

CRS Report for Congress

Congressional Budget Actions in 2006

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Summary

During the second session of the 109th Congress, the House and Senate will consider many different budgetary measures. Most of them will pertain to fiscal year (FY) 2007 and beyond, but some will make adjustments to the budget for FY2006. As the session progresses, this report will describe House and Senate actions on major budgetary legislation within the framework of the congressional budget process and other procedural requirements.

Congress typically begins its annual budget process once the President submits his budget for the upcoming fiscal year. On February 6, 2006, President George W. Bush submitted his FY2007 budget to Congress. President Bush, subsequently, has submitted five requests for supplemental appropriations for FY2006 and two budget amendments to his budget request for FY2007.

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

The Senate agreed to its version of the FY2007 budget resolution (S.Con.Res. 83) by a 51-49 vote on March 16; the House agreed to its version (H.Con.Res. 376) by a 218-210 vote in the early morning of May 18. When Congress began its Independence Day recess on June 29, the House and Senate had not resolved the legislative differences between the two versions. In the absence of an agreement on the FY2007 budget resolution, however, the House and Senate separately have adopted so-called deeming resolution provisions for budget enforcement purposes.

When FY2007 began on October 1, the House had passed 10, and the Senate had passed two, of the regular appropriations acts for FY2007. Two regular appropriations acts for FY2007 have been signed into law: Department of Defense Appropriations Act, 2007 (P.L. 109-289) and Department of Homeland Security Appropriations Act, 2007 (P.L. 109-295). Congress and the President enacted a continuing appropriations resolution (Div. B of P.L. 109-289) to provide temporary appropriations through November 17, 2006, for agencies and programs funded in the remaining regular appropriations acts not yet enacted. They extended this funding twice: first through December 8, 2006 (P.L. 109-369), and then through February 15, 2007 (P.L. 109-383).

This report will be updated as actions occur during the session.

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Congressional Budget Actions in 2006

Most Recent Developments

When FY2007 began on October 1, the House had passed 10, and the Senate had passed two, of the regular appropriations acts for FY2007. Two regular appropriations acts for FY2007 have been signed into law: the Department of Defense Appropriations Act, 2007 (P.L. 109-289) and the Department of Homeland Security Appropriations Act, 2007 (P.L. 109-295). Congress and the President enacted a continuing appropriations resolution (Div. B of P.L. 109-289) to provide temporary appropriations through November 17, 2006, for agencies and programs funded in the remaining regular appropriations acts not yet enacted. They extended this funding twice: first through December 8, 2006 (P.L. 109-369), and then through February 15, 2007 (P.L. 109-383).

Introduction

During the second session of the 109th Congress, the House and Senate will consider many different budgetary measures. Most of them will pertain to FY2007 (referred to as the “budget year”) and beyond. In addition, some will make adjustments to the budget for FY2006 (referred to as the “current year”). 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.¹

Within this procedural framework, Congress will consider various budget-related legislation in the context of what is arguably an unfavorable budget outlook. 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 in the unified budget (i.e., including federal funds and trust funds) in each of the next several fiscal years. For example, OMB projects that the FY2006 unified budget deficit will be \$367 billion, with deficits continuing, but declining, through FY2011. Similarly, CBO projects that the FY2006 unified budget deficit will be \$337 billion, with a surplus not returning until FY2012.²

¹ For information on budget actions during the first session of the 109th Congress, see CRS Report RL32791, *Congressional Budget Actions in 2005*, by Bill Heniff Jr.

² For further information on the current budget deficit projections, see Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2007* (Washington: GPO, 2006), Table S-12, p. 333; Congressional Budget Office, *The Budget and Economic* (continued...)

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.

The President's Budget

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 (31 U.S.C. 1105). The President's budget includes estimates of direct spending and revenues under existing laws (with certain adjustments), as well as estimates of any proposed legislative changes affecting direct spending and revenues. In addition, the President's budget contains requests, in specific dollar amounts, for discretionary spending (i.e., funds controlled through the appropriations process) for the upcoming fiscal year. 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.

On February 6, 2006, President Bush submitted his FY2007 budget to Congress. As is 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 2007 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.³ In addition, on February 9, OMB made available a supplementary document, *Major Savings and Reforms in the President's 2007 Budget*, outlining program terminations and reductions proposed in the President's FY2007 budget.

