



BASIC » TRAINING

PARLIAMENTARY PROCESS,
FACTS, AND STRATEGIES

Budget Process and Enforcement

As described in the introduction to the Committee on the Budget's *Compilation of Laws and Rules Relating to the Congressional Budget Process*, the "congressional budget process is a framework of laws and rules that govern the consideration, adoption, and enforcement of spending, revenue, and debt limit legislation each year." Fundamentally, the annual budget establishes limits on spending and debt and makes assumptions about revenue and deficits. The provisions of the Congressional Budget and Impoundment Control Act of 1974 ("Budget Act"), along with certain House rules, provide the enforcement mechanism to ensure that the Government does not exceed those limits.

TYPES OF SPENDING

Mandatory Spending. **Mandatory** or **direct** spending is generally spending provided outside of the regular general appropriations bills. It is most often provided pursuant to a formula and is often referred to as entitlement spending because the authorizing law creates an enforceable right, or **entitlement**, to the benefit authorized by the statute. While entitlements do not encompass all direct spending, they represent the largest portion.

Common examples of mandatory programs are Medicare and Social Security, some kinds of student loan or student aid programs, and some farm subsidy programs. Less commonly cited examples of mandatory spending include salaries for Members of Congress, which are mandated by the Constitution. Other entitlements, such as Medicaid, have their funding provided by appropriations acts, but the ultimate amount of funding required is set through the authorizing statute, rather than the appropriations bill. Accordingly, even though Medicaid

funding is included in an appropriations bill, it is still considered to be mandatory spending

In order to reduce mandatory or direct spending, Congress must make **substantive changes in law**, such as changing eligibility criteria, rather than just reducing the amounts provided for those programs.

Discretionary Spending. Discretionary spending refers to **spending provided in appropriations acts**. Commonly a committee will authorize the spending first, and then the Committee on Appropriations will provide the specific spending authority in the appropriations bill.

Much of what most people think of as government is included in discretionary spending, such as salaries and expenses for the FBI, Agriculture Department, and other agencies. It also includes salaries, expenses, and equipment for the military branches and legislative branch.

Budget Authority and Outlays. In addition to the general categories of spending

(mandatory and discretionary), spending is also divided into two types. The first type of spending is **budget authority**, or the authority for the Executive Branch to obligate the Federal Government to pay, whether the actual payment is made immediately or in the future.

Outlays, on the other hand, are the actual payments. For instance, in the construction of a large capital project, such as an aircraft carrier, the first year of the project may include a significant amount of budget authority (e.g. the entire cost of the aircraft carrier), while outlays may spend out over several fiscal years, and the first fiscal year may only have a small outlay. In general, the difference between budget authority and outlays is more easily seen in large, multi-year projects, while accounts which provide for benefits or salaries or expenses tend to have outlays which "spend out" in the same fiscal year.

Budget Process *continued*

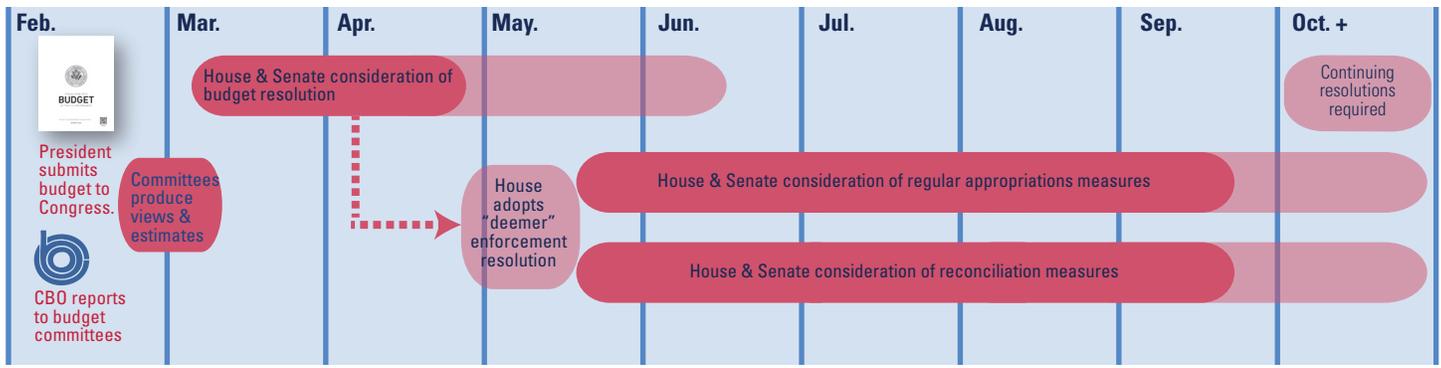


Figure 1. Budget time line showing basic required steps along with optional “fail safe” procedures. Lighter shapes indicate steps that extend past the statutory deadline or are optional.

