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The Congressional Budget Process: A Brief Overview

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Summary

The term “budget process,” when applied to the federal government, actually refers to a number of processes that have evolved separately and that occur with varying degrees of coordination. This overview, and the accompanying flow chart, are intended to describe each of the parts of the budget process that involve Congress, clarify the role played by each, and explain how they operate together. They include: the President’s budget submission, the budget resolution, reconciliation, sequestration, authorizations, and appropriations. This report will be updated to reflect any changes in the budget process.

The Basic Framework. The Constitution grants the “power of the purse” to Congress, but does not establish any specific procedure for the consideration of budgetary legislation. Although a number of laws and congressional rules contribute to the federal budget process, two statutes in particular form the basic framework.

The Budget and Accounting Act of 1921, as codified in Title 31 of the *United States Code*, established the statutory basis for an executive budget process by requiring the President to submit to Congress annually a proposed budget for the federal government. It also created the Bureau of the Budget (reorganized as the Office of Management and Budget (OMB) in 1970) to assist him in carrying out his responsibilities, and the General Accounting Office (GAO) to assist Congress as the principal auditing agency of the federal government.

The Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344, 88 Stat. 297) established the statutory basis for a congressional budget process, and provided for the annual adoption of a concurrent resolution on the budget as a mechanism for facilitating congressional budgetary decision making. It also established the House and Senate Budget Committees and created the Congressional Budget Office (CBO) to provide budgetary information to Congress independent of the executive branch.

The Budget Cycle. The President is required to submit to Congress a proposed budget by the first Monday in February. Although this budget does not have the force of law, it is a comprehensive examination of federal revenues and spending, including any initiatives recommended by the President, and is the start of extensive interaction with Congress.

Within 6 weeks of the President's budget submission, congressional committees are required to submit their "views and estimates" of spending and revenues within their respective jurisdictions to the House and Senate Budget Committees. These views and estimates, along with information from other sources is then used by each Budget Committee in drafting and reporting a concurrent resolution on the budget to its respective house. Other information is gathered by the Budget Committees in reports and hearing testimony. That information includes budget and economic projections, programmatic information, and budget priorities and comes from a variety of sources, such as CBO, OMB, the Federal Reserve, executive branch agencies, and congressional leadership.

Although it also does not have the force of law, the budget resolution is a central part of the budget process in Congress. As a concurrent resolution, it represents an agreement between the House and Senate that establishes budget priorities, and defines the parameters for all subsequent budgetary actions. The spending, revenue, and public debt laws necessary to implement decisions agreed to in the budget resolution are subsequently enacted separately. Discretionary spending, which is enacted through the appropriations process, involves annual actions that must be completed before the beginning of a new fiscal year on October 1. The reconciliation process may be used to produce changes in laws affecting direct spending or revenues. Reconciliation typically follows a timetable established in the budget resolution for that year. Other budgetary legislation, such as changes in direct spending or revenue laws separate from the reconciliation process, changes in the public debt limit, or authorizing legislation, are not tied directly to the annual budget cycle. However, such legislation may be a necessary part of budgetary actions in any given year.

The Balanced Budget and Emergency Deficit Control Act of 1985, as amended (P.L. 99-177, 99 Stat. 1037), established the sequester mechanism to enforce statutory budget limits. The provisions of this Act designed to control direct spending and revenues (the pay-as-you-go, or PAYGO, process) and discretionary spending (spending caps) expired October 1, 2002.¹ Previously, under these mechanisms, the budgetary impact of all legislation was scored by OMB, and reported three times each year (a preview with the President's budget submission, an update with the Mid-Session Review of the Budget, and a final report 15 after Congress adjourns). If the final report on either the PAYGO or spending caps mechanism was to indicate that the statutory limitations within that category have been violated, the President was required to issue an order making across-the-board cuts of nonexempt spending programs within that category.

¹ These mechanisms were first established under the Budget Enforcement Act of 1990 (Title XIII of P.L. 101-508, Omnibus Budget Reconciliation Act of 1990). Originally enacted with a sunset date of FY1995, they were extended twice, through FY1998 (Title XIV of P.L. 103-66, Omnibus Budget Reconciliation Act of 1993) and through FY2002 (Budget Enforcement Act of 1997, Title X of P.L. 105-33, Balanced Budget Act of 1997).

The Budget Resolution and Reconciliation. The budget resolution represents an agreement between the House and Senate concerning the overall size of the federal budget, and the general composition of the budget in terms of functional categories. The amounts in functional categories are translated into allocations to each committee with jurisdiction over spending in a process called “crosswalking” under Section 302(a) of the Congressional Budget Act. Legislation considered by the House and Senate must be consistent with these allocations, as well as with the aggregate levels of spending and revenues. Both the allocations and aggregates are enforceable through points of order. These allocations are supplemented by non-binding assumptions concerning the substance of possible budgetary legislation that is included in the reports from the Budget Committees that accompany the budget resolution in each house.

