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Congressional Budget Actions in 2003

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Congressional Budget Actions in 2003

Summary

During the first session of the 108th Congress, the House and Senate will consider many different budgetary measures. Most measures will pertain to fiscal year (FY) 2004 (which will begin on October 1, 2003) and beyond. Some also will pertain to the budget for FY2003. As the session progresses, this report will describe House and Senate action on major budgetary legislation within the framework of the congressional budget process and other procedural requirements.

As the 108th Congress began, only two of the 13 regular appropriations acts for FY2003 (which began on October 1, 2002) had been enacted into law. On February 13, 2003, the House and Senate agreed to the conference report to the Consolidated Appropriations Resolution, 2003 (H.J.Res. 2), which contains the 11 remaining regular appropriations acts for FY2003. On February 20, President George W. Bush signed the measure into law (P.L. 108-7), thereby bringing action on the FY2003 regular appropriations acts to a close.

Since then, President Bush has submitted two supplemental appropriations requests for FY2003. In response to the first request, Congress passed H.R. 1559, Emergency Wartime Supplemental Appropriations Act, 2003, on April 12. President Bush signed the legislation into law (P.L. 108-11) on April 16. In response to the second request, the House and Senate passed H.R. 2859, Emergency Supplemental Appropriations for Disaster Relief Act, 2003, on July 25 and 31, respectively.

Congress typically begins its annual budget process once the President submits his budget for the upcoming fiscal year. President Bush submitted his FY2004 budget to Congress on February 3, 2003. President Bush released his budget update, the *Mid-Session Review*, on July 15.

The congressional budget process is centered around the adoption of an annual concurrent resolution on the budget. The budget resolution sets forth aggregate spending and revenue levels, and spending levels by major functional area, for at least 5 fiscal years. Budget resolution policies are implemented through the enactment of reconciliation bills, revenue and debt-limit legislation, and appropriations and other spending measures, and enforced by points of order that may be raised when legislation is pending on the House and Senate floor.

On April 11, the House and Senate agreed to the FY2004 budget resolution (H.Con.Res. 95, H.Rept. 108-71). On May 23, pursuant to the reconciliation instructions contained in the FY2004 budget resolution (Section 201 of H.Con.Res. 95), Congress passed H.R. 2, Jobs and Growth Tax Relief Reconciliation Act of 2003. President Bush signed the legislation into law (P.L. 108-27) on May 28.

As Congress began its August recess, the House had passed 11, and the Senate had passed four, of the 13 regular appropriations acts for FY2004.

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Congressional Budget Actions in 2003

Most Recent Developments

As Congress began its August recess, the House had passed 11, and the Senate had passed four, of the 13 regular appropriations acts for FY2004. In addition, the House and Senate passed H.R. 2859, Emergency Supplemental Appropriations for Disaster Relief Act, 2003, providing an additional \$983.6 million for FY2003, on July 25 and 31, respectively, clearing the measure for the President.

Introduction

During the first session of the 108th Congress, the House and Senate will consider many different budgetary measures. Most of these measures will pertain to FY2004 (which will begin on October 1, 2003) and beyond. Some also will pertain to the budget for FY2003. As the congressional session progresses, this report will describe House and Senate action on major budgetary legislation within the framework of the congressional budget process and other procedural requirements.

The House and Senate began 2003 with unfinished budgetary matters left over from the 107th Congress. At the start of the 108th Congress, only two of the 13 regular appropriations acts for FY2003 had been enacted into law.¹ The federal agencies and programs funded in the 11 remaining regular appropriations acts were provided temporary appropriations by successive continuing resolutions since the beginning of the fiscal year. On February 20, 2003, President Bush signed into law the Consolidated Appropriations Resolution, 2003 (H.J.Res. 2, P.L. 108-7), which contains the 11 remaining regular appropriations acts, thereby bringing action on the FY2003 regular appropriations acts to a close.² The House and Senate also acted on one supplemental appropriations measure for FY2003 (discussed further below) and may consider another later in the session.

Congress faces an unfavorable budget outlook, exacerbated by an uncertain economic and geopolitical environment. According to the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO), current budget projections under existing law, without any legislative changes, show annual deficits

¹ The enacted regular appropriations acts are the Defense Appropriations Act, 2003 (P.L. 107-248) and the Military Construction Appropriations Act, 2003 (P.L. 107-249). For further information on budget actions in 2002, see CRS Report RL31795, *Congressional Budget Actions in 2002*, by Bill Heniff Jr.

² For a guide to the contents of H.J.Res. 2, see CRS Report RS21433, *FY2003 Consolidated Appropriations Resolution: Reference Guide*, by Robert Keith.

in the unified budget (i.e., including federal funds and trust funds) in each of the next few fiscal years.³ When various proposed spending increases and tax cuts are taken into account, the projections indicate annual deficits for the foreseeable future. For example, OMB projects that if President Bush's FY2004 budget policy proposals are enacted into law, annual unified budget deficits, ranging from \$178 billion to \$307 billion, will continue through FY2008.

In addition, the "soft" economy continues to put a damper on federal revenues. Also, the spending for the war on terrorism and homeland security, and for military operations in Iraq, could increase the scarcity of current and future federal government resources. Such factors potentially could worsen the already unfavorable budget outlook.⁴

Overview of the Congressional Budget Process

The congressional budget process consists of the consideration and adoption of spending, revenue, and debt-limit legislation within the framework of an annual concurrent resolution on the budget (see **Figure 1**).

Congress begins its budget process once the President submits his budget. The President is required by law to submit a comprehensive federal budget no later than the first Monday in February. The President's budget includes estimates of direct spending and revenues under existing laws, as well as requests for discretionary spending (i.e., funds controlled through the appropriations process) for the upcoming fiscal year. In addition, the President frequently proposes new initiatives in his budget submission to Congress. Although Congress is not bound by the President's budget, congressional action on spending and revenue legislation often is influenced by his recommendations, as well as subsequent budgetary activities by the President during the year. OMB assists the President in formulating and coordinating his budget policies and activities.

³ See OMB, *Budget of the U.S. Government, Fiscal Year 2004* (Washington: GPO, 2003), table S-1, p. 311 (for projections with President Bush's budget proposals included) and table S-13, p. 330 (for projections under existing law); CBO, *The Budget and Economic Outlook: Fiscal Years 2004-2013*, Jan. 2003, table 1.1, p. 2 (for CBO's budget baseline projections, under existing law).

⁴ For more detailed information on the FY2004 budget throughout the year, see CRS Report RL31784, *The Budget for Fiscal Year 2004*, by Philip D. Winters.

Figure 1. Mapping Spending and Revenue Legislation through the Congressional Budget Process

The annual **budget resolution** is the centerpiece of the congressional budget process by setting forth aggregate spending and revenue levels for at least five fiscal years. Budget resolution policies are implemented through the enactment of appropriations and other spending measures, revenue legislation, and, if required by the budget resolution, one or more reconciliation bills. Spending amounts are allocated among each House and Senate committee with jurisdiction over specific spending legislation.

*Discretionary spending
and appropriated entitlements*

- ▶ Full Appropriations Committee subdivides its spending allocation [302(a) allocation] among its subcommittees [302(b) allocations].
- ▶ Each of the 13 appropriations subcommittees holds hearings and drafts one of the 13 regular appropriations acts.
- ▶ Full Appropriations Committee reports each appropriations act, which must not exceed the respective 302(b) allocation.
- ▶ Full chamber considers and adopts each appropriations act.
- ▶ House and Senate resolve differences in conference committees.
- ▶ House and Senate separately agree to conference reports to each appropriations act.
- ▶ President signs each appropriations act into law.

Mandatory spending and revenues

If the annual budget resolution *contains* optional reconciliation instructions, Congress considers legislation changing mandatory spending, revenues, or both through the reconciliation process.

–or–

Separate from any reconciliation directives, Congress may consider and adopt individual mandatory spending or revenue legislation.

- ▶ Each legislative committee directed to do so recommends legislative changes to existing law to achieve the mandatory spending or revenue levels set forth in the budget resolution and submits those recommendations to the Budget Committee by a date certain.

▶ Budget Committee packages the committees' legislative recommendations into one or more omnibus reconciliation measures, "without any substantive revision."

▶ Full chamber considers omnibus reconciliation measure under special procedures that limit the measure's contents and floor debate.

▶ House and Senate resolve differences in conference committee.

▶ House and Senate separately agree to conference report to omnibus reconciliation legislation.

▶ President signs omnibus reconciliation legislation into law.

▶ Each legislative committee may hold hearings and consider legislation referred to it or draft original legislation.

▶ Each committee may report to its parent chamber mandatory spending or revenue legislation, which must not cause direct spending under the committee's jurisdiction to exceed its spending ceiling [302(a) allocation] or cause revenues to fall below the revenue floor set forth in the budget resolution.

▶ Full chamber considers individual mandatory spending or revenue legislation.

▶ House and Senate resolve differences in conference committees.

▶ House and Senate separately agree to conference reports to individual mandatory spending or revenue legislation.

▶ President signs individual mandatory spending or revenue legislation into law.

