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Federal Budget Timeline: Beyond the Fiscal Cliff in 2013

A road map for budget battles looming early in the new year.

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The federal budget process is always complicated. This is truer today than perhaps ever before. Over the coming weeks and months Congress will take on issues that will shape our government for years to come.

[Note: NPP has launched the [Federal Budget Timeline](#) as an essential tool for understanding the federal budget process – both the way it’s supposed to work, and the way it’s actually working today. The milestones below can be found on the timeline.]

Here are a few of the critical issues that Congress and President Obama will face in the coming months:

Sequestration

The Budget Control Act of 2011 calls for reducing discretionary spending in fiscal year 2013 by roughly \$110 billion through a series of automatic across-the-board spending cuts known as [sequestration](#). Sequestration is supposed to go into effect because Congress failed to pass sweeping legislation to reduce budget deficits by \$1.2 trillion over the next decade. The deadline for congressional action was Jan. 2, 2013. As part of the American Taxpayer Relief Act of 2012, which was enacted on Jan. 2, the deadline for sequestration has been extended to March 1.

The FY2013 Budget

Congress has yet to enact a budget for fiscal year 2013, which began on Oct. 1, 2012. In September Congress enacted a stop-gap spending measure, known as a [continuing resolution](#), which will keep the government operating until March 27. Failure to enact a FY2013 budget is now affecting the preparation of the president’s FY2014 budget request (see “The President’s FY2014 Budget Request” below).

The Debt Ceiling

The debt ceiling is the legal limit on the level of debt the federal government can hold and thus the amount it can borrow to meet existing obligations. U.S. debt is expected to reach the current

ceiling of \$16.4 trillion early in 2013. Congress has the authority to raise the debt ceiling as needed, and has done so regularly in the past. Yet it was a contentious issue in 2011. The last time Congress acted to raise the debt ceiling it resulted in enactment of the Budget Control Act and sequestration. Absent an increase in the debt ceiling in 2013, the government will shut down and default on existing loans.

The President's FY 2014 Budget Request

The White House is required by law to submit its budget request for the coming fiscal year no later than the first Monday in February. Although there has been no official word as yet, it is being widely reported that the White House Office of Management and Budget (OMB) will delay the scheduled Feb. 4 release of the president's FY2014 budget request until early March or later. This is in part a result of Congress' failure to enact a budget for the current fiscal year, leaving OMB without a baseline on upon which to build the FY2014 request.

Background

The federal government hit the debt ceiling back in August 2011. A number of lawmakers said they would not vote to raise the debt ceiling, and instead argued that the right thing to do was to make deep cuts in federal spending. Failing to raise the debt ceiling, however, would have prevented the Treasury from making interest payments on the government's accumulated debt, and thus would have forced the U.S. Treasury to default on its loans. So lawmakers ultimately did agree to raise the debt ceiling, and that agreement came in the form of the Budget Control Act of 2011. The Budget Control Act mandated \$917 billion in cuts to military and non-military discretionary spending over 10 years, and formed a 12-member committee made up of lawmakers from both parties drawn from both the House and Senate. That group of lawmakers, nicknamed the super committee, was tasked with devising a plan for at least \$1.2 trillion in additional deficit reduction over the coming decade.

But the super committee did not come up with a plan for \$1.2 trillion in deficit reduction. According to the Budget Control Act, its failure to do so triggers \$1.2 trillion in automatic spending cuts – sequestration. Those cuts were originally scheduled to begin in January 2013, though they've been delayed until March.