The President may revise his budget request any time during the year. Revisions requested before Congress has acted on the initial request are submitted as budget amendments. In addition, the President also may request supplemental appropriations for the current fiscal year for unanticipated needs. Since President Bush submitted his FY2007 budget, he has submitted four budget amendments to his FY2007 budget

² (...continued)

Outlook: Fiscal Years 2007-2016 (Washington: CBO, 2006), Summary Table 1, p. xiv; and CRS Report RL33282, *The Budget for Fiscal Year 2007*, by Philip D. Winters.

³ The President's FY2007 budget documents are available at [<http://www.gpoaccess.gov/usbudget/fy07/browse.html>]. For further information on accessing these documents, see CRS Report RS22390, *FY2007 Budget Documents: Internet Access and GPO Availability*, by Jennifer Anne Teefy.

request and four requests for supplemental appropriations for the current year, FY2006 (an additional request was withdrawn before Congress acted on it).⁴

By July 15 of each year, the President is required to submit an update of his budget, commonly referred to as the mid-session review.⁵ The report contains revised estimates of the budget deficit/surplus, receipts, outlays, and budget authority, reflecting changed economic conditions and assumptions and congressional actions.

The Budget Resolution: Implementation and Enforcement

The Congressional Budget Act 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 budgetary legislation (see **Table 1**). The congressional budget process provides for an annual concurrent resolution on the budget to serve as a framework for the consideration of budgetary legislation. The budget resolution sets forth aggregate spending and revenue levels, and spending levels by major functional area, for at least five fiscal years. As a concurrent resolution, the budget resolution 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
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).
June 30	House completes action on annual appropriations bills.

⁴ These requests are available at [<http://www.gpoaccess.gov/usbudget/fy07/amndsup.html>].

⁵ For background information on the mid-session review, see CRS Report RL32509, *The Mid-Session Review of the President's Budget: Timing Issues*, by Robert Keith.

Date	Action
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).

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 (see **Table 2**). 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 subcommittees. A point of order may be raised against any appropriations measure, 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 the direct spending, revenue, and debt-limit provisions of a budget resolution.

In addition, the Senate is constrained by limits on discretionary spending and a “pay-as-you-go” (PAYGO) requirement for direct spending and revenue legislation, which are enforced through points of order while legislation is being considered on the Senate floor (both explained further below). The House does not provide for similar points of order.

Expired Budget Enforcement Procedures

For FY1991 through FY2002, Congress and the President also were constrained by statutory limits on discretionary spending and a statutory 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. If either of these budget constraints were violated, then the President was required to order a sequestration, which involved largely across-the-board spending cuts in non-exempt programs, by

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 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 amount of any violation. These budget enforcement mechanisms, however, expired at the end of FY2002 (i.e., September 30, 2002).

President Bush, among others, has proposed setting new discretionary spending limits and restoring a modified version of the PAYGO requirement, in addition to several other budget process reforms.⁸ If Congress passes and President Bush enacts budget enforcement procedures such as these applicable to budget legislation in 2006, this report will incorporate them accordingly.

⁸ In his FY2007 budget, President Bush proposed to set discretionary spending limits for FY2007 through FY2011 and to restore the PAYGO requirement for direct spending legislation only, among other budget reform initiatives. See Office of Management and Budget, *Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2007*, pp. 211-217. For a contextual discussion of budget process reform, see CRS Report RS21752, *Federal Budget Process Reform: A Brief Overview*, by Bill Heniff Jr. and Robert Keith.

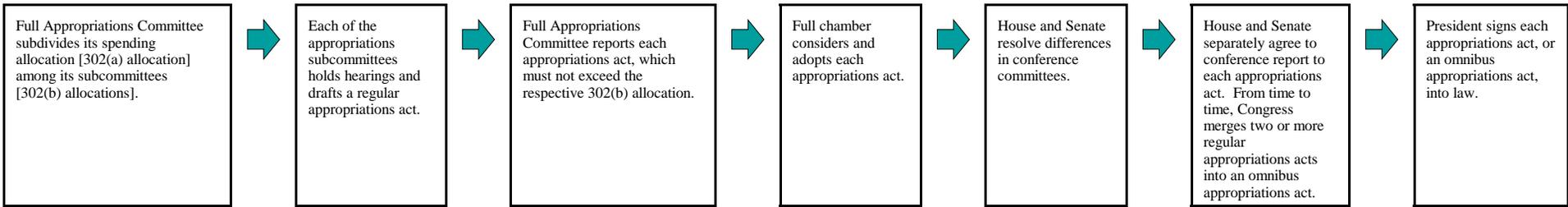
Table 2. Mapping Spending and Revenue Legislation through the Congressional Budget Process

The annual **budget resolution** functions as 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. Each of these types of measures follows a separate process but must comply with the budget policies set forth in the budget resolution.