On February 3, 2003, President Bush submitted his FY2004 budget to Congress. Following the usual practice, the President's budget was submitted as a multi-volume set consisting of a main document that includes the President's budget message and information on his 2004 proposals (*Budget*) and supplementary documents that provide special budgetary analyses (*Analytical Perspectives*), historical budget information (*Historical Tables*), and detailed account and program level information (*Appendix*), among other things. The FY2004 budget documents include a new volume relating to President Bush's management agenda (*Performance and Management Assessment*). On July 15, President Bush submitted his *Mid-Session Review* of the budget to Congress. This report contains revised estimates of the budget deficit/surplus, receipts, outlays, and budget authority for FY2003 through FY2008, reflecting changed economic conditions and assumptions and congressional actions.⁵

The Congressional Budget Act (CBA) of 1974 (Titles I-IX of P.L. 93-344, 88 Stat. 297-332) established the congressional budget process, including a timetable for congressional action on budget legislation (see **Table 1**). The process is centered around the adoption of an annual concurrent resolution on the budget. The budget resolution sets forth aggregate spending and revenue levels, and spending levels by major functional area, for at least 5 fiscal years. Because the budget resolution is a concurrent resolution, it is not presented to the President for his signature, and thus does not become law. Instead, it is an agreement between the House and Senate on a congressional budget plan, providing a framework for subsequent legislative action on the budget during each congressional session.

Table 1. The Congressional Budget Process Timetable

Date	Action to be completed
First Monday in February	President submits budget to Congress.
February 15	Congressional Budget Office submits economic and budget outlook report to Budget Committees.
Six weeks after President submits budget	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports budget resolution.
April 15	Congress completes action on budget resolution.
May 15	Annual appropriations bills may be considered in the House, even if action on budget resolution has not been completed.
June 10	House Appropriations Committee reports last annual appropriations bill.
June 15	House completes action on reconciliation legislation (if required by budget resolution).

⁵ The President's budget documents are available on OMB's Web site, at [<http://www.whitehouse.gov/omb/budget/fy2004/>], visited on Aug. 5, 2003.

Date	Action to be completed
June 30	House completes action on annual appropriations bills.
July 15	President submits mid-session review of his budget to Congress.
October 1	Fiscal year begins.

Source: Section 300 of the Congressional Budget Act of 1974, as amended (P.L. 93-344, 2 U.S.C. 631).

Note: Dates serve as guidelines, except the first and last, which are required by law.

Budget resolution policies are implemented through the enactment of revenue and debt-limit legislation, appropriations and other spending measures, and, if required by the budget resolution, one or more reconciliation bills. Congress enforces budget resolution policies through points of order on the floor of each chamber and the reconciliation process. For example, any legislation that would cause the aggregate levels to be violated is prohibited from being considered. Further, the total budget authority and outlays set forth in the budget resolution are allocated among the House and Senate committees having jurisdiction over specific spending legislation. Any legislation, or amendment, that would cause these committee allocations to be exceeded is prohibited. Finally, the House and Senate Appropriations Committees subdivide their allocations among their respective 13 subcommittees. A point of order may be raised against any appropriations act, or amendment, that would cause one of these subdivisions to be exceeded.⁶ The budget resolution also contains spending levels by functional categories (e.g., national defense), but these are not enforceable. Congress also may use reconciliation legislation (discussed further below) to enforce direct spending, revenue, and debt-limit provisions of a budget resolution.

For FY1991 through FY2002, Congress and the President also were constrained by statutory limits on discretionary spending and a “pay-as-you-go” (PAYGO) requirement for direct spending and revenue legislation.⁷ Unlike the enforcement procedures associated with the budget resolution, which are employed while legislation is considered on the floor of each chamber, the discretionary spending limits and PAYGO requirement were enforced by a sequestration process generally after legislative action for a session of Congress ended. These budget enforcement mechanisms, however, expired at the end of FY2002 (i.e., September 30, 2002).

At the beginning of the 108th Congress, it was not clear whether Congress and the President would restore these budget enforcement mechanisms, establish similar

⁶ For more detailed information on these points of order and their application, see CRS Report 97-865, *Points of Order in the Congressional Budget Process*, by James V. Saturno.

⁷ These constraints were first established by the Budget Enforcement Act (BEA) of 1990 (Title XIII of P.L. 101-508, Omnibus Budget Reconciliation Act of 1990, 104 Stat. 1388-573-1388-630), which amended the Balanced Budget and Emergency Deficit Control Act of 1985 (Title II of P.L. 99-177, 99 Stat. 1038-1101).

but modified ones, or take no action on additional budget controls.⁸ In the event Congress considers restoring or modifying these budget enforcement mechanisms during 2003, the last section of this report provides an overview of how they operated.

Budget Resolution

The Congressional Budget Act, as amended, establishes the concurrent resolution on the budget as the centerpiece of the congressional budget process. The budget resolution sets forth aggregate spending and revenue levels, and spending levels by major functional area, for at least 5 fiscal years. Once adopted, it provides the framework for subsequent action on budget-related legislation.

Following the submission of the President's budget early in the year, Congress begins formulating the budget resolution. The House and Senate Budget Committees are responsible for developing and reporting the budget resolution. In formulating it, the Budget Committees hold hearings and receive testimony from Members of Congress and representatives from federal departments and agencies, the general public, and national organizations. Two regular hearings include separate testimony from the CBO director and the OMB director. On January 30, 2003, CBO Acting Director Barry B. Anderson presented CBO's baseline budget projections for FY2004-FY2013 during testimony to the Senate Budget Committee.⁹ On February 4, the day after President Bush's FY2004 budget was submitted to Congress, OMB Director Mitchell E. Daniels Jr. provided an overview of the budget request, and defended it, before the House Budget Committee.¹⁰

The congressional budget resolution, as well as the President's budget, is based on budget baselines (see **Table 2**). The budget baseline is a projection of federal revenue, spending, and deficit or surplus levels based upon current policies, assuming certain economic conditions. The President's budget baseline, referred to as current services estimates, is included in the budget documents submitted to Congress.¹¹ The President's baseline usually differs from CBO's baseline, referred to as baseline budget projections, because of different economic and technical assumptions. Baseline projections provide a benchmark for measuring the budgetary effects of

⁸ In his FY2004 budget, President Bush proposed to restore and extend for 2 years (FY2004 and FY2005) the statutory limits on discretionary spending and the PAYGO requirement for direct spending and revenue legislation. See OMB, *Budget of the U.S. Government, Fiscal Year 2004, Analytical Perspectives*, pp. 315-316.

⁹ Mr. Anderson's written testimony is available on CBO's Web site at [<http://www.cbo.gov/showdoc.cfm?index=4031&sequence=0>], visited on Aug. 5, 2003.

¹⁰ Mr. Daniel's written testimony is available on the House Budget Committee's Web site at [<http://www.house.gov/budget/hearings/danielsstmt020403.htm>], visited on Aug. 5, 2003.

¹¹ See the summary table S-13 in the main *Budget* volume, p. 330, and chapter 15 of the *Analytical Perspectives* volume, pp. 295-348, for detailed baseline estimates. OMB, *Budget of the U.S. Government, Fiscal Year 2004*.

proposed policy changes. On January 29, 2003, CBO released its annual report on budget baseline projections, *The Budget and Economic Outlook: Fiscal Years 2004-2013*. On March 25, CBO released its revised budget baseline projections in its report *An Analysis of the President's Budgetary Proposals for Fiscal Year 2004*.¹² The report also contains estimates of the President's proposals using CBO's economic and technical assumptions, and provides an analysis of the potential macroeconomic effects of the President's budgetary proposals.

¹² Both reports are available on CBO's Web site at [<http://www.cbo.gov>], visited on Aug. 5, 2003.

Table 2. Budget Baselines, FY2003-FY2008
(in billions of dollars)

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	Total FY2004-FY2008
Office of Management and Budget – July 2003							
(current services estimates—without President Bush’s proposals)							
Outlays	2,210	2,252	2,304	2,377	2,481	2,587	12,001
Revenues	1,756	1,794	2,063	2,267	2,403	2,525	11,051
Total Surplus/Deficit (-)	-455	-458	-241	-110	-78	-62	-949
On-budget	-614	-621	-427	-313	-300	-300	-1,962
Off-budget ^a	159	164	186	203	222	238	1,013
(current services estimates—with President Bush’s proposals)							
Outlays	2,212	2,272	2,338	2,452	2,573	2,706	12,341
Revenues	1,756	1,797	2,033	2,215	2,360	2,480	10,885
Total Surplus/Deficit (-)	-455	-475	-304	-238	-213	-226	-1,456
On-budget	-615	-639	-490	-441	-435	-464	-2,469
Off-budget ^a	159	164	186	203	222	238	1,013

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	Total FY2004-FY2008
Congressional Budget Office – March 2003 (revised budget baseline projections)							
Outlays	2,137	2,224	2,328	2,417	2,513	2,621	12,103
Revenues	1,891	2,024	2,205	2,360	2,504	2,647	11,741
Total Surplus/Deficit (-)	-246	-200	-123	-57	-9	27	-362
On-budget	-408	-373	-317	-269	-240	-224	-1,423
Off-budget ^a	163	173	195	212	231	250	1,061
(revised budget baseline projections—with President Bush’s proposals)							
Outlays	2,143	2,245	2,370	2,491	2,606	2,739	12,451
Revenues	1,856	1,907	2,100	2,273	2,433	2,573	11,287
Total Surplus/Deficit (-)	-287	-338	-270	-218	-173	-166	-1,164
On-budget	-452	-512	-464	-429	-404	-416	-2,225
Off-budget ^a	165	174	194	211	231	250	1,061

Sources: Office of Management and Budget, *Mid-Session Review, Budget of the United States Government, Fiscal Year 2004* (Washington: GPO, 2003), pp. 40 and 55; Congressional Budget Office, *An Analysis of the President’s Budgetary Proposals for Fiscal Year 2004*, Mar. 2003, pp. 34 and 36.

a. Off-budget surpluses comprise surpluses in the Social Security trust funds as well as the net cash flow of the Postal Service.

