

Preliminary Analysis of the President's FY14 Budget Request

Last Updated April 11, 2013

On April 10, President Obama submitted his \$3.77 trillion fiscal year (FY) 2014 budget request to Congress. His plan outlines the Administration's overall fiscal policy and federal program priorities for the FY that will begin on October 1, 2013. Included in the Administration's budget are funding requests and corresponding justification data for all federal executive departments and independent agencies. To access the President's proposed budget, please [click here](#).

This is a preliminary review and draft!

Please note that while NASUAD staff has done our best to provide you with an overview of the federal budget proposal, this document is subject to change. We will update our analysis as necessary.

As in prior years, NASUAD conducted a preliminary analysis of the President's budget request on the day of its release. In the pages that follow, please find a draft version NASUAD's report, which includes an agency-specific breakdown of the proposed funding levels, with a focus on initiatives of particular interest to the aging and disability communities, as well as next steps in the federal budget process.

We will update this preliminary memo as additional information becomes available, particularly with respect to funding levels in 2013. As a result of the unusual sequestration and appropriations processes for FY13, full-year appropriations were not enacted at the time the President's FY14 budget was prepared, and the final funding levels for 2013 have yet to be released. Therefore, the President's FY14 budget request includes estimates for 2013 funding based on amounts provided by the Continuing Appropriations Resolution, 2013, PL 112-175. Accordingly, the FY13 numbers in the budget request – and cited in the analysis that follows - do not reflect the enacted funding levels for FY13 that include the across-the-board (ATB) cuts required by sequestration, as well as two separate rescissions. These reductions will result in lower FY13 funding levels compared to FY12.

If you have questions or concerns, or would like additional information, please contact NASUAD's Executive Director, Martha Roherty, at mroherty@nasuad.org, or NASUAD's Director of Policy and Legislative Affairs, Lindsey Copeland, at lcopeland@nasuad.org.

DEPARTMENT OF AGRICULTURE

Overview

Agriculture Aggregate Funding Request

The FY14 request for discretionary budget authority to fund programs and operating expenses is \$23 billion, while funding for mandatory programs is estimated at \$123 billion.

**** Notably, a full-year 2013 appropriation for this account was not enacted at the time the FY14 budget request was prepared. Therefore, the President's budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (PL 112-175). The amounts included for 2013 reflect the annualized level provided by this CR. ****

Food and Nutrition Services

Supplemental Nutrition Assistance Program (Formerly Known as the Food Stamp Program)

The President's FY14 budget request for the Supplemental Nutrition Assistance Program (SNAP) is \$79 billion. SNAP is the primary source of nutrition assistance for 47 million low-income Americans. The President's budget proposes to extend \$561 million in Recovery Act SNAP benefits through March 31, 2014, to provide help to participating households beyond the current expiration of October 31, 2013.

The Commodity Assistance Program

The budget request includes recommendations for FY14 funding levels for the Commodity Assistance Program (CAP), a program which distributes USDA commodities through multiple programs, including several programs that provide support to low-income older adults and people with disabilities, including the Commodity Supplemental Food Program (CSFP), the Emergency Food Assistance Program (TEFAP), and the Seniors Farmers Market Nutrition Program (SFMNP).

- ***Commodity Supplemental Food Program:*** This Program provides commodities to low-income elderly Americans; pregnant, postpartum, and breastfeeding women; infants; and children up to age six. The FY14 budget includes a request of \$202.7 million.
- ***Emergency Food Assistance Program:*** This initiative provides support to food banks and other programs assisting households with immediate, short-term, food assistance needs. The President's FY14 budget requests \$51 million for this program. The request includes a \$2 million increase for program integrity, allowing for additional management evaluation reviews, technical assistance to state and local TEFAP operations and dedicated funding for state oversight.

- **Seniors Farmers Market Nutrition Program:** This effort provides coupons for low-income seniors to buy fresh, unprepared foods at farmers' markets, roadside stands, and community-supported agriculture programs. The FY14 budget neutral request of \$21 million is the same as the FY12 level.

DEPARTMENT OF EDUCATION

Overview

Education Aggregate Funding Request

The President's FY14 budget invests \$71 billion in discretionary funding for the Department of Education, an increase of 4.5 percent over the FY13 pre-sequester level.

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Workforce Investment Act

Vocational Rehabilitation Program

For Rehabilitation Services and Disability Research, the President's FY14 budget provides \$3.7 billion to support comprehensive and coordinated vocational rehabilitation and independent living services for individuals with disabilities through research, training, demonstration, technical assistance, evaluation, and direct service programs.

Independent Living Program

The President's FY14 budget proposes level funding, \$137.3 million, to programs that provide independent living services through formula grants to designated State agencies, and competitive grants to Centers for Independent Living.

VR State Grants

Formula grants to state Vocational Rehabilitation (VR) agencies are used to help individuals with disabilities find gainful employment. The President's \$3.3 billion request for the VR State Grants program includes an increase of \$71.1 million over the FY13 mandatory level to assist states and tribal governments in increasing the participation of individuals with disabilities in the workforce. The request reflects the Administration's proposal to eliminate separate funding authorities for the smaller VR-related programs under the Rehabilitation Act in order to reduce duplication of effort and administrative costs, streamline program administration at the federal and local levels, and improve accountability.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Overview

HHS Aggregate Funding Request

The President's FY14 Budget for HHS totals \$967 billion in outlays and proposes \$80 billion in discretionary budget authority.

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HHS Agencies

As an umbrella agency, HHS includes many agencies and programs of importance to NASUAD members, as well as to the larger aging and disability communities. Below, please find detailed summaries of the budget proposals for the Administration on Community Living (ACL), the Centers for Medicare & Medicaid Services (CMS), and highlights from the proposed budgets for the Health Resources and Services Administration (HRSA), the Administration for Children and Families (ACF), the Centers for Disease Control (CDC), the National Institutes of Health (NIH), the Office of Civil Rights (OCR), the Office of the National Coordinator (ONC), and the Substance Abuse and Mental Health Services Administration (SAMHSA).

DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Administration for Community Living

ACL was formed in April 2012 as a single agency charged with helping more people with disabilities and older adults have the option to live in their homes and participate fully in their communities. The creation of ACL brought together the Administration on Aging (AoA), the Office on Disability, and the Administration on Intellectual and Developmental Disabilities (AIDD), which had previously been separate entities within HHS. This newly organized agency is designed to support initiatives to increase access to community supports and maximize full community participation for seniors and people with disabilities. ACL works across HHS to harmonize efforts to promote community living, which can both save federal funds and allow people who choose to live with dignity in the communities they call home.

Overview

ACL Aggregate Funding Request

The Administration's FY14 budget request for ACL is \$2.1 billion. ACL focuses on ensuring that both older adults and people with disabilities are able to live at home with the supports they need, while participating in communities that value their contributions. The budget

request prioritizes efforts to address Alzheimer's disease, protects critical programs like nutrition, protection and advocacy, and caregiving support, and includes transfers of programs currently administered by other federal organizations to better coordinate activities that impact older adults as well as people with disabilities.

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Addressing the Challenges Posed by Alzheimer's disease

Alzheimer's Disease Supportive Services Program

The Alzheimer's Disease Supportive Services Program (ADSSP) funds competitive grants to states to expand the availability of evidence-based interventions that help persons with dementia and their caregivers remain independent and in their communities. In FY12, Congress reduced funding for ADSSP from \$11 million to \$4 million. The FY14 request of \$9.5 million would restore most of this funding.

Alzheimer's Disease Initiative - Services

On February 7, 2012, President Obama announced a new effort to fight Alzheimer's disease. The FY14 budget request includes \$10.5 million from the ACA-established Prevention and Public Health Fund (PPHF) for Alzheimer's Disease Services as part of this effort. With the goal of enacting permanent systems change, ACL would use this new mandatory funding to expand an evidence-based pilot on dementia capability to a handful of states, tribal entities, or large localities. These activities have not been previously funded.

Alzheimer's Disease Awareness and Education

As part of the President's new effort to fight Alzheimer's disease, in FY12, ACL received \$4 million in initial funding from the ACA's PPHF to begin a public awareness Alzheimer's Disease Outreach Campaign. The FY14 budget includes a request of \$4.2 million from the PPHF for the outreach campaign, an increase of \$200,000 over the amount allocated for this activity in FY12. These funds would be used to continue to develop the information available on the alzheimers.gov web site and the effectiveness of the media outreach.

Helping Seniors Maintain their Health and Independence

Home and Community Based Supportive Services

Under the President's budget, the Home and Community Based Supportive Services Program would receive level funding of \$367 million in FY14. Home and Community Based Supportive Services provide grants to states and territories using a formula based primarily on their share of the national population aged 60 and over. Services provided under this initiative include: transportation and case management, information and referrals, in-home

personal care, homemaker assistance, adult day care, and physical fitness programs. Each state uses an intrastate funding formula to allocate the funds it receives through this program to its Area Agencies on Aging (AAA). AAAs, in turn, use their portion of the funds to provide the supportive services that best meet the needs of seniors in their planning and service areas.

Congregate Nutrition

The President's budget requests level funding for the Congregate Nutrition Program, in the amount of \$439 million. In addition to the benefits of nutrition, meals served in congregate settings give older adults the opportunity to engage in vital social contact.

Home Delivered Nutrition

The President's FY14 budget requests level funding, \$217 million, for the Home Delivered Nutrition Services Program. Older Americans Act Title III C2 authorizes meal provision and related nutrition services to older individuals who are homebound. Home delivered meals are often the first in-home service that an older adult receives, and the Program is a primary access point for the other home and community based services. In addition to meals, services funded under this initiative include nutrition screening; education; and nutrition assessments; as well as counseling, where appropriate.

Nutrition Services Incentive Program

Under Section 311 of the OAA, the Nutrition Services Incentive Program (NSIP) provides awards to states and Indian Tribal Organizations that efficiently deliver nutritious meals to older adults. This funding can only be used to provide meals, and cannot be used to pay for other nutrition-related services, or for administrative costs. State Agencies on Aging and Indian Tribal Organizations may choose to receive part, or all, of this support in the form of USDA foods. The USDA foods portion of NSIP is funded through a transfer of funds from AoA to the Food and Nutrition Service's (FNS) Food Distribution Division. The request for FY14 is relatively the same as the past three fiscal years, at \$160 million.

Native American Nutrition and Supportive Services

In the FY14 request, the Native American Nutrition and Supportive Services program receives the same funding as currently allotted for FY12, \$28 million.

Preventive Health Services

The AoA Preventive Health Services Program would again receive level funding of \$21 million under the President's FY14 proposed budget. This Program provides grants to states and territories to fund programs that focus on educating older adults about the role that healthy lifestyles and behaviors can have in preventing or delaying chronic disease and disability, with the goal of reducing the need for more costly medical interventions in the future. Qualifying activities include information and outreach; health screenings and risk assessments; physical fitness; health promotion; and medication management. These activities are carried out at multi-purpose senior centers, meal sites, and other community

based settings, as well as through individualized counseling and services for vulnerable elders.

Chronic Disease Self-Management Education

In his FY12 request, President Obama proposed \$10 million in new stand-alone funding for Chronic Disease Self-Management Education (CDSME), from the ACA's Prevention and Public Health Fund (PPHF). These CDSME funds were distributed as competitive grants to states, and interagency agreements allowing CMS to evaluate the impact of CDSME on participant health care utilization were required. The FY14 request again includes \$10 million for these programs, also to be provided from the PPHF.

Senior Community Service Employment Program

Also as included in the Administration's FY12 and FY13 requests, the Community Service Employment for Older Americans (SCSEP) Program would move from the Department of Labor to HHS under President Obama's FY14 proposal. SCSEP, authorized by Title V of the Older Americans Act, is a federally-sponsored community service employment and training program for unemployed, low-income individuals, ages 55 and older. As part of the proposed transfer to ACL's administration, ACL would make improving program performance, including targeting the SCSEP program to people with the greatest social need, a priority by considering all sources of income.

The Administration's FY14 budget requests \$380 million in funding for this program, \$68 million below the FY12 funding level. *(For additional information on SCSEP, please see the analysis under Department of Labor subheading)*

Aging Network Support Activities

The proposed budget includes \$8 million for Aging Network Support Activities. These support services provide assistance to the Eldercare Locator and Pension Counseling, among other projects.