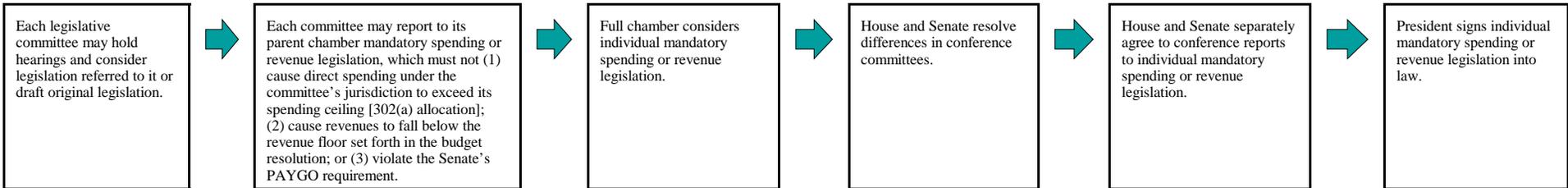
Discretionary spending policies in the budget resolution are implemented through the appropriations process.

Annual Appropriations Process: Congress considers and adopts each year regular appropriations acts providing budgetary authority for the upcoming fiscal year.

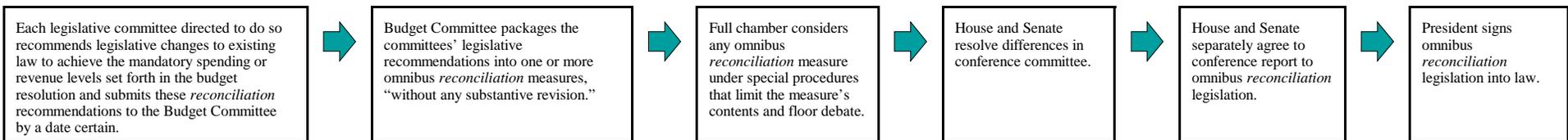


Mandatory spending, revenue, and debt-limit policies in the budget resolution are implemented through the regular legislative process or the reconciliation process.

Regular legislative process: Congress may consider and adopt individual mandatory spending, revenue, or debt-limit legislation.



Reconciliation Process: Congress may include in the budget resolution reconciliation instructions directing one or more committees to recommend legislative changes to existing law in order to bring mandatory spending, revenues, the debt-limit, or a combination of these, into compliance with the budget resolution policies.



Budget Resolution

The Congressional Budget Act, as amended, establishes the concurrent resolution on the budget as the centerpiece of the congressional budget process.⁹ The budget resolution sets forth aggregate spending and revenue levels, and spending levels by major functional area, for at least five 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 the resolution, the Budget Committees hold hearings and receive testimony from various Members of Congress and representatives of 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 February 2, 2006, CBO Acting Director Donald Marron presented CBO's baseline budget projections for FY2007-FY2016 during testimony to the Senate Budget Committee.¹⁰ On February 7 and 8, OMB Director Joshua B. Bolten provided an overview of President Bush's budget request before the Senate and House Budget Committees, respectively.¹¹

The congressional budget resolution, like the President's budget, is based on budget baselines (see **Table 3**). The budget baseline is a projection of federal revenue, spending, and deficit or surplus levels based upon current policies, assuming certain economic conditions. Baseline projections provide a benchmark for measuring the budgetary effects of proposed policy changes. The President's budget baseline, referred to as current services estimates, is included in the budget documents submitted to Congress.¹² The President's baseline usually differs from CBO's baseline, referred to as baseline budget projections, because of different economic and technical assumptions. CBO released its annual report on budget baseline projections, *The Budget and Economic Outlook: Fiscal Years 2007-2016*, on January 26, 2006.¹³ Subsequently, on March 14, CBO released its revised budget baseline projections in its report *An Analysis of the President's Budgetary Proposals*

⁹ For historical information on budget resolutions, see CRS Report RL30297, *Congressional Budget Resolutions: Selected Statistics and Information Guide*, by Bill Heniff Jr. and Justin Murray.