Another source of input comes from the “views and estimates” of congressional committees with jurisdiction over spending and revenues. Within 6 weeks after the President’s budget submission, each House and Senate committee is required to submit views and estimates of budget matters under its jurisdiction to its respective Budget Committee. These views and estimates, frequently submitted in the form of a letter to the chair and ranking minority Member of the Budget Committee, typically include comments on the President’s budget proposals and estimates of the budgetary impact of any legislation likely to be considered during the current session of Congress. The Budget Committees are not bound by these recommendations. The Senate Budget Committee print to accompany S.Con.Res. 23, the Senate version of the FY2004 budget resolution, contains the views and estimates of Senate committees (S.Prt. 108-19). The House Budget Committee has compiled the views and estimates of House committees as a separate committee print (Serial No. CP-1).

The budget resolution was designed to provide a framework to make budget decisions, leaving specific program determinations to House and Senate Appropriations Committees and other committees with spending and revenue jurisdiction. In many instances, however, particular program changes are considered when the budget resolution is formulated. Program assumptions sometimes are referred to in the reports of the House and Senate Budget Committees and usually are discussed during floor action. Although these program changes are not binding, committees may be strongly influenced by the recommendations when formulating appropriations bills, reconciliation measures, or other budgetary legislation.

The House Budget Committee marked up and voted to report the House version of the FY2004 budget resolution (H.Con.Res. 95, H.Rept. 108-37) by a vote of 24-19 on March 12. During markup, the Committee considered 33 amendments to the chairman’s mark; two amendments were adopted and 31 amendments were rejected.¹³ The Senate Budget Committee marked up and voted to report the Senate version of the FY2004 budget resolution (S.Con.Res. 23, S.Prt. 108-19) by a vote of 12-11 on March 13. During markup, the Committee considered 32 amendments to the chairman’s mark; 12 amendments were adopted and 20 amendments were rejected.¹⁴

The congressional budget process timetable sets April 15 as a target date for final adoption of the budget resolution.¹⁵ The CBA prohibits the consideration of

¹³ For a description of the amendments and the roll call votes, see U.S. Congress, House Committee on the Budget, *Concurrent Resolution on the Budget—Fiscal Year 2004*, report to accompany H.Con.Res. 95, 108th Cong., 1st sess., H.Rept. 108-37, Mar. 17, 2003 (Washington: GPO, 2003), pp. 145-176.

¹⁴ For a description of the amendments and the roll call votes, see U.S. Congress, Senate Committee on the Budget, *Concurrent Resolution on the Budget FY2004*, committee print to accompany S.Con.Res. 23, 108th Cong., 1st sess., S.Prt. 108-19, Mar. 2003 (Washington: GPO, 2003), pp. 66-75.

¹⁵ In years Congress is late in adopting, or does not adopt, a budget resolution, the House and Senate independently may adopt a “deeming resolution” for the purpose of enforcing certain budget levels. A deeming resolution, typically in the form of a simple resolution, specifies
(continued...)

spending, revenue, or debt-limit legislation for the upcoming year until the budget resolution has been adopted, unless the rule is waived or set aside. The House and Senate consider the budget resolution under procedures generally intended to expedite final action.

In the House, the budget resolution usually is considered under a special rule, limiting the time of debate and allowing only a few amendments, as substitutes to the entire resolution. On March 20, the House considered H.Con.Res. 95 under a structured rule (H.Res. 151, H.Rept. 108-44) reported by the House Rules Committee. The special rule provided that a manager's amendment in the nature of a substitute be considered as adopted and made in order only the four amendments in the nature of a substitute printed in the House Rules Committee report. The House passed H.Res. 151 by voice vote. During consideration of the FY2004 budget resolution, the House rejected the four amendments made in order by the special rule. The House subsequently agreed to H.Con.Res. 95 by a 215-212 vote on March 21.¹⁶

The Senate considers the budget resolution under the procedures set forth in the CBA, sometimes as modified by a unanimous consent agreement. Debate on the initial consideration of the budget resolution, and all amendments, debatable motions, and appeals, is limited to 50 hours. Amendments, motions, and appeals may be

¹⁵ (...continued)

certain budget levels normally contained in the budget resolution, including aggregate spending and revenue levels, spending allocations to House and Senate committees, spending allocations to the Appropriations Committees only, or a combination of these. In some cases, an entire budget resolution, earlier adopted by one chamber, may be deemed to have been passed. Under a deeming resolution, the enforcement procedures related to the Congressional Budget Act, as discussed below, have the force and effect as if Congress had adopted a budget resolution.

In 2002, for example, in the absence of an agreement on an FY2003 budget resolution with the Senate, the House adopted a resolution deeming the House-adopted FY2003 budget resolution (H.Con.Res. 353, 107th Congress) to have been agreed to by Congress. The Senate did not take any similar action.

At the beginning of the 108th Congress, the House agreed to deem the FY2003 budget resolution adopted by the House during the 107th Congress (H.Con.Res. 353) to have been adopted by the 108th Congress. Under this deeming resolution, the enforcement procedures of the Congressional Budget Act will have the force and effect on budget legislation pertaining to FY2003 and beyond in the House as if the budget resolution had been adopted by Congress, until Congress adopts an FY2004 budget resolution. See Sec. 3(a)(4) of H.Res. 5, adopted on Jan. 7, 2003. Also, the provision required the House Budget Committee chair to submit for printing in the *Congressional Record* the committee allocations associated with the spending levels contained in H.Con.Res. 353, and other related budget information. In the absence of official committee chair assignments, Sec. 2 of H.Res. 14, adopted by the House on Jan. 8, 2003, provided that Rep. Jim Nussle, the prospective House Budget Committee chair (see H.Res. 24), could submit the committee allocations. He did so on the same date. See *Congressional Record*, daily edition, vol. 149, Jan. 8, 2003, pp. H74-H75.

¹⁶ For the consideration and adoption of H.Res. 151 and H.Con.Res. 95, see *Congressional Record*, daily edition, vol. 149, Mar. 20 and 21, 2003, pp. H2138-H2262.

considered beyond this time limit, but without debate. Consideration of the conference report is limited to 10 hours. The Senate considered its version of the FY2004 budget resolution on March 17, 18, 19, 20, 21, 25, and 26. During consideration of S.Con.Res. 23, the Senate considered 82 amendments; 44 amendments were adopted, 35 amendments were rejected, one amendment was withdrawn, and two amendments fell on points of order. On March 26, the Senate agreed to S.Con.Res. 23, as amended, by a 56-44 vote. Subsequently, the Senate incorporated its version of the FY2004 budget resolution in the companion measure, H.Con.Res. 95, as an amendment and agreed to it by unanimous consent.¹⁷

After resolving the differences between their respective versions, the House and Senate agreed to the conference report to accompany the FY2004 budget resolution (H.Con.Res. 95, H.Rept. 108-71) by votes of 216-211 and 51-50 (with Vice President Richard B. Cheney voting in the affirmative to break the tie), respectively, on April 11 (legislative day April 10, for the House).¹⁸ H.Con.Res. 95 sets forth appropriate budgetary levels for FY2004 as follows: \$1,325.5 billion in revenues; \$1,861.0 billion in budget authority; \$1,883.8 in outlays; and \$558.4 billion in the on-budget deficit.¹⁹

Reconciliation Legislation

Congress may implement changes to existing law related to direct spending, revenues, or the debt limit through the reconciliation process, provided for in Section 310 of the CBA. The reconciliation process has two stages. First, Congress may include reconciliation instructions in a budget resolution directing one or more committees to recommend changes in statute to achieve the levels of spending, revenues, and debt limit agreed to in the budget resolution. Second, the legislative language recommended by these committees is packaged “without any substantive revision” into one or more reconciliation bills, as set forth in the budget resolution, by the House and Senate Budget Committees. In some instances, a committee may be required to report its legislative recommendations directly to its chamber.

Once reconciliation legislation is reported, it is considered under special procedures. These procedures serve to limit what may be included in reconciliation legislation, to prohibit certain amendments, and to encourage its completion in a timely fashion. In the House, as with the budget resolution, reconciliation legislation usually is considered under a special rule, establishing the time allotted for debate

¹⁷ For the consideration and adoption of the Senate version of the FY2004 budget resolution, see *Congressional Record*, daily edition, vol. 149, Mar. 17-21 and 25-26, 2003, pp. S3774-S4268 and S4334-S4422.

¹⁸ For the House and Senate consideration of the conference report to H.Con.Res. 95, the FY2004 budget resolution, see *Congressional Record*, daily edition, vol. 149, Apr. 10, 2003, pp. H3194-H3230, H3279-H3298; and *Congressional Record*, daily edition, vol. 149, Apr. 11, 2003, pp. S5266-S5293, S5295-S5316, respectively.