Supporting Caregivers

Family Caregiver Support Services

Under the FY14 request, Family Caregiver Support Services would receive \$154 million, level funding from FY13 and FY12. This program offers a range of services to support family caregivers, including providing information about available services, assistance to caregiving in gaining access to services, individual counseling and training for the caregiver, respite care, and supplemental services.

Native American Caregiver Support Program

In the President's budget, the Native American Caregiver Support Program would also receive level funding in FY14, at \$6 million.

Lifespan Respite Care Program

The Administration proposes to flat fund the Lifespan Respite Care Program, which supports respite for family members of individuals with special needs, at \$2 million.

Protecting Vulnerable Older Americans

Adult Protective Services Demonstration Program

The Adult Protective Services (APS) Demonstration Program, as enacted under the ACA as part of the Elder Justice Act (EJA), provides competitive grants to states to test and evaluate innovative approaches to preventing elder abuse, neglect, and exploitation. In FY12, \$6 million in mandatory funding was provided for these efforts from the ACA's Prevention and Public Health Fund (PPHF). The FY14 request for APS is \$8 million, and would mark the first time this program received discretionary funding. Of this amount, approximately \$6 million would fund competitive grants to test promising approaches to meet the growing challenges that state and local APS programs face; \$1 million would support research and demonstration programs within Tribal nations, and the remaining \$1 million would fund contracts to evaluate these activities and support the continued development of data collection and reporting requirements associated with the state-level demonstration grants.

Long-Term Care Ombudsman Program

The budget proposal requests level funding for the Long-Term Care Ombudsman program, \$17 million. This is the same request as last year, but a decrease of \$5 million from the President's FY12 request.

Prevention of Elder Abuse and Neglect

For FY14, the Administration requests \$5 million in level funding for the Prevention of Elder Abuse and Neglect. This Prevention Program is designed to improve strategic planning and direction in programs, activities, and research that are related to elder abuse awareness and prevention.

Senior Medicare Patrol Program

For FY14, the Administration proposes \$9 million in funding for the Senior Medicare Patrol Program (SMP), level from FY13 and FY12.

Elder Rights Support Activities

Elder Rights Support Activities include a combination of programs and resource centers that provide the necessary information, training, and technical assistance support that AoA and states need to fulfill their shared mission to maintain the health and independence of older Americans. The President's budget requests level funding for these initiatives at \$4 million.

Consumer Information, Access & Outreach

Aging and Disability Resource Centers

No discretionary funding is requested for ADRCs in FY14. Mandatory funding for ADRCs is currently appropriated (\$10 million annually) through FY14 under the ACA. The President's FY14 budget request reflects this funding. ACL intends to use the FY14 funding to support states and communities to continue to build the infrastructure needed to advance the ongoing integration of the programs efforts into states' HCBS systems and create greater integration with the health care system. Special emphasis will be given to strengthening the capacity of existing ADRCs to carry out options counseling, nursing home diversion, and care transitions that help reduce unnecessary hospital readmissions.

State Health Insurance Assistance Programs

In FY12 and FY13, President Obama proposed to transfer the State Health Insurance Assistance Programs (SHIPs) from the Centers for Medicare & Medicaid Services (CMS) to AoA. The FY14 proposal includes the transfer proposal, and requests level funding, \$52 million, for the SHIP program.

National Clearinghouse for Long-Term Care Information

The National Clearinghouse for Long-Term Care Information (Clearinghouse) provides objective information on how to plan ahead for long-term care needs. First authorized by the Deficit Reduction Act of 2005 (DRA), the American Taxpayer Relief Act (ATRA) repealed Title VIII of the ACA, which included mandatory funding for the Clearinghouse. However, the Clearinghouse pre-dates the ACA and has a separate and important purpose. Accordingly, ACL is requesting \$3 million in discretionary funding for FY14 to continue the Clearinghouse's educational and informative mission.

Voting Access for People with Disabilities

Additionally, the Budget requests \$5 million for the Help America Vote Act protection and advocacy program. In each eligible state and territory, these protection and advocacy programs work to ensure that individuals with disabilities have the opportunity to fully participate in every step of the voting process. These programs educate individuals about voter registration and their legal voting rights, provide voter registration opportunities, and help individuals access the polls on election day.

Paralysis Resource Center

The President's budget proposes to transfer the Paralysis Resource Center from the Centers for Disease Control and Prevention (CDC) to ACL at the FY14 funding level of \$7 million. The Paralysis Resource Center promotes the health and well-being of individuals living with spinal cord injury, mobility impairment, and paralysis by providing resources and referral services. The Center focuses on health promotion after paralysis resulting from any disease, injury, or birth condition.

Innovation and Administration

Program Innovation

As in FY13, the President's FY14 budget does not include funding for AoA's Program Innovation Grants. Historically, this initiative funded demonstration seed grants to enhance the Aging and Disability Resource Centers and Evidence-Based Disease Prevention Programs, both of which now receive their own funding streams. Additionally, in FY12, AoA moved the projects of national significance funded under this section to either Elder Justice Support Activities or Aging Network Support Activities, consistent with their established nature of support to the aging network. Today, the programs traditionally under this category continue to exist within ACL's budget, but under different categories or as new line items.

ACL Program Administration

A total of \$30 million is proposed in the FY14 budget for program management and support activities. Funds support staff, rent, and other administrative needs, and include funding for the planned ACL relocation. ACL administration funding will also be used to support staff in ACL's regional offices.

Improving the Lives of Individuals with Developmental Disabilities

State Councils on Developmental Disabilities

The Budget requests \$75 million to continue funding for State Councils on Developmental Disabilities, which operate in each state and territory, to promote systems change efforts aimed at increasing self-determination, integration, and inclusion for people with developmental disabilities. These Councils examine and conduct in-depth analysis of the quantity and quality of services and supports that are provided at the state and local level in order to identify the most pressing needs of people with developmental disabilities and their families. The goal of the Councils is to help improve these services through the creation and implementation of strategic plans that help move states toward effective, coordinated systems of support and services for individuals with disabilities.

