the annual budget and spending bills are overdue?
8. Do you think President Trump or Vice President Harris will address the national debt during their term?

RESOURCES AND GUIDES

- [Just the Facts About the US Federal Budget](#) – a video by former Microsoft CEO Steve Ballmer providing non-partisan facts and explanations about the budget crisis.
- [Two Cents](#) – a PBS video explaining both liberal and conservative views of the national debt and deficit.
- [Budget Watch 2024](#) – non-partisan analysis of how each presidential candidate's policies will affect the national debt.
- [DebtFixer](#) – an interactive tool where you can build your own budget to see how it would affect the debt.
- [FRED](#) – Federal Reserve Economic Data. Find interactive charts on nearly every economic topic you can think of.
- The [Peter G. Peterson Foundation](#) – a right leaning nonprofit with several proposed solutions for our fiscal problems.
- The [Brookings Institution](#) – a left-leaning think tank with several proposed solutions for our fiscal problems.
- [Tyrannosaurus Debt](#) – a catchy music video about the debt from Schoolhouse Rock. A little outdated, but a lot of fun!