¹⁹ The totals in the budget resolution do not include the revenues and outlays of the Social Security trust funds or the net cash flow of the U.S. Postal Service (i.e., the only off-budget entities).

and what amendments will be in order. In the Senate, the CBA provides that debate on a budget reconciliation bill, and on all amendments, debatable motions, and appeals, is limited to not more than 20 hours. After the 20 hours of debate has been reached, consideration of amendments, motions, and appeals may continue, but without debate.

In both chambers, the CBA requires that amendments to reconciliation legislation be deficit neutral and germane. Also, the CBA prohibits the consideration of reconciliation legislation, or any amendment to a reconciliation bill, recommending changes to the Social Security program. Finally, in the Senate, Section 313 of the CBA, commonly referred to as the Byrd rule, prohibits extraneous matter in a reconciliation bill.²⁰

Both the House and Senate versions of the FY2004 budget resolution provided for reconciliation legislation covering the period FY2003-FY2013. The House version, agreed to on March 21, 2003, provided for two separate reconciliation measures: one for tax cuts (equal to about \$730 billion) and the other for mandatory spending cuts (equal to about \$264.5 billion).²¹ The Senate version, agreed to on March 26, provided for one reconciliation measure for tax cuts (equal to \$350 billion).²²

The conference report to H.Con.Res. 95, agreed to by the House and Senate on April 11, provides for one reconciliation measure, to be reported by the appropriate committees no later than May 8.²³ The reconciliation directives require the House Ways and Means Committee to report legislation reducing revenues by \$535 billion and increasing spending by \$15 billion for the period FY2003-FY2013, and require the Senate Finance Committee to report legislation reducing revenues by \$522.524 billion and increasing spending by \$27.476 billion for the period FY2003-FY2013. Although both directives call for reconciliation legislation equal to \$550 billion for the period FY2003-FY2013, Section 202 of H.Con.Res. 95 provides a point of order against Senate consideration of reconciliation legislation reported pursuant to the directives, or an amendment thereto, that would cause the total revenue reductions and outlay increases to exceed \$350 billion. The point of order, however, would not apply to a conference report on such reconciliation legislation.²⁴ Nevertheless, during Senate consideration of the conference report, Senator Charles Grassley, Finance

²⁰ For detailed information on the Byrd rule, see CRS Report RL30862, *Budget Reconciliation Procedures: The Senate's "Byrd Rule,"* by Robert Keith.

²¹ Amounts are based on reconciliation instructions summary table of the manager's amendment to H.Con.Res. 95, available on the House Budget Committee's Web site at [<http://www.house.gov/budget/reconinstruct04.pdf>], visited on May 20, 2003.

²² Section 104 of the Senate-passed version of H.Con.Res. 95.

²³ For further discussion, see CRS Report RL31902, *Revenue Reconciliation Directives in the FY2004 Budget Resolution,* by Robert Keith.

²⁴ See U.S. Congress, Committee on Conference, *Concurrent Resolution on the Budget—Fiscal Year 2004*, conference report to accompany H.Con.Res. 95, 108th Cong., 1st sess., H.Rept. 108-71 (Washington: GPO, 2003), p. 104.

Committee Chair, reiterated the Senate's commitment to limiting the reconciliation legislation conference report to no more than \$350 billion. Specifically, he stated:

Let me be clear, without this agreement, the budget resolution conference report would not pass the Senate today.... I agreed that I would not return from the conference on the growth package with a number greater than \$350 billion in revenue reductions. This means that, at the end of the day, the tax cut side of the growth package will not exceed \$350 billion over the period of the reconciliation instruction.²⁵

Pursuant to the reconciliation instructions in the FY2004 budget resolution (Section 201 of H.Con.Res. 95), the House Ways and Means Committee marked up and voted to report H.R. 2, Jobs and Growth Reconciliation Tax Act of 2003, with an amendment in the nature of a substitute (H.Rept. 108-94), by a vote of 24-15 on May 6. During markup, the Committee considered and rejected five amendments to the Chair's amendment in the nature of a substitute.²⁶ On May 9, the full House considered, under a closed rule (H.Res. 227, H.Rept. 108-95), and passed H.R. 2 by a vote of 222-203.²⁷ H.R. 2, as passed by the House, would reduce revenues by \$535.7 billion and increase outlays by \$13.8 billion over the 11-year period covering FY2003-FY2013.²⁸

In the Senate, the Finance Committee initially marked up and voted to report S. 2, Jobs and Growth Reconciliation Act of 2003, with an amendment in the nature of a substitute (without written report), by a vote of 12-9 on May 8. During markup, the Committee considered 17 amendments; six were adopted, 10 were rejected, and one

²⁵ *Congressional Record*, daily edition, vol. 149, Apr. 11, 2003, p. S5296.

²⁶ For a description of the amendments and the roll call votes, see U.S. Congress, House Committee on Ways and Means, *Jobs and Growth Reconciliation Tax Act of 2003*, report to accompany H.R. 2, 108th Cong., 1st sess., H.Rept. 108-94, May 8, 2003 (Washington: GPO, 2003), pp. 32-35.

²⁷ For the consideration and adoption of H.Res. 227 and H.R. 2, see *Congressional Record*, daily edition, vol. 149, May 9, 2003, pp. H3864-H3956.

²⁸ See cost estimate of H.R. 2 by the Congressional Budget Office, available at [<http://www.cbo.gov/showdoc.cfm?index=4213&sequence=0>], visited August 5, 2003. As required by the 1974 CBA, the estimates for the revenue provisions contained in H.R. 2 were provided by the Joint Committee on Taxation. For a description and detailed estimates of the revenue provisions contained in the House version of H.R. 2, see Joint Committee on Taxation, *Description of the Chairman's Amendment in the Nature of Substitute to H.R. 2, the "Jobs and Growth Tax Act of 2003"* (JCX-40-03), May 5, 2003; and Joint Committee on Taxation, *Estimated Revenue Effects of a Chairman's Amendment in the Nature of a Substitute to H.R. 2, the "Jobs and Growth Tax Act of 2003,"* (JCX-41-03), May 5, 2003. These reports are available at [<http://www.house.gov/jct/x-40-03.pdf>] and [<http://www.house.gov/jct/x-41-03.pdf>], respectively, visited on August 5, 2003. In addition, the JCT prepared a macroeconomic impact analysis of H.R. 2, as required by clause 3(h)(2)(A)(iii) of House Rule XIII, which was submitted into the *Congressional Record* on May 8 by House Ways and Means Chairman William M. Thomas. See *Congressional Record*, daily edition, vol. 149, May 8, 2003, pp. H3829-H3832.

was withdrawn.²⁹ The Senate was expected to begin consideration of S. 2 on May 12,³⁰ but it delayed its consideration because the Senate Parliamentarian reportedly ruled that S. 2, as reported by the Senate Finance Committee, would not qualify as reconciliation legislation pursuant to the instructions contained in the FY2004 budget resolution.³¹ Subsequently, on May 13 by a 12-9 vote, the Senate Finance Committee voted to report an original measure, S. 1054, Jobs and Growth Tax Relief Reconciliation Act of 2003 (without written report), which was virtually identical to S. 2, as previously reported with an amendment in the nature of a substitute.³² Under the special floor procedures described above, the Senate considered S. 1054 on May 14 and 15. During consideration of S. 1054, the Senate considered 67 amendments; 30 amendments were adopted, nine amendments were rejected, seven amendments were withdrawn, and 21 amendments fell on points of order. On May 15, the Senate adopted H.R. 2, after striking all after the enacting clause and inserting the text of S. 1054, as amended, by a vote of 51-49.³³ While an official cost estimate for the Senate-passed reconciliation legislation has not been released by CBO or JCT, the measure reportedly would reduce revenues by a total of \$431 billion, offset by fees and tax increases of \$101 billion, and provide \$20 billion in state and local aid, over the 11-year period covering FY2003-FY2013.³⁴

After resolving the differences between their respective versions,³⁵ the House and Senate agreed to the conference report to accompany H.R. 2 (H.Rept. 108-126)

²⁹ For a description of the amendments and the roll call votes, see Daphne Retter, “Committee Approves Tax Cut Plan,” *CQ Markup Report*, May 8, 2003.

³⁰ On May 9, the Senate reached a unanimous consent agreement providing that the Senate proceed to the consideration of S. 2 at 2 p.m. on Monday, May 12, 2003. See *Congressional Record*, daily edition, vol. 149, May 9, 2003, p. S6011.

³¹ For further discussion of this matter, see: (1) Alan K. Ota, “Procedural Gaffe in Senate Delays Tax Cut Bill,” *CQ Today*, May 12, 2003; and (2) Bud Newman and Nancy Ognanovich, “Procedural Glitch Delays Start of Debate on Tax Cut Reconciliation Bill in Senate,” BNA’s *Daily Report for Executives*, May 13, 2003, p. G-13.

³² For further information on the markup of S. 1054, see Daphne Retter, “Committee Oks New Tax Measure with Technical Corrections,” *CQ Markup Report*, May 13, 2003.

³³ For the consideration of S. 1054 and subsequent adoption of H.R. 2, in lieu of S. 1054, in the Senate, see *Congressional Record*, daily edition, vol. 149, May 14 and 15, 2003, pp. S6148-S6226, S6233-S6248, S6407-S6415, S6421-S6428, S6429-S6445, and S6451-S6475.