Protection and Advocacy

The Budget also requests \$41 million to continue funding for the Developmental Disabilities Protection and Advocacy (P&A) programs, which provide formula grants to establish and maintain a P&A system for each state and territory. These P&A systems protect the legal and human rights of all people with developmental disabilities, as they are equipped with the authority to investigate incidents of abuse and neglect against individuals with developmental disabilities, and to pursue legal, administrative, or other appropriate remedies.

University Centers for Excellence in Developmental Disabilities

The Budget request also includes \$39 million for University Centers for Excellence in Developmental Disabilities. These Centers advise federal, state, and community policymakers about opportunities for individuals with developmental disabilities to exercise self-determination, be independent, productive, and integrated and included in all facets of community life. In addition, the Centers provide an array of interdisciplinary programs to improve the quality of services and supports for individuals with developmental disabilities and training for professionals. On average, the Centers train close to 2,800 professionals each year.

Projects of National Significance

The President's budget request includes \$8 million for Projects of National Significance, which focus on the most pressing issues affecting people with disabilities and their families. These funds support the development of national and state policy as well as the awarding of grants and contracts, efforts that include the collection and analysis of longitudinal data that will allow ACL to enhance the independence, productivity, inclusion, and integration of people with developmental disabilities.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Medicare & Medicaid Services

CMS Aggregate Funding Request

The FY14 budget estimate for the Centers for Medicare & Medicaid Services (CMS) is \$854 billion in mandatory and discretionary outlays, a net increase of \$60 billion above the FY13 level. This request finances Medicare, Medicaid, the Children's Health Insurance Program (CHIP), private health insurance programs and oversight, program integrity efforts, and operating costs.

The Budget supports CMS's work to continue implementing key provisions of the Affordable Care Act, and proposes targeted reforms to Medicare and Medicaid that are projected to save \$393 billion over the next decade. These reforms will strengthen the long-term sustainability of Medicare and Medicaid and increase the efficiency of the programs, while continuing to provide essential and appropriate care for the elderly, children, low-income families, and people with disabilities.

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Program Management

The FY14 discretionary budget request for CMS Program Management is \$5 billion, an increase of \$1.4 billion above a comparable FY12 enacted level. This request will allow CMS to continue to effectively administer Medicare, Medicaid, and the Children's Health Insurance Program (CHIP), and to implement new health insurance reforms contained in the Affordable Care Act. Of the total request, \$1.5 billion will support operation of Health Insurance Marketplaces, also referred to as Exchanges.

Medicare

Overview

In FY14, gross current law spending on Medicare benefits will total \$600 billion. Medicare will provide health insurance to 54 million individuals who are 65 or older, disabled, or have end-stage renal disease (ESRD).

Legislative Proposals

The FY14 Budget includes a package of Medicare legislative proposals that will save \$371 billion over 10 years by aligning payments with costs of care, strengthening provider payment incentives to promote high-quality efficient care, and making structural changes that will reduce federal subsidies to high-income beneficiaries and create incentives for beneficiaries to seek high-value services. Together, these measures will extend the Hospital Insurance Trust Fund solvency by approximately four years. These proposals include:

- Align Medicare Drug Payments with Medicaid Policies for Low-Income Beneficiaries: \$123.2 billion in savings over 10 years
- Reduce Medicare Coverage of Bad Debts: \$25.5 billion in savings over 10 years
- Better Align Graduate Medical Education Payments with Patient Care Costs: \$11.0 billion in savings over 10 years
- Accelerate Manufacturer Drug Discounts to Provide Relief to Medicare Beneficiaries in the Coverage Gap: \$11.2 billion in savings over 10 years
- Reduce Critical Access Hospital Reimbursements to 100% of Costs: \$1.4 billion in savings over 10 years
- Prohibit Critical Access Hospital Designation for Facilities that are Less Than 10 Miles from the Nearest Hospital: \$690 million in savings over 10 years
- Increase the Minimum Medicare Advantage Coding Intensity Adjustment: \$15.3 billion in savings over 10 years

- Align Employer Group Waiver Plan Payments with Average Medicare Advantage Plan Bids: \$4.1 billion in savings over 10 years
- Adjust Payment Updates for Certain Post-Acute Care Providers: \$79.0 billion in savings over 10 years
- Encourage Appropriate Use of Inpatient Rehabilitation Facilities: \$2.5 billion in savings over 10 years
- Equalize Payments for Certain Conditions Treated in Inpatient Rehabilitation Facilities and Skilled Nursing Facilities: \$2.0 billion in savings over 10 years
- Adjust Skilled Nursing Facilities Payments to Reduce Hospital Readmissions: \$2.2 billion in savings over 10 years
- Implement Bundled Payment for Post-Acute Care Providers: \$8.2 billion in savings over 10 years
- Reduce Overpayment of Part B Drugs: \$4.5 billion in savings over 10 years
- Modernize Payments for Clinical Laboratory Services: \$9.5 billion in savings over 10 years
- Exclude Certain Services from the In-Office Ancillary Services Exception: \$6.1 billion in savings over 10 years
- Expand Medicare Data Sharing with Qualified Entities: No budget impact
- Clarify the Medicare DSH Statute: No budget impact
- Increase Income-Related Premiums under Medicare Part B and Part D: \$50.0 billion in savings over 10 years
- Modify Part B Deductible for New Enrollees: \$3.3 billion in savings over 10 years
- Introduce Home Health Copayments for New Beneficiaries: \$730 million in savings over 10 years
- Strengthen the Independent Payment Advisory Board to Reduce Long-Term Drivers of Medicare Cost Growth: \$4.1 billion in savings over 10 years

- Introduce Part B Premium Surcharge for New Beneficiaries Purchasing Near First-Dollar Medigap Coverage: \$2.9 billion in savings over 10 years
- Encourage the Use of Generic Drugs by Low Income Beneficiaries: \$6.7 billion in savings over 10 years
- Prohibit Brand and Generic Drug Manufacturers from Delaying the Availability of New Generic Drugs and Biologics: \$8.6 billion in savings over 10 years
- Modify Length of Exclusivity to Facilitate Faster Development of Generic Biologics: \$3.1 billion in savings over 10 years

Medicaid

Overview

Medicaid is the primary source of medical assistance for millions of low-income and disabled Americans, providing health coverage to many of those who would otherwise be unable to obtain health insurance. In FY11, more than 1 in 5 individuals were enrolled in Medicaid for at least one month during the year, and in FY13, an estimated 57 million people on average will receive health care coverage through Medicaid. In FY14, the federal share of current law Medicaid outlays is expected to be nearly \$304 billion.