¹⁰ Donald Marron's written testimony to the Senate Budget Committee is available at [<http://www.cbo.gov/ftpdocs/70xx/doc7034/02-02-OutlookTestimony.pdf>].

¹¹ Joshua Bolten's written testimony to the Senate Budget Committee is available at [<http://www.senate.gov/~budget/republican/hearingarchive/testimonies/2006/2006-02-07-Bolten.pdf>]; his written testimony to the House Budget Committee is available at [<http://www.house.gov/budget/hearings/boltenstmnt020806.pdf>].

¹² See the summary table S-12 in the main *Budget* volume, p. 333, and chapter 25 of the *Analytical Perspectives* volume, pp. 359-374, for the current services estimates. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2007*.

¹³ The report is available on the website of the Congressional Budget Office at [<http://www.cbo.gov/ftpdocs/70xx/doc7027/01-26-BudgetOutlook.pdf>].

for Fiscal Year 2007. The report also contains estimates of the President's proposals using CBO's economic and technical assumptions, and it provides an analysis of the potential macroeconomic effects of the President's budgetary proposals.

Table 3. Budget Baselines, FY2006-FY2011
(in billions of dollars)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	Total FY2007- FY2011
Congressional Budget Office — March 2006							
[budget baseline projections]							
Revenues	2,313	2,461	2,598	2,743	2,883	3,139	13,825
Outlays	2,648	2,726	2,849	2,968	3,099	3,256	14,898
Surplus/Deficit (-)	-336	-265	-250	-224	-216	-117	-1,072
On-budget	-516	-460	-466	-456	-465	-382	-2,228
Off-budget ^a	180	195	215	232	249	265	1,156
Office of Management and Budget — February 2006							
[current services estimates]							
Revenues	2,154	2,301	2,444	2,597	2,729	3,064	13,135
Outlays	2,669	2,701	2,798	2,925	3,050	3,210	14,684
Surplus/Deficit (-)	-367	-257	-201	-196	-149	-146	-949
On-budget	-549	-449	-416	-428	-402	-420	-2,115
Off-budget ^a	182	192	216	233	252	274	1,167

Sources: Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2007*, Mar. 2006, p. 46; Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2007* (Washington: GPO, 2006), p. 333.

Note: Details may not add to totals due to rounding.

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 six weeks after the President's budget submission, or by a date set by the Budget Committees, 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 views and estimates often are printed in the committee report accompanying the budget resolution in the Senate and compiled as a separate committee print in the House.

The budget resolution was designed to provide a framework for making 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.

Committee Markup and Reporting

On March 9, the Senate Budget Committee marked up and voted to report the Senate version of the FY2007 budget resolution (S.Con.Res. 83, S.Prt. 109-57) by a vote of 11-10. During markup, the committee considered 20 amendments to the chairman's mark: three amendments were adopted, 15 amendments were rejected, and two amendments were withdrawn.¹⁴

The House Budget Committee, on March 31, marked up and voted to report the House version of the FY2007 budget resolution (H.Con.Res. 376, H.Rept. 109-402) by a vote of 22-17. During markup, the committee considered 23 amendments to the chairman's mark: three amendments were adopted, 18 amendments were rejected, and two amendments were withdrawn.¹⁵

Floor Consideration

The congressional budget process timetable sets April 15 as a target date for final adoption of the budget resolution.¹⁶ The Budget Act prohibits the consideration of 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

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 FY2007*, committee print to accompany S.Con.Res. 83, 109th Cong., 2nd sess., S.Prt. 109-57, Mar. 2006 (Washington: GPO, 2006), pp. 47-54.

¹⁵ 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 2007*, committee report to accompany H.Con.Res. 376, 109th Cong., 2nd sess., H.Rept. 109-402, Mar. 31, 2006 (Washington: GPO, 2006), pp. 97-120.