³⁴ See, for example, Alan K. Ota, “For Business, Tax Conference Will Be All Damage Control,” *CQ Weekly*, May 17, 2003, pp. 1168-1175, especially table on p. 1175. CBO released a cost estimate for S. 1054, as reported by the Senate Finance Committee, which is available at [<http://www.cbo.gov/showdoc.cfm?index=4218&sequence=0>], visited August 5, 2003. As required by the 1974 CBA, the estimates for the revenue provisions contained in S. 1054 were provided by the Joint Committee on Taxation. For detailed estimates of the revenue provisions contained in the reported version of S. 1054, see Joint Committee on Taxation, *Estimated Budget Effects of the “Jobs and Growth Tax Relief Reconciliation Act Of 2003,”* (JCX-50-03), May 13, 2003, available at [<http://www.house.gov/jct/x-50-03.pdf>], visited on Aug. 5, 2003.

³⁵ For a discussion and comparison of the two versions of the tax legislation as well as the President’s tax cut proposals, see CRS Report RL31907, *Tax Cut Bills in 2003: A Comparison*, by David L. Brumbaugh and Don C. Richards.

by votes of 231-200 and 51-50 (with Vice President Cheney voting in the affirmative to break the tie), respectively, on May 23 (legislative day May 22, for the House).³⁶ According to CBO and the JCT, H.R. 2 is projected to reduce federal revenues by \$320.1 billion and increase federal outlays by \$29.5 billion over the 11-year period covering FY2003-FY2013.³⁷ President Bush signed H.R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003, into law (P.L. 108-27) on May 28, 2003.

Revenue and Debt-Limit Legislation

Congress may adopt individual revenue and debt-limit measures without employing the optional reconciliation process as well.

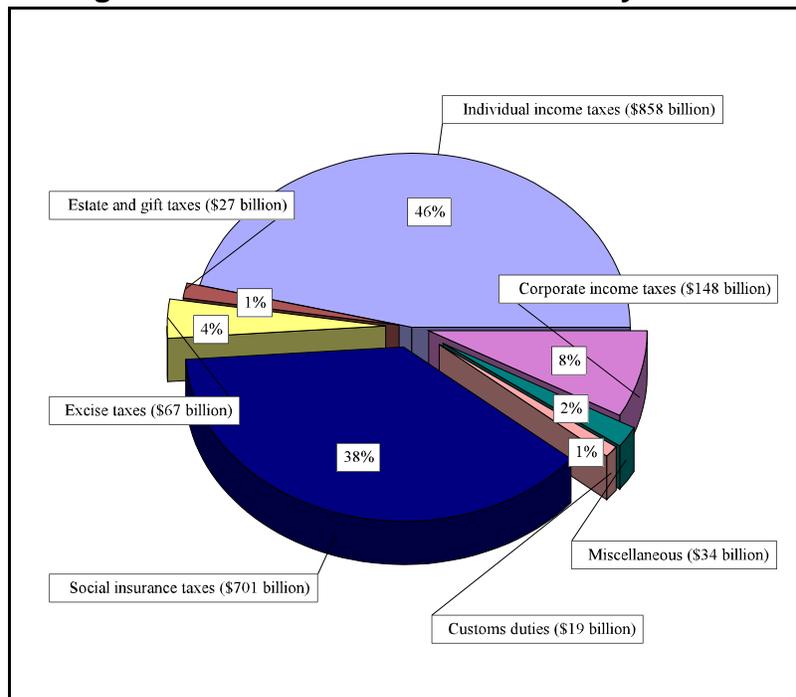
Revenue Legislation. Revenue and debt-limit legislation is under the jurisdiction of the House Ways and Means Committee and the Senate Finance Committee. Article I, Section 7, of the U.S. Constitution requires revenue legislation originate in the House of Representatives, but the Senate has considerable latitude to amend a revenue bill received from the House.

Most of the laws establishing the federal government's revenue sources are permanent and continue year after year without any additional legislative action (see **Figure 2**).³⁸ Congress, however, typically enacts revenue legislation, changing some portion of the existing tax system, every year. Revenue legislation may include changes to individual and corporate income taxes, social insurance taxes, excise taxes, or tariffs and duties.

³⁶ For the House and Senate consideration of the conference report to H.R. 2, see *Congressional Record*, daily edition, vol. 149, May 22, 2003, pp. H4716-H4730; and *Congressional Record*, daily edition, vol. 149, May 23, 2003, pp. S7071-S7089, respectively. In the House, the conference report to H.R. 2 was considered under the provisions of a special rule (H.Res. 253, H.Rept. 108-129) agreed to by a vote of 221-205. See *Congressional Record*, daily edition, vol. 149, May 22, 2003, pp. H4706-H4716. In the Senate, the conference report to H.R. 2 was considered under the provisions of an unanimous consent agreement reached on May 22, 2003. See *Congressional Record*, daily edition, vol. 149, May 22, 2003, p. S6964.

³⁷ See the CBO cost estimate of H.R. 2, as cleared by Congress on May 23, 2003, available at [<http://www.cbo.gov/showdoc.cfm?index=4249&sequence=0>], visited on July 8, 2003. Again, as required by the 1974 CBA, the estimates for the revenue provisions were provided by the JCT. For a summary and detailed estimates of the revenue provisions contained in the conference agreement on H.R. 2, see Joint Committee on Taxation, *Summary of Conference Agreement on H.R. 2, The "Jobs and Growth Tax Relief Reconciliation Act of 2003,"* (JCX-54-03), May 22, 2003, available at [<http://www.house.gov/jct/x-54-03.pdf>], and Joint Committee on Taxation, *Estimated Budget Effects of the Conference Agreement for H.R. 2, "Jobs and Growth Tax Relief Reconciliation Act Of 2003,"* (JCX-55-03), May 22, 2003, available at [<http://www.house.gov/jct/x-55-03.pdf>], both visited on July 8, 2003.

³⁸ Chart created by CRS based on data from Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2004-2013*, p. 150.

Figure 2. Actual FY2002 Revenues by Source

Revenue legislation is not considered automatically in the congressional budget process on an annual basis. Frequently, however, the President proposes and Congress considers changes in the rates of taxation or the distribution of the tax burden. An initial step in the congressional budget process is the publication of revenue estimates of the President's budget by CBO. On March 25, CBO released its report *An Analysis of the President's Budgetary Proposals for Fiscal Year 2004*, which contains estimates of the President's proposals using CBO's economic and technical assumptions, and provides an analysis of the potential macroeconomic effects of the President's budgetary proposals.³⁹ These revenue estimates usually differ from the President's, since they are based on different economic and technical assumptions (e.g., growth of the economy and change in the inflation rate). Cost estimates of any congressional revenue proposals are prepared by CBO, based on revenue estimates made by the Joint Committee on Taxation (JCT), and are published in committee reports or in the *Congressional Record*, as well as available on JCT's Web site.⁴⁰

The budget resolution includes baseline estimates of federal government revenues based on the continuation of existing laws and any proposed policy

³⁹ The report is available on CBO's Web site at [<http://www.cbo.gov>]. The Joint Committee on Taxation also released a description and estimates of the revenue provisions contained in the President's FY2004 budget proposal, which are available at [<http://www.house.gov/jct/s-7-03.pdf>] and [<http://www.house.gov/jct/x-15-03.pdf>], respectively, visited on Aug. 5, 2003.

⁴⁰ See [<http://www.house.gov/jct/>].

changes. The revenue levels in the budget resolution provide the framework for any action on revenue measures during the session. A point of order may be raised against the consideration of legislation that causes revenues to fall below the agreed upon levels for the first fiscal year or the total for all fiscal years in the budget resolution. This point of order may be set aside by unanimous consent, or waived by a special rule in the House or by a three-fifths vote in the Senate.

A Senate PAYGO point of order, under Section 505 of the FY2004 budget resolution (H.Con.Res. 95), also may be raised against any revenue legislation *not assumed in the most recently adopted budget resolution* that would increase or cause an on-budget deficit for the first fiscal year, the period of the first 5 fiscal years, or the following 5 fiscal years, covered by the most recently adopted budget resolution. A motion to waive the point of order requires a three-fifths vote (i.e., 60 Senators if there are no vacancies).

The conference report to H.Con.Res. 95, agreed to by the House and Senate on April 11, allows for revenue reductions of about \$1.225 trillion for the period FY2003-FY2013, below the budget baseline projected levels.⁴¹

Debt-Limit Legislation. The amount of money the federal government is allowed to borrow generally is subject to a statutory limit (31 U.S.C. 3101). From time to time, Congress and the President have enacted legislation to raise this limit.⁴²

Federal debt consists of debt held by the public plus debt held by government accounts. The debt held by the public represents the total net amount borrowed from the public to cover the federal government's budget deficits. By contrast, the debt held by government accounts represents the total net amount of federal debt issued to specialized federal accounts, primarily trust funds (e.g., Social Security). Trust fund surpluses by law must be invested in special (non-negotiable) federal government securities and thus are held in the form of federal debt. The combination of both types of debt is subject to the statutory public debt limit. Therefore, budget deficits or trust fund surpluses may contribute to the federal government reaching the existing debt limit.

The most recent increase in the public-debt limit was enacted as an independent measure (P.L. 107-199, 116 Stat. 734) in June 2002. The debt-limit measure increased the statutory limit by \$450 billion, to \$6,400 billion. As early as December 2002, the Administration indicated that the debt subject to the limit might reach the statutory ceiling in the first half of 2003.⁴³ Most recently, Treasury Secretary Snow

⁴¹ Total level of revenue reductions based on Section 101(1)(B) of H.Con.Res. 95 (H.Rept. 108-71). This amount does not include any outlay increases associated with certain tax credits assumed in the budget resolution.