Legislative Proposals

The proposed Budget extends two important Medicaid programs – the Transitional Medical Assistance Program and Medicare Part B premium assistance for low-income Medicare beneficiaries, and includes \$22 billion in savings over 10 years. These proposals include:

- Rebase Future Disproportionate Share Hospital (DSH) Allotments: \$3.6 billion in savings over 10 years
- Begin Affordable Care Act Disproportionate Share Hospital (DSH) Reductions, One Year Later, in FY 2015: No budget impact
- Limit Medicaid Reimbursement of Durable Medical Equipment (DME) Based on Medicare Rates: \$4.5 billion in savings over 10 years
- Clarify Medicaid Drug Rebate and Payment Definitions and Calculations: \$8.8 billion in savings over 10 years
- Expand State Flexibility to Provide Benchmark Benefit Packages: No budget impact

- Extend Transitional Medical Assistance (TMA) through CY 2014: \$1.1 billion in costs over 10 years
- Extend the Qualified Individual (QI) Program through CY 2014: \$590million in costs over 10 years
- Medicaid Program Integrity Proposals: \$3.7 billion in savings over 10 years
- Establish Hold Harmless for Federal Poverty Guidelines: No budget impact

Program Integrity

Overview

The Budget includes \$311 million in discretionary program integrity resources and an additional \$329 million in mandatory funding, as part of a multi-year investment to enable HHS and the Department of Justice to detect, prevent, and prosecute health care fraud. These targeted efforts will save nearly \$7 billion over 10 years. The Budget also proposes a series of new authorities to strengthen program integrity oversight for Medicare, Medicaid, and CHIP. Of the total Medicare and Medicaid savings, Program Integrity legislative proposals yield \$4 billion in savings over 10 years. These savings include:

Legislative Proposals (Medicare)

- Require Prepayment Review or Prior Authorization for Power Mobility Devices: \$90 million in savings over 10 years
- Allow Civil Monetary Penalties for Providers and Suppliers who Fail to Update Enrollment Records: \$90 million in savings over 10 years
- Allow the Secretary to Create a System to Validate Practitioners' Orders for Certain High-Risk Items and Services: No budget impact
- Increase Scrutiny of Providers using Higher-Risk Banking Arrangements to Receive Medicare Payments: No budget impact
- Require Prior Authorization for Advanced Imaging: No budget impact

Legislative Proposals (Medicaid)

- Expand Medicaid Fraud Control Unit (MFCU) Review to Additional Care Settings: \$73 million in savings over 10 years
- Strengthen Medicaid Third-Party Liability: \$1.7 billion in savings over 10 years
- Improvements to Program Integrity for Medicaid Drug Coverage: \$1.26 billion in savings over 10 years
- Prevent Use of Federal Funds to Pay State Share of Medicaid or CHIP: No budget impact
- Consolidate Redundant Error Rate Measurement Programs: No budget impact

Legislative Proposals (Medicare and Medicaid)

- Retain a Portion of Recovery Audit Contractor Recoveries to Implement Actions That Prevent Fraud and Abuse: \$250 million in savings over 10 years
- Permit Exclusion from Federal Health Care Programs if Affiliated with Sanctioned Entities: \$60 million in savings over 10 years
- Strengthen Penalties for Illegal Distribution of Beneficiary Identification Numbers: No budget impact

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Health Resources and Services Administration

HRSA Aggregate Funding Request

The FY14 budget proposes \$9 billion for the Health Resources and Services Administration (HRSA), an increase of \$841 million above FY12. HRSA is charged with improving access to health care for those in medically underserved areas, and with enhancing the capacity of the health care workforce. The FY14 Budget prioritizes investments in HRSA that will improve access to quality health care services for people who are medically, geographically, or socioeconomically vulnerable; and assures the availability of quality health care to low income, isolated, vulnerable and special needs populations.

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Access to Care and the Health Care Workforce

Building a Health Workforce for the 21st Century

The President’s FY14 budget provides a total of \$856 million, including \$305 million in mandatory funding, to expand the nation’s health workforce capacity. This total includes \$144 million to support the continued distribution of primary care, dental and pediatric health providers, and advanced practice registered nurses; \$39 million is provided to boost the number of social workers and psychologists who work in rural areas, and who serve military personnel, veterans and their families; and \$111 million continues activities that directly address the capacity of healthcare providers in oral health, behavioral health, and the public health workforce.

Now is the Time Initiative

In addition, the Budget includes \$35 million budgeted within the Substance Abuse and Mental Health Services Administration (SAMHSA) for a collaboration with HRSA to increase the number of mental health professionals as part of the President’s “Now is the Time” proposal responding to the recent tragedy at Sandy Hook Elementary School.

Improving Rural Health

The HRSA rural health programs serve as a policy and research resource for rural health issues as well as program grants that enhance health care delivery in rural communities. The FY14 budget includes \$122 million for targeted rural health programs. This investment includes \$56 million to improve access to care, coordination of care, integration of services and to focus on quality improvement in health care for rural communities.

Traumatic Brain Injury

The HRSA budget request includes level funding of \$10 million for Traumatic Brain Injury (TBI) Grants to states.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

ACF Aggregate Funding Request

The FY14 budget request for the Administration for Children and Families (ACF) is \$51.9 billion. ACF works in partnership with states and communities to provide critical assistance to vulnerable families while helping families and children achieve a path to success.

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Community Services Block Grant

The Community Services Block Grant (CSBG) provides funding for the important work of Community Action Agencies. As in FY13, the Administration's FY14 budget proposes to reduce funds for the CSBG program to \$350 million. Under the proposal, the funds would be targeted to high-performing agencies that are most successful in meeting important community needs. Thus, Community Action Agencies would be required to apply competitively for CSBG Program Awards.

