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Introduction to the Federal Budget Process

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SUMMARY

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Introduction to the Federal Budget Process

Under the U.S. Constitution, Congress exercises the "power of the purse." This power is expressed through the application of several provisions. The power to lay and collect taxes and the power to borrow are among the enumerated powers of Congress under Article I, Section 8. Furthermore, Section 9 of Article I states that funds may be drawn from the Treasury only pursuant to appropriations made by law. The Constitution, however, does not prescribe how these legislative powers are to be exercised, nor does it expressly provide a specific role for the President with regard to budgetary matters. Instead, various statutes, congressional rules, practices, and precedents have been established over time to create a complex system in which multiple decisions and actions occur with varying degrees of coordination. As a consequence, there is no single "budget process" through which all budgetary decisions are made, and in any year there may be many budgetary measures necessary to establish or implement different aspects of federal fiscal policy. This report describes the development and operation of the framework for budgetary decisionmaking that occurs today and also includes appendices that provide a glossary of budget-process-related terms and a flowchart of congressional budget process actions.

Since the early years of the Republic, procedures and practices concerning the consideration, enactment, and execution of budgetary legislation have evolved to meet changing needs and circumstances. Many aspects of the framework for budgetary decisionmaking were established in the early years, including the idea that appropriations be considered separate from general policy legislation. The 19th century also saw Congress take action in several ways to exercise control over how federal agencies spent money. One approach involved enacting increasingly specific appropriations legislation to direct the use of funds. General restrictions on agency discretion were also imposed by statute. For example, beginning in 1870, antideficiency acts were enacted to prevent agencies from exceeding appropriations made by Congress for any fiscal year or obligating payments in anticipation of future appropriations. In the 20th century, the Budget and Accounting Act of 1921 created a statutory role for the President by requiring agencies to submit their budget requests to him and, in turn, for him to submit a consolidated request to Congress. Other important changes included the advent of direct (mandatory) spending and the enactment of the Congressional Budget and Impoundment Control Act of 1974, which provided Congress with a vehicle for making decisions about overall fiscal policy and priorities and also established the House and Senate Budget Committees and the Congressional Budget Office. Since 1985, budgetary decisionmaking has also been subject to various budget control statutes designed to restrict congressional budgetary actions or implement particular budgetary outcomes. Altogether, this evolution has resulted in the framework in which budgetary decisionmaking occurs today.

Many budgetary actions result from permanent or long-term statutes, but the cycle for decisionmaking remains based on a characteristically annual timetable. The President is required to submit a budget request to Congress early in the legislative session. The President's budget is only a request to Congress, but it establishes the President's wishes regarding the direction of national policies and priorities and often influences the direction of congressional revenue and spending decisions.

Congress can coordinate various budget-related actions (such as consideration of revenue and spending measures) through the adoption of a concurrent resolution on the budget to set aggregate budget policies and functional spending priorities for at least the next five fiscal years. Because a concurrent resolution is not a law—the President cannot sign or veto it—the budget resolution does not have statutory effect, so no money is raised or spent pursuant to it. Revenue and spending levels set in the budget resolution, however, do establish the basis for enforcement of congressional budget policies through points of order. In recent years, the use of a budget resolution has often been supplanted by the use of various deeming provisions that use alternate means to establish the basis for budgetary enforcement actions. Budget policies are subsequently implemented through action on individual revenue and debt limit measures, annual appropriations acts, and direct spending legislation. If Congress agrees to a budget resolution, it may later consider reconciliation legislation pursuant to reconciliation instructions included in the budget resolution. Reconciliation legislation is subject to expedited procedures that can be used to bring existing revenue and direct spending laws into conformity with policies established in the budget resolution.

Action on annual appropriations measures allows Congress to set the level of discretionary spending annually. Congress passes three main types of appropriations measures: *regular appropriations* to provide budget authority to fund programs and agency activities for the next fiscal year, *supplemental appropriations* to provide additional budget authority during the current fiscal year if the regular appropriation is insufficient or to finance activities not provided for in the regular appropriation, and *continuing appropriations* (often referred to as continuing resolutions or CRs) to provide interim (or sometimes full-year) funding to agencies for activities or programs not yet covered by a regular appropriation.

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Introduction

Evolution of the Framework for Budgetary Decisionmaking

Under the U.S. Constitution, Congress exercises the "power of the purse." This power is expressed through the application of several provisions. The power to lay and collect taxes and the power to borrow are among the enumerated powers of Congress under Article I, Section 8. Furthermore, Section 9 of Article I states that funds may be drawn from the Treasury only pursuant to appropriations made by law. By requiring the power of the purse to be exercised through the lawmaking process, the Constitution allows Congress to direct any budgetary actions that may be taken by the President and executive departments. The Constitution, however, does not prescribe how these legislative powers are to be exercised, nor does it expressly provide a specific role for the President with regard to budgetary matters. Instead, various statutes, congressional rules, practices, and precedents have been established over time to create a complex system in which multiple decisions and actions occur with varying degrees of coordination. As a consequence, there is no single "budget process" through which all budgetary decisions are made, and in any year there may be many budgetary measures necessary to establish or implement different aspects of federal fiscal policy.

Under Article I, Section 5, "Each House may determine the Rules of its Proceedings," so it is left to the House and Senate to adapt and develop procedures and practices as needed to facilitate the consideration and enactment of legislation. Congress, however, is a dynamic institution that can, and does, change its rules, practices, and organization in order to achieve changing goals or overcome new obstacles. Since the early years of the Republic, there have been a number of notable milestones in the evolution of procedures and practices concerning the consideration, enactment, and execution of budgetary legislation. These milestones were often the result of congressional efforts to solve problems or promote outcomes and thus help to provide insight into when, how, or why current practices developed.

Although early Congresses referred legislation to ad hoc committees, within a few years the House began to organize a system of standing committees with fixed jurisdictions and responsibility for different legislative issues. In the House, responsibility for revenue, spending, and debt were assigned to a standing Committee of Ways and Means beginning in the Fourth Congress (1795-1797).[1] In the Senate, a Committee on Finance with jurisdiction over these matters was established as part of a standing committee system during the second session of the 14th Congress (1815-1817).[2] By creating a system in which legislation was categorized by its content, Congress laid the groundwork for establishing rules and practices to provide for the separate consideration of various budgetary measures. The House later created a separate standing Committee on Appropriations in 1865, and the Senate took similar action in 1867.[3]

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[1] U.S. Congress, House of Representatives, *The Committee on Ways and Means: A Bicentennial History, 1789-1989*, H.Doc. 100-244, 100th Cong., 2nd sess. (Washington: GPO, 1989), p. 36.

[2] U.S. Congress, Senate, *History of the Committee on Finance*, S.Doc. 97-5, 97th Cong., 1st sess. (Washington: GPO, 1981), p. 15.

[3] According to the web page of the Senate Appropriations Committee: "At the beginning of the Fortieth Congress in March 1867, Senator Henry B. Anthony of Rhode Island offered a Senate resolution providing for the creation of '... a Committee on Appropriations, to consist of seven members.' His purpose was 'to divide the onerous labors of the Finance Committee with another committee' by separating the tax-writing and appropriating processes. The House had already established an Appropriations Committee two years earlier. Without further discussion, Anthony's resolution

The distinction between appropriations and general policy legislation appears to have been understood and practiced long before it was formally recognized in House or Senate rules, probably derived from earlier British and colonial practices.[4] As congressional practices developed in the early 19th century, this distinction was reflected in the designation of general appropriations measures as "supply bills," whose purpose was simply to supply funds to carry out government operations already defined in law.[5] This distinction was also reinforced by the way in which they were considered by the House. Supply bills would be initially taken up as a list of objects of expenditure, with blanks rather than dollar amounts for associated expenditures, and the amounts filled in by action on the floor.[6] Such bills were generally considered as little more than a matter of form, without extensive debate except for the purpose of filling in the blanks. The inclusion of substantial new legislative language in supply bills was generally believed to be inappropriate, as it might delay the provision of necessary funds or lead to the enactment of matters that might not otherwise become law.[7]

According to *Hinds' Precedents*,[8] the origin of a formal rule mandating the separate consideration of policy legislation and appropriations can be traced to 1835, when the House discussed the increasing problem of delays in enacting appropriations.[9] A significant part of this delay was attributed to the inclusion in such bills of "debatable matters of another character, new laws which created long debates," and a proposal was made to strip appropriation bills of "everything but were legitimate matters of appropriation, and such as were not … made the subject of a separate bill." Although the proposal was not adopted at the time, at the beginning of the following Congress (25th Congress, 1837-1839), language was added to the standing rules of the House that stated:

> No appropriation shall be reported in such general appropriation bill, or be in order as an amendment thereto, for any expenditure not previously authorized by law.

By formulating the rule as a requirement that appropriations only be to provide funding to carry out activities for which previously enacted legislation had provided the statutory authority for an agency to act, the rule formally limited the scope of purposes for which appropriations could be provided.[10] The House soon after developed a practice of striking provisions containing general legislation from appropriations bills.[11] It was not until 1876, however, that the House adopted

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was considered by unanimous consent and agreed to, giving birth to the Senate Committee on Appropriations on March 6, 1867" (https://www.appropriations.senate.gov/about/history).

[4] CRS Report 84-106, *Legislation, Appropriations, and Budgets: The Development of Spending Decision-Making in Congress*, by Allen Schick (archived, but available by request for congressional clients) (hereafter cited as Schick, *Development of Spending Decision-Making in Congress*), p. 9.

[5] Schick, *Development of Spending Decision-Making in Congress*, p. 10.

[6] Ralph Volney Harlow, *The History of Legislative Methods in the United States before 1825* (New Haven: Yale University Press, 1917), p. 226.

[7] Schick, *Development of Spending Decision-Making in Congress*, pp. 9-11.

[8] Asher C. Hinds, *Hinds' Precedents of the House of Representatives of the United States* (Washington: GPO, 1907), v. 4, chap. XCV, §3578 (hereafter cited as *Hinds' Precedents*).

[9] *Congressional Globe*, 24th Cong., 1st sess. (December 10, 1835), p. 20.

[10] A similar provision was added to the rules of the Senate on December 19, 1850. Because the custom had developed, based on House insistence, that the Senate would amend House-passed appropriations bills rather than Senate-originated bills, the rule, now Senate Rule XVI, was framed in terms of prohibiting amendments proposing additional appropriations "unless it be made to carry out the provisions of some existing law, or some act or resolution previously passed by the Senate during that session, or moved by a standing committee of the Senate, or in pursuance of an estimate from the head of some of the departments."

[11] *Hinds' Precedents*, v. 4, chap. XCVII, §3811.

language in its rules formally restricting the inclusion of legislative language in appropriations bills. As adopted in 1876, the rule stated:

> No appropriation shall be reported in such general appropriation bills, or be in order as an amendment thereto, for any expenditure not previously authorized by law unless in continuation of appropriations for such public works and objects as are already in progress; nor shall any provision in any such bill or amendment thereto, changing existing law, be in order except such as, being germane to the subject matter of the bill, shall retrench expenditures.[12]

There were also important principles established in the 19th century concerning the extent to which the actions of agencies to execute the budget could be directed or limited by Congress. Although the First Congress enacted all appropriations in 1789 in a single act divided into lump sums for broad categories of expenditure, within a few years, Congress began to exercise control over how federal agencies spent money by enacting increasingly more specific appropriations.[13] An additional general statutory restriction on agency actions to allocate how funds were spent was imposed in 1809 by the enactment of the "purpose statute" which required that

> sums appropriated by law for each branch of expenditure in the several departments shall be solely applied to the objects for which they are respectively appropriated, and to no other.[14]

Agencies sometimes took actions that undermined congressional fiscal controls, however. In some instances, they obligated funds in anticipation of appropriations, thereby creating liabilities that Congress would feel compelled to ratify. In others, they would obligate appropriated funds at a rate that was likely to produce a need for additional funds before the end of the fiscal year, giving rise to what were termed "coercive deficiencies." As a result, Congress enacted the first "antideficiency" provision in 1870 stating that

> it shall not be lawful for any department of the government to expend in any one fiscal year any sum in excess of appropriations made by Congress for that fiscal year, or to involve the government in any contract for the future payment of money in excess of such appropriations.[15]

In addition to prohibiting agencies from obligating payments in the absence of appropriations, antideficiency laws also established the requirement that agencies establish plans to apportion available funds over the course of the fiscal year in order to avoid deficiencies.

Although some Presidents made attempts to coordinate or limit agency budget estimates before they were communicated to Congress, such attempts were intermittent and uneven.[16] This changed with the enactment of the Budget and Accounting Act of 1921.[17] It created a statutory role for the President by requiring agencies to submit their budget requests to him and, in turn, for him to submit a consolidated request to Congress. The President's budget request became the

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[12] This new provision became known as the Holman Rule (after Representative William Holman of Indiana). For more on the history of this rule, see CRS Report R44736, *The Holman Rule (House Rule XXI, Clause 2(b))*, by James V. Saturno.

[13] Schick, *Development of Spending Decision-Making in Congress*, pp. 6-7.

[14] Act of March 3, 1809, chap. 25, 2 Stat. 535, codified in 31 U.S.C. §1301(a).

[15] Act of July 12, 1870, chap. 251, 16 Stat. 251. For a discussion of Antideficiency Act requirements, see U.S. Government Accountability Office, *Principles of Federal Appropriations Law* (3rd ed., 2006) GAO-06-382SP, v. 2, ch. 6, Section C, The Andeficiency Act.

[16] For further information, see Louis Fisher, *Presidential Spending Power* (Princeton: Princeton University Press, 1975).