¹⁶ In years when Congress is late in adopting, or does not adopt, a budget resolution, the House and Senate independently may adopt "deeming resolution" provisions for the purpose of enforcing certain budget levels. Deeming resolution provisions, typically included in a simple resolution, specify 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, discussed later in this report, have the same force and effect as if Congress had adopted a budget resolution. For further information on "deeming resolutions," see CRS Report RL31443, *The "Deeming Resolution": A Budget Enforcement Tool*, by Robert Keith.

Senate consider the budget resolution under procedures generally intended to expedite final action.

The Senate considers the budget resolution under the procedures set forth in the Budget Act, 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 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 FY2007 budget resolution on March 13, 14, 15, and 16. During consideration of S.Con.Res. 83, the Senate considered 87 amendments: 54 amendments were adopted, 27 amendments were rejected, and six amendments was withdrawn. On March 16, the Senate agreed to S.Con.Res. 83, as amended, by a 51-49 vote.¹⁷

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 April 6, the House began general debate on H.Con.Res. 376 under a special rule (H.Res. 766, H.Rept. 109-405) reported by the House Rules Committee (HRC).¹⁸ After general debate, the House took no further action on the budget resolution, leaving it as unfinished business.¹⁹ Subsequently, on May 17 and 18, the House considered H.Con.Res. 376 under a structured rule (H.Res. 817, H.Rept. 109-468) reported by the House Rules Committee. The special rule provided for the further consideration of H.Con.Res. 376, that three amendments printed in the HRC report be considered as adopted, and made in order three amendments in the nature of a substitute, also printed in the HRC report. The House agreed to H.Res. 817 by a vote of 226-193 after agreeing to order the previous question by a vote of 224-193. During consideration of the FY2007 budget resolution, the House rejected the three amendments made in order by the special rule. The House subsequently agreed to H.Con.Res. 376 by a vote of 218-210.²⁰

The House and Senate have yet to resolve the legislative differences between their versions of the FY2007 budget resolution. In the absence of an agreement on the FY2007 budget resolution, the House and Senate separately have adopted so-called deeming resolution provisions for budget enforcement purposes.²¹ The House

¹⁷ For the consideration and adoption of the Senate version of the FY2007 budget resolution, see *Congressional Record*, daily edition, vol. 152 (Mar. 13-16, 2006), pp. S1987-S2019, S2054-S2116, S2146-S2184, S2225-S2236, S2241-S2293.

¹⁸ The House agreed to H.Res. 766 by a vote of 225-196 after agreeing to order the previous question by a vote of 226-199. For the consideration and adoption of H.Res. 766, see *Congressional Record*, daily edition, vol. 152 (Apr. 6, 2006), pp. H1568-H1578.

¹⁹ For the general debate on H.Con.Res. 376, see *Congressional Record*, daily edition, vol. 152 (Apr. 6, 2006), pp. H1578-H1609.

²⁰ For the consideration and adoption of H.Res. 817 and H.Con.Res. 376, see *Congressional Record*, daily edition, vol. 152 (May 17, 2005), pp. H2691, H2701-2702, H2709-H2753.

²¹ 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
(continued...)

included a provision in the special rule (Section 2 of H.Res. 818) governing the consideration of the FY2007 Interior Appropriations bill (H.R. 5386) “deeming” the House-passed FY2007 budget resolution (H.Con.Res. 376) to have been agreed to by Congress.²² As a result, the provisions of the House-passed budget resolution and its accompanying report (H.Rept. 109-402), such as the committee spending allocations [the 302(a)s] and the subsequent Appropriations Committee subdivisions [the 302(b)s], may be enforced in the House under the procedures of the Budget Act.

The Senate included a provision (Section 7035) in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (H.R. 4939, H.Rept. 109-494), setting forth the FY2007 spending allocations for the Senate Appropriations Committee. President Bush signed the act into law (P.L. 109-234) on June 15, 2006. Section 7035 of the act established a new limit of \$872.8 billion in budget authority, subject to certain adjustments and exemptions, for the FY2007 regular appropriations acts (the same amount provided for in the House-passed version of the FY2007 budget resolution).²³ Under the provisions of this section, these limits and any subsequent subdivisions [302(b)s] reported by the Senate Appropriations Committee may be enforced in the Senate under the procedures of the Congressional Budget Act. However, until a FY2007 budget resolution has been agreed to by the House and Senate or other separate provisions are agreed to by the Senate, Senate committees other than the Appropriations Committee will be limited by the spending allocations [302(a)s] associated with the FY2006 budget resolution (H.Con.Res. 95, H.Rept. 109-62).

