A PLAIN-ENGLISH CIVICS GUIDE

How the Federal Budget Gets Made

Step by Step



Budget Resolutions, Spending Bills, Shutdowns and the Debt Ceiling, Step by Step

Andrew Dominguez

Trinfinity Enterprises

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Trinfinity Enterprises, Dayton, Nevada.

Questions and corrections: andrew@trinfinityenterprises.com

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Before You Begin

Every year Congress spends trillions of dollars, and every year the news fills up with the same words: budget resolution, continuing resolution, shutdown, reconciliation, debt ceiling. Most of us hear them so often that we stop asking what they mean. This short book walks through how the federal budget actually gets made, one step at a time, in the order it happens.

What This Book Covers and What It Does Not

It covers the process: who does what, and when. It does not cover the national debt in depth; my book What We Owe does that. It does not cover how a bill becomes law in general; How a Bill Becomes Law does that. This book fills the gap between them.

Where the Facts Come From

Most of the facts in this book come from the Congressional Research Service (CRS), the nonpartisan research office that works for Congress and writes for members of both parties. I read its reports through EveryCRSReport.com, a public copy. The sources are listed at the back of the book.

The Date This Book Stops At

The facts were checked as of November 18, 2026. At that moment the government was running on a temporary funding law that expires December 11, 2026. Chapter 9 tells you where things stood that day and what to watch for next.

This Book Takes No Side This is not a book about which party spends too much. It is about how the machinery works, so that whatever you believe, you can follow the fight and know what is really happening.

Chapter 1: The Big Picture

The Federal Fiscal Year

The federal government does not run on the calendar year. Its fiscal year (FY) runs from October 1 to September 30 and is named for the year it ends in. FY2027 began October 1, 2026, and ends September 30, 2027. This schedule has been in place since FY1977, under the Congressional Budget Act of 1974.

CRS calls October 1 "a hard deadline" for new spending laws. If the money for an agency has not been approved by then, that agency cannot legally keep spending.

Two Kinds of Spending

The most important thing to know about the budget is that most of it is not voted on each year.

- **Mandatory spending**, also called direct spending, is set by laws that keep running until Congress changes them. Social Security, Medicare and Medicaid are the biggest examples. If you qualify, you get the benefit, and the spending follows automatically.
- **Discretionary spending** has to be approved every year through appropriations bills. It pays for most of the military, national parks, the FBI, air traffic control, federal courts, many grants to states and the daily operation of agencies.
- **Interest** on the national debt is paid automatically too.

For FY2021, CRS found that direct spending, not counting interest, was about 70 percent of all federal outlays. Discretionary spending is "roughly one-quarter to one-third of federal spending."

So when Congress fights over "the budget" each fall, it is fighting over the discretionary part, about a quarter to a third of the total. The rest runs on its own unless Congress changes the underlying laws.

The Players

- **The President** proposes a budget.
- **The Office of Management and Budget (OMB)**, part of the White House, puts the President's budget together. It began as the Bureau of the Budget in 1921.
- **The House and Senate Budget Committees** write the budget resolution. They were created in 1974.
- **The House and Senate Appropriations Committees** write the spending bills. Each has 12 subcommittees, one for each bill.
- **The Congressional Budget Office (CBO)**, created in 1974, is Congress's nonpartisan scorekeeper. It estimates what bills cost and projects the economy and the deficit.
- **The Government Accountability Office (GAO)**, created in 1921 as the General Accounting Office, audits how money is spent.

The Calendar on Paper

The law sets out a timetable. Here it is, from CRS:

Date	Step
First Monday in February	President submits the budget
February 15	CBO reports on the economic and budget outlook
Six weeks after the President's budget	Committees send their views and estimates
April 1	Senate Budget Committee reports the budget resolution
April 15	Congress finishes the budget resolution
May 15	House may begin considering spending bills
June 10	House Appropriations Committee reports the last spending bill
June 15	Congress finishes any reconciliation bill
June 30	House finishes all spending bills
October 1	Fiscal year begins

CRS notes that "Most of the target and enabling dates" in this schedule "are not enforceable." As the next chapters show, Congress rarely meets them.