In some years, the budget resolution includes reconciliation instructions. Reconciliation instructions are intended to identify the committees that need to recommend changes in laws affecting revenues or direct spending programs within their jurisdiction in order to implement the priorities agreed to in the budget resolution. All committees receiving such instructions must submit recommended legislative language to the Budget Committee in their respective chamber, which packages them as an omnibus measure and reports the measure without substantive revision. A reconciliation bill would then be considered, and possibly amended, by the full House or Senate. In the House, reconciliation bills are typically considered under the terms of a special rule. In the Senate, reconciliation bills are considered under limitations imposed by Section 305, 310, and 313 of the Congressional Budget Act. These sections limit debate on a reconciliation bill to 20 hours, and limit the types of amendments that may be considered.

The Appropriations Process. The annual appropriations process provides funding for discretionary spending programs through 13 regular appropriations bills. Congress must enact these measures prior to the beginning of each fiscal year (October 1) or provide interim funding for the affected programs through a “continuing resolution.” By custom, appropriations bills originate in the House, but may be amended by the Senate, with any differences negotiated by a conference committee.

The House and Senate Appropriations Committees are organized into 13 subcommittees, each of which is responsible for reporting an appropriations bill. Appropriations bills are constrained in terms of both their purpose and the amount of funding they provide. Appropriations are constrained in terms of purpose because the rules of both the House (Rule XXI) and the Senate (Rule XVI) generally require authorization prior to consideration of appropriations for an agency or program.²

Constraints in terms of the amount of funding exist on several levels. For individual items or programs, funding may be limited to the level recommended in authorizing legislation. Also, between FY1991 and FY2002, the discretionary spending provided in

² Authorizations are legislation that establish, continue, or modify an agency or program, and authorize the enactment of appropriations for that purpose. Authorizations may be temporary or permanent, and their provisions may be general or specific, but they do not themselves provide funding in the absence of appropriations actions. Although House and Senate rules generally prohibit unauthorized appropriations, both provide exceptions in their respective rules and the prohibition itself may be waived.

appropriations acts were limited by discretionary spending caps. These spending caps are described below. Finally, the allocations from the budget resolution made to the Appropriations Committees under Section 302(a) of the Budget Act provide limits that may be enforced procedurally through points of order in the House and Senate during consideration of the legislation. In the absence of a final agreement on a concurrent resolution on the budget, the House or Senate may adopt a “deeming resolution” to establish provisional enforcement levels.³

Section 302(b) of the Budget Act further requires the House and Senate Appropriations Committees to subdivide the amounts allocated to them under the budget resolution among their subcommittees. These suballocations are to be made “as soon as practicable after a concurrent resolution on the budget is agreed to.” Because each subcommittee is responsible for reporting a single general appropriations bill, the process of making suballocations effectively determines the spending level for each of the 13 regular appropriations bills. Legislation (or amendments) which would cause the suballocations made under 302(b) to be exceeded is subject to a point of order. The Appropriations Committees can (and do) issue revised subdivisions over the course of appropriations actions to reflect changes in spending priorities effected during floor consideration or in conference.

Revenue and Public Debt Legislation. The budget resolution provides a guideline for the overall level of revenues, but not for their composition. As with spending, legislative language controlling revenues is reported by the committees of jurisdiction (the House Ways and Means Committee and the Senate Finance Committee). Revenue legislation is limited both by the aggregate level agreed to in the budget resolution, as well as the PAYGO process. In addition, Article I, Section 7 of the Constitution requires that all revenue measures originate in the House of Representatives, although the Senate may amend them, with any differences negotiated by a conference committee. Revenue legislation may be considered at any time, although revenue provisions are often included in reconciliation legislation.

The budget resolution also specifies an appropriate level for the public debt that reflects the budgetary policies agreed to in the resolution. Any change in the authorized level of the public debt must be implemented through a statutory enactment.

Budget Enforcement and Sequestration. The statutory budget enforcement procedures of recent years have been part of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Between 1990 and 2002, the act provided two separate mechanisms: spending caps in Section 251, designed to limit discretionary spending to a designated level; and the PAYGO process in Section 252, designed to limit changes in the level of revenues and direct spending by new legislation. In both cases, the mechanism was enforced by a presidential sequester order after the end of a congressional session. If legislation were enacted that would violate the limits established under either of these mechanisms, the President was required to issue an order for an across-the-board spending cut of nonexempt spending programs within that category. Although formal enforcement of these mechanisms was through a presidential order, by enforcing the

³ CRS Report RL31443, *The “Deeming Resolution”: A Budget Enforcement Tool*, by Robert Keith.

allocations and aggregates for spending and revenues provided in the budget resolution consistent with these limits, Congress was able to use points of order to enforce them as well. Although statutory limits expired at the end of FY2002, Congress continues to use the concurrent resolution on the budget to establish and enforce budgetary limits.

Related CRS Products

CRS Report 97-684, *The Congressional Appropriations Process: An Introduction*, by Sandy Streeter.

CRS Report 98-720, *Manual on the Federal Budget Process*, by Robert Keith and Allen Schick.

CRS Report 98-721, *Introduction to the Federal Budget Process*, by Robert Keith and Allen Schick.

CRS Report 97-865, *Points of Order in the Congressional Budget Process*, by James V. Saturno.

CRS Report RL31197, *Revenue Measures in Congress: Procedural Considerations*, by James V. Saturno.

Figure 1. The Congressional Budget Process: Timetable for Annual Action

