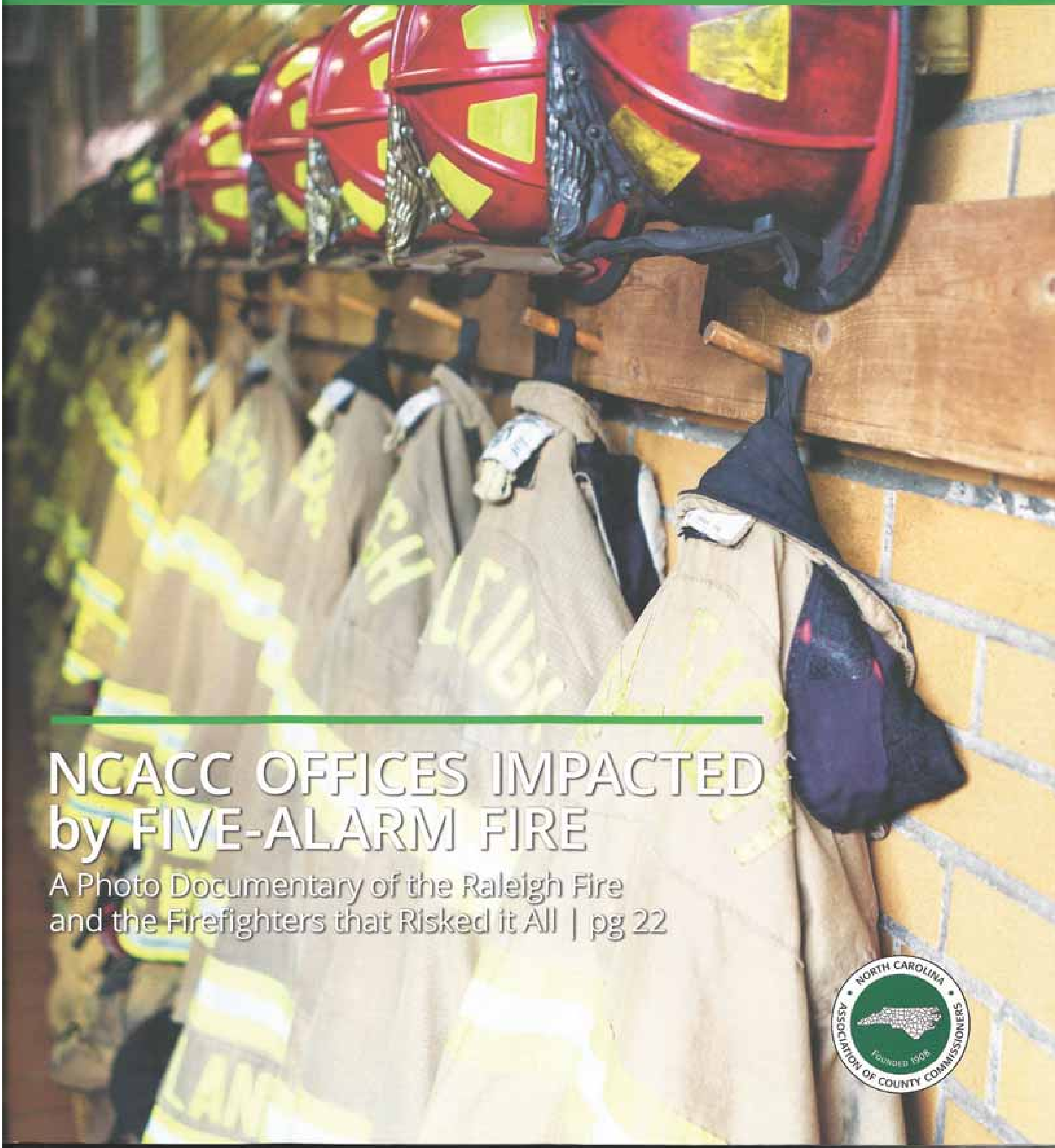
SPRING 2017

The Story of North Carolina Counties

County QUARTERLY MAGAZINE



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NORTH CAROLINA ASSOCIATION OF COUNTY COMMISSIONERS FOUNDED 1908

Putting the Federal Budget and App
North Carolina Counties Can Have

On May 23, The White House delivered the President's $4.1 trillion spending plan for Fiscal Year 2018 to Congress. The budget plan, called "A New Foundation for American Greatness," maintained many of the proposals put forward in a March blueprint known as the "skinny budget," to eliminate or reduce a number of non-defense agencies and funding for several programs that direct federal dollars to counties.

There is still a long way to go and several steps along the way where North Carolina counties can be heard. Below is an overview of the federal spending process, as it is intended under "regular order," followed by some challenges and realities, to provide a better understanding of the many stages of deliberation that annually shape the federal budget.

The Budget Process

The President's proposed budget is the first step in a long and complex process for funding the federal government, agencies and programs. It has no binding authority on Congress and although Congress never adopts a President's budget wholeheartedly, the blueprint serves as a guideline for Congress to know the President's priorities for discretionary spending and sends an important message.