Try This Write down what fiscal year it is today. If today is between October 1 and December 31, remember that the fiscal year already carries next year's number.

Chapter 2: Step One: The President's Budget

It Starts Early

The President's budget for a fiscal year starts taking shape about 18 months before that year begins. Agencies send their requests to OMB, OMB weighs them against the President's priorities, and the White House makes the final calls.

Due the First Monday in February

The law says the President must submit the budget "no later than the first Monday in February." It lays out how much the administration wants to spend on each agency and program, what taxes it wants, and what it expects the deficit to be.

It Is Only a Request

The President's budget does not spend a dollar. Only Congress can do that. The Constitution gives Congress the power of the purse, and Congress often ignores large parts of the President's request. Think of the President's budget as the opening offer in a long negotiation.

Why It Still Matters

The budget tells Congress and the public what the administration cares about. Agencies defend it in hearings, called budget justifications, where they explain each request line by line. And because the President can veto spending bills, Congress has to take the President's views into account in the end.

Try This Search for "President's budget" and the coming fiscal year on the White House or OMB website after the first Monday in February. Look at one agency you care about and compare its request to what it got the year before.

Chapter 3: Step Two: The Budget Resolution

CBO Sets the Baseline

By February 15, CBO reports to the Budget Committees on the economy and the budget outlook. Its numbers become the common starting point that both parties argue from.

What the Budget Resolution Is

Next, Congress is supposed to adopt a budget resolution. CRS describes it as a plan setting "aggregate budget policies and functional spending priorities for at least the next five fiscal years." It sets the total amount Congress plans to spend and to collect.

The budget resolution is a concurrent resolution. That means it passes both the House and the Senate but never goes to the President. He cannot sign or veto it, and it is not a law. CRS puts it plainly: it "does not have statutory effect, so no money is raised or spent pursuant to it."

Why It Matters Anyway

The budget resolution does two important things.

1. It sets the total for discretionary spending. That number is handed to the Appropriations Committees, an amount known as the 302(a) allocation, after the section of the law that requires it. The committees then divide it among their 12 subcommittees, which are the 302(b) suballocations.
2. It can include reconciliation instructions, which open the door to the fast-track process in Chapter 7.

Often Late, Sometimes Skipped

The target date for finishing the budget resolution is April 15. CRS found that since FY1986, Congress has met that date only four times: for FY1994, FY2000, FY2001 and FY2004. In 13 of the 50 fiscal years since FY1976, Congress adopted no budget resolution at all.

When there is no budget resolution, the House and Senate set their spending limits in other ways, often through a separate law or a special rule.

Chapter 4: Step Three: The Twelve Spending Bills

One Bill for Each Subcommittee

The real money moves through 12 regular appropriations bills, one for each pair of House and Senate subcommittees. Each covers a group of agencies: defense, agriculture, homeland security, military construction and veterans, and so on.

How a Spending Bill Moves

1. A subcommittee holds hearings with agency officials and writes a draft.
2. The full Appropriations Committee marks it up, meaning it amends and votes on it.
3. The full House votes. Under the law's timetable, the House may begin considering these bills May 15 and is supposed to finish by June 30.
4. The Senate does the same. Most bills in the Senate can be held up by a filibuster, and ending debate takes three-fifths of senators, usually 60 votes. So spending bills usually need some support from both parties to pass the Senate.
5. The two chambers settle their differences.
6. The President signs or vetoes the bill.

Bundles and Omnibuses

Congress often stops passing the bills one by one and bundles several, or all 12, into one large law. A bill with several of them is often called a minibus. A bill with all of them is an omnibus. Bundling helps leaders build a majority, but it means members vote on hundreds or thousands of pages at once.

Supplementals

If something unexpected comes up during the year, such as a disaster or a war, Congress can pass a supplemental appropriations bill to add money on top of the regular bills.

Almost Always Late

CRS reports that since FY1998, Congress has finished its spending bills after October 1 every single year, most often in December or March. That is why the next step, the continuing resolution, has become a regular part of the process rather than an emergency tool.