[17] Public Law 13, 67th Congress, 42 Stat. 20; requirements concerning the President's budget submission are codified in 31 U.S.C. §§1104-1113.

center of a new relationship between the President and federal agencies and, consequently, of the agencies and Congress. The act also established the Bureau of the Budget (now the Office of Management and Budget [OMB]) to assist the President and the General Accounting Office (now the Government Accountability Office [GAO]) to serve as an independent auditor of government budgetary activities.

Another significant change in federal budgeting in the 20th century was the advent of direct (or mandatory) spending laws. Although there were 19th century antecedents in which legislation was enacted to entitle an eligible class of recipients (such as veterans) to certain payments, such spending was not common. Beginning with Social Security in the 1930s, Congress began to enact broad-based spending legislation for which the level of spending was not controlled through the appropriations process. Instead, payments were required to be made to all eligible persons as prescribed in the law. In effect, such programs were designed to establish an expectation of stable payments for a class of individual recipients (even when the class or payments might change over time), rather than have the aggregate level of spending for the program subject to control through annual appropriations decisions. Such programs have grown to comprise the majority of all federal outlays.[18]

Until the 1970s, congressional consideration of the multiple budgetary measures considered in a given year as a whole lacked any formal coordination. Instead, Congress considered these various budgetary measures separately, sometimes informally comparing them to proposals in the President's budget. That was changed by the Congressional Budget Act of 1974 (CBA).[19] The CBA provides for the adoption of a concurrent resolution on the budget that allows Congress to make decisions about overall fiscal policy and priorities and coordinate and establish guidelines for the consideration of various budget-related measures. Because a concurrent resolution is not a law—the President cannot sign or veto it—the budget resolution does not have statutory effect, so no money is raised or spent pursuant to it. Revenue and spending levels set in the budget resolution, however, do establish the basis for enforcement of congressional budget policies through points of order. The CBA also established the House and Senate Budget Committees as well as CBO to provide Congress with an independent source for budgetary information, particularly estimates concerning the cost of proposed legislation.

Since 1985, budgetary decisionmaking has also been subject to various budget control statutes designed to restrict congressional budgetary actions or implement particular budgetary outcomes in order to reduce the budget deficit, limit spending, or prevent deficit increases. The mechanisms included in these acts sought to supplement and modify the existing budget process and also added statutory budget controls, in some cases seeking to require future deficit reduction legislation or limit future congressional budgetary actions and in some cases seeking to preserve deficit reduction achieved in accompanying legislation.

Chief among the laws enacted were the Balanced Budget and Emergency Deficit Control Act of 1985[20] and the Budget Enforcement Act of 1990.[21] The Balanced Budget and Emergency Deficit

[18] For FY2019, direct spending (exclusive of net interest on federal debt) accounted for approximately 62 percent of all federal outlays. OMB, *Budget of the U.S. Government Fiscal Year 2021, Historical Tables*, Table 8.1: Outlays by Budget Enforcement Act Category, 1962-2025, https://www.whitehouse.gov/omb/historical-tables/.

[19] Titles I-IX of the Congressional Budget and Impoundment Control Act, P.L. 93-344, codified in 2 U.S.C. §§601-688. For an extensive history of the enactment of the CBA and its immediate impact, see Allen Schick, *Congress and Money* (Washington, DC: Urban Institute, 1980).

[20] P.L. 99-177.

[21] P.L. 101-508. For more on statutory controls and enforcement, see CRS Report R41901, *Statutory Budget Controls in Effect Between 1985 and 2002*, by Megan S. Lynch.

Control Act of 1985 did not include legislation that reduced the deficit but instead established a statutory requirement for the gradual reduction and elimination of budget deficits over a six-year period. The act specified annual deficit limits and set forth a specific process for the cancellation of spending by requiring the President to issue an order (termed a sequester order)[22] to enforce the annual deficit limit in the event that compliance was not achieved through legislation. The deficit targets and timetable were modified and extended in the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.[23]

With the Budget Enforcement Act of 1990, Congress changed the focus of budgetary control. While the 1985 Balanced Budget and Emergency Deficit Control Act had focused on enforcing deficit targets through unspecified future legislation, the Budget Enforcement Act was enacted as part of deficit reduction legislation and focused instead on inhibiting future legislation that would undo the savings. Budgetary enforcement under the Budget Enforcement Act was based on the implementation of pay-as-you-go (PAYGO) procedures to limit any increase in the deficit due to new direct spending or revenue legislation and limit discretionary spending through statutory spending caps. These budget control mechanisms sought to preserve the deficit reduction achieved in the accompanying legislation rather than force subsequent legislation. As originally enacted, these mechanisms were to be in force for a period of five years, but they were modified and extended twice. In 1993, they were extended through 1998 in the Omnibus Budget Reconciliation Act of 1993,[24] and in 1997, they were extended through 2002 in the Budget Enforcement Act of 1997.[25]

In 2010, Congress reinstated PAYGO in the Statutory Pay-As-You-Go Act of 2010.[26] In 2011, the Budget Control Act (BCA)[27] reestablished statutory limits on discretionary spending, divided into separately enforceable defense and nondefense limits, for FY2012-FY2021. Several measures have subsequently been enacted that changed the spending limits or enforcement procedures included in the BCA.[28]

Basic Concepts of Federal Budgeting

The federal budget is a compilation of numbers reflecting the receipts, spending, borrowing, and debt of the government. Receipts come largely from various taxes but are also derived from other sources as well (such as leases, licenses, and other fees). Spending involves such concepts as budget authority, obligations, outlays, and offsetting collections. Although the amounts are computed according to previously established rules and conventions, they do not always conform to the way receipts and spending might be accounted for in a different context.

When Congress appropriates money, it provides *budget authority*, that is, statutory authority to enter into obligations for which payments will be made by the Treasury. Budget authority may

[22] A sequester order provides for across-the-board cuts of non-exempt spending to enforce a statutory requirement.

[23] P.L. 100-119.

[24] P.L. 103-66.

[25] P.L. 105-33.

[26] P.L. 111-139. For more, see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*, by Bill Heniff Jr.

[27] P.L. 112-25. For more, see CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan; and CRS Report R44874, *The Budget Control Act: Frequently Asked Questions*, by Grant A. Driessen and Megan S. Lynch.

[28] These include the American Taxpayer Relief Act of 2012 (P.L. 112-240), the Bipartisan Budget Act of 2013 (P.L. 113-67), the Bipartisan Budget Act of 2015 (P.L. 114-74), the Bipartisan Budget Act of 2018 (P.L. 115-123), and the Bipartisan Budget Act of 2019 (P.L. 116-37).

also be provided in legislation that does not go through the annual appropriations process (such as direct spending legislation). The key congressional spending decisions relate to the obligations that agencies are authorized to incur during a fiscal year (amount, purpose, and timing), not to the outlays that result. *Obligations* occur when agencies enter into contracts, submit purchase orders, employ personnel, and so forth. *Outlays* occur when obligations are liquidated, primarily through the issuance of checks, electronic fund transfers, or the disbursement of cash.

The provision of budget authority is the key point at which Congress exercises control over federal spending. Congress generally does not exercise direct control over outlays related to executive or judicial branch spending. The amount of outlays in a given year derive in part from new budget authority enacted in that year but also from "carryover" budget authority provided in prior years.

The relation of budget authority to outlays varies from program to program and depends on the outlay or "spendout" rate, that is, the rate at which budget authority provided by Congress is obligated and payments are disbursed. Various factors can have an impact on the spendout rate for a particular program or activity. In a program with a high spendout rate, most new budget authority is expended during the fiscal year. If the spendout rate is low, however, most of the outlays occur in later years. Spendout rates are generally sensitive to program characteristics and vary over time for certain projects. The outlay levels associated with budget enforcement during the consideration of legislation reflect the projected amount that will be outlayed during the first year that budget authority is available. If actual payments turn out to be higher than the budget estimate, outlays can be above the projected level. The President and Congress can control outlays indirectly by deciding on the amount of budget authority provided by limiting the amount that can actually be obligated (termed an "obligation limit") or by limiting the period during which the funds may be obligated.

The receipts of the federal government may be accounted for in the budget as revenues or as "offsets" against outlays. Revenues result from the exercise of the government's sovereign power to tax. In contrast, receipts from businesslike or market transactions, such as Medicare premiums or various fees collected by government agencies, are deducted from outlays. Similarly, income from the sale of certain assets is also treated as an offset to spending. These offsets may be classified as offsetting collections or offsetting receipts. In most cases, offsetting collections may be obligated without further legislative action, while offsetting receipts require an explicit appropriation to be available for obligation.[29] Most such receipts are offsets against the outlays of the appropriation account for the agency that collects the money, but in the case of some activities (such as offshore oil leases), the receipts are offset against the total outlays of the government.

Scope of the Budget

The budget consists of two main groups of funds: *federal funds* and *trust funds*. Federal funds—which comprise mainly the general fund—largely derive from the general exercise of the taxing power and general borrowing. For the most part, these funds are not designated in law for any specific program or agency, although there are also special funds that are designated with respect to their source or purpose.

Trust funds are established under the terms of statutes that specifically designate them as such and are available to fund only specific purposes. For example, the Social Security trust funds (the Old-Age and Survivors Insurance Fund and the Disability Insurance Fund), which are the largest

[29] In some instances, offsetting receipts may be governed by a permanent appropriation so that they do not require annual appropriations action.

of the trust funds, comprise revenues collected under a Social Security payroll tax and are used to pay for Social Security benefits and related purposes. The unified budget includes both the federal funds and the trust funds. In some circumstances, a trust fund may accumulate more funds in a given time period than are necessary to meet current obligations. Such balances are held in the form of federal debt, so that while a trust fund may be said to have a surplus, by holding it for future use in the form of federal debt, it is effectively borrowed by federal funds and counted as part of federal debt. Thus, a trust fund surplus can offset the overall budget deficit, but because it is included in the federal debt, the annual increase in the debt invariably exceeds the amount of the budget deficit. For the same reason, it is possible for the federal debt to rise even when the federal government has a budget surplus.

Federal budgeting is mostly calculated based on cash flow so that capital and operating expenses are not segregated in the budget. Hence, expenditures for the operations of government agencies and expenditures for the acquisition of long-life assets (such as buildings, roads, and weapons systems) both appear in the budget in terms of their outlays.[30] Proposals have been made from time to time to divide the budget into separate capital and operating accounts. While these proposals have not been adopted, the budget does provide information showing the investment and operating outlays of the government.

One portion of the federal budget that is not based on cash flow is the budgeted levels for direct and guaranteed loans by the federal government. The Federal Credit Reform Act of 1990 made fundamental changes in the budgetary treatment of direct loans and guaranteed loans. The reform, which first became effective for FY1992, shifted the accounting basis for federally provided or guaranteed credit from the amount of cash flowing into or out of the Treasury to the estimated subsidy cost of the loans.[31] Credit reform entails complex procedures for estimating these subsidy costs and new accounting mechanisms for recording various loan transactions. The changes have had only a modest impact on budget totals but a substantial impact on budgeting for particular loan programs.[32]

The budget totals do not include all the financial transactions of the federal government, however. The main exclusions fall into two categories—off-budget entities and government-sponsored enterprises (GSEs).

Off-budget entities are excluded by law from the budget totals. The receipts and disbursements of the Social Security trust funds, as well as spending for the Postal Service Fund, are presented separate from the budget totals. Thus, the budget reports two deficit (or surplus) amounts—one excluding the Social Security trust funds and the Postal Service Fund and the other (the unified budget) including these entities. In most cases, the latter is the main focus of discussion in both the President's budget and the congressional budget process.

The transactions of *government-owned corporations* (excluding the Postal Service), as well as revolving funds, are included in the budget on a net basis. That is, the amount shown in the budget is the difference between their receipts and outlays, not the total activity of the enterprise or revolving fund. If, for example, a revolving fund has annual income of $150 million and disbursements of $200 million, the budget would report $50 million as net outlays.

[30] This sort of system, often called "capital budgeting," is widely used at the state and local levels. For more information on capital budgeting, see CBO, *Capital Budgeting*, May 2008, https://www.cbo.gov/publication/41689.

[31] Annual subsidy cost updates for programs with active loans are typically provided in the President's budget request.

[32] For more, see CRS Report R42632, *Budgetary Treatment of Federal Credit (Direct Loans and Loan Guarantees): Concepts, History, and Issues for Congress*, by Mindy R. Levit (archived, but available by request for congressional clients).

The *Federal Reserve System* has never been subjected to the appropriations process, and aside from the recording of transfers of Federal Reserve earnings as budget receipts, its financial operations have always been excluded from the federal budget. It is funded by fees and the income generated by securities it owns. Annual appropriations approval of Federal Reserve spending plans is not required, a result of a provision of the Federal Reserve Act, which stipulates that the Federal Reserve Board's assessment "shall not be construed to be Government funds or appropriated moneys." If the Federal Reserve's income exceeds its expenses, its net earnings are transferred to the Treasury and recorded as "miscellaneous receipts."[33]

GSEs have historically been excluded from the budget because they were deemed to be non-governmental entities. Although they were established by the federal law, the federal government did not own any equity in these enterprises, most of which received their financing from private sources, and their budgets were not reviewed by the President or Congress in the same manner as other programs. Most of these enterprises engaged in credit activities. They borrowed funds in capital markets and lent money to homeowners, farmers, and others. Financial statements of the GSEs were published in the President's budget. Although some GSEs continue to operate on this basis, the economic downturn and credit instability that occurred in 2008 fundamentally changed the status of two GSEs that play a significant role in the home mortgage market: Fannie Mae and Freddie Mac. In September 2008, the Federal Housing Finance Agency placed the two entities in conservatorship, thereby subjecting them to control by the federal government until the conservatorship is brought to an end.[34]

Debt Limit Legislation

When the receipts collected by the federal government are not sufficient to cover outlays, it is necessary for the Treasury to finance the shortfall through the sale of various types of debt instruments to the public and federal agencies.[35] Federal borrowing is subject to a statutory limit on public debt (referred to as the debt limit or debt ceiling).[36] When the federal government operates with a budget deficit, or otherwise increases the level of debt necessary (such as to allow federal trust funds to hold surpluses), the response has been for the public debt limit to be increased to meet that need. The frequency of congressional action to raise the debt limit has ranged in the past from several times in one year to once in several years. In recent years, Congress has chosen to suspend the debt limit for a set amount of time instead of raising the debt limit by a fixed dollar amount. When a suspension period ends, the debt limit is reestablished at a dollar level that accommodates the level of federal debt issued during the suspension period.