⁴² For further information on debt-limit legislation, see CRS Report RS21519, *Legislative Procedures for Adjusting the Public Debt Limit*, by Robert Keith and Bill Heniff Jr.; and CRS Report RL31967, *The Debt Limit: The Need for Increases*, by Philip D. Winters.

⁴³ See letter to Speaker J. Dennis Hastert from Kenneth Dam, deputy secretary, Department of the Treasury, Dec. 24, 2002, at [<http://www.ustreas.gov/press/releases/po3718.htm>]. On (continued...)

informed Congress that the Treasury would reach the debt ceiling “on or about May 28, 2003,” stating:

The Treasury has now taken all prudent and legal steps to avoid reaching the statutory debt limit, including reducing the size of our regular bill auctions and drawing down available cash. An immediate permanent increase in the debt limit is crucial to preserve the confidence in the US Government and to prevent uncertainty that would adversely affect our economic recovery.⁴⁴

Pursuant to House Rule XXVII, upon the adoption of the FY2004 budget resolution, the House Clerk engrossed and transmitted to the Senate a joint resolution (H.J.Res. 51) increasing the public debt limit by \$984 billion, to \$7,384 billion. House Rule XXVII (commonly referred to as the “Gephardt rule” after its author, Representative Richard Gephardt) provides that, upon the adoption of the budget resolution by Congress, a joint resolution specifying the amount of the public debt limit contained in the budget resolution automatically is engrossed and deemed to have passed the House by the same vote as the conference report on the budget resolution, thereby avoiding a separate vote on the debt-limit legislation.⁴⁵ H.J.Res. 51 was deemed to have been adopted by the House on April 11 by a vote of 216-211 (i.e., the vote upon which the House agreed to the FY2004 budget resolution).

The Senate has no comparable automatic engrossment procedure; if it chooses to consider a House-passed joint resolution, it does so under the regular legislative process. On May 23, following the vote on adoption of the conference report to H.R. 2, Jobs and Growth Tax Relief Reconciliation Act of 2003, the Senate began consideration of H.J.Res. 51 under the provisions of an unanimous consent agreement reached on May 7.⁴⁶ During consideration of H.J.Res. 51, the Senate considered eight amendments; seven amendments were rejected and one amendment fell on a point of order. Subsequently, the Senate passed the measure by a vote of 53-

⁴³ (...continued)

at least three subsequent occasions, Treasury Secretary John W. Snow reiterated to Congress the need for an increase of the statutory limit on the public debt. See letters to Speaker Hastert from Secretary Snow, dated Feb. 19, 2003, available at [<http://www.ustreas.gov/press/releases/js46.htm>]; dated April 4, 2003, available at [<http://www.ustreas.gov/press/releases/js259.htm>]; and dated May 19, 2003, available at [<http://www.ustreas.gov/press/releases/js386.htm>]. All Web sites were visited on Aug. 5, 2003.

⁴⁴ Ibid.

⁴⁵ For further information on the Gephardt rule, see CRS Report RL31913, *Developing Debt-Limit Legislation: The House’s “Gephardt Rule,”* by Bill Heniff Jr.

⁴⁶ The unanimous consent agreement provided that at a time to be determined by the majority leader, after consultation with the Democratic leader, the Senate proceed to the consideration of H.J.Res. 51; that first-degree amendments be limited to 12 per side; and that no amendments relevant to gun liability and hate crimes be in order. See *Congressional Record*, daily edition, vol. 149, May 7, 2003, p. S5838.

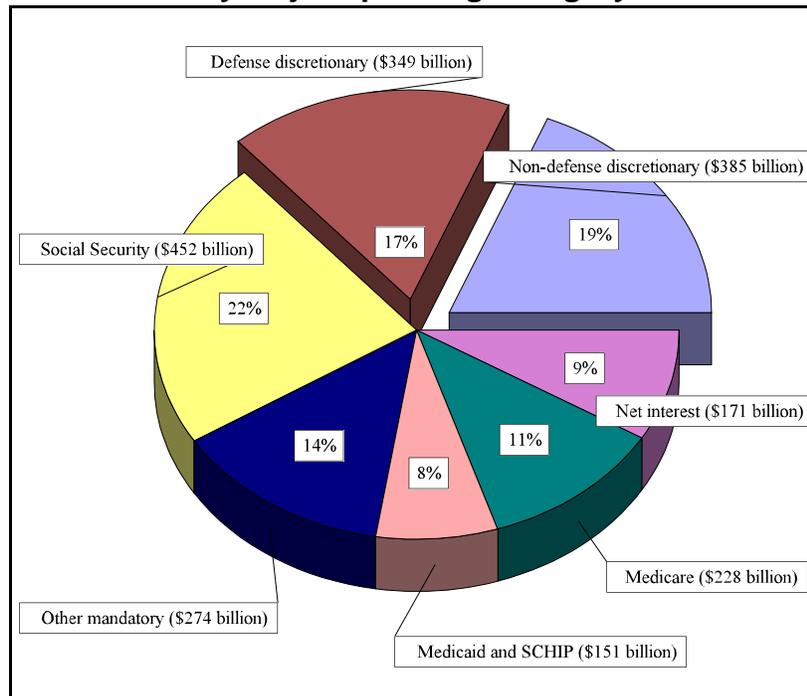
44.⁴⁷ On May 27, President Bush signed H.J.Res. 51, increasing the statutory limit on the public debt, into law (P.L. 108-24).

Appropriations and Other Spending Legislation

Federal spending is categorized into two different types: discretionary or mandatory spending. Discretionary spending is controlled through the annual appropriations acts, while mandatory or direct spending (which consists mostly of entitlement programs) is determined by existing law.

Actual FY2002 federal outlays totaled \$2,011 billion (see **Figure 3**).⁴⁸ Of this total amount, \$734 billion, or about 36.5%, was discretionary spending (exploded slices in **Figure 3**), while \$1,277 billion, or 63.5%, was mandatory spending.

Figure 3. Actual FY2002 Outlays by Major Spending Category



As noted above, the total budget authority and outlays set forth in the budget resolution are allocated among the House and Senate committees with jurisdiction over specific spending legislation. These allocations, commonly referred to as 302(a) allocations after the applicable section of the Congressional Budget Act, are specified

⁴⁷ For the consideration and passage of H.J.Res. 51, see *Congressional Record*, daily edition, vol. 149, May 23, 2003, pp. S7089-S7115.

⁴⁸ Chart created by CRS based on data from Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2004*, p. 312.

in the joint explanatory statement accompanying the conference report to the budget resolution.⁴⁹ A point of order may be raised against any legislation that would cause a committee's spending allocation to be exceeded.

Discretionary Spending. Discretionary spending is under the jurisdiction of the House and Senate Appropriations Committees. Soon after the budget resolution is adopted by Congress, the House and Senate Appropriations Committees subdivide their spending allocations among their subcommittees and formally report these suballocations to their respective chambers. These suballocations, referred to as 302(b) allocations after the applicable section of the Congressional Budget Act, represent the spending ceilings on the individual regular appropriations acts. During the appropriations process, these suballocations usually are revised several times.

Congress passes three main types of appropriations measures. *Regular appropriations acts* provide budget authority for the next fiscal year, beginning on October 1. Each of the 13 subcommittees of the Appropriations Committees of the House and Senate is responsible for one of the 13 regular appropriations acts. *Supplemental appropriations acts* provide additional funding for unexpected needs while the fiscal year is in progress. *Continuing appropriations acts*, commonly referred to as continuing resolutions, provide stop-gap funding for agencies that have not received regular appropriations by the start of the fiscal year.

The President's budget includes recommendations for the annual appropriations; account and program level detail about these recommendations is included in the *Appendix* volume of the President's budget documents. In addition, agencies submit justification materials to the House and Senate Appropriations Committees. The budget justifications provide more detailed information about an agency's program activities 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 request.

The House and Senate appropriations subcommittees begin holding extensive hearings on appropriations requests shortly after the President's budget is submitted. By custom, appropriations measures originate in the House. In recent years, the Senate Appropriations Committee has adopted and reported original Senate appropriations measures, allowing the Senate to consider appropriations measures without having to wait for the House to adopt its version. Under this practice, the Senate version is considered and amended on the floor, and then inserted into the House-adopted version, when available, as a substitute amendment, thereby retaining the House-numbered bill for final action.

Appropriations for FY2003. At the outset of the 108th Congress, only two of the 13 regular appropriations acts for FY2003 had been enacted into law. Since the start of FY2003, the federal government agencies and programs not yet funded in regular appropriations acts received temporary appropriations in eight successive

⁴⁹ See U.S. Congress, Committee on Conference, *Concurrent Resolution on the Budget-Fiscal Year 2004*, Conference Report to accompany H.Con.Res. 95, 108th Cong., 1st sess., H.Rept. 108-71 (Washington: GPO, 2003), pp. 123-132.

continuing resolutions (CRs). Congress and President Bush provided temporary funding through: October 4, 2002 (P.L. 107-229); October 11 (P.L. 107-235); October 18 (P.L. 107-240); November 22 (P.L. 107-244); January 11, 2003 (P.L. 107-294); January 31 (P.L. 108-2); February 7 (P.L. 108-4); and February 20 (P.L. 108-5).