> **Try This** Find out which appropriations subcommittee covers an agency you depend on, such as the Department of Veterans Affairs or the Social Security Administration's office budget. That subcommittee's bill is the one to watch.

Chapter 5: When Congress Runs Late: Continuing Resolutions

What a CR Is

A continuing resolution, or CR, is a temporary spending law that keeps the government running when the regular bills are not done by October 1. CRS calls it "interim (or sometimes full-year) funding." A CR usually funds agencies at the prior year's rate and often bars them from starting new programs until the regular bill passes.

A CR is a real law. It must pass both chambers and be signed by the President, just like any other bill.

The FY2027 CR, Step by Step

The fall of 2026 is a good example of how it works.

- By June 30, 2026, all 12 FY2027 bills had cleared the House Appropriations Committee, and two had passed the full House. None had moved in the Senate committee, according to the American Action Forum.
- On July 21, the House passed a CR running to December 4, by 220 to 205.
- On August 8, the Senate passed its own version running to December 11, by 90 to 6.
- On September 1, the House agreed to the Senate version, 370 to 48.
- On September 2, 2026, the President signed it as Public Law 119-103.

CRS reported that it funds all 12 areas at FY2026 rates from October 1 to December 11, 2026, "a 72-day period." No regular FY2027 spending bill had become law before it passed.

What Happens Next

When a CR runs out, Congress has three choices: pass the regular bills, pass another CR, or let funding lapse. Under P.L. 119-103, a lapse would begin December 12, 2026, unless a new law is enacted first.

Chapter 6: Shutdowns

Why the Government Shuts Down

A shutdown happens because of an old law called the Antideficiency Act. Its first version, from 1870, said agencies may not spend "any sum in excess of appropriations made by Congress for that fiscal year." Without an appropriation, agencies have no legal authority to spend, so they must stop work that the law does not otherwise allow.

What Keeps Running

Not everything stops.

- Mandatory programs such as Social Security keep paying benefits, because their money does not depend on yearly bills.
- Work involving "the safety of human life or the protection of property" continues, such as air traffic control and law enforcement. Those employees usually work without pay until funding is restored.
- Other employees are furloughed, meaning sent home.

How each agency decides what continues has been guided since 1980 and 1981 by legal opinions from the Attorney General.

A Recent Example

The government's funding lapsed from October 1 to November 12, 2025, a 42-day shutdown, and lapsed again briefly from January 31 to February 3, 2026, according to CRS. Congress finally passed the FY2026 defense spending bill on February 3, 2026, more than four months after the fiscal year began.

Try This If you or someone in your family works for the federal government or a federal contractor, find out now whether the job is considered excepted during a shutdown. It helps to plan before the next deadline.

Chapter 7: Reconciliation: The Fast Track

What It Is

Reconciliation is a special process that lets certain tax, spending and debt limit bills pass the Senate with a simple majority. It starts with instructions in a budget resolution telling committees to change laws under their control by a set dollar amount.

Why It Matters

In the Senate, debate on a reconciliation bill is limited to 20 hours. That means it cannot be filibustered, and it does not need cloture, which, as CRS notes, "would require the support of three-fifths of all Senators." A party with 51 senators can pass a reconciliation bill without any votes from the other side.

The Limits: The Byrd Rule

Because reconciliation is so powerful, the Senate limits what can go in it. The Byrd rule, named for Senator Robert Byrd of West Virginia and found in Section 313 of the Budget Act, bars "extraneous provisions." In practice, everything in the bill must change spending or revenue, and it cannot add to deficits beyond the years the resolution covers. Senators can challenge a provision on the floor, and the presiding officer, guided by the Senate's parliamentarian, rules on it.

A Recent Example

The 2025 reconciliation law, Public Law 119-21, signed in July 2025, changed taxes and spending and raised the debt limit by $5.0 trillion. Many people know it as the One Big Beautiful Bill Act.

What Reconciliation Is Not For

Reconciliation cannot pass the 12 regular spending bills. Those still go through the regular process and still need 60 votes to end debate in the Senate.