Legislation to raise the public debt limit falls under the jurisdiction of the House Ways and Means Committee and the Senate Finance Committee. In some cases, Congress has combined other legislative provisions with changes in the debt limit. For example, the Senate amended a House-passed bill raising the debt limit to add the Balanced Budget and Emergency Deficit Control Act of 1985. The House added debt limit provisions (as well as other matters) to an unrelated Senate-passed measure to create the Budget Control Act of 2011. In addition, debt limit provisions may be included in reconciliation legislation (described in a separate section of this report).

[33] For more, see CBO, *The Budgetary Status of the Federal Reserve System*, February 1985, https://www.cbo.gov/sites/default/files/99th-congress-1985-1986/reports/02-1985-federalreserverev2.pdf.

[34] For more, see CBO, *Accounting for Fannie Mae and Freddie Mac in the Federal Budget*, 2018.

[35] For more, see CRS Report R40767, *How Treasury Issues Debt*, by Grant A. Driessen.

[36] For more on the history of the debt limit, see CRS Report RL31967, *The Debt Limit: History and Recent Increases*, by D. Andrew Austin; and CRS Report R43389, *The Debt Limit Since 2011*, by D. Andrew Austin.

In the 96th Congress (1979-1980), the House amended its rules to provide for the automatic engrossment of a measure increasing the debt limit upon final adoption of a budget resolution. The rule (commonly referred to as the Gephardt Rule after Representative Richard Gephardt of Missouri) was intended to facilitate quick action on debt limit increases by deeming such a measure as passed by the House by the same vote as the final adoption of the budget resolution, thereby avoiding the need for a separate vote on the debt limit. The engrossed measure would then be transmitted to the Senate for further action. The rule was repealed in the 107th Congress, reinstated in the 108th Congress, repealed again in the 112th Congress, and reinstated in modified form in the 116th Congress.[37]

As currently provided in House Rule XXVIII, the rule provides for a measure to automatically be engrossed and deemed to have been passed by the House by the same vote as the adoption by the House of the concurrent resolution on the budget if the resolution sets forth a level of the public debt that is different from the existing statutory limit.[38] Rather than a specific level of debt, however, this measure would suspend the debt limit through the end of the budget year for the concurrent resolution on the budget (but not through the period covered by any outyears beyond the budget year). As with the earlier version of the rule, the engrossed measure would then be transmitted to the Senate for further action.

The Senate has no special procedures concerning consideration of debt limit legislation.

Revenue Legislation

Article I, Section 8, of the Constitution gives Congress the power to levy "taxes, duties, imposts, and excises." Section 7 of this article, known as the Origination Clause, requires that all revenue measures originate in the House of Representatives.[39] Legislation concerning taxes and tariffs falls under the jurisdiction of the House Ways and Means Committee and the Senate Finance Committee. Furthermore, House Rule XXI, clause 5, specifically bars the consideration of a tax or tariff measure reported from another committee (or an amendment containing a tax or tariff provision, including a Senate amendment, from being offered to a House measure reported by another committee). Neither the Origination Clause nor House Rule XXI, clause 5, applies to the consideration of legislation concerning receipts or collections, such as user fees, that are levied on a class that benefits from a particular service, program, or activity.[40]

Most revenues derive from existing provisions of the tax code or Social Security law, which continue in effect from year to year unless changed by Congress and are generally expected to produce increasing amounts of revenue in future years if the economy expands and incomes rise or the workforce grows. Nevertheless, Congress typically makes some changes in the tax laws each year, either to raise or lower revenues or to redistribute the tax burden.

In enacting revenue legislation, Congress often includes provisions that establish or alter tax expenditures. The term *tax expenditures* is defined in the 1974 CBA to include revenue forgone due to deductions, exemptions, credits, and other exceptions to the basic tax structure. Tax

[37] For more, see CRS Report RL31913, *Debt Limit Legislation: The House "Gephardt Rule"*, by Bill Heniff Jr.

[38] This differs from the prior version of the rule because it is based on the House vote on initial consideration of the budget resolution so that final adoption of the budget resolution is not necessary.

[39] For more on the Origination Clause, see CRS Report RL31399, *The Origination Clause of the U.S. Constitution: Interpretation and Enforcement*, by James V. Saturno.

[40] For more on revenue legislation generally, see CRS Report R41408, *Rules and Practices Governing Consideration of Revenue Legislation in the House and Senate*, by Megan S. Lynch.

expenditures are a means by which the federal government uses the tax code to pursue public policy objectives and can be regarded as alternatives to spending policy actions such as grants or loans. The Joint Committee on Taxation estimates the revenue effects of legislation changing tax expenditures, and it also publishes five-year projections of these provisions as an annual committee print.[41]

Congress may choose to act on revenue legislation pursuant to proposals in the President's budget. An early step in congressional work on revenue legislation is publication by CBO of its own estimates (developed in consultation with the Joint Committee on Taxation) of the revenue impact of the President's budget proposals.

Revenue totals agreed to in a budget resolution can be used to establish the framework for subsequent action on revenue measures. A budget resolution, however, contains only revenue totals and total recommended changes; it does not allocate these totals among revenue sources, nor does it specify which provisions of the tax code are to be changed.

The House and Senate may consider revenue measures under their regular legislative procedures, such as the chambers did for the Tax Reform Act of 1986.[42] However, changes in revenue policy may also be made in the context of the reconciliation process (described in a separate section of this report), such as the Economic Growth and Tax Relief Reconciliation Act of 2001,[43] the Jobs and Growth Tax Relief Reconciliation Act of 2003,[44] and the Tax Cuts and Jobs Act of 2015.[45]

Spending Legislation

Congressional budgetary procedures distinguish between two types of spending: discretionary spending (which is controlled through the annual appropriations process) and direct spending (also referred to as mandatory spending, for which the level of funding is controlled outside of the annual appropriations process). Discretionary and direct spending are both included in the President's budget and the congressional budget resolution, and they both provide statutory authority for agencies to enter into obligations for payments from the Treasury. The two forms of spending, however, are distinct in most other respects in terms of both their formulation and consideration. There are some notable exceptions to these distinctions, however, so that some procedures associated with direct spending are applied to particular discretionary spending programs and vice versa.

Formulation. The basic unit for appropriations legislation is the spending account. In modern practice, regular appropriations legislation is drafted as unnumbered paragraphs that provide a lump-sum amount for each appropriations account. This lump sum provides a definite amount of budget authority that is available to finance activities or programs covered by that account for a certain period of availability for certain purposes consistent with statutory requirements or limitations. In many cases, appropriations for an agency may be provided in relatively few broad accounts, such as for "salaries and expenses," "operations," or "research." Direct spending, on the other hand, characteristically provides budget authority in the form of a requirement to make payments to eligible individual recipients according to a formula that establishes eligibility criteria and a program of benefits. The resulting overall level of outlays would be an aggregation

[41] For Joint Committee on Taxation publications on tax expenditures, see https://www.jct.gov/publications.html?func=select&id=5.

[42] P.L. 99-514.

[43] P.L. 107-16.

[44] P.L. 108-27.

[45] P.L. 115-97.

of obligations for these individual benefits. In some cases (termed "appropriated entitlements"), appropriations legislation may be used to provide the means of financing, but, in practice, the requirements for funding such programs are determined through their authorizing legislation so that the Appropriations Committees have little or no discretion as to the amounts they provide.

Committee jurisdiction. The Appropriations Committees have jurisdiction over discretionary spending for federal agencies and programs. In contrast, legislative committees (such as the Senate Committee on Health, Education, Labor and Pensions or the House Agriculture Committee), have jurisdiction over direct spending programs (including those funded in annual appropriations acts) through their jurisdiction over legislation concerning the structure of direct spending programs and their formulas regarding eligibility criteria and program of benefit payments.

Frequency of decisionmaking. Discretionary spending is provided in regular appropriations bills that are characteristically considered on an annual schedule. With some exceptions, budget authority provided in these measures is available for obligation only during a single fiscal year.[46] Direct spending programs are typically established in permanent law that continues in effect until such time as it is revised or terminated, although in some cases (such as the Child Health Insurance Program and Temporary Assistance for Needy Families) the program may need periodic reauthorization. The scheduling for consideration of legislation making such changes is determined by congressional leadership through their agenda-setting authority rather than keyed to the beginning of the fiscal year.

Enforcing spending levels in the budget resolution. The procedures Congress uses to enforce the policies set forth in the annual budget resolution differ somewhat for discretionary and direct spending programs. For both types of spending, Congress relies on allocations made under Section 302 of the 1974 CBA to ensure that new spending legislation reported by House and Senate committees conforms to parameters established in the budget resolution. Although this procedure is effective in limiting consideration of new legislation—both annual appropriations measures and new entitlement legislation—it is not an effective means for controlling direct spending that results from existing laws. Changes to the level of direct spending requires the enactment of new legislation that would change formulas regarding eligibility criteria and program of benefit payments, either through the regular legislative process or some expedited procedure such as reconciliation (described in a later section of this report).

Statutory controls. Discretionary spending for FY2012-FY2021 is subject to spending limits set in the Budget Control Act, as revised.[47] These spending limits are divided into separately enforced amounts for defense and nondefense. Direct spending is not capped, but new direct spending (or revenue) legislation is subject to the Statutory Pay-as-You-Go Act of 2010.[48] This act requires that the net effect of direct spending and revenue legislation enacted for a fiscal year not cause the deficit to rise or the surplus to decrease over specified periods of time.

[46] In some cases, the period of availability for obligations may be specified in an appropriations act as being for a multi-year period, until expended (termed "no-year" funding since it is not limited to specific fiscal years) or designated for a future fiscal year (termed "advance appropriations").

[47] For more, see CRS Report R44874, *The Budget Control Act: Frequently Asked Questions*, by Grant A. Driessen and Megan S. Lynch.

[48] For more, see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*, by Bill Heniff Jr.

The Budget Cycle

For any given fiscal year, federal budgeting is often viewed as a cyclical activity that begins with the formulation of the President's annual budget request and concludes with the audit and review of expenditures spreading over a multiyear period. The main stages are formulation and submission to Congress of the President's budget; congressional consideration of budgetary measures, including the budget resolution, appropriations legislation, and other measures as necessary to establish statutory spending and revenue requirements; budget execution; and finally audit and review. While the basic steps continue from year to year, particular procedures and timing can vary in accordance with the President or Congress, as well as various other economic and political considerations.

The budget cycle can be discussed within the context of the calendar year, the congressional session, and the fiscal year. The calendar year and congressional sessions exist largely side by side. Since the Budget and Accounting Act of 1921, the President has been required to submit his budget request for the next fiscal year at the beginning of the calendar year.[49] Furthermore, since the ratification of the Twentieth Amendment to the U.S. Constitution in 1933, congressional sessions have begun on January 3 (unless a law is enacted setting a different day). Together, these two factors mean that the consideration of budgetary matters by Congress for the upcoming fiscal year is generally expected to start near the beginning of the calendar year.

Since FY1977, the federal fiscal year has been October 1 through September 30, as set by the CBA. Because appropriations legislation typically provides budget authority to be obligated over the course of a single fiscal year, the focus of congressional action in the budget cycle is the consideration and enactment of new annual appropriations legislation before the expiration of prior enacted appropriations (although this process often stretches beyond the beginning of the fiscal year). This focus on the upcoming fiscal year (referred to as the budget year) is reflected in the President's budget proposal and budget resolution as well. Direct spending or revenue legislation, however, may have effective dates that are different from the beginning of the fiscal year.

In addition, Section 300 of the CBA establishes a timetable with respect to target dates for certain actions in the congressional budget process.

[49] As enacted, the Budget and Accounting Act of 1921 originally required the President to submit his budget request "on the first day of each regular session." This was changed in P.L. 81-784 to "during the first fifteen days of each regular session," although in a number of years Congress enacted legislation providing for a delayed submission. In 1985, this was changed to the first Monday after January 3 in P.L. 99-177. Finally, P.L. 101-508 changed the submission date in 1990 to require the President to submit his budget request "on or after the first Monday in January but not later than the first Monday in February of each year." For more, see CRS Report R43163, *The President's Budget: Overview of Structure and Timing of Submission to Congress*, by Michelle D. Christensen.

Table 1. Congressional Budget Process Timetable

On or before:	Action to be Completed:
First Monday in February	President submits his budget.
February 15	Congressional Budget Office submits report [on the economic and budget outlook] to Budget Committees.
Not later than 6 weeks after President submits budget	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	Annual appropriations bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriation bill.
June 15	Congress completes action on reconciliation legislation.
June 30	House completes action on annual appropriations bills.
October 1	Fiscal year begins.

Source: Section 300, Congressional Budget Act, 2 U.S.C. §631.

The budget process, however, is not just about a single fiscal year. While the focus for Congress is legislation pertaining to the upcoming fiscal year, it may also need to address legislation, such as supplemental appropriations for disaster relief, affecting the fiscal year in progress or long-term budget planning. Federal agencies also typically deal with multiple fiscal years at the same time: auditing of completed fiscal years, implementing the budget for the current fiscal year, seeking funds from Congress for the upcoming fiscal year, and planning for fiscal years after that. Taken as a whole then, budgetary activities from planning to execution related to the funding for a fiscal year can actually stretch over an extended period of two-and-a-half calendar years (or longer).