Low-Income Heating, Energy and Assistance Program

The FY14 budget proposal provides \$3 billion for the Low-Income Home Energy Assistance Program (LIHEAP) to help struggling families with residential heating and cooling expenses. The Budget targets funds to states with vulnerable households facing high home heating costs. Of this \$3 billion, \$50 million would fund competitive grants to help reduce energy burdens for LIHEAP households that rely on persistently high-cost systems; \$2.8 billion would support LIHEAP block grants, and \$150 million would go to the LIHEAP Contingency Fund.

Social Services Block Grant

The Social Services Block Grant is a capped entitlement which provides flexible grants to states, according to population size, for the provision of social services. For FY14, the President requests level funding for the Social Services Block Grant (SSBG) program, in the amount of \$1.7 billion.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control

CDC Aggregate Funding Request

The Centers for Disease Control and Prevention (CDC) works around the clock to keep Americans safe, healthy, and secure and helps keep America competitive through improved health. The FY14 budget request for CDC and the Agency for Toxic Substances and Disease Registry (ATSDR) is \$11.3 billion. This total includes \$755 million of the \$1 billion available from the Prevention and Public Health Fund (Prevention Fund).

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Preventive Health and Health Services Block Grant

In its FY14 budget, the Administration proposes to eliminate the Preventive Health and Health Services Block Grant because some of these activities can be more effectively implemented through targeted programs within CDC.

Chronic Disease Prevention and Health Promotion

The Administration's proposal is \$1 billion for this fund, a slight decrease from the FY13 request.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

National Institutes of Health

NIH Aggregate Funding Request

The FY14 budget requests \$31.3 billion for the National Institutes of Health (NIH), an increase of \$471 million, or 1.5 percent, over the FY12 level, reflecting the Administration's priority to invest in innovative biomedical and behavioral research that advances medical science while spurring economic growth. In FY14, NIH estimates it will support a total of 36,610 research project grants, including 10,269 new and competing awards.

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account is operating under the Continuing Appropriations Resolution, 2013 (PL 112-175). The amounts included for 2013 reflect the annualized level provided by this CR. **

National Institute on Aging

The President's FY14 budget requests \$1.2 billion for the National Institute on Aging (NIA), an increase of \$73 million over FY12.

National Plan to Address Alzheimer's Disease

NIH is continuing to implement the research components of the National Plan to Address Alzheimer's Disease (AD), a roadmap to help them meet the goal to prevent and effectively treat AD by 2025. Recent advances, such as the discovery that common variants of the ApoE gene are strongly associated with the risk of late-onset AD, and that the skin cancer drug bexarotene may have potential to promote clearance of beta- amyloid and reverse cognitive deficits, are providing new avenues in AD research.

Alzheimer's Disease Research

In FY14, NIH estimates it will spend \$562 million on AD research. Within this total, the NIA plans to devote an additional \$80 million in research grants aimed at speeding drug development and testing new therapies.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office for Civil Rights

OCR Aggregate Funding Request

The President's budget requests \$42 million in funding for the Office of Civil Rights (OCR), the HHS lead in Olmstead enforcement activities. This is an increase of \$1 million over the FY12 enacted level. The additional funding would support enforcement of the Health Insurance Portability and Accountability Act (HIPAA) Security Rule.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Substance Abuse and Mental Health Services Administration

SAMHSA Aggregate Funding Request

The FY14 budget requests \$3.6 billion for the Substance Abuse and Mental Health Services Administration (SAMHSA), an increase of \$4 million above FY12. The Budget includes new efforts to increase access to mental health services to protect children and communities.

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Responding to National Mental Health Needs

Consistent with the President’s “Now is the Time” proposal, his Budget includes \$130 million in new SAMHSA funding to increase access to mental health services. Of this amount, \$55 million would go to Project AWARE (Advancing Wellness and Resilience in Education); \$50 million would train 5,000 new social workers, counselors, psychologists, peer professionals and other mental health professionals to serve students and young adults, \$35 million of which will be co-administered with HRSA; and \$25 million would support innovative state-based strategies supporting young people ages 16 to 25 and their families to access and navigate the behavioral health treatment systems.

Block Grants

In FY14, the President’s budget maintains the Community Mental Health Services Block Grant and increases the Substance Abuse Prevention and Treatment Block Grant to support states in an effective transition in the first year of the ACA that will include expanded coverage for mental health and substance abuse treatment services.

The Budget proposes funding within the block grants to encourage states to build providers’ capacity to bill public and private insurance, and to facilitate enrollment in insurance, and to promote the adoption evidence-based interventions. States will receive the same formula amount as determined by statute and will be encouraged to award these incentive funds through competitive grant programs at the state level.

Substance Abuse Prevention and Treatment Block Grant

The Budget includes \$1.8 billion for the Substance Abuse Prevention and Treatment Block Grant, an increase of \$20 million over FY12.

Mental Health Block Grant

The Budget proposes \$460 million for the Community Services Mental Health Block Grant, the same level as FY12, to implement evidence-based treatment and prevention strategies nationwide and maintain the nation’s public behavioral health infrastructure.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICES

Overview

CNCS Aggregate Funding Request

President Obama requested \$1.061 billion for the Corporation for National and Community Service (CNCS) in FY14.

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Senior Corps

The FY14 budget request for all three Senior Corps programs (Foster Grandparent Program, Senior Companion Program, and RSVP) is \$207 million. These programs connect individuals over the age of 55 to local volunteer opportunities, including mentoring vulnerable children, providing independent living services and support to frail seniors and their caregivers, and leveraging additional volunteers.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Overview

HUD Aggregate Funding Request

The President's proposed FY14 budget provides \$47.6 billion for the Department of Housing and Urban Development (HUD), an increase of 9.7 percent, or \$14.2 billion, above the 2012 enacted level. Funding increases help to maintain current levels of rental and homelessness assistance for vulnerable families and support community-centered investments, including funding to revitalize neighborhoods with distressed HUD-assisted housing and concentrated poverty.