After the President's budget is delivered to Congress, the House and Senate Budget Committees each write and pass their own budget resolutions, setting the total level of discretionary funding for the next fiscal year. After the House and Senate pass their budget resolutions, a joint conference is formed to work out differences between the two versions, and the resulting reconciled version is voted on again by each chamber.

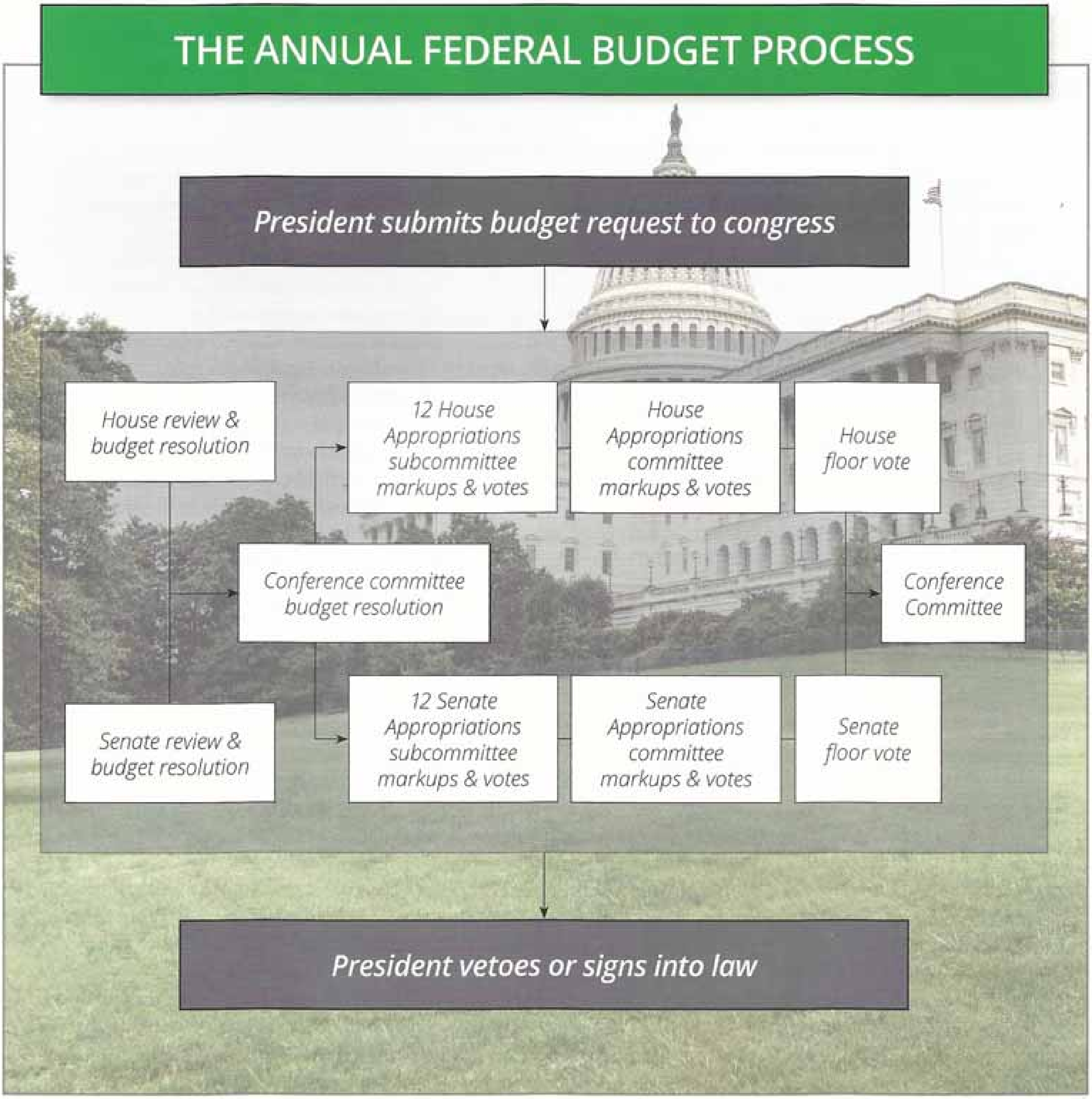
The final budget resolution passed by both chambers provides the framework for Congress for making budget decisions about spending and taxes. Unlike other legislation, it is not signed into law by the President and is not a binding document. It is enforced, however, through the rules of the House and the Senate under procedural mechanisms such as points of order and the reconciliation process. The budget resolution sets overall annual spending limits for federal agencies, but does not specify spending amount for particular programs. Spending limits set by the budget resolution may not be exceeded by the House and Senate Appropriations Committees.