The Executive Budget Process: Formulation and Content of the President's Budget

The Constitution does not assign a formal role to the President in the federal budget process. It was largely left for agencies to develop and submit their own budget estimates to Congress individually. Although some Presidents made attempts to coordinate or limit agency budget estimates before they were communicated to Congress, such attempts were intermittent and uneven.[50] This was changed by the Budget and Accounting Act of 1921,[51] which created a statutory role for the President in federal budgeting by establishing a framework for a consolidated federal budget proposal to be developed by the President and submitted to Congress prior to the start of each fiscal year. By barring agencies from submitting their budget requests directly to Congress, and making the President responsible for a consolidated budget request, the act altered the institutional responsibilities of the office. The President's budget submission reflects the President's policy priorities and offers a set of recommendations regarding federal programs, projects, and activities funded through appropriations acts as well as any proposed changes to revenue and mandatory spending laws.

[50] Louis Fisher, *Presidential Spending Power* (Princeton: Princeton University Press, 1975).

[51] Requirements concerning the President's budget are codified in 31 U.S.C. chapter 11.

Under current law, the President is required to submit a budget to Congress no later than the first Monday in February prior to the start of the fiscal year, but preparation typically begins at least nine or 10 months prior to that, approximately 18 months before the start of the fiscal year. OMB coordinates the development of the President's budget by issuing various circulars, memoranda, and other guidance documents to the heads of executive agencies. In particular, OMB Circular No. A-11 is issued annually.[52] It is an extensive document that provides agencies with an overview of applicable budgetary laws, policies for the preparation and submission of budgetary estimates, and information on financial management and budget data systems. Circular A-11 also provides agencies with directions for budget execution and guidance regarding agency interaction with Congress and the public.

When agencies begin work on the budget for a forthcoming fiscal year, Congress has not yet made final determinations for the next year. Consequently, agencies must begin the process of developing their budget estimates with a great deal of uncertainty about future economic conditions, presidential policies, and congressional actions. Agency requests are typically submitted to OMB in late summer or early fall and are reviewed by OMB on behalf of the President. Under the Government Performance and Results Act, agencies are required to link the formulation of their budgets with government performance through strategic plans, annual performance plans, and annual performance reports. OMB notifies agencies of decisions regarding their budget and performance plans through what is known as the "passback" and are given an opportunity to make appeals to the OMB director and, in some cases, to the President. Once OMB and the President make final decisions, federal agencies and departments must revise their budget requests and performance plans to conform with these decisions.

The Role of OMB

The Budget and Accounting Act of 1921 established a requirement for the President to submit to Congress a consolidated budget request and also established the Bureau of the Budget to assist the President with the "authority to assemble, correlate, revise, reduce, or increase the estimates of the several departments or establishments." The bureau was later restructured and renamed the Office of Management and Budget (OMB) pursuant to Reorganization Plan No. 2 of 1970. Throughout its history, OMB has played a central role in the formulation of the President's budget submission, the management of budget execution by federal agencies, and the interagency coordination of policy initiatives. In order to fulfill these roles, OMB has had a number of significant budgetary responsibilities assigned to it. Among these are:

- Overseeing preparation of the President's budget submission by preparing guidelines for agency budget requests, reviewing requests to determine consistency with the guidelines and the President's budget priorities, responding to agencies with a "passback" of recommendations for revisions, and consolidating the revised agency requests for submission to Congress;
- Following the enactment of appropriations, managing the apportionment process under the Antideficiency Act whereby agencies allot available funds for obligation consistent with legal requirements in order to prevent the premature exhaustion of funds and, for certain kinds of budget authority, achieve the most effective and economical use of those funds; and
- Under the requirements of the Balanced Budget and Emergency Deficit Control Act, as amended, and the Statutory Pay-As-You-Go Act, to prepare estimates and track compliance with statutory requirements to limit spending legislation and issue a report for the President to use as the basis for ordering automatic spending cuts (known as a sequester order) if those requirements are breached.

The content of the budget submission is partly determined by law, but Title 31 authorizes the President to set forth the budget "in such form and detail" as he may determine. Over the years, there has been an increase in the types of information and explanatory material presented in the

[52] The most recent edition of the circular is available at https://www.whitehouse.gov/omb/information-for-agencies/circulars/.

budget documents. In most years, the budget is submitted as a multi-volume set consisting of a main document setting forth the President's message to Congress and an analysis and justification of his major proposals. Additional supplementary documents typically provide account and program level details (the "Budget Appendix"), historical information ("Historical Tables"), and special budgetary analyses ("Analytical Perspectives"). The latter volume includes multiyear budget estimates that project spending and revenues where current policies are continued (called the "current services baseline") as well as spending and revenues under the President's proposed policy changes, among other things.

In support of the President's appropriations requests, agencies prepare additional materials, frequently referred to as congressional budget justifications. These materials provide more detail than is contained in the President's budget documents and are used in support of agency testimony during Appropriations subcommittee hearings on the President's budget.[53]

The President is also required to submit a supplemental summary of the budget, referred to as the Mid-Session Review, before July 16 of each year.[54] The Mid-Session Review is required to include any substantial changes in estimates of expenditures or receipts, as well as any changes or additions to proposals made in the earlier budget submission. The President may also submit other supplemental requests or revisions to Congress at other times during the year.

The Congressional Budget Process

Until the 1970s, congressional consideration of the multiple budgetary measures considered every year lacked any formal coordination. Instead, Congress considered these various spending and revenue measures separately, sometimes informally comparing them to proposals in the President's budget. That was changed by the CBA of 1974. The CBA provides for the adoption of a concurrent resolution on the budget, allowing Congress to make decisions about overall fiscal policy and priorities as well as to coordinate and establish guidelines for the consideration of various budget-related measures. This budget resolution sets aggregate budget policies and functional priorities for the upcoming budget year and for at least four additional fiscal years. In recent practice, budget resolutions have often covered a 10-year period.

Because a concurrent resolution is not a law, the President cannot sign or veto it, and it does not have statutory effect, so no money can be raised or spent pursuant to it. The main purpose of the budget resolution is to establish the framework within which Congress considers separate revenue, spending, and other budget-related legislation. Revenue and spending amounts set in the budget resolution establish the basis for the enforcement of congressional budget policies through *points of order*.[55] The budget resolution may also be used to initiate the reconciliation process for conforming existing revenue and direct spending laws to congressional budget policies (described below).

The Budget Resolution: Formulation, Content, and Consideration

For each fiscal year covered in a budget resolution, Section 301(a) of the CBA requires that it include budget aggregates and spending levels for each functional category of the budget. The aggregates in the budget resolution include:

[53] For more, see CRS Report RS20268, *Agency Justification of the President's Budget*, by Michelle D. Christensen.

[54] 31 U.S.C. §1106.

[55] For more, see CRS Report 98-306, *Points of Order, Rulings, and Appeals in the Senate*, by Valerie Heitshusen, and CRS Report 98-307, *Points of Order, Rulings, and Appeals in the House of Representatives*, by Valerie Heitshusen.

- total revenues (and the amount by which the total is to be changed by legislative action);
- total new budget authority and outlays;
- the surplus or deficit; and
- public debt.

With regard to each of the functional categories, the budget resolution must indicate for each fiscal year the amounts of new budget authority and outlays, and they must add up to the corresponding spending aggregates.

Because they are considered off-budget, the aggregate amounts in the budget resolution do not reflect the revenues or spending of the Social Security trust funds, although these amounts are set forth separately in the budget resolution for purposes of Senate enforcement procedures. Similarly, the off-budget status of the Postal Service means that only an appropriation to subsidize certain mail costs is included in the budget resolution.

In addition, the CBA requires that the report accompanying the budget resolution in each chamber include the following information:

- a comparison of total new budget authority, total outlays, total revenues, and the surplus or deficit for each fiscal year set forth in the budget resolution with the amounts requested in the budget submitted by the President;
- the estimated levels of total new budget authority and total outlays, divided between discretionary and mandatory amounts, for each major functional category;
- the economic assumptions that underlie the matters set forth in the budget resolution and any alternative assumptions and objectives the Budget Committee considered;
- information, data, and comparisons indicating the manner in which, and the basis on which, the Budget Committee determined each of the matters set forth in the resolution;
- the estimated levels of tax expenditures by major items and functional categories for the President's budget and in the budget resolution; and
- the committee spending allocations (commonly referred to as Section 302(a) allocations after the applicable section of the CBA).

The budget resolution does not allocate funds among specific programs or accounts, but allocations of total spending in the budget resolution are made to committees with spending jurisdiction under Section 302(a). Major program assumptions underlying the functional amounts are often discussed in the reports accompanying the resolution. While the allocation to a committee is enforceable, these assumptions are not binding. Finally, Section 301(b) identifies certain additional matters that may be included in the budget resolution. Perhaps the most significant optional feature of a budget resolution is reconciliation directives (discussed below).

The House and Senate Budget Committees are responsible for marking up and reporting the budget resolution. In the course of developing the budget resolution, the Budget Committees hold hearings, receive "views and estimates" reports from other committees, and obtain information from CBO. These "views and estimates" reports of House and Senate committees provide the Budget Committees with information on the preferences and legislative plans of congressional committees regarding budgetary matters within their jurisdiction.

The extent to which the Budget Committees (and the House and Senate) consider particular programs when they act on the budget resolution varies from year to year. Specific programmatic funding decisions remain the responsibility of the Appropriations Committees and the committees with direct spending jurisdiction, but there is a strong likelihood that major issues will be discussed in markup, in the Budget Committees' reports, and during floor consideration of the budget resolution. Although any programmatic assumptions generated in this process are not binding on the committees of jurisdiction, they often influence the final outcome.

Floor consideration of the budget resolution is guided by the statutory provisions in the CBA and by House and Senate rules and practices. In the House, the Rules Committee usually reports a special rule, which, once approved, establishes the terms and conditions under which the budget resolution is considered. This special rule typically specifies which amendments may be considered and the sequence in which they are to be offered and voted on. It has been the practice of the House to allow consideration of a few amendments (as substitutes for the entire resolution) that present broad policy choices. In the Senate, the consideration is less structured, but there are some notable constraints that apply to consideration of budget resolutions that do not apply to the consideration of legislation generally. In particular, Section 305 of the CBA limits debate on the initial consideration of a budget resolution and all amendments, debatable motions, and appeals to not more than 50 hours with the time equally divided between, and controlled by, the majority and the minority. The effect of the limit on debate time is that a cloture process requiring three-fifths support is not necessary to reach a final vote on a budget resolution, so the question can be decided by a simple majority. In addition, all amendments offered must be germane. Although there is a limit on debate time, there is no limit on the number of amendments so that consideration of amendments (as well as other motions and appeals) may continue but without debate (sometimes referred to as a "vote-a-rama").[56] Although no further debate time is available, the Senate has sometimes agreed by unanimous consent to accelerated voting procedures, allowing a nominal amount of time to identify and explain an amendment before voting. The CBA imposes no procedural limit on the duration of a vote-a-rama.

The CBA provides that a motion to proceed to consideration of a conference report on a budget resolution in the Senate may be made at any time and that all debate on the conference report (and any amendments, debatable motions, or appeals) is limited to 10 hours. As with the limit on debate time for initial consideration, this limit means that in the Senate a cloture process requiring three-fifths support is not necessary to reach a final vote, so the question can be decided by a simple majority. Although the CBA also provides for House consideration of a conference report on a budget resolution, the House routinely considers a conference report under a special rule, usually limiting debate to one hour.

Achievement of the policies set forth in the annual budget resolution depends on the subsequent legislative actions taken by Congress (and their approval or disapproval by the President), the performance of the economy, and technical considerations. Many of the factors that determine whether budgetary goals will be met are beyond the direct control of Congress. If economic conditions—growth, employment levels, inflation, and so forth—vary significantly from projected levels, so too will actual levels of revenue and spending. Similarly, actual levels of spending or receipts may also differ substantially if the technical factors upon which estimates were based prove faulty, such as the number of participants who become eligible or apply for benefits under a direct spending program.

[56] For more, see CRS Report R40665, *Congressional Budget Resolutions: Consideration and Amending in the Senate*, by Megan S. Lynch.

Deeming Resolutions and Other Alternatives to the Budget Resolution

If the House and Senate do not reach final agreement on a budget resolution it can complicate the budget process. In the absence of a budget resolution, the House and Senate often lack the basis for using points of order to limit the budgetary impact of legislation, and it may also be more difficult to coordinate consideration of the various measures with budgetary impact, both within each chamber and between the chambers, or to assess a measure's relationship to overall budgetary policies and goals. For example, Section 303 of the CBA prohibits consideration of budgetary legislation prior to adoption of the budget resolution. The House is permitted to consider regular appropriations bills after May 15 even if a budget resolution has not been adopted, but without a budget resolution there would be no enforceable upper limit on the overall level of appropriations.