On February 13, the House and Senate agreed to the conference report to the Consolidated Appropriations Resolution, 2003 (H.J.Res. 2), which contains the 11 remaining regular appropriations acts for FY2003.⁵⁰ On February 20, President Bush signed the measure into law (P.L. 108-7), thereby bringing action on the FY2003 regular appropriations acts to a close.

In addition to the 13 regular appropriations acts, Congress typically acts on at least one supplemental appropriations measure during a session. On March 25, within days of initiating military operations in Iraq, President Bush submitted a \$74.7 billion supplemental appropriations request for FY2003 to provide additional resources for operations in Iraq, international assistance and Iraqi relief and reconstruction, homeland security, and the legislative branch.⁵¹

On April 1, in response to the President's request, the Senate Appropriations Committee reported S. 762, Supplemental Appropriations Act to Support Department of Defense Operations in Iraq for Fiscal Year 2003 (S.Rept. 108-33). The Senate considered S. 762 on April 2 and 3, and adopted the measure with amendments by a 93-0 vote on April 3. In the House, the House Appropriations Committee reported H.R. 1559, Emergency Wartime Supplemental Appropriations Act, 2003 (H.Rept. 108-55) on April 2. The House considered H.R. 1559 under an open rule (H.Res. 172) on April 3, and adopted the measure by a 414-12 vote. Subsequently, on April 7, the Senate passed H.R. 1559 by unanimous consent in lieu of S. 762 after incorporating the text of S. 762 in H.R. 1559 as an amendment.

House and Senate conferees resolved the differences between the two versions of the FY2003 supplemental appropriations measure and filed a conference report (H.Rept. 108-76) on April 12. The House and Senate agreed to the conference report on H.R. 1559 by voice vote and unanimous consent, respectively, on the same day.⁵² President Bush signed the legislation into law (P.L. 108-11) on April 16. P.L. 108-11 provides \$78.5 billion in supplemental appropriations for FY2003 for operations in

⁵⁰ For a guide to the contents of H.J.Res. 2, see CRS Report RS21433, *FY2003 Consolidated Appropriations Resolution: Reference Guide*, by Robert Keith.

⁵¹ A copy of the request is available on OMB's Web site at [http://www.whitehouse.gov/omb/budget/amendments/supplemental_3_25_03.pdf]. For a detailed discussion of President Bush's supplemental appropriations request, see CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*, by Amy Belasco and Larry Nowels.

⁵² On April 11, the Senate had agreed by unanimous consent that when the Senate received the conference report from the House, and with the concurrence of the two Senate leaders, the conference report would be agreed to by the Senate. See *Congressional Record*, daily edition, vol. 149, Apr. 11, 2003, p. S5392.

Iraq, international assistance and Iraqi relief and reconstruction, homeland security, the legislative branch, and aviation assistance.

On July 7, 2003, President Bush submitted an additional FY2003 supplemental appropriations request totaling \$1,889 million for wildfire suppression and emergency rehabilitation activities, emergency disaster response expenses, and recovery and investigation costs associated with the Space Shuttle *Columbia* accident.⁵³

On July 25, in response to the President's request, the House considered and passed H.R. 2859, Emergency Supplemental Appropriations for Disaster Relief Act, 2003, by a vote of 352-60. Subsequently, on July 31, the Senate passed H.R. 2859 without amendment by unanimous consent, clearing the measure for the President.⁵⁴ H.R. 2859 provides \$983.6 million for emergency disaster assistance for FY2003.

Appropriations for FY2004. Pursuant to the FY2004 budget resolution (H.Con.Res. 95), the House and Senate Appropriations Committees each received spending allocations of \$784,675 million in budget authority and \$861,084 million in outlays for the FY2004 regular appropriations measures.⁵⁵ On June 24, 2003, the House Appropriations Committee's spending allocation was increased to \$785,565 million in budget authority and \$861,342 million in outlays to accommodate additional spending for Project Bioshield.⁵⁶

On June 17, 2003, the House Appropriations Committee approved its initial spending allocations to its subcommittees (H.Rept. 108-171) and has revised these suballocations once (H.Rept. 108-228). On June 20, the Senate Appropriations Committee approved its initial spending suballocations (S.Rept. 108-77) and has revised these suballocations twice (S.Rept. 108-101 and S.Rept. 108-103). As mentioned above, these suballocations serve as spending ceilings for the 13

⁵³ A copy of the request is available on OMB's Web site at [http://www.whitehouse.gov/omb/budget/amendments/supplemental_7_7_03.pdf].

⁵⁴ Prior to this action, the Senate provided emergency supplemental appropriations for FY2003 in Title III of the Legislative Branch Appropriations Act, 2004 (H.R. 2657/S. 1383), which passed the Senate on July 11. The House did not include emergency supplemental appropriations for FY2003 in its version of H.R. 2657.

⁵⁵ These amounts reflect the enactment of the supplemental appropriations for FY2003 (P.L. 108-11). Section 421 of the FY2004 budget resolution required the chairs of the House and Senate Budget Committees to adjust the appropriate allocations and budget aggregates to reflect enactment of such a measure. The revisions were submitted for printing in the *Congressional Record* on May 6 (in the House) and May 7 (in the Senate). See *Congressional Record*, daily edition, vol. 149, May 6, 2003, pp. H3662-H3663, and *Congressional Record*, daily edition, vol. 149, May 7, 2003, pp. S5843-S5847.

⁵⁶ On June 24, 2003, House Budget Committee Chairman Jim Nussle, under the authority of Section 404 of the FY2004 budget resolution, increased the House Appropriations Committee's FY2004 302(a) spending allocation by \$890 million in budget authority and \$258 million in outlays. See *Congressional Record*, daily edition, vol. 149, June 24, 2003, p. H5802.

individual regular appropriations measures and are enforced by points of order on the floor of each chamber.

The House and Senate began consideration of the regular appropriations bills for FY2004 during the week of June 24 and July 7, respectively. **Table 3** provides the dates of congressional floor action on the 13 regular appropriations bills.⁵⁷

Table 3. Status of Regular Appropriations Acts for FY2004

Title and bill number(s)	Date passed House	Date passed Senate
Agriculture (H.R. 2673/S. 1427)	July 14	—
Commerce-Justice-State (H.R. 2799)	July 23	—
Defense (H.R. 2658/S. 1382)	July 8	July 17
D.C. (H.R. 2765)	—	—
Energy and Water (H.R. 2754/S. 1424)	July 18	—
Foreign Operations (H.R. 2800/S. 1426)	July 23	—
Homeland Security (H.R. 2555)	June 24	July 24
Interior (H.R. 2691/S. 1391)	July 17	—
Labor-HHS-Education (H.R. 2660/S. 1356)	July 10	—
Legislative Branch (H.R. 2657/S. 1383)	July 9	July 11
Military Construction (H.R. 2559/S. 1357)	June 26	July 11
Transportation-Treasury	—	—
VA-HUD (H.R. 2861)	July 25	—

Congress also often adopts one or more continuing resolutions each year because of recurring delays in the appropriations process. As noted above, for example, Congress passed eight continuing resolutions before completing action on the FY2003 regular appropriations acts.

Mandatory Spending. Mandatory spending is under the jurisdiction of the various legislative committees of the House and Senate. Some entitlement programs, such as Medicaid and certain veterans' programs, are funded in annual appropriations acts, but such spending is not considered discretionary and is not controlled through the annual appropriations process.

On several occasions in the past, Congress has included reserve funds in the budget resolution to accommodate specific mandatory spending legislation. Under the provisions of a reserve fund, the chairmen of the House and Senate Budget

⁵⁷ For the up-to-date status of and further information on the FY2004 appropriations bills, see the CRS Appropriations Web site at [<http://www.crs.gov/products/appropriations/apppage.shtml>].

Committees may revise the committee spending allocations and other budget resolution levels if certain legislation is reported by the appropriate committee. Without such an adjustment, mandatory spending legislation might be subject to points of order if it was not assumed in the budget resolution spending amounts.

The FY2004 budget resolution (H.Con.Res. 95), as agreed to by Congress, includes six reserve funds related to mandatory spending legislation.⁵⁸ The six reserve funds provide for the adjustment of committee spending allocations and other budget resolution levels to accommodate legislation related to (1) Medicare modernization and prescription drugs; (2) Medicaid reform; (3) State Children's Health Insurance Program; (4) Project Bioshield; (5) health insurance for the uninsured; and (6) Medicaid coverage for children with special needs.

On June 27, 2003, the House and Senate passed legislation to provide prescription drug coverage under Medicare (H.R. 1/S. 1).⁵⁹ Prior to the consideration of the legislation in the Senate, Budget Committee Chairman Don Nickles adjusted the Senate Finance Committee's spending allocations pursuant to the reserve fund provisions contained in Section 401 of H.Con.Res. 95.⁶⁰ A conference committee has been convened to resolve the differences between the House and Senate versions of the legislation.

Budget Enforcement and Sequestration

Beginning in 1990, Congress and the President were constrained by statutory limits on discretionary spending and a pay-as-you-go (PAYGO) requirement for direct spending and revenue legislation.⁶¹ Initially applicable through FY1995, they were modified and extended in 1993 to apply through FY1997, and extended again in 1997 to apply through FY2002. In each case, the budgetary controls were designed to enforce 5-year budget agreements between Congress and the President. Without any legislative action by Congress and the President to extend the budget

⁵⁸ See Section 401-406 of H.Con.Res. 95, H.Rept. 108-71.

