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The Budget Enforcement Act of 1997: A Fact Sheet

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Summary

President Clinton signed two reconciliation acts into law in August 1997 as part of a plan to balance the budget by FY2002. To ensure compliance with this goal, enforcement procedures were included in one of the acts in a title referred to separately as the Budget Enforcement Act (BEA) of 1997. The BEA of 1997 extended procedures under the Budget Enforcement Act (BEA) of 1990 through FY2002, when they were allowed to expire.[1] Although the federal budget was in surplus for FY1998-2001, a $158 billion deficit was recorded for FY2002.

Background

The BEA of 1990 established discretionary spending limits and a pay-as-you-go (PAYGO) requirement as an amendment to the Balanced Budget and Emergency Deficit Control Act of 1985. The two mechanisms relied upon sequestration, first established by the 1985 act, for enforcement. Sequestration involved automatic, across-the-board spending reductions, triggered generally after the close of a congressional session by a report issued by the director of the Office of Management and Budget (OMB). The BEA of 1990 also made extensive modifications in the congressional budget process under the Congressional Budget Act of 1974, including temporary changes in process contained in a new Title VI. Among the changes made by the act, the coverage of budget resolutions was extended from three fiscal years to five fiscal years.

The procedures established by the BEA of 1990 were meant to guarantee compliance with the five-year (FY1991-1995) deficit-reduction policies contained in the Omnibus Budget Reconciliation Act of 1990. Many of the changes, set to expire in FY1995, were extended through FY1998 by the Omnibus Budget Reconciliation Act of 1993. The

[1] For a more detailed discussion of the BEA of 1997, see *Budget Enforcement Act of 1997: Summary and Legislative History*, by Robert Keith, CRS Report 97-931 GOV.

bipartisan budget agreement reached between the President and congressional leaders in May 1997, and the budget resolution adopted by Congress in June, recommended that the budget be balanced by FY2002. As part of the agreements, the enforcement procedures under the BEA of 1990 were to be extended through FY2002.

Legislative History of the BEA of 1997

The House initially included the budget process changes in the Balanced Budget Act of 1997, H.R. 2015. They were added to the bill under an amendment developed by Representative John Kasich, chairman of the House Budget Committee. The Kasich amendment was incorporated into the bill automatically upon the adoption of a special rule. The House passed the bill, as amended, on June 25 by a vote of 270-162.

The Senate initially included comparable changes in the Taxpayer Relief Act of 1997, H.R. 2014. They were added to the bill under an amendment (number 537) offered by Senators Pete Domenici and Frank Lautenberg, the chairman and ranking minority member of the Senate Budget Committee, respectively. The Senate passed the bill, as amended, on June 27 by a vote of 80-18.

Conferees on the two measures decided to include the budget process changes in the Balanced Budget Act. On July 30, the House agreed to the conference report (H.Rept. 105-217) on the measure by a vote of 346-85; the Senate agreed to the conference report on July 31 by a vote of 85-15. On August 5, President Clinton signed the measure into law as P.L. 105-33 (111 Stat. 251). The budget process changes are contained in Title X of the act (111 Stat. 677-712), which is entitled the "Budget Enforcement Act of 1997."

Summary of the BEA of 1997

The BEA of 1997 extended the discretionary spending limits and PAYGO requirement, enforced by sequestration, through FY2002. New categories of discretionary spending were used under the limits: defense and nondefense for FY1998 and FY1999; violent crime reduction for FY1998-FY2000; and discretionary (a single category) for FY2000-2002. Procedures for periodically adjusting the limits were modified, in part to accommodate legislation for International Monetary Fund replenishments, international arrearages, and an earned income tax compliance initiative. The"look-back" feature under the PAYGO process was modified to eliminate any double counting of legislation enacted during the session after the final OMB sequestration report had been issued.

In addition, the BEA of 1997 made permanent many of the temporary changes in Title VI of the 1974 Congressional Budget Act (by repealing Title VI, but incorporating its components into other sections of the 1974 act or the 1985 Balanced Budget Act). In particular, budget resolutions must cover five fiscal years at a minimum and are enforced for the full 5-year period, and the modified procedures for making committee allocations and suballocations of spending under a budget resolution were retained (and revised further). Also, aggregate spending levels, committee allocations, and other budgetary levels were to be adjusted periodically, under a new Section 314 of the 1974 act, to reflect the enactment of specified legislation covering designated emergencies, IMF funding, international arrearages, and other matters. These adjustments were meant to parallel similar adjustments made in the statutory discretionary spending limits.

Finally, the BEA of 1997 made other changes in the sequestration and congressional budget processes, including many technical and conforming changes that corrected certain drafting errors in the BEA of 1990 and brought the law up to date for various changes enacted during the interim. In the years following enactment of the BEA of 1997, several laws making further modifications in the discretionary spending limits and PAYGO requirement were enacted.