Reconciliation Legislation

Congress may implement changes to existing law related to direct spending, revenues, or the debt limit through the reconciliation process, under Section 310 of

²¹ (...continued)

budget levels. A deeming resolution, typically in the form of a simple resolution, specifies 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, discussed later in this report, have the same force and effect as if Congress had adopted a budget resolution. For further information on “deeming resolutions,” see CRS Report RL31443, *The “Deeming Resolution”: A Budget Enforcement Tool*, by Robert Keith.

²² The House agreed to H.Res. 818 by a vote of 218-191 after agreeing to order the previous question by a vote of 218-192. For the consideration and adoption of H.Res. 818, see *Congressional Record*, daily edition, vol. 152 (May 18, 2006), pp. H2765-H2773.

²³ The section also repealed the FY2007 and FY2008 discretionary spending limits contained in the FY2006 budget resolution (Section 404 of H.Con.Res. 95), as well as the super-majority vote requirement (60 votes, if there are no vacancies) to waive Section 303 of the Budget Act, which prohibits the consideration of budget-related legislation for a fiscal year in which a budget resolution has not been agreed to by Congress.

the Budget Act.²⁴ The reconciliation process has two stages. First, Congress includes reconciliation directives in a budget resolution directing one or more committees in each chamber to recommend changes in statute to achieve the levels of direct spending, revenues, debt limit, or a combination thereof, agreed to in the budget resolution.

Second, each instructed committee develops legislative recommendations to meet its reconciliation directives and reports its legislative recommendations to its respective chamber directly or transmits such recommendations to its respective budget committee. Section 310(b) of the Congressional Budget Act of 1974 (Titles I-IX of P.L. 93-344, 88 Stat. 297-332) specifies two options for the submission of legislative recommendations to comply with reconciliation directives: (1) if one committee is instructed, the committee reports its legislative recommendations to its parent chamber directly; or (2) if two or more committees are instructed, the committees submit their legislative recommendations to their respective Budget Committee. In the latter case, the legislative language recommended by committees is packaged “without any substantive revision” into one or more budget reconciliation bills, as set forth in the budget resolution, by the House and Senate Budget Committees.

Once the reconciliation legislation is reported in the House or Senate, consideration is governed by special procedures. These procedures serve to limit what may be included in reconciliation legislation, prohibit certain amendments, and 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 and what amendments will be in order. In the Senate, 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 Budget Act requires that amendments to reconciliation legislation be germane and not increase the deficit. Also, the Budget Act 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 Budget Act, commonly referred to as the Byrd rule, prohibits extraneous matter in a reconciliation bill.²⁵

²⁴ For a full discussion of the reconciliation process, see CRS Report RL33030, *The Budget Reconciliation Process: House and Senate Procedures*, by Robert Keith and Bill Heniff Jr.

²⁵ For detailed information on the Byrd rule, see CRS Report RL30862, *The Budget Reconciliation Process: The Senate’s “Byrd Rule,”* by Robert Keith.

Reconciliation Provided by the FY2006 Budget Resolution

As 2006 began, Congress had not completed action on the reconciliation measures provided for in the FY2006 budget resolution (H.Con.Res. 95, H.Rept. 109-62), which was agreed to by Congress in 2005. The FY2006 budget resolution provided for three reconciliation measures: (1) to cut direct (or mandatory) spending by about \$35 billion; (2) to cut taxes by \$70 billion; and (3) to increase the statutory debt limit by \$781 billion. (For an extensive discussion of these reconciliation measures, see CRS Report RL33132, *Budget Reconciliation Legislation in 2005-2006 Under the FY2006 Budget Resolution*, by Robert Keith.)

At the end of 2005, the House agreed to the conference report on the spending reconciliation measure (S. 1932, the Deficit Reduction Act of 2005).²⁶ In the Senate, however, the conference report failed when a point of order under the Byrd rule (Section 313 of the Budget Act) against three provisions in the conference report was sustained. Subsequently, the Senate agreed to a motion to concur in the House amendment to S. 1932 with a further amendment containing the text of the conference report with the violating provisions stricken.²⁷ The House did not act on the further amendment to S. 1932 before adjourning the first session of the 109th Congress sine die.