BLUEPRINT FOR SPENDING — CONSIDERATION OF A BUDGET RESOLUTION

Statutorily, the President is required under the Budget Act to submit his budget to Congress by the first Monday in February. In recent years, the President’s submission has come later, usually by several weeks.

Within six weeks after submission of the budget, standing committees are required to submit their **views and estimates** on the budget to the Committee on the Budget. The Budget Committee incorporates those views (and those of the Administration, to the extent applicable) into its own concurrent resolution setting forth the budget, though they are not bound to do so.

The concurrent resolution on the budget, or budget resolution, is originated by the House and Senate budget committees and sets forth a framework for major budget decisions, while leaving the specifics of policies to the authorizing and appropriations committees. The budget resolution contains:

- » Aggregate levels for **new budget authority** and **outlays**, and the total budget surplus or deficit;
- » Aggregate levels of Federal **revenue**, as well as any amount by which that level should be increased by legislation;
- » Amounts of new budget authority and outlays for each of the **functional categories**; and

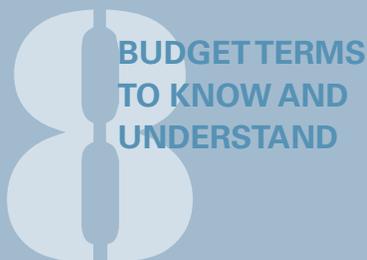
- » Social Security revenues and outlays (for Senate budget enforcement purposes only).

The budget resolution also may contain two other kinds of items. First, it may contain **reconciliation instructions** which direct authorizing committees to make changes in law that result in changes in direct spending. The reconciliation process is discussed in more detail later in this document.

Second, most modern budget resolutions contain **reserve funds**. These provisions allow for the revision of budget resolution aggregate levels, functional allocations, and committee allocations if Congress enacts certain deficit-neutral legislation or another condition is met.

While the budget resolution originally only covered a single fiscal year, later revisions to the Budget Act provided that the budget resolution cover both the current fiscal year and at least the following four fiscal years. Modern budget resolutions include amounts for the current year, and the five- and ten-year windows.

Consideration of the budget resolution in the Senate is governed by the Budget Act, which provides specific limits on the amount of debate and types of amendments that may be offered. In the House, the budget resolution is usually considered pursuant to a rule from the Rules Committee. The modern



Budget Resolution — A resolution adopted by Congress (without the signature of the President) setting forth the aggregate levels of budget authority, outlays, and revenue for a particular fiscal year, and the years following.

Budget Authority — The authority to obligate funds on behalf of the Federal Government, even if the actual expenditure occurs in a future fiscal year.

Outlay — An actual expenditure in a particular fiscal year.
Discretionary Spending — Spending allocated to the Committee on Appropriations and contained in appropriations measures.



practice under majorities of both parties is to only allow consideration of complete substitutes. If any one of the substitutes is adopted, it subsumes the budget resolution reported by the Budget Committee and ends further debate on alternatives.

While the Budget Act stipulates that Congressional action on the budget resolution should be completed by April 15, the modern reality is that consideration extends far beyond that date.

In the event that Congress cannot adopt a budget resolution by the statutory date (or earlier, if the House intends to begin consideration of appropriations measures prior to the May 15 statutory date) the House may adopt a resolution “**deeming**” the levels, aggregates and other figures of the budget resolution for purposes of budget enforcement in the House. Known colloquially as a “**deemer**,” this resolution provides that the levels, aggregates and other elements of the budget resolution will have full force and effect as if contained in a final conference report on the budget.

This provides committees, particularly the appropriations committee, with their overall allocations for a particular fiscal year. This triggers the budget enforcement procedures in section 302 of the Budget Act, which provides points of order in the House against bills or amendments which would cause spending or revenues to exceed the levels in the budget resolution (or deemer). Thus, the purpose of putting these levels in place is twofold: first, it gives guidance to the committees as to the amount of mandatory or discretionary spending they have available for obligation during a particular fiscal year, and second, engages the budget enforcement mechanisms contained in the Budget Act. ▲

Controlling Mandatory Spending Through Reconciliation

Section 310 of the Budget Act allows Congress to make changes to direct spending, revenues, or the debt limit through a process called “**reconciliation**.” The ultimate benefit of the reconciliation process is that it eases consideration of the bill in the Senate.