⁵⁹ For further information on this legislation, see CRS Report RL31992, *Medicare Prescription Drug Provisions of S. 1, as Passed by the Senate, and H.R. 1, as Passed by the House*, by Jennifer O'Sullivan.

⁶⁰ On June 18, 2003, Senate Budget Committee Chairman Don Nickles increased the Senate Finance Committee's spending allocation by \$113.54 billion in budget authority and \$113.57 billion in outlays for the period FY2004-2008 and \$400 billion in budget authority and outlays for the period FY2004-2013. See *Congressional Record*, daily edition, vol. 149, June 18, 2003, p. S8118.

⁶¹ The discretionary spending limits and the PAYGO requirement were first established by the Budget Enforcement Act (BEA) of 1990 (Title XIII of P.L. 101-508, Omnibus Budget Reconciliation Act of 1990, 104 Stat. 1388-573-1388-630), which amended the Balanced Budget and Emergency Deficit Control Act of 1985 (Title II of P.L. 99-177, 99 Stat. 1038-1101). The limits were extended in 1993 (Title XIV of P.L. 103-66, Omnibus Budget Reconciliation Act of 1993, 107 Stat. 683-685) and in 1997 (Budget Enforcement Act of 1997, Title X of P.L. 105-33, Balanced Budget Act of 1997, 111 Stat. 677-712).

enforcement mechanisms further, they expired at the end of FY2002 (i.e., September 30, 2002).

In the event Congress considers restoring or modifying these budget enforcement mechanisms during 2003, an overview of how they operated is provided below.

Since 1990, the statutory limits had applied to different categories of discretionary spending. During some periods, discretionary spending was combined into a single category; at other times it was divided into two or more broad categories, such as defense and nondefense spending. Currently, adjustable discretionary spending limits still exist for highway and mass transit spending for FY2003 and conservation spending (divided into six subcategories) through FY2006, but the sequestration process to enforce them expired on September 30, 2002.

Under the PAYGO requirement, the net effect of new direct spending and revenue legislation enacted for a fiscal year could not cause a positive balance (reflecting an increase in the on-budget deficit or a reduction in the on-budget surplus) on a multiyear PAYGO “scorecard.” For each fiscal year, this scorecard maintained the balances of the accumulated budgetary effects of laws enacted during the current session and prior years. The PAYGO requirement applied to legislation enacted through FY2002, but it covered the effects of such legislation through FY2006.

The discretionary spending limits and PAYGO requirement were enforced primarily by sequestration, which involved automatic, largely across-the-board spending cuts in non-exempt programs. Sequestration was triggered if the OMB director estimated in the final sequestration report at the end of a session that one or more of the discretionary spending limits would be exceeded or the PAYGO requirement would be violated. A within-session sequestration was possible if a supplemental appropriations bill caused the spending levels of the current fiscal year to exceed the statutory limit for a particular category. The discretionary spending limits, as well as a PAYGO requirement similar to the expired statutory one, also could have been enforced through points of order while legislation was being considered on the Senate floor. (The House did not provide for similar points of order.)

The FY2004 budget resolution (H.Con.Res. 95) extended the Senate PAYGO point of order through September 30, 2008. Under the Senate PAYGO rule, a point of order may be raised against any direct spending or revenue legislation that would increase or cause an on-budget deficit for the first fiscal year, the period of the first 5 fiscal years, or the following 5 fiscal years, covered by the most recently adopted budget resolution. A motion to waive this point of order requires a vote of three-fifths of Senators (i.e., 60 Senators if there are no vacancies).

Table 4 provides the timetable for sequestration actions. As indicated, OMB and CBO were required to publish preview and update sequestration reports to provide Congress and the President with advance notice regarding the possibility of a sequester. If one or both types of sequester were anticipated, these reports could have afforded Congress and the President enough warning so that they could enact

legislation to forestall them. Only an OMB within-session or final sequestration report could have triggered a sequester; the CBO sequestration reports were advisory only.

Table 4. Timetable for Sequestration Actions

Deadline	Action to be completed
Five days before the President submits budget	CBO sequestration preview report.
Date of the President's budget submission	OMB sequestration preview report (as part of the President's budget).
August 10	Notification regarding military personnel.
August 15	CBO sequestration update report.
August 20	OMB sequestration update report.
10 days after end of session	CBO final sequestration report.
15 days after end of session	OMB final sequestration report; presidential sequestration order.

Source: Section 254(a) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (P.L. 99-177, 2 U.S.C. 904).

At the end of the 107th Congress, Congress passed and President Bush signed legislation (P.L. 107-312, 116 Stat. 2456) that removed the positive balances on the PAYGO scorecard through FY2006, thereby preventing any future PAYGO sequestration unless the budget enforcement mechanism is restored.⁶²

Chronology

- July 31, 2003 – Senate passed H.R. 2859 without amendment, clearing the measure for the President.
- July 25, 2003 – House passed H.R. 2859, Emergency Supplemental Appropriations for Disaster Relief Act, 2003, providing \$983.6 million for emergency disaster assistance for FY2003.
- July 7, 2003 – President Bush submitted an additional FY2003 supplemental appropriations request totaling \$1,889 million for wildfire suppression and emergency rehabilitation activities, emergency disaster response

⁶² For further information on the recent removal of PAYGO balances, see CRS Report RS21378, *Termination of the "Pay-As-You-Go" (PAYGO) Requirement for FY2003 and Later Years*, by Robert Keith.

expenses, and recovery and investigation costs associated with the Space Shuttle *Columbia* accident.

- May 28, 2003 – President Bush signed H.R. 2, Jobs and Growth Tax Relief Reconciliation Act of 2003 into law (P.L. 108-27). The law is projected to reduce federal revenues by \$320.1 billion and increase federal outlays by \$29.5 billion over the 11-year period covering FY2003-FY2013, according to CBO and the JCT.
- May 23, 2003 – House and Senate agreed to the conference report to H.R. 2, Jobs and Growth Tax Relief Reconciliation Act of 2003 (H.Rept. 108-126).
- May 15, 2003 – Senate passed H.R. 2, Jobs and Growth Tax Reconciliation Act of 2003, after striking all after the enacting clause and inserting the text of S. 1054, as amended, by a vote of 51-49.
- May 9, 2003 – House passed H.R. 2, Jobs and Growth Tax Reconciliation Act of 2003, by a vote of 222-203.
- April 16, 2003 – President Bush signed H.R. 1559, the Emergency Wartime Supplemental Appropriations Act, 2003, into law (P.L. 108-11).
- April 12, 2003 – House and Senate agreed to the conference report (H.Rept. 108-76) to H.R. 1559, which provides \$78.5 billion in supplemental appropriations for FY2003, by voice vote and unanimous consent, respectively.
- April 11, 2003 – House (legislative day of April 10) and Senate agreed to the FY2004 budget resolution (H.Con.Res. 95, H.Rept. 108-71) by votes of 216-211 and 51-50, respectively.
- April 3, 2003 – Senate passed S. 762, Supplemental Appropriations Act to Support Department of Defense Operations in Iraq for Fiscal Year 2003, with amendments by a 93-0 vote. Subsequently, on April 7, the Senate passed H.R. 1559 by unanimous consent in lieu of S. 762 after incorporating the text of S. 762 in H.R. 1559 as an amendment.
- April 3, 2003 – House passed H.R. 1559, Emergency Wartime Supplemental Appropriations Act, 2003, as amended by a 414-12 vote.
- March 26, 2003 – Senate agreed to its version of the FY2004 budget resolution (S.Con.Res. 23, S.Prt. 108-18) by a 56-44 vote.

- March 25, 2003 – President Bush submitted a \$74.7 billion supplemental appropriations request for FY2003 to provide additional resources for operations in Iraq, international assistance and Iraqi relief and reconstruction, homeland security, and the legislative branch.
- March 21, 2003 – House agreed to its version of the FY2004 budget resolution (H.Con.Res. 95, H.Rept. 108-37) by a 215-212 vote.
- February 3, 2003 – President Bush submitted his FY2004 budget to Congress.

For Additional Reading

Congressional Hearings, Reports, and Documents

Congressional Budget Office. *The Budget and Economic Outlook: Fiscal Years 2004-2013*. Washington: Jan. 2003.

Congressional Budget Office. *An Analysis of the President's Budgetary Proposals for Fiscal Year 2004*. Washington: Mar. 2003.

U.S. Congress. Committee on Conference. *Concurrent Resolution on the Budget—Fiscal Year 2004*. Conference Report to accompany H.Con.Res. 95. 108th Congress, 1st session. H.Rept. 108-71. Washington: GPO, 2003.

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U.S. Congress. Senate Committee on the Budget. *Concurrent Resolution on the Budget FY2004*. Committee print to accompany S.Con.Res. 23. 108th Congress, 1st session, S.Prt. 108-19. Washington: GPO, 2003.

CRS Products

CRS Report RL31795. *Congressional Budget Actions in 2002*, by Bill Heniff Jr.

CRS Report RL30297. *Congressional Budget Resolutions: Selected Statistics and Information Guide*, by Bill Heniff Jr.

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

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

CRS Report RL30343. *Continuing Appropriations Acts: Brief Overview of Recent Practices*, by Sandy Streeter.

CRS Report RL31784. *The Budget for Fiscal Year 2004*, by Philip D. Winters.