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Community Development Block Grant

The Community Development Block Grant (CDBG) program supports local governments and states in designing and implementing programs that benefit low- and moderate-income persons to address urgent community needs and prevent slums and blighting conditions in communities. The Budget requests \$2.8 billion, a reduction of \$150 million for formula allocation purposes in comparison to FY12. The Department is proposing legislation in FY14 that would reduce the number of entitlement grantees under the CDBG program; these changes would not be fully implemented until FY19.

HOME Investment Partnerships Program

The Administration requests \$950 for the HOME Investment Partnerships program, which will provide funding to state and local governments to increase the supply of affordable housing for low- to very-low income persons.

Section 202 Housing for the Elderly

Since 1959, the Housing for the Elderly program has supported both the construction and operation of supportive housing for very low-income elderly households, including frail elderly. The FY14 budget request a total of \$400 million for the Section 202 program, including \$310 million to renew and amend operating subsidy contracts for existing Section 202 housing, \$70 million to support service coordinators who work on-site to help residents obtain critical services, such as benefits counseling, and \$20 million for new awards of Elderly Project Rental Assistance (PRA) to support additional units that employ innovative housing designs with home and community based long term support and services. The Budget also requests new authority to allow HUD to make more funds available for expansion through residual receipts collection, recaptures, and other unobligated balances, and proposes language to expand facilitate provision of Section 202 operating assistance-only contracts to fund supportive housing units aligned with state health care priorities.

Section 811 Housing for Persons with Disabilities

Since 1992, the Housing for Persons with Disabilities Program has supported both the construction and operation of supportive housing for very low-income people with disabilities. The FY14 budget requests a total of \$126 for the Section 811 program, including \$106 million for Project Rental Assistance Contract (PRAC) and Project Assistance Contract (PAC) renewals and amendments to support all existing units, and \$20 million for new project rental assistance awards to support an estimated 700 integrated supportive housing units for persons with disabilities. The Budget also requests new authority to allow HUD to make more funds available for expansion activities through residual receipts collections, recaptures, and unobligated balances.

DEPARTMENT OF LABOR

Overview

DOL Aggregate Funding Request

The President's FY14 budget for the Department of Labor requests \$12.1 billion in discretionary funding. It invests in programs that improve services for workers and job seekers by modernizing the federal job training system and creating employment opportunities for the long-term unemployed and low-income adults and youths. The request devotes significant resources to putting veterans, particularly those with disabilities or other significant barriers to employment, back to work. It provides improved re-employment services that enable individuals newly separated from the military to successfully transition into civilian careers.

**** Notably, a full-year 2013 appropriation for this account was not enacted at the time the FY14 budget request was prepared. Therefore, the President's budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (PL 112-175). The amounts included for 2013 reflect the annualized level provided by this CR. ****

Employment for Older Adults and Individuals with Disabilities

The Community Service Employment for Older Adults Program

The Community Service Employment for Older Americans program, also known as the Senior Community Service Employment Program, or SCSEP, is authorized under Title V of the Older Americans Act (OAA). The Program offers part-time, work-based training to low-income individuals aged 55 and older, at non-profits or government agencies, in order to prepare participants for entry or re-entry into the workforce. The statutory goals of the program are to foster individual economic self-sufficiency, provide community service opportunities for low-income seniors, and increase their participation in unsubsidized employment.

Transferring SCSEP to AoA

The Administration again proposes transferring SCSEP from the Department of Labor (DoL) to AoA, reasoning that this move would provide greater alignment with the agencies that provide supportive services while enhancing the participants' employment prospects. The FY14 budget proposes \$380 million in funding for SCSEP, a \$71 million cut from 2013's continuing resolution (CR) level of \$451 million.

Office of Disability Employment Policy

The Office of Disability Employment Policy (ODEP) works to develop and promote the implementation of policy that improves employment opportunities and outcomes for people with disabilities. The President's budget requests level funding, \$42.4 million, a \$3.5 million increase over the 2012 enacted level that is offset by a reduction in the Disability Employment Initiative (DEI). This amount includes funding requests for two new initiatives: \$5 million for the Pathways to Careers Community College Demonstration project, and \$1 million for the Integrated Employment Policy Change Initiative.

THE FEDERAL BUDGET PROCESS

Overview

The federal budget process is an annual activity that formally begins when the President sends his budget request to Congress in February. Upon receiving the President's budget proposal, the House and Senate begin the work of constructing the federal budget, first by developing their own spending proposals in the form of budget resolutions, and then by passing subsequent legislation to fund the federal government, also referred to as appropriations bills. Once Congress passes the spending bills, the President must still sign them into law in order for them to take effect. Final approval of the appropriations bills by the President signals the end of the annual federal budget process.

THE FEDERAL BUDGET PROCESS

The President's Budget Request

The Role of the President's Budget Request

The President's budget request is not binding on Congress. Rather, it seeks to inform lawmakers throughout the process of constructing the federal budget by setting a framework for overall federal fiscal policy, outlining relative priorities for federal programs, and recommending spending and tax policy changes. Since Congress, and not the Administration, is the primary authority over federal revenue and spending policy, it is through the congressional appropriations process that funding levels will ultimately be set.

- Federal Fiscal Policy: The President's budget provides Congress with an outline of the Administration's federal fiscal policy by recommending the spending levels and tax revenues to which the federal government should adhere in the coming fiscal year, with the difference between the two representing a projected deficit or surplus.
- Federal Program Priorities: The President's proposal sets specific funding levels for individual federal programs, allowing the request to functionally inform Congress of the Administration's federal program priorities, for both the applicable budget cycle and in the longer-term.
- Spending and Tax Policy Changes: The annual budget submitted by the President must outline how much funding the Administration recommends for each discretionary program, and the President has the flexibility to propose changes to entitlement programs and the tax code.
 - *Discretionary Funding*: In the budget request, the President must request a specific funding level for discretionary, or appropriated, programs. These programs, which comprise approximately one-third of all federal spending, fall under the jurisdiction of the House and Senate appropriations committees, and require annual spending renewals in order to operate.
 - *Mandatory Funding*: The President is not required to propose changes to mandatory or entitlement programs such as Medicare, Medicaid and Social Security, if the Administration determines no changes are necessary. However, alterations to these programs that are not dependent on annual appropriations may be included in the President's budget request.
 - *Revenue Changes*: The President may include changes to the tax code in the budget request, and any proposal that would increase or decrease taxes is reflected in projected federal revenue for the applicable fiscal years, relative to what would otherwise be collected.