In the absence of a budget resolution, however, Congress may use alternative means to establish enforceable budget levels. When Congress has been late in reaching final agreement on a budget resolution or has not reached agreement at all, the House and Senate, often acting separately, have used legislative procedures to deal with enforcement issues on an ad hoc basis. These alternatives are typically referred to as "deeming resolutions," because they are deemed to serve in place of an agreement between the two chambers on an annual budget resolution for the purposes of establishing enforceable budget levels for the upcoming fiscal year (or multiple fiscal years). Often, a chamber initiates action on a deeming resolution so that it can subsequently begin consideration of appropriations measures with enforceable limits. Deeming resolutions have varied in terms of the legislative vehicle used to establish them, the timing and duration of their effect, and their content.[57]

Congress initially used simple resolutions in each chamber as the legislative vehicle for deeming resolutions (which is why they are referred to as resolutions). In the House, deeming resolutions have often been included in the same resolution providing for consideration of the first appropriations measure for the upcoming fiscal year. Deeming resolutions have also been included as provisions in lawmaking vehicles, such as appropriations bills or statutory budget enforcement legislation. For example, the Budget Control Act of 2011 included provisions for the purpose of budget enforcement for FY2012 and FY2013 to apply in the Senate only if Congress did not agree on a budget resolution for either of those years. These provisions allowed the Senate Budget Committee chair to file in the *Congressional Record* enforceable levels consistent with the statutory spending caps (for discretionary spending) and with baseline projections made by the CBO (for direct spending and revenues). Subsequent measures enacted to modify the spending limits included similar provisions for the House or Senate or both.[58]

Adopting a deeming resolution does not preclude later action to approve a budget resolution. In some cases when Congress has been late in reaching final agreement on a budget resolution, either or both chambers have chosen to use a deeming resolution in order to allow the appropriations process to move forward in a more timely and coordinated fashion and later superseded it through final adoption of a budget resolution.

Deeming resolutions have typically included at least two things: (1) language setting forth or referencing specific enforceable budgetary levels (such as an aggregate spending limit or

[57] For more, see CRS Report R44296, *Deeming Resolutions: Budget Enforcement in the Absence of a Budget Resolution*, by Megan S. Lynch.

[58] These include the Bipartisan Budget Act of 2013 (P.L. 113-67), the Bipartisan Budget Act of 2015 (P.L. 114-74), the Bipartisan Budget Act of 2018 (P.L. 115-123), and the Bipartisan Budget Act of 2019 (P.L. 116-37).

committee spending allocations) and (2) language stipulating that such levels are to be enforceable as if they had been included in a budget resolution. Even so, significant variations exist in their content, with some incorporating (either in their text or by reference) language mirroring everything in a budget resolution adopted in that chamber but not adopted in final form by both.

Budget Enforcement

Regardless of whether Congress establishes budgetary parameters in a budget resolution or some other legislative vehicle, in order for enforcement procedures to work, Congress must be able to relate the budgetary effect of an individual measure to these overall budget parameters to determine whether it would be consistent with those parameters. In order to do so, Congress has sought access to complete and up-to-date budgetary information. A *baseline* is a projection of federal spending and receipts during the current or future fiscal year under existing law. It provides a benchmark for measuring the impact of proposed changes to existing policies.

Projections of the impact of proposed or pending legislation, referred to as *scoring* or *scorekeeping*, allow Congress to be informed about the budgetary consequences of its actions. When a measure with spending or revenue impact is under consideration, scoring information helps Members determine whether a bill or amendment would violate budgetary rules. Scoring also allows Congress to determine how best to achieve the budgetary goals.

The Role of CBO

The CBA established CBO. The mission of CBO is to produce independent analyses of budgetary and economic issues to support Congress. This support includes preparing various reports and providing information such as:

- Reports providing projections of the budgetary and economic outlook and analysis of the President's budget submission;
- Cost estimates of proposed and pending legislation;
- Analyses of federal mandates to state and local governments and the private sector;
- Analyses of major areas of federal policy; and
- Other data and technical information.

Section 312(a) of the CBA designates the House and Senate Budget Committees as the principal scorekeepers for Congress. They provide each chamber's presiding officer with the estimates needed to make decisions about points of order enforcing budgetary parameters. The Budget Committees also make periodic summary scorekeeping reports that are placed in the *Congressional Record*. CBO assists Congress in these activities by preparing cost estimates of legislation, which are included in committee reports, and scoring reports for the Budget Committees. The Joint Committee on Taxation also supports Congress by preparing estimates of the budgetary impact of revenue legislation.[59]

Although a budget resolution does not become law, Congress has a variety of tools that it may use for enforcing the decisions made in it. The CBA includes several provisions designed to encourage congressional compliance with the budget resolution. The House and Senate have also adopted other limits, as part of their standing rules, as procedural provisions in budget resolutions, or as a part of some other measure to establish other budgetary rules, limits, and requirements. In particular, the overall spending ceiling, revenue floor, and committee allocations of spending determined in a budget resolution are all enforceable by points of order in both the House and the Senate. In addition, Appropriations Committees are required to make subdivisions of their committee allocation, and these too are enforceable by points of order. Legislation

[59] The Joint Committee on Taxation is authorized under 26 U.S.C. Subtitle G. Section 201(f) of the CBA provides that "For the purposes of revenue legislation … considered or enacted in any session of Congress, the Congressional Budget Office shall use exclusively … revenue estimates provided to it by the Joint Committee on Taxation."

breaching other budgetary limits or causing increases in the deficit would also generally be subject to points of order.

Points of order are effectively prohibitions against certain types of legislation or other congressional actions being taken in the legislative process. Points of order are not self-enforcing, however. A point of order must be raised by a Member on the floor of the chamber before the presiding officer can rule on its application and thus for its enforcement.[60]

In the Senate, most points of order related to budget enforcement may be waived by a vote of three-fifths of all Senators duly chosen and sworn (60 votes if there are no vacancies). Although the presiding officer may rule on whether the point of order is well taken, in practice Senators will typically make a motion to waive the application of the rule. If the waiver motion fails, the presiding officer will then rule the provision or amendment out of order. As with other provisions of Senate rules, budget enforcement points of order may also be waived by unanimous consent.

In the House, points of order, including those for budget enforcement, may be waived by the adoption of special rules, although other means (such as unanimous consent or suspension of the rules) may also be used.[61] A waiver may be used to protect a bill, specified provision(s) in a bill, or an amendment from a point of order that could be raised against it. Waivers may be granted for one or more amendments even if they are not granted for the underlying bill. The House may waive the application of one or more specific points of order, or it may include a "blanket waiver," that is, a waiver that would protect a bill, provision, or amendment from any point of order.

The Reconciliation Process

Because a budget resolution is in the form of a concurrent resolution and is not enacted into law, any statutory changes concerning spending or revenues that are necessary to implement changes in budget policies must be enacted in separate legislation. Reconciliation is an optional legislative process that affords Congress an opportunity to use an expedited procedure to accomplish this.[62] As provided in Section 310 of the CBA, reconciliation consists of several stages, beginning with congressional adoption of the budget resolution, that allow Congress to make policy changes within the jurisdiction of specified committees. The reconciliation process allows a certain measure (or measures) to be privileged for consideration and then allows Congress to use an expedited procedure when considering it. These procedures include directing committees to draft legislative language to fit specific desired budgetary outcomes, packaging language from multiple committees into omnibus legislation, limiting amending opportunities, and limiting the duration of debate on the Senate floor.

If Congress intends to use the reconciliation process, reconciliation instructions to committees must first be included in the budget resolution. This feature alone places perhaps the most significant limitation on the use of reconciliation. A budget resolution can be adopted with a simple majority, but because bicameral agreement on the budget resolution is a necessary first step, the House and Senate must collectively agree on the need for reconciliation. If such an agreement can be achieved, reconciliation instructions can then trigger the second stage of the process by directing specific committees to develop and report legislation that would change laws within their respective jurisdictions related to spending, revenues, or the debt limit.

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[60] For more, see CRS Report 97-865, *Points of Order in the Congressional Budget Process*, by James V. Saturno.

[61] For more, see CRS Report 98-433, *Special Rules and Waivers of House Rules*, by Megan S. Lynch.

[62] For more, see CRS Report R44058, *The Budget Reconciliation Process: Stages of Consideration*, by Megan S. Lynch and James V. Saturno.

If a committee is instructed to submit legislation reducing spending (or the deficit) by a specific amount, that amount is considered a minimum, meaning that a committee may report greater net savings. If a committee is instructed to submit legislation increasing revenues by a specific amount, that amount would also be considered a minimum. If a committee is instructed to decrease revenue, however, that amount would be considered a maximum. Although there is no procedural mechanism to ensure that legislation developed by a committee in response to reconciliation instructions will be in compliance with the instructed levels, if a committee does not report legislation or such legislation is not fully in compliance with the instructions, procedures are available that would allow either chamber to move forward with reconciliation nevertheless. For example, legislative language that falls within the jurisdiction of the noncompliant committee can be added to a reconciliation bill during floor consideration that will bring the bill into compliance. These methods vary by chamber.

In the development of legislation in response to reconciliation instructions, the policy choices remain the prerogative of the committee. In some instances, reconciliation instructions have included particular policy options or assumptions regarding how an instructed committee might be expected to achieve its reconciliation target, but such language has not been considered binding or enforceable.

Reconciliation instructions may further direct the committee to report the legislation for consideration in its respective chamber or to submit the legislation to the Budget Committee to be included in an omnibus reconciliation measure. If it will be included in an omnibus measure, the CBA requires that the Budget Committee report such a measure "without any substantive revision."

Although reconciliation instructions may include target dates for committees to submit their legislative language, there is no requirement that the Budget Committee, in either chamber, report a reconciliation bill by that date. As a consequence, the target date included in reconciliation instructions is not necessarily indicative of a timetable for consideration of reconciliation legislation.

In the House, floor consideration of reconciliation legislation has historically been governed by special rules reported from the House Rules Committee. These special rules have established the duration of a period of general debate as well as provided for a limited number of amendments (if any) that may be considered before the House votes on final passage.

In the Senate, reconciliation legislation is eligible to be considered under expedited procedures. The Senate has interpreted the CBA to allow it to take up a reconciliation bill by agreeing to a nondebatable motion to proceed to its consideration. Because it is nondebatable, a majority can vote immediately to take it up so that a cloture process requiring three-fifth support is not necessary to reach a vote on the question of whether to take up a reconciliation bill. For a reconciliation bill, as with a budget resolution, a distinguishing feature is that there are limits on the consideration of the bill as well as any amendments. Section 310 of the CBA limits total debate time on a reconciliation measure including all amendments, motions, or appeals to 20 hours, equally divided and controlled by the majority and minority. As with a budget resolution, because the limit is on debate time (rather than all consideration), after the debate time has expired, Senators may continue to offer amendments (and make other motions or appeals) in a vote-a-rama although no further debate is allowed. Despite this, the limit on debate time has meant that, in practice, it has been unnecessary for a supermajority of the Senate to invoke cloture in order to reach a final vote on a reconciliation bill so that it can be passed by a simple majority.

Perhaps the best-known limit on the content of reconciliation bills or amendments is the so-called Byrd Rule (Section 313 of the CBA).[63] This rule prohibits including extraneous provisions in the measure or offering them as amendments. In general, this means that it prohibits the inclusion of nonbudgetary provisions in reconciliation legislation or provisions that are otherwise contrary to achieving the purposes established in reconciliation instructions. If a Byrd Rule point of order is sustained on the floor against a provision in the bill as reported by committee, the provision is stricken, but further consideration of the bill may continue. If the point of order is sustained against an amendment, the amendment's further consideration would not be in order. The CBA also places other limits on the content of reconciliation bill amendments. For example, all amendments must be germane to the bill, meaning that amendments generally cannot be used to expand the scope of a reconciliation bill beyond that of the provisions reported from an instructed committee (although a motion to commit or recommit that would bring a committee into compliance with its instructions would not be limited by this rule). Limits on amendments' budgetary impact also exist. Amendments, for example, may not increase the level of spending (or reduce the level of revenues) provided in the bill unless such effects are offset. Together, these rules have the effect of protecting the policy changes proposed by an instructed committee in ways that are not generally available under the Senate's regular procedures. In most cases, points of order related to limiting the content of reconciliation bills may be waived by a vote of three-fifths of all Senators.

As with all legislation, any differences in the reconciliation legislation passed by the two chambers must be resolved before the bill can be sent to the President for approval or veto. Conference reports on a reconciliation bill, as for other legislation, are privileged for consideration by the Senate so that a majority can quickly vote to take up a conference report without first invoking cloture. The CBA, however, does provide that all debate on the conference report for a reconciliation bill (and any amendments, debatable motions, or appeals) is limited to 10 hours.[64] In the House, the routine practice has been to consider a conference report under a special rule, usually limiting debate to one hour.

Reconciliation first became a powerful legislative tool because reconciliation directives in a budget resolution could be used as a means to require specific legislative committees to make policy choices that would implement overall budgetary goals. Although there are constraints on the use of reconciliation, especially the need for bicameral agreement to initiate the procedure and points of order that limit the content of reconciliation bills, it has continued to be important because it has evolved to provide Congress with a procedure that has been employed to achieve a variety of budgetary and policy purposes.[65] In particular, the limit on time for floor debate in the Senate has meant that major legislation can be enacted by majority vote without the need for a supermajority to first invoke cloture.[66]

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[63] For more, see CRS Report RL30862, *The Budget Reconciliation Process: The Senate's "Byrd Rule"*, by Bill Heniff Jr.

[64] The 10-hour limit would also apply to consideration of motions to accomplish a resolution of differences by amendments between the chambers.

[65] For a history of the reconciliation process, see James V. Saturno "Evolution of the Reconciliation Process, 1980-2015," in Jacob R. Straus and Matthew E. Glassman, *Party and Procedure in the United States Congress*, 2nd ed. (Lanham: Rowman & Littlefield, 2016), pp. 81-108.

[66] For more on legislation enacted through the reconciliation process, see CRS Report R40480, *Budget Reconciliation Measures Enacted Into Law: 1980-2017*, by Megan S. Lynch.

The Annual Appropriations Process

Discretionary spending is provided through a characteristically annual process in which Congress enacts regular appropriations measures.[67] As an exercise of their constitutional authority to determine their rules of proceeding, both chambers have adopted rules that facilitate their ability to define and provide for consideration of these measures. One fundamental aspect of this has been to limit appropriations to purposes authorized by law. This requirement allows Congress to distinguish between legislation that addresses only questions of policy and that which addresses questions of funding and to provide for their separate consideration. In common usage, the terms used to describe these types of measures are *authorizations* and *appropriations*, respectively.