This process begins with **reconciliation instructions** contained in the budget

resolution, directing specific committees in the House and Senate to recommend changes in statutory law to achieve the levels in the agreed upon budget resolution. Frequently, the reconciliation instructions will contain both specific levels of spending reductions or changes in revenues, along with a specific date by

which those changes must be reported by the Committee.

In the House, there are two ways that reconciliation legislation can come to the floor. If only one committee received instructions, it’s legislative recommendations are entitled to privileged consideration in the House (though the Rules Committee usually provides a

Mandatory or Direct Spending — Spending allocated to a legislative committee which is the result of a provision of law, such as an entitlement.

302(a) — A total amount of budget authority and outlays allocated to a particular legislative committee (in the case of direct spending) or appropriations committee (in the case of discretionary spending).

Reserve Fund — A provision in a budget resolution which allows for the revision of aggregate levels, functional allocations, and committee allocations if Congress enacts deficit-neutral legislation or another condition is met.

Deemer — A House or Senate resolution which provides for levels of budget authority, outlays, and revenue for purposes of budget enforcement if Congress has not yet adopted a budget resolution.

BUDGET RESOLUTION ALLOCATIONS — THE “CROSSWALK”

The budget resolution only sets forth aggregates and allocations by functional category. It does not divide those figures by committee. However, section 302(a) of the Budget Act requires that the total budget authority and outlays set forth in the budget resolution be allocated to each House and Senate committee that has jurisdiction over specific spending legislation. The process of translating these aggregates into specific allocations for committees is known as the “**crosswalk**.” This allocation is often referred to as a committee’s “**302(a)**.”

In years where the House and Senate agree to a conference report on the budget resolution, these allocations are usually contained in the joint explanatory statement that accompanies the budget resolution.

However, in years where Congress does not adopt a budget resolution, these allocations are usually contained in a statement placed in the *Congressional Record* by the chair of the budget committee and the deemer gives them force and effect. ▲

Reconciliation *continued*

rule to govern consideration of the bill). If multiple committees received reconciliation instructions, those committees forward their recommendations to the Budget Committee, which packages them as a single bill without substantive change. In either case, the Rules Committee can make further changes to the bill and provide for its consideration in the House.

Even though the Rules Committee has wide latitude in changing the process for consideration of reconciliation bills (and even their contents), the House is limited by the need to ensure that the Senate recognizes the bill as a reconciliation measure, so it is entitled to expedited consideration in that body.

In the Senate, debate on a reconciliation bill, any amendments, debatable motions or appeals is limited to a total of 20 hours. After the expiration of that period, consideration of amendments may continue, but without debate. The process of offering amendments to a reconciliation measure after the debate period has expired is known colloquially as “**vote-a-rama**.”

Ultimately, the biggest benefit for consideration of a measure in the Senate under reconciliation procedures is that **the threshold to pass the reconciliation bill is a simple majority of 51 votes**, rather than the 60 votes normally required to close debate in the Senate.

Given the power of the reconciliation process in the Senate, the main reason it is not used more often is the “**Byrd Rule**,” contained in section 313 of the Budget Act.

The purpose of the Byrd Rule is to limit the contents of reconciliation measures.

The rule governs consideration of reconciliation bills or a conference report thereon (and any resolution changing the enrollment of a reconciliation bill) and allows any Senator to make a point of order that a provision in a reconciliation bill is “**extraneous matter**” and is subject to being stricken, unless overridden by a vote of 60 Senators.

Under the Byrd Rule, a reconciliation bill may not contain a provision—

» which does not produce a change in outlays or revenues;



Figure 2. The “Byrd Rule” contained in section 313 of the Budget Act, places limits on what may be contained in reconciliation legislation in the Senate or a conference report. It is named after its author, long-time Senate appropriations chairman Robert Byrd of West Virginia.

- » which does produce a change in outlays or revenue but the reporting committee is not in compliance with its instructions;
- » which is outside the jurisdiction of the reporting committee;
- » which produces a change in outlays or revenues which is “**merely incidental**” to the substance of the provision;
- » which increases the deficit beyond the budget window covered by the bill; and
- » which recommends changes in social security. ▲