THE FEDERAL BUDGET PROCESS

The Congressional Budget Resolution

The Role of the Congressional Budget Resolution

Traditionally, the budget resolution is developed in response to the President's budget request, and takes into consideration the Administration's recommendations, as well as the budget justifications offered by federal agencies and Administration officials. The budget resolution is designed to guide Congress through the remainder of the budget cycle. Once it is passed, the terms of the budget resolution are enforceable in both chambers through points of order.

The congressional budget resolution has no legal or statutory authority; instead, it represents an agreement between the House and the Senate on budget priorities, as well as a framework to guide all of Congress' subsequent budgetary actions for the applicable budget cycle. When Congress is unable to pass a budget resolution, the House and Senate must pass a continuing resolution (CR), authorizing the previous year's resolution to remain in effect in order to keep federal government operational.

Since the budget resolution is not a law, it does not have any impact on federal spending. Thus, Congress must still enact separate legislation to fund the federal government, whether or not a budget resolution is in place to inform this process.

The Congressional Budget Resolution Process

Upon receiving the President's budget request, Congress begins the work of crafting a congressional budget resolution. As required by the *Congressional Budget and Impoundment Control Act of 1974* (the Congressional Budget Act), the House and Senate Budget Committees are responsible for drafting and submitting a five-year budget resolution by April of each year.

Once the House and Senate Budget Committees have developed their drafts, the resolutions go to their respective floors, where a majority vote is necessary in order to amend the measure. Upon passage in each chamber, any differences between the two resolutions must be reconciled by members of the House and Senate through conference. Having done so, both houses must then vote to approve the final version in order for it to take effect. Once cleared, the result is a concurrent congressional resolution. Though it has no legal or statutory authority, the terms of the budget resolution are enforceable in the House and Senate against individual appropriations, as well as entitlement and tax bills, through points of order.

To enforce the budget resolution, any member of the House or Senate may raise a budget point of order to block legislation that violates the terms of the measure. Since the budget resolution limits discretionary spending, points of order are usually brought to challenge

legislation that exceeds a committee's spending allocation. Additionally, tax or entitlement bills, the cost of which is determined by a score from the Congressional Budget Office (CBO), must fit within the spending limit for each year that is projected in the budget resolution. Bills which operate outside of these parameters may trigger a budget point of order. In the House, a point of order may be waived by a simple majority, but in the Senate, 60 votes are required to defeat the challenge.

Since it carries no legal authority, the budget resolution does not directly allocate federal funds making the passage of spending legislation a necessary next step in the federal budget cycle. Occasionally, as in FY11, Congress is unable to pass a budget resolution, and must move forward with the business of funding the government without this agreement in place. Thus, with or without a budget resolution, in order to fund the federal government, Congress must pass appropriations bills.

THE FEDERAL BUDGET PROCESS

The Appropriations Process

The Role of Appropriation Bills

Both the House and Senate have Appropriations Committees that are divided into subcommittees, and each subcommittee is responsible for producing an appropriation bill setting funding levels for individual government programs. The appropriation bills actually provide the funding for the discretionary spending programs that are outlined in the budget resolution.

Appropriation bills usually begin in the House, where the full Appropriations Committee votes on the spending bill that is developed by the individual subcommittee before sending the measure to the full House for a vote. The Senate traditionally considers appropriations measures after the House has passed them, and the process is largely similar, if less extensive, in the upper chamber. Once the Senate passes its appropriations bill, the two chambers then work to resolve any differences between their bills, returning the consolidated legislation to both chambers for final approval. Once the bills clear Congress, they are sent to the President for his signature or veto. Upon Presidential approval, the spending bills are enacted and the funds are released accordingly.

The Appropriations Process

The budget resolution is structured according to approximately 20 budget functions, or categories of spending, which often cut across agency lines. Since the role of the budget resolution is to provide Congress with a blueprint for budget development, and not to implement spending policy, its functional categories have little correlation to congressional committee jurisdiction, and are instead used to organize types of spending within the federal government's various accounts.

Since the budget resolution frames spending in terms of functional categories rather than in terms of spending for specific agencies or programs, the amounts set in the resolution must still be allocated to the House and Senate Appropriations Committees, which have jurisdiction over all discretionary spending programs.

To facilitate this process, the report that accompanies the budget resolution includes a 302(a) allocation, which distributes the spending totals that are categorized by function in the resolution by congressional committee instead. Each Appropriations Committee receives a single 302(a) allocation, which it then distributes among its 12 subcommittees, each of which is responsible for creating one appropriations bill. These subsequent distributions are known as 302(b) sub-allocations, and are the source from which subcommittees determine funding levels for the various programs and projects over which they have jurisdiction.

Once the appropriations subcommittees receive their sub-allocation, they begin to develop their respective appropriations bills, which are eventually sent to the Appropriations Committee, and then to the full chamber for a vote. To avoid a point of order challenge to the legislation, the funding included in appropriations bills must fit within the 302(a) allocation given to the Appropriations Committee, as well as the corresponding 302(b) sub-allocations. If a point of order is raised, it may be waived by a simple majority in the House; but in the Senate, 60 votes are required to defeat the challenge.

Additionally, the House and Senate each have in effect a rule requiring that all entitlement increases and tax cuts be fully offset. This Pay-As-You-Go, or PAYGO, requirement is triggered by legislation seeking to reduce taxes or increase entitlement spending. In the Senate, any such measure that is not offset is subject to a point of order, which can only be waived by the vote of 60 Senators. In the House, if a member raises a point of order, the bill is automatically defeated, unless the House Rules Committee previously waived PAYGO requirements as part of the broader measure.

Traditionally, spending bills originate in the House, and are then sent to the Senate, which often brings its own version to the floor. If there are differences between the two versions, members of the House and Senate will form a conference committee to revise the bill and return it to both chambers for final approval. Once Congress passes the spending bills, the President must still sign them into law in order for them to take effect. Final approval of the appropriations bills by the President signals the end of the annual federal budget process.