An *authorization* may generally be described as a statutory provision that defines the authority of the government to act. It can establish or continue a federal agency, program, policy, project, or activity. Further, it may establish policies and restrictions and deal with organizational and administrative matters. It may also, explicitly or implicitly, authorize subsequent congressional action to provide appropriations. By itself, however, an authorization of discretionary spending does not provide funding for government activities.[68]

An *appropriation* may generally be described as a statutory provision that provides budget authority, thus permitting a federal agency to incur obligations and make payments from the Treasury for specified purposes, usually during a specified period of time.

The authorizing and appropriating tasks are largely carried out by a division of labor within the committee system and preserved under House and Senate rules. Legislative committees—such as the House Committee on Armed Services and the Senate Committee on Commerce, Science, and Transportation—are responsible for authorizing legislation related to the agencies and programs under their jurisdiction. Most standing committees have authorizing responsibilities. The Appropriations Committees of the House and Senate have jurisdiction over appropriations measures, including annual appropriations bills, supplemental appropriations bills, and continuing resolutions.

Authorizing Legislation

The primary purpose of authorization statutes or provisions is to provide authority for an agency to administer a program or engage in an activity.[69] These are sometimes referred to as "organic" or "enabling" authorizations. It is generally understood that such statutory authority to administer a program or engage in an activity also provides an implicit authorization for Congress to appropriate for such program or activity. Appropriations may also be authorized explicitly for definite or indefinite amounts (i.e., "such sums as may be necessary"), either through separate legislation or as part of an organic statute (that is, the legislation that establishes the agency mission or programmatic parameters). These are sometimes referred to as "authorizations of

[67] For more, see CRS Report R42388, *The Congressional Appropriations Process: An Introduction*, coordinated by James V. Saturno.

[68] In contrast to an authorization for discretionary spending, an authorization for mandatory spending includes language that would require a payment to be made and, in many cases, would also include language providing the budget authority for making the payment.

[69] For more on authorizations generally, see CRS Report R42098, *Authorization of Appropriations: Procedural and Legal Issues*, coordinated by Edward C. Liu; and Jessica Tollestrup, "Changes in the Purposes and Frequency of Authorizations of Appropriations," in U.S. Congress, Senate Committee on Rules and Administration, *The Evolving Congress*, S.Prt. 113-30, 113th Cong., 2nd sess. (Washington, DC: GPO, 2014), pp. 259-279.

appropriations." If such an authorization of appropriations is present, it may have to be renewed annually or periodically, and it may expire even though the underlying authority in an organic statute to administer such a program or engage in such an activity does not. Most federal agencies operate under a patchwork of authorizing statutes that govern various requirements and duties. Furthermore, there is no requirement in either chamber that the structure of authorizations mirror the account structure in appropriations bills. As a consequence, the burden of proving the authorization for funding carried in an appropriations bill falls on the proponents and managers of the bill.[70]

The rules of the House and Senate establish a general expectation that agencies and programs be authorized in law before an appropriation is made to fund them.[71] An appropriation in the absence of a current authorization, in excess of an authorization ceiling, or for purposes not previously authorized by law is commonly called an "unauthorized appropriation." Conversely, while authorizations can impose a procedural limit on appropriations, Congress is not required to provide appropriations for an authorized discretionary spending program.

House and Senate rules also preserve the distinction between authorizations and appropriations by prohibiting the inclusion of general legislative language in appropriations measures. The division between an authorization and an appropriation, however, is a procedural construct of House and Senate rules created to apply to congressional consideration. Consequently, the term *unauthorized appropriations* does not convey a legal meaning with regard to subsequent funding. If unauthorized appropriations or legislation remain in an appropriations measure as enacted, either because no one raised a point of order or the House or Senate waived the rules, the provision will still have the force of law. Unauthorized appropriations, if enacted, are therefore generally available for obligation or expenditure. Similarly, any legislative provisions enacted in an annual appropriations act also generally have the force of law for the duration of that act unless otherwise specified.[72]

Regular Appropriations Legislation

An appropriation is a law passed by Congress that provides federal agencies legal authority to incur obligations and the Treasury Department authority to make payments for designated purposes. The power of appropriation derives from the Constitution, which in Article I, Section 9, provides that "[n]o money shall be drawn from the Treasury but in consequence of appropriations made by law." The power to appropriate is exclusively a legislative power; it functions as a limitation on the executive branch. An agency may not spend more than the amount appropriated to it, and it may use available funds only for the purposes and according to the conditions provided by Congress.

The Constitution does not require annual appropriations, but since the First Congress the practice has been to make appropriations for a single fiscal year. Appropriations must be used (obligated) in the fiscal year for which they are provided unless the law provides that they shall be available for a longer period of time. All provisions in an appropriations act, such as limitations on the use

[70] Charles W. Johnson, John V. Sullivan, and Thomas J. Wickham, Jr., *House Practice: A Guide to the Rules, Precedents and Procedures of the House*, 115th Cong., 1st sess. (Washington, DC: GPO, 2017), ch. 4, §13, p. 85.

[71] The language in House Rule XXI, clause 2, establishes a prohibition on appropriations not authorized by law in general appropriations bills and amendments thereto. Senate Rule XVI, paragraphs 1 and 4, apply the prohibition to committee or floor amendments to general appropriations bills.

[72] For more, see GAO, *Principles of Federal Appropriations Law* (4th ed., 2016), GAO-16-464SP, ch. 2, §C, Authorizations versus Appropriations.

of funds, expire at the end of the fiscal year unless the language of the act extends their period of effectiveness.

Congress passes three main types of appropriations measures. *Regular appropriations acts* provide budget authority to agencies for the next fiscal year. *Supplemental appropriations acts* provide additional budget authority during the current fiscal year when the regular appropriation is insufficient or to finance activities not provided for in the regular appropriation. *Continuing appropriations acts* provide interim (or full-year) funding for agencies that have not received a regular appropriation.

In a typical session, Congress acts on 12 regular appropriations bills. In recent years, Congress has merged two or more of the regular appropriations acts (sometimes termed "minibus" or "omnibus" appropriations legislation) for a fiscal year at some point during their consideration.

In current practice, there are both statutory and procedural limits on the level of discretionary spending. A statutory limit on discretionary spending was established under the BCA for each fiscal year from FY2012 through FY2021, divided into separate defense and nondefense categories.[73] A procedural limit on total appropriations can be established under a budget resolution or some alternate measure (see sections on the budget resolution and deeming resolutions in this report). Once the amount is established, it is allocated to the Appropriations Committee in each chamber pursuant to Section 302(a) of the CBA. Section 302(b) further requires the Appropriations Committee in each chamber to subdivide the total allocation among its subcommittees.

By long-standing custom, appropriations measures originate in the House of Representatives.[74] In the House, appropriations measures are originated by the Appropriations Committee (when it marks up or reports the measure) rather than being introduced by a Member beforehand and referred to the committee. Before the full committee acts on the bill, it is drafted and considered in the relevant Appropriations subcommittee. The House and Senate Appropriations Committees currently have 12 parallel subcommittees.[75] The House subcommittees typically hold extensive hearings on appropriations requests shortly after the President's budget is submitted. In marking up their appropriations bills, the various subcommittees are then guided by the discretionary spending limits and the subdivisions made to them by the full committee under Section 302(b) of the CBA.

The Senate usually considers appropriations measures after they have been passed by the House. When House action on appropriations bills is delayed, however, the Senate may expedite its actions by considering a Senate-numbered bill up to the stage of final passage. In this scenario, upon receipt of the House-passed bill in the Senate, it is amended with the text that the Senate has already agreed to (as a single amendment) and then passed by the Senate.

The basic unit of an appropriation bill is an account. A single unnumbered paragraph in an appropriations act comprises one account, and all provisions of that paragraph pertain to that

[73] For more on discretionary spending limits, see CRS Report R44874, *The Budget Control Act: Frequently Asked Questions*, by Grant A. Driessen and Megan S. Lynch.

[74] The House has historically asserted the prerogative to originate general appropriations bills, as well as revenue bills, under the Origination Clause of the U.S. Constitution. While the Senate has not always accepted this interpretation, it has acceded to follow it as a matter of custom. For more, see CRS Report RL31399, *The Origination Clause of the U.S. Constitution: Interpretation and Enforcement*, by James V. Saturno.

[75] For more, see CRS Report RL31572, *Appropriations Subcommittee Structure: History of Changes from 1920 to 2019*, by James V. Saturno.

account and to no other unless the text expressly gives them broader scope. Any provision limiting the use of funds enacted in that paragraph is a restriction on that account alone.

Over the years, appropriations have been consolidated into a relatively small number of accounts. It is not uncommon for a federal agency to have a single account for all its expenses of operation and additional accounts for other purposes such as construction. Accordingly, most appropriation accounts encompass a number of activities or projects. The appropriation sometimes includes directives or provisos that allot specific amounts to particular activities within the account, but the more common practice is to provide detailed information on the amounts intended for each activity in other sources, principally the committee reports accompanying the measures.[76]

In addition to the substantive limitations (and other provisions) associated with each account, each appropriations act has "general provisions" that apply to all of the accounts in a title or in the whole act. These general provisions appear as numbered sections, usually at the end of the title or the act.

If not otherwise specified, an appropriation is for a single fiscal year so that the funds have to be obligated during the fiscal year for which they are provided and that they lapse if not obligated by the end of that year. Congress can also specify that an appropriation remains available for obligation for another period[77] or even that it remain available until expended (termed "no-year" funds).

Continuing Resolutions

The routine activities of most federal agencies are funded annually by one or more of the regular appropriations acts. When action on the regular appropriations acts is delayed, however, one or more continuing appropriations acts (also referred to as a continuing resolution, or CR) may be used to provide interim budget authority in order to prevent a funding gap or the need for a shutdown of government activities.[78] This may occur if regular annual appropriations acts are not enacted by the beginning of the fiscal year (October 1), or upon the expiration of a prior CR, until action on the regular appropriations acts is completed.[79]

In providing temporary funding, CRs have typically addressed several issues:

Coverage. CRs have provided funding for certain activities. In current practice, this is typically specified with reference to the prior fiscal year's appropriations acts.

Duration. CRs have provided budget authority for a specified duration of time. In some cases this may be as short as a single day, although a CR can provide funding for the remainder of the fiscal year. CRs include language that provides that the CR may be superseded by a regular appropriations act if it is enacted prior to the expiration of the CR.

Rate. Since CRs typically provide funds for a limited period, they generally provide those funds based on a rate rather than a set amount. This rate can be set at the rate of operations funded in the previous year, it can be the previous rate of operations adjusted by some percentage, or it can be based on some other amount. This is in contrast to regular and supplemental appropriations acts,

[76] For more, see CRS Report R44124, *Appropriations Report Language: Overview of Development, Components, and Issues for Congress*, by Jessica Tollestrup (archived, but available by request for congressional clients).

[77] For more, see CRS Report R43482, *Advance Appropriations, Forward Funding, and Advance Funding: Concepts, Practice, and Budget Process Considerations*, by Jessica Tollestrup and Kate P. McClanahan.

[78] For more, see CRS Report RS20348, *Federal Funding Gaps: A Brief Overview*, by James V. Saturno.

[79] For more, see CRS Report R42647, *Continuing Resolutions: Overview of Components and Practices*, coordinated by Kate P. McClanahan.

which generally provide specific amounts for each account. Other factors may also have an impact on interpreting the rate of operations, such as historical spending patterns or provisions commonly included in CRs that would require funds be apportioned at the rate necessary to avoid furloughs or limit funds for programs with high initial rates of operation or complete distribution of appropriations at a set time during a fiscal year (that is, all or most of the funds would be used at a single set time during the fiscal year).

For mandatory spending that is funded through appropriations acts, CRs normally provide for a rate of funding sufficient to maintain program levels under current law since the levels necessary to meet obligations are independent of prior year actions.

Funds expended under a CR are considered a portion of the total amount subsequently provided for the entire fiscal year when a regular appropriation bill is later enacted into law.

Limits on usage. CRs typically include language carrying forward any terms and conditions on the obligation of such budget authority in the prior fiscal year. CRs have also included language specifying that funding provided in the CR should be implemented so that only the most limited action allowed by law be taken with respect to providing for continuation of projects and activities in order to preserve congressional prerogative to later determine the amount available. Another typical feature of CRs is language to prohibit "new starts" in order to limit agencies, particularly the Department of Defense, the authority to make long-term commitments while operating under temporary funding or to prevent agencies from initiating or resuming any project or activity for which appropriations were not available during the prior fiscal year.

Specific adjustments. The duration and amount of funds in the CR and purposes for which they may be used may be adjusted for specified activities or programs—for example, to provide that funds for a certain program be based on an amount different from the rate for the previous year. These adjustments are commonly termed "anomalies."

The Executive Budget Process: Budget Execution

After enactment of a particular appropriation into law, federal agencies must attempt to interpret and apply its terms in order to execute their budgetary responsibilities. Agencies may generally obligate and expend funds subject to any conditions addressed by appropriations statutes guided by three general principles:

- the purpose(s) for which particular funds are appropriated, which may be expressed in statute in more or less detail and, in some cases, with certain restrictions;[80]
- the time period during which funds are available for obligation and expenditure—sometimes referred to as the period of availability or duration of appropriations;[81] and
- the amount of appropriated funds that may be obligated and expended.[82]

[80] For more, see GAO, *Principles of Federal Appropriations Law* (4th ed., 2017) GAO-17-797SP, ch. 3, Availability of Appropriations: Purpose.

