

# Federal Budget Guide

## FOR THE HEALTH RESEARCH ALLIANCE COMMUNITY

This resource outlines the US federal budget process (fiscal year: October 1–September 30) and its impact on nonprofit biomedical research funders and their grantee institutions.



## Why It Matters for Biomedical Research Funders:

- **Discretionary Funding:** Almost all federal biomedical research funding (NIH, NSF, CDC) is discretionary spending; requiring annual congressional approval. This means research funding is renegotiated every year and vulnerable to political dynamics and budget constraints.
- **Predictability & Stability:** For organizations managing multi-year grants, clinical studies, or infrastructure investments, knowing funding trajectories in advance is critical.
- **Advocacy Timing:** Understanding decision windows enables strategic coalition engagement and policy advocacy.
- **Communications with Grantees & Partners:** Universities depend heavily on federal funding (NIH, NSF, CDC). Federal delays or cuts affect their ability to execute on the grants received.
- **Risk Management:** Federal instability creates ripple effects requiring bridge funding or timeline adjustments. Researchers may rely more heavily on nonprofit funders during this time.
- **Complementary Strategy:** Budget outcomes inform where health research advocacy is needed and where philanthropic dollars may be able to fill specific short-term gaps or improve research capacity in some areas during federal lulls.

## US Federal Budget Process

### 1. Preparation (October–February)

#### BUDGET FORMULATION:

Prior to the end of each fiscal year, federal agencies (like NIH and NSF) submit funding requests to the President's Office of Management and Budget (OMB). The President's budget proposal, usually released in February, outlines priorities for the upcoming fiscal year but is not binding on Congress (October 1–September 30).

***Nonprofit Impact:** Early signals help anticipate federal funding gaps or growth areas in specific disease categories or research types.*

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## 2. Congressional Action (February–September)

Congress reviews and adjusts the President's budget through several steps:

### BUDGET RESOLUTION

- Congress sets overall spending, revenue, and deficit targets through budget resolution. This resolution is not a law, but it provides a framework for how much money can be spent in each area, including health and research programs.

### APPROPRIATIONS BILLS

- House and Senate Appropriations Committees divide spending into 12 subcommittees
- Biomedical research is handled by the Labor-HHS Subcommittee (covers NIH, CDC, HRSA)
- Subcommittees conduct "markups" where funding levels are debated and set

### REPORT LANGUAGE

- After a subcommittee finalizes its bill, it issues report language, which explains the committee's funding decisions and may provide guidance or instructions to federal agencies. While not legally binding, this language is highly influential, helping agencies understand Congress's priorities when implementing programs and grants.

**Nonprofit Impact:** Appropriations markups are critical health funding advocacy windows. Report language often signals opportunities for nonprofit co-funding or complementary investments.

### PASSAGE OF BILLS

- Both the House and Senate must approve identical versions of each appropriations bill. Once passed, the bills are sent to the President for signature into law.
- If Congress can't agree on all bills by October 1, it may pass a continuing resolution (CR) to temporarily keep funding at prior-year levels, or a government shutdown may occur if no agreement is reached.

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## 3. Execution (October 1–Onward)

Once appropriations are signed into law, agencies distribute grants, issue funding announcements (FOAs), renew awards, and launch initiatives.

**Nonprofit Impact:** Agency implementation decisions determine research priorities. Delays in implementation create funding gaps, potentially halting ongoing research, research infrastructure, and support.

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## 4. Audit & Accountability

Congressional committees, the Government Accountability Office (GAO), and Inspectors General monitor how funds are used to ensure compliance and effectiveness.

## 5. When Congress Can't Agree: Continuing Resolutions and Shutdowns

### CONTINUING RESOLUTIONS (CRS):

If Congress can't pass all appropriations bills before the new fiscal year begins on **October 1**, it can pass a *continuing resolution* to keep the government temporarily funded, usually at the previous year's levels.

#### *CR Impacts on Research:*

- Flat funding: no increases for inflation or new initiatives
- Agencies cannot start new programs not funded in prior year
- Grant competitions and awards delayed
- Institutions face indirect cost recovery pressures
- Extended CRs increase pressure on research institutions and researchers, potentially requiring researchers to increasingly turn to nonprofit research funding

### GOVERNMENT SHUTDOWNS:

If no appropriations or CRs are approved, parts of the government "shut down." Non-essential services pause, and many federal employees are furloughed.

#### *Shutdown Impacts on the Research Community:*

- Agencies like NIH and NSF halt research operations - no grant reviews or funding decisions
- Peer review panels (study sections) canceled or postponed
- Program officers furloughed and unavailable
- Existing award payments typically continue; new awards halted
- Clinical trials, regulatory submissions delayed
- Institutions face significant cash flow problems

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### Expectations for the Coming Fiscal Year (FY2026):

**Continuing Resolutions Likely:** Congress is currently relying on a continuing resolution (CR) following the 43-day shutdown to keep the government funded at FY 2025 levels. Budget negotiations will continue until January 31, 2026, when the CR expires. If a budget cannot be agreed upon by this date, another shutdown could occur.

- This means flat funding for agencies such as NIH, NSF, and CDC in the short term.
- New grant programs or expansions may be delayed until a full appropriations deal is reached.

**Slow or Delayed Grant Cycles:** Budget uncertainty may continue to postpone review panels, award announcements, and renewals, compressing timelines for FY 2026 grants. Agencies may prioritize renewals and core programs over new initiatives until final budgets are set.

**Limited Growth in Research Budgets:** Flat or modest funding levels in biomedical and public health research funding are likely with increased competition for grants. There will be a greater need for institutional or philanthropic support in underfunded health areas.

**Cash Flow and Planning Strain for Nonprofits:** Organizations relying on federal grants or reimbursements may face payment delays during budget negotiations or any lapse in appropriations.

- Nonprofits relying on federal funding may need to use reserves or adjust staffing and program timelines to absorb potential funding gaps.

#### **RESOURCES FOR FURTHER INFORMATION ON IMPACT ON THE FEDERAL BUDGET AND HEALTH RESEARCH ORGANIZATIONS:**

- [The Federal Budget Process Explained](#)
- [Peter G. Peterson Foundation: Understanding the Federal Budget](#)
- [EveryLife Foundation: Understanding the Federal Budget Process and What's at Stake for Rare Disease](#)