Chapter 8: The Debt Ceiling

What It Is

CRS defines the debt limit as "a statutory constraint on the amount of money that Treasury may borrow." It is set in federal law, at 31 U.S.C. 3101.

What It Is Not

Raising the debt limit does not approve new spending. Congress already approved the spending and the taxes. The debt limit decides whether Treasury may borrow to pay the bills that result. Think of it as a cap on a credit card for purchases already made.

Where It Stands

In July 2025, Public Law 119-21 raised the debt limit by $5.0 trillion, to $41.1 trillion. CRS reported that debt subject to the limit was $40.0 trillion on August 31, 2025, about $1.1 trillion below the limit. The current figure as of November 2026 was not in the sources I read.

Extraordinary Measures

When the government reaches the limit, Treasury uses accounting steps called extraordinary measures, such as delaying certain debt sales and temporarily underinvesting some federal funds. CRS says these can postpone the crunch "by periods ranging from a few weeks to several months."

When the Next Fight May Come

CRS reported in September 2026 that "Recent projections suggest" the debt will approach the limit "sometime in FY2027."

Outside projections from June 2026 said early to mid-2027. Extraordinary measures could add several months beyond that.

Chapter 9: Where Things Stand

As of November 18, 2026

- The government is funded through December 11, 2026, by a continuing resolution, P.L. 119-103.
- No regular FY2027 spending bill had become law when that CR passed.
- The House versions of the FY2027 bills totaled about $1,856.4 billion, compared with $1,639.0 billion enacted for FY2026, according to the American Action Forum's June 2026 tally.
- The debt limit is $41.1 trillion, and the government is projected to approach it sometime in FY2027.
- Whether any FY2027 spending bills have passed since September is not confirmed in the sources I read.

What to Watch

1. December 11, 2026: the CR runs out. Watch for the regular bills, another CR, or a lapse.
2. The first Monday in February 2027: the President's FY2028 budget is due.
3. Spring 2027: whether Congress adopts an FY2028 budget resolution, and whether it includes reconciliation instructions.
4. 2027: the debt limit.

How to Follow It Yourself

- Read CRS reports at EveryCRSReport.com. Search for "continuing appropriations" or "appropriations status."
- Check CBO at cbo.gov for cost estimates.
- Watch your own representative's and senators' votes on the spending bills and CRs.

The Budget Year at a Glance

When	What happens	Where to look
18 months ahead	Agencies and OMB build the President's budget	OMB
First Monday in February	President's budget released	White House, OMB
February 15	CBO budget and economic outlook	cbo.gov
April 15	Budget resolution target	Budget Committees
May to July	Spending bills move in committee and on the floor	Appropriations Committees
October 1	Fiscal year begins; CR if bills are not done	CRS reports
Any time	Supplementals, reconciliation, debt limit	CRS reports

Glossary

Appropriation. A law that provides money to spend.

Budget resolution. Congress's plan for total spending and revenue. It passes both chambers but is not a law.

Byrd rule. The Senate rule that keeps unrelated items out of reconciliation bills.

Cloture. The Senate vote to end debate, usually needing 60 votes.

Continuing resolution (CR). A temporary spending law that keeps agencies running at about last year's rate.

Debt limit. The cap on how much Treasury may borrow.

Discretionary spending. Spending approved each year through appropriations bills.

Fiscal year (FY). The federal budget year, October 1 to September 30.

Furlough. Sending federal employees home without work during a lapse.

Mandatory spending. Spending set by standing law, such as Social Security.

Omnibus. One bill that combines all the regular spending bills.

Reconciliation. A fast-track process for tax, spending and debt limit bills that needs only a simple majority in the Senate.

Supplemental. Extra spending added during the year.

Sources

These are the main sources used for this book. Pages were read on November 18, 2026.

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- American Action Forum, “A FY 2027 Appropriations Progress Report,” June 30, 2026.

About This Book

How the Federal Budget Gets Made is part of a set of free plain-language guides from Trinfinity Enterprises. Facts were checked as of November 18, 2026. If you find something that has changed or needs correcting, please write to andrew@trinfinityenterprises.com.