[81] For more, see GAO, *Principles of Federal Appropriations Law* (3rd ed., 2004) GAO-04-261SP, v. 1, ch. 5, Availability of Appropriations: Time.

[82] For more, see GAO, *Principles of Federal Appropriations Law* (3rd ed., 2006) GAO-06-382SP, v. 3, ch. 6, Availability of Appropriations: Amount.

Within the contours of these statutory conditions on the availability of funds, agencies may nevertheless exercise some discretion regarding how funds are allocated and the pace at which funds are obligated and spent.

The Antideficiency Act and Apportionment

The so-called Antideficiency Act consists of a series of provisions and revisions incorporated into appropriations laws over the years relating to matters such as prohibited activities, the apportionment system, and budgetary reserves.[83] These provisions, now codified in two locations in Title 31 of the *United States Code*,[84] continue to play a pivotal role in the execution phase of the federal budget process, when the agencies actually spend the funds provided in appropriations laws.

The origins of the Antideficiency Act date back to 1870,[85] which provided:

> that it shall not be lawful for any department of the government to expend in any one fiscal year any sum in excess of appropriations made by Congress for that fiscal year, or to involve the government in any contract for the future payment of money in excess of such appropriations.

Later modifications, particularly the Antideficiency Acts of 1905 and 1906, sought to strengthen the prohibitions of the 1870 law by expanding its provisions, adding restrictions on voluntary services for the government, and imposing criminal penalties for violations. These laws also established a new administrative process for budget execution, termed "apportionment," which requires that budget authority provided to federal agencies in appropriations acts be allocated in installments, rather than all at once. By apportioning funds, agencies can prevent operating at a rate that would expend all budget authority before the end of the fiscal year or end the year with substantial amounts unobligated.

Four main types of prohibitions are contained in the Antideficiency Act, as amended: (1) making expenditures in excess of the appropriation; (2) making expenditures in advance of the appropriation; (3) accepting voluntary service for the United States, except in cases of emergency; and (4) making obligations or expenditures in excess of an apportionment or reapportionment or in excess of the amount permitted by agency regulation.

One significant impact of the Antideficiency Act has been concern with the potential for a government shutdown as a response to a funding gap. In 1980 and early 1981, then-Attorney General Benjamin Civiletti issued opinions in two letters to the President. The "Civiletti Letters" have continued to have effect through guidance provided to federal agencies under various OMB circulars clarifying the limits of federal government activities upon the occurrence of a funding gap.[86]

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[83] For more, see GAO, *Principles of Federal Appropriations Law* (3rd ed., 2006) GAO-06-382SP, v. 2, ch. 6, §C, The Antideficiency Act.

[84] Antideficiency provisions are codified in 31 U.S.C. §§1341, 1342, 1517; apportionment requirements are codified in 31 U.S.C. §§1511-1519.

[85] The provisions appeared in the Legislative, Executive, and Judicial Expenses Appropriations Act for FY1871 (16 Stat 230-251), enacted July 12, 1870, in Sections 5-7.

[86] The text of the opinions is included in Appendices IV and VIII of GAO, *Funding Gaps Jeopardize Federal Government Operations*, PAD-81-31, March 3, 1981. OMB Circular No. A-11 provides guidance to executive branch agencies on how to prepare for and operate during a funding gap, including how to determine purposes for which agencies may incur obligations during such a gap.

The Civiletti Letters state that, in general, the Antideficiency Act requires that if Congress has enacted no appropriation beyond a specified period, the agency may make no contracts and obligate no further funds for activities associated with the lapsed appropriation except as "authorized by law." In addition, because no statute generally permits federal agencies to incur obligations without appropriations for the pay of employees, the Antideficiency Act does not, in general, authorize agencies to employ the services of their employees upon a lapse in appropriations, though it does permit agencies to fulfill certain legal obligations connected with the orderly termination of agency operations.

The second letter, from January 1981, discusses the more complex issue of interpretation presented with respect to obligational authorities that are "authorized by law" but not manifested in appropriations acts. In a few cases, Congress has expressly authorized agencies to incur obligations without regard to available appropriations. More often, it is necessary to inquire under what circumstances statutes that vest particular functions in government agencies imply authority to create obligations for the execution of those functions despite a lack of current appropriations. It is under this guidance that exceptions may be made for activities involving "the safety of human life or the protection of property."

As a consequence of these guidelines, when a funding gap occurs, executive agencies begin a shutdown of the affected projects and activities, including the furlough of non-excepted personnel.

Reprogramming and Transfers

The language by which funds are provided to federal agencies may vary in the level of discretion agencies have to determine how to spend the funds that have been provided. One type of discretion that commonly occurs is with respect to the purposes for which funds are available when appropriations are provided as a lump sum with little or no specificity in the appropriations statute. Even when the purpose of appropriations has been specified in detail, agencies have some flexibility to determine how they will use their available budgetary resources during the fiscal year. For example, agencies may shift funds from one purpose or object to another through reprogramming and transfers.[87]

Reprogramming is the shifting of funds within an appropriation account from one object class to another or from one program activity to another. Generally, agencies may make such shifts without additional statutory authority, but often they must provide some form of notification to the appropriations committees, authorizing committees, or both.

A *transfer* is the shifting of budget authority from one appropriation account to another. Agencies may transfer budget authority only as specifically authorized by law. In most cases, transfers involve movement of funds within an agency or department, but they may also involve movement of funds between two or more agencies or departments. Transfer authority may be provided either in authorizing statutes or in appropriations acts. In addition, statutory provisions that provide transfer authority will require the agency to notify Congress.

In general, both transferred and reprogrammed funds are subject to any limitations or conditions that were imposed by the appropriations act that originally made it available. All original restrictions remain in effect on transferred funds regardless of whether the funds in the receiving

[87] For more, see CRS Report R43098, *Transfer and Reprogramming of Appropriations: An Overview of Authorities, Limitations, and Procedures*, by Michelle D. Christensen, and GAO, *Principles of Federal Appropriations Law* (4th ed., 2017) GAO-17-797SP, ch. 3, §B-7, Transfers and Reprogramming.

appropriations account have different restrictions or characteristics than the funds being transferred. In other words, limitations and restrictions follow the funds.[88]

Additional restrictions may be imposed by statutes to limit transfer or reprogramming authority in certain circumstances or with respect to certain agencies. Such restrictions may be specified in terms of an amount or a percentage. One example of a statutory restriction would be language that places a cap on the amounts that may be transferred. Such caps may be imposed on either the account from which funds are being transferred or the account receiving the transferred funds. These restrictions are commonly referred to as "not-to-exceed" limits.

Impoundment

Although an appropriation limits the amounts that can be spent, it also establishes the expectation that the available funds will be used to carry out authorized activities. Therefore, when an agency declines to use all or part of an appropriation, it deviates from the intentions of Congress. Although Presidents have sometimes asserted that they are not obligated to spend appropriated funds, Supreme Court decisions—especially *Train* v. *City of New York* (420 U.S. 35 [1975]) and the Impoundment Control Act of 1974 (ICA)[89]—limit their authority to reduce or withhold agency funding, by action or inaction, that prevents the obligation and expenditure of budget authority.

An *impoundment* is an action or inaction by the President or a federal agency that delays or withholds the obligation or expenditure of budget authority provided in law. The ICA divides impoundments into two categories and establishes distinct procedures for each: A *deferral* delays the use of funds; a *rescission* is a presidential request that Congress rescind (cancel) an appropriation or other form of budget authority. Deferral and rescission are exclusive and comprehensive categories. That is, an impoundment is either a rescission or a deferral—it cannot be both or something else.

As originally enacted, the ICA also created a process through which the President could propose a deferral of budget authority (meaning to delay its availability), and either the House or Senate could prevent the deferral by adopting a resolution disapproving it. The process by which a single chamber could prevent the exercise of authority delegated to the executive branch (known as a "legislative veto") was later found unconstitutional, however. Specifically, after the Supreme Court invalidated an unrelated one-house legislative veto in *INS* v. *Chadha*, 462 U.S. 919 (1983), the Court of Appeals for the D.C. Circuit applied the reasoning of *Chadha* to invalidate the deferral provisions in the ICA. This decision in *City of New Haven* v. *United States* (809 F.2d 900 [D.C. Cir. 1987]), also struck down the statutory authority of the President to make deferrals for policy reasons as inseverable from the unconstitutional legislative veto. After the court decisions, as well as GAO administrative interpretations of the issue, Congress amended the ICA in 1987 to eliminate the one-house disapproval and specify that deferrals be "permissible only: (1) to provide for contingencies; (2) to achieve savings made possible by or through changes in requirements for greater efficiency of operations; or (3) as specifically provided by law." In

[88] This general restriction is found in 31 U.S.C. §1532, which states: "Except as specifically provided by law, an amount authorized to be withdrawn and credited [transferred] is available for the same purpose and subject to the same limitations provided by the law appropriating the amount."

[89] Title X of the Congressional Budget and Impoundment Control Act of 1974.

addition, deferrals could not be proposed for any period extending beyond the end of the fiscal year for which the proposal was reported.[90]

Prior to the enactment of the ICA, when the President withheld appropriated funds from obligation, there was no explicit statutory limit on the length of time that funds could be withheld. Under the ICA, however, whenever the President seeks to withhold funds from obligation, he must submit a special rescission message to Congress. The funds can be withheld only for the 45-day period specified in the act after the receipt of the special presidential message. The special presidential message to Congress must specify the amount to be rescinded, the accounts and programs involved, the estimated fiscal and program effects, and the reasons for the rescission. Multiple rescissions can be grouped in a single message. After the message has been received, Congress can choose to consider and pass a rescission bill that includes all, part, or none of the amount proposed by the President. The funds reserved pursuant to a rescission request must be released after the 45-day period unless Congress has completed action on a bill to rescind the budget authority. GAO is granted responsibilities to oversee and enforce executive branch compliance with the act.

The ICA also created legislative procedures for the House and Senate to facilitate congressional review of presidential rescission requests. These procedures can effectively place a time limit on committee consideration and restrict floor debate in both chambers. The procedures discourage a filibuster in the Senate and eliminate the need for three-fifths support in the Senate to reach a final vote on the bill. These expedited procedures are available only during the 45-day period during which funds are withheld.

The President can also propose cancellations of budget authority in ways other than the method described in the ICA for requesting rescissions. Funds requested for cancellation, however, may not be withheld from obligation pending congressional action. Although the Trump Administration has submitted rescission requests to Congress, during the two prior presidential Administrations, the President chose not to send rescission proposals pursuant to the ICA. Both President Barack Obama and President George W. Bush proposed cancellations of budget authority, but they chose not to do so by submitting a special message under the terms prescribed by the ICA.

Conversely, Congress can, and often does, initiate the rescission of funds on its own and may choose to consider legislation rescinding funds using the regular legislative process. Rescissions are regularly included in appropriations bills, for example.

Sequestration

Sequestration was the principal means used to enforce statutory budget enforcement policies in place from 1985 through 2002,[91] and it is the principal means used to enforce the requirements of the Statutory PAYGO Act[92] and the statutory limits on discretionary spending under the BCA.[93] In addition, sequestration is used to achieve a portion of the spending reductions required when

[90] Deferrals are conceptually and statutorily distinct from other actions that can have an impact on issues related to the scheduling of obligations, such as the apportionment or spending under a CR.

[91] For more, see CRS Report R41901, *Statutory Budget Controls in Effect Between 1985 and 2002*, by Megan S. Lynch.

[92] For more, see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*, by Bill Heniff Jr.

[93] For more, see CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan (archived, but available by request for congressional clients).

deficit reduction legislation tied to the Joint Committee on Deficit Reduction was not enacted as provided by the BCA.[94]

Sequestration involves the issuance of a presidential order that permanently cancels non-exempt budgetary resources (except for revolving funds, special funds, trust funds, and certain offsetting collections) for the purpose of achieving a required amount of outlay savings to reduce the deficit. Once sequestration is triggered, spending reductions are made automatically.

A sequestration order by the President is triggered by a report from the OMB director determining that a breach has occurred. To enforce the statutory discretionary spending caps, OMB first provides a preview report at the beginning of the calendar year, including calculations of any necessary adjustments to the existing limits for the upcoming fiscal year. Once discretionary spending is enacted, OMB evaluates that spending relative to the spending limits and determines whether sequestration is required. OMB is required to issue the final report within 15 calendar days after the congressional session adjourns sine die. For discretionary spending that becomes law after the session ends (e.g., the enactment of a supplemental appropriations measure), the OMB evaluation and any sequester order to enforce the limits would occur 15 days after enactment.

For enforcement of the Statutory PAYGO Act, OMB records the budgetary effects of revenue and direct spending provisions enacted into law, including both costs and savings, on two PAYGO scorecards covering rolling five-year and 10-year periods (i.e., in each new session, the periods covered by the scorecards roll forward one fiscal year). OMB must issue an annual PAYGO report not later than 14 days (excluding weekends and holidays) after Congress adjourns to end a session. Once OMB finalizes the two PAYGO scorecards, it determines whether a violation of the PAYGO requirement has occurred (i.e., if a debit has been recorded for the budget year on either scorecard). If a breach occurs, the President issues a sequestration order that implements largely across-the-board cuts in nonexempt direct spending programs sufficient to remedy the violation.[95]

Spending for many programs is exempt from sequestration, and reductions in certain programs are limited by statutory provisions.[96]

[94] For more, see CRS Report R45941, *The Annual Sequester of Mandatory Spending through FY2029*, by Charles S. Konigsberg.

[95] For more, including a discussion of the operation of the PAYGO scorecard and sequester report, see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*, by Bill Heniff Jr.

[96] For more, see CRS Report R42050, *Budget "Sequestration" and Selected Program Exemptions and Special Rules*, coordinated by Karen Spar (archived, but available by request for congressional clients).