The Appropriations Process

The discretionary spending levels set by budget resolution for the Appropriations Committees are known as the 302(a) allocation. The Appropriations Committees in each chamber are responsible for determining program-by-program funding levels. This is done through 12 separate appropriations bills, each one initiated by a subcommittee. Each Appropriations Subcommittee is responsible for certain federal agencies and programs and their funding. Chairs of these subcommittees, under direction of the full Appropriations Committee Chair, divide the 302(a) allocation among the 12 subcommittees. These subcommittee spending caps, known as the 302(b) allocations, establish how much funding

ropriations Process in Perspective:
Their Say

By Leslie Mozingo | Strategics Consulting



is available to be divided among the programs in the federal agencies under their authority.

Appropriations bills provide funds to agencies in large, lump-sum allocations known as "accounts." Each agency's budget is comprised of several accounts. These levels of funding carry the force of law and may not be changed without the enactment of a subsequent law. Appropriations bills are accompanied by committee reports, which explain in detail how the Appropriations Subcommittees expect the funds to be spent. Although reports do not have the force of law, agencies rarely deviate from the instructions they contain as they represent the intent of Congress.

Appropriations Subcommittees hold hearings to assess the needs of federal agencies and programs under their jurisdiction. These hearings allow subcommittee members to hear testimonies and ask questions of agency secretaries, who defend the Administration's budget requests, as well as public witnesses who may provide verbal testimony when invited or written testimony for the record.

A draft spending bill is prepared for subcommittee "markup" in which subcommittee members may offer amendments to the draft bill, request changes to the draft report language, and vote to adopt it and report it favorably to the full Appropriations Committee.

The full Appropriations Committee goes through a similar process to consider and approve the 12 individual subcommittee spending bills as they are received. Once a subcommittee bill is approved by the full Appropriations Committee, it is formally introduced, with the bill and committee report assigned a number, and it is ready for floor action. Each of the 12 appropriations bills move from full committee to the floor for debate and passage.

After each chamber passes its version of an appropriations bill, a Conference Committee is appointed to negotiate a final compromise, called a Conference Report, which goes back to both the House and Senate for final passage before it is sent to the President to be signed into Public Law. The President has 10 days to sign or veto the bill. If he takes no action while Congress is in session then the bill becomes law. If the President takes no action while Congress is not in session then it becomes a pocket veto, and Congress would needs two-thirds vote to override the veto. If Congress does not override the veto, the bill dies.

The New Normal

When Congress passed the Budget Control Act (BCA) of 2011, in exchange for raising the debt ceiling it imposed automatic, across-the-board cuts to discretionary spending, known as sequestration, that would occur annually until 2021 if Congress couldn't agree on $1.2 trillion in deficit reductions over 10 years. Sequestration would force the cuts annually any time Congress failed to pass a budget resolution meeting the spending caps established by the BCA or if appropriations enacted exceeded the caps without a budget resolution to raise the caps. It was designed to be so painful that Congress would never let it happen. Additionally, indiscriminate cuts are particularly damaging because agencies have no flexibility to shift funds where they need the money the most. There have been efforts on both sides of the aisle to raise the caps, postpone implementation, change the equal split between defense and non-defense, and replace sequestration. Both parties agree current and projected deficits are unsustainable, but they sharply disagree on the solution. Therefore, the impasse and sequestration is likely to continue for the foreseeable future.

This, in part, has led to some years recently when Congress has moved forward on appropriations without a budget resolution. There is no obligation for the House or Senate to pass a budget resolution, or even the same budget resolution, and Congress isn't required to pass one. As a result, the House and the Senate can end up with a substantial difference in spending caps given to each chamber's Appropriations Committees that has to be reconciled before the end of the fiscal year.

Furthermore, although an identical appropriations process occurs in both the House and the Senate, in addition to no requirement that the House and the Senate Appropriations Committees make the same 302a allocations to their subcommittees, there are also frequently significant differences between the House and Senate 302(b) allocations. As these funds are then divided among the various programs, it can result in substantially different funding bills, often in the tens of millions of dollars. Factor in the country's economic challenges, party politics, personal philosophies, and election cycles, and it is easy to see how an already complicated process can become chaotic.

Under regular order all 12 appropriation bills must be signed into law by October 1, otherwise Congress has to pass, and the President has to sign, a Continuing Resolution (CR) to extend funding at existing levels for a set amount of time. This allows the federal government, its agencies and its programs, to continue running and avoids a government shutdown. Alternatively, after a series of short-term CRs, it has become common for Congress to group all of the remaining, unpassed bills into one large package, known as an omnibus bill, which then moves to the House and Senate floors for one up or down vote.

Advocacy Is Important

No doubt the new normal for the federal budget process in Washington can be confusing and frustrating, but North Carolina counties cannot afford to give up. There are many stages in the process where counties can help shape outcomes, and North Carolina is also fortunate to have a member, Congressman David Price, serving on the House Appropriations Committee. Counties must work closely with the North Carolina Congressional Delegation throughout the entire budget process to ensure that funding priorities are not dropped at any of the steps along the way. Active engagement with federal elected officials will help them understand how North Carolina counties benefit from federal programs, and bring to light the consequences if key federal programs were to be cut or eliminated. ■

Rachel Dame and Lacy Pate contributed to this article.