Appendix A. Glossary of Budget Process Terms

302. The section of the Congressional Budget Act of 1974 that pertains to the distribution to House and Senate committees of new budget authority, entitlement authority, and outlays agreed to in a budget resolution. The allocation is usually included in the joint explanatory statement that accompanies the conference report on a budget resolution. Section 302(a) requires the allocation of the total spending in the budget resolution among the committees having jurisdiction over either direct or discretionary spending. When a budget resolution has not been adopted, the House and Senate (separately or jointly) may use some other means to establish committee allocations. Section 302(b) further requires the Appropriations Committee in each chamber to subdivide this total allocation among their subcommittees. Section 302(f) establishes a point of order against the consideration of a bill, amendment thereto, or conference thereon that would breach the appropriate 302(a) (or 302(b)) amount for the committee (or subcommittee).

Apportionment. The action by which federal agencies, working with the Office of Management and Budget, establish a plan for budget authority made available by spending laws to be obligated over the course of a fiscal year consistent with all legal requirements. Apportionment is required under the Antideficiency Act in order to prevent the premature exhaustion of funds, and for certain kinds of budget authority, to achieve the most effective and economical use of those funds.

Appropriation. Legislation that provides budget authority to allow federal agencies to incur obligations and to make payments out of the Treasury for specified purposes, usually during a specified period of time. Discretionary appropriations measures are under the jurisdiction of the House and Senate Committees on Appropriations.

Authorization. A statutory provision that establishes or continues a federal agency, activity, or program. It may also establish policies and restrictions and deal with organizational and administrative matters. Authorizations may implicitly or explicitly authorize congressional action to provide appropriations for an agency, activity, or program. An explicit authorization of appropriations may apply to a single fiscal year, several fiscal years, or an indefinite period of time, and it may be for a specific level of funding or an indefinite amount. An authorization of appropriations does not provide budget authority, however, which must be provided in subsequent appropriations legislation. Furthermore, under House and Senate rules, an authorization is construed as a ceiling on the amounts that may be appropriated but not a minimum.

Baseline. A projection of the levels of federal spending, revenues, and the resulting budgetary surpluses or deficits for the upcoming and subsequent fiscal years, taking into account laws enacted to date but not assuming any new policies. It provides a benchmark for measuring the budgetary effects of proposed changes in federal revenues or spending, assuming certain economic conditions. Baseline projections are prepared by the Congressional Budget Office.

Budget authority. Authority provided by federal law to enter into financial obligations that will result in immediate or future outlays involving federal government funds. The main forms of budget authority are appropriations, entitlement authority, borrowing authority, and contract authority. It also includes authority to obligate and expend the proceeds of offsetting receipts and collections. Congress may make budget authority available for one year, several years, or an indefinite period, and it may specify definite or indefinite amounts.

Budget resolution. A concurrent resolution, provided under the Congressional Budget Act, that allows Congress to make decisions about overall fiscal policy and priorities, as well as coordinate and establish guidelines for the consideration of various budget related measures. Because a concurrent resolution is not a law, it cannot be signed or vetoed by the President. It therefore does not have statutory effect, so no money can be raised or spent pursuant to it. Revenue and

spending amounts set in the budget resolution, however, establish the basis for the enforcement of congressional budget policies through points of order.

Continuing resolution (CR). When annual appropriations acts are not enacted by the beginning of the fiscal year (October 1), one or more continuing appropriations acts may be enacted to provide temporary continued funding for covered programs and activities until action on regular appropriations acts is completed. Such funding is provided for a specified period of time, which may be extended through the enactment of subsequent CRs. Rather than providing a specific amount of funding, CRs typically allow agencies to operate at a specified rate. A continuing appropriations act is commonly referred to as a continuing resolution or CR because historically it has been in the form of a joint resolution rather than a bill, but there is no procedural requirement as to its form. In some cases, CRs have provided appropriations for an entire fiscal year.

Deeming resolution. An informal term that refers to a resolution or bill passed by one or both houses of Congress that provides an alternate means to establish the basis for budgetary enforcement actions in the absence of a budget resolution.

Direct spending. Direct spending is defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, as consisting of entitlement authority (including appropriated entitlements), the Supplemental Nutrition Assistance Program, and any other budget authority (and resulting outlays) provided in laws other than appropriations acts. The term *direct spending* is often used interchangeably with the terms *mandatory* or *entitlement spending*. Examples include Social Security, Medicare, Medicaid, unemployment insurance, and military and federal civilian pensions.

Discretionary spending. The Balanced Budget and Emergency Deficit Control Act of 1985, as amended, defines *discretionary spending* as budget authority provided in annual appropriation acts and the outlays derived from that authority. Discretionary spending encompasses appropriations not mandated by existing law and therefore made available in appropriation acts in such amounts as Congress chooses. Discretionary spending for FY2012-FY2021 is limited by statutory spending limits enacted in the Budget Control Act of 2011, as revised.

Fiscal year. The fiscal year for the federal government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends: For example, FY2020 began on October 1, 2019, and ends on September 30, 2020.

Functional category. The President's budget and the congressional budget resolution classify federal budgetary activities (including budget authority, outlays, tax expenditures, and credit authority) into functional categories that represent major purposes or national needs being addressed (such as national defense, health, or general science, space, and technology). A functional category may be divided into two or more subfunctions, depending upon its scope or complexity. As a whole, functional categories provide a broad statement of budget priorities and facilitate an understanding of trends in related programs regardless of the agency administering them or type of financial transaction involved. The amounts in particular functional categories in the budget resolution are used as informational guidelines and are not enforced by points of order in the congressional budget process.

Obligation. A commitment that creates a legal liability of the government to pay for goods and services and results in outlays either immediately or in the future. An agency incurs an obligation, for example, when it places an order, signs a contract, or awards a grant. When a payment is made, it liquidates the obligation. Appropriation laws usually make funds available for obligation for one or more fiscal years, but outlays may actually occur at some later time so that an agency's outlays in a particular year can come from obligations entered into in previous years as well as from its current appropriation.

Offsetting receipts/collections. Funds collected from the public primarily as a result of business-like activities (such as user fees or royalties paid to the government) that are levied on a class directly availing itself of, or directly subject to, a governmental service, program, or activity rather than on the general public. Such receipts and collections are recorded as negative amounts of spending rather than as revenues. In most cases, offsetting receipts require an explicit appropriation, while offsetting collections may be obligated without further legislative action.

Outlays. The actual amount of payments from the Treasury that result from obligations entered into by executing provisions in appropriations and direct spending legislation that provides budget authority. Outlays consist of payments, usually by check, by electronic fund transfer or cash to liquidate obligations incurred in prior fiscal years as well as in the current fiscal year.

Pay-as-you-go (PAYGO). A budgetary enforcement mechanism originally set forth in the Budget Enforcement Act of 1990. It generally requires that any projected increase in the deficit due to changes in direct spending or revenues resulting from legislation must be offset by an equivalent amount of direct spending cuts or revenue increases to eliminate the net increase over either a six-year period covering the current fiscal year plus the ensuing five fiscal years or over an 11-year period covering the current fiscal year plus the ensuing 10 fiscal years. The statutory PAYGO mechanism currently in place was established under the Statutory Pay-As-You-Go Act of 2010. In the event that the net impact of changes to direct spending and revenue laws over the course of a session of Congress is projected to increase the deficit in either of these time periods, the President is required to issue a sequester order to eliminate it. In addition, there are currently PAYGO procedures in the House and Senate enforced by points of order on the floor to prevent the consideration of legislation that does not meet the requirement.

Reconciliation. An expedited procedure, provided under Section 310 of the Congressional Budget Act, for changing existing revenue or direct spending laws to implement budgetary policies established in a budget resolution. Reconciliation must begin with language in a budget resolution instructing specific committees to report legislation adjusting revenues or spending within their respective jurisdictions by specified amounts, usually by a specified deadline. The Budget Act provides for expedited consideration of reconciliation bills in the Senate by limiting debate to 20 hours and limiting the content of amendments.

Reprogramming. Shifting funds within an appropriation account from one object class to another or from one program activity to another. Generally, agencies may make such shifts without additional statutory authority, but often they must provide some form of notification to the appropriations committees, authorizing committees, or both.

Rescission. A provision of law that repeals previously enacted budget authority. Under the Impoundment Control Act of 1974, the President may send a message to Congress requesting one or more rescissions and the reasons for doing so. If the President makes such a request, he may withhold the funds from obligation, but if Congress does not pass legislation approving the rescission within 45 days of continuous session after receiving the message, the funds must be made available for obligation. Congress may rescind all, part, or none of an amount proposed by the President and may also initiate rescission of funds not requested in a presidential message.

Revenues. Funds collected from the public primarily as a result of the federal government's exercise of its sovereign powers. They include individual and corporate income taxes, excise taxes, customs duties, estate and gift taxes, fees and fines, payroll taxes for social insurance programs, and miscellaneous receipts.

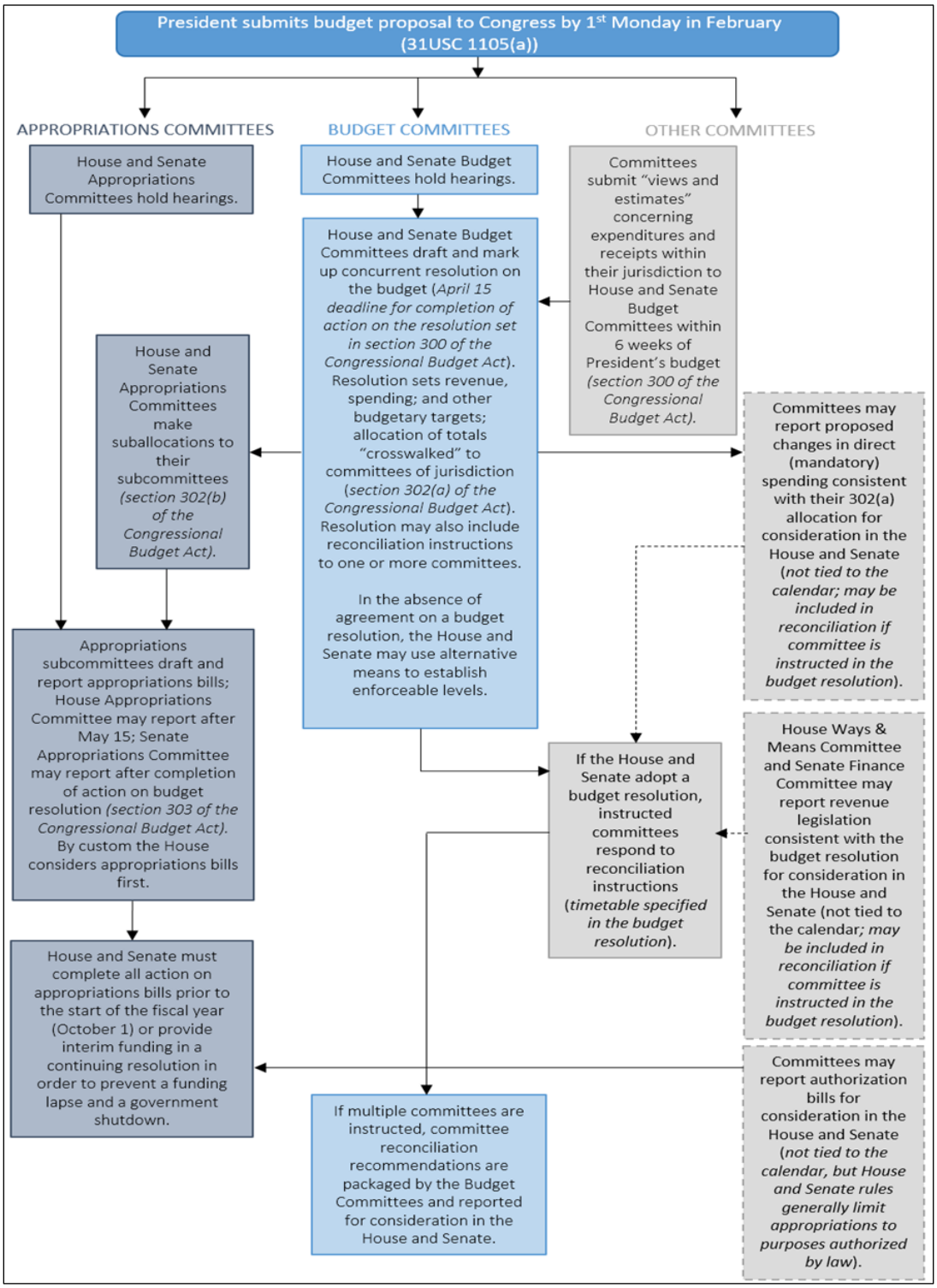
Scorekeeping. The process of both estimating the budgetary effects of pending legislation and comparing those effects to a baseline. The Congressional Budget Office prepares estimates of the budgetary effects of legislation, including both spending and revenue effects. The Budget

Committees in the House and Senate act as official scorekeepers by providing the presiding officers in their respective chambers with the estimates needed to make decisions about points of order enforcing budgetary parameters. The Budget Committees also make periodic summary scorekeeping reports that are placed in the *Congressional Record*.

Sequestration. A procedure in which the President is required to issue an order canceling budgetary resources—that is, money available for obligation or spending—to enforce a statutory budget requirement. Sequestered funds are no longer available for obligation or expenditure. The statutory PAYGO requirement and the statutory limits on discretionary spending are enforced by sequestration. In addition, the automatic spending reductions required by the Budget Control Act of 2011 are partially achieved through sequestration.

Transfer. Shifting budget authority between two appropriation accounts. Agencies may transfer budget authority only as specifically authorized by law.

Appendix B. Congressional Budget Process Actions



Source: CRS.

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