Accordingly, at the beginning of the second session of the 109th Congress, on February 1, the House completed action on the spending reconciliation measure, S. 1932, the Deficit Reduction Act of 2005, by agreeing to H.Res. 653 (H.Rept. 109-366) by a 216-214 vote.²⁸ The resolution provided that the House concur in the Senate amendment to the House amendment to S. 1932, thereby clearing the measure for the President. On February 8, President Bush signed S. 1932 into law (P.L. 109-171). According to CBO, the Deficit Reduction Act of 2005 is projected to reduce mandatory spending by about \$39 billion over the five-year period of FY2006-FY2010.²⁹

During 2005 as well, the House and the Senate passed different revenue reconciliation measures (H.R. 4297, the Tax Relief Extension Reconciliation Act of 2005, and S. 2020, the Tax Relief Act of 2005, respectively). Before adjourning for the year, however, the Senate and the House had not taken any further action on these

²⁶ For the House consideration of the conference report to S. 1932, see *Congressional Record*, daily edition, vol. 151 (Dec. 18, 2005), pp. H12233-H12241, H12269-H12277.

²⁷ The Senate considered the conference report to S. 1932 on December 19-21, 2005. See *Congressional Record*, daily edition, vol. 151 (Dec. 19-21, 2005), pp. S14015-S14024, S14068-S14069, S14073-S14164, S14202-S14221.

²⁸ Prior to the consideration of H.Res. 653, Representative Jim McDermott raised a point of order against the consideration of the special rule under Section 426 of the Budget Act (which relates to the waiving of a point of order under the Unfunded Mandates Reform Act). Pursuant to the provisions of this section of the Budget Act, the House agreed to consider H.Res. 653 by a vote of 226-201. See *Congressional Record*, daily edition, vol. 152 (Feb. 1, 2006), pp. H37-H60, H68-H114.

²⁹ [<http://www.cbo.gov/ftpdocs/70xx/doc7028/s1932conf.pdf>].

revenue reconciliation measures. Early in the second session of the 109th Congress, to facilitate conference action, the Senate considered and passed H.R. 4297, as amended by the text of the Senate-passed revenue reconciliation measure, among other amendments, by a 66-31 vote on February 2, 2006. During consideration of H.R. 4297, the Senate considered 14 amendments: seven amendments were adopted, one amendment was rejected, five amendments fell on points of order, and one amendment was withdrawn.³⁰

On February 8 and 14, respectively, the House and the Senate agreed to a conference to resolve the legislative differences between their respective versions of the tax reconciliation bill, H.R. 4297. According to the Joint Committee on Taxation (JCT), the House-passed tax reconciliation measure is projected to reduce revenues by \$55.6 billion, and the Senate-passed measure is projected to reduce revenues by \$69.4 billion, over the five-year period of FY2006-FY2010.³¹

After resolving the legislative differences between their respective versions, the House and Senate agreed to the conference report to accompany H.R. 4297 (H.Rept. 109-455) by votes of 244-185 on May 10 and 54-44 on May 11, respectively.³² President Bush signed H.R. 4297, the Tax Increase Prevention and Reconciliation Act of 2005, into law (P.L. 109-222) on May 17, 2006. According to JCT, P.L. 109-222 is projected to reduce federal revenues by \$70.0 billion over the five-year period covering FY2006-FY2010.³³

Neither the House nor the Senate has taken action on a third reconciliation measure changing the statutory limit on the public debt (see section “Debt-Limit Legislation,” below).

³⁰ A motion to commit the bill to the Finance Committee with instructions also was offered and subsequently withdrawn. Two amendments to this motion to commit fell when the motion was withdrawn. For the consideration and adoption of H.R. 4297, see *Congressional Record*, daily edition, vol. 152 (Feb. 2-3, 2006), pp. S387-S436, S461, S466-S502.

³¹ [<http://www.house.gov/jct/x-10-06.pdf>].

³² For the House and Senate consideration of the conference report to H.R. 4297, see *Congressional Record*, daily edition, vol. 152 (May 10, 2006), pp. H2453-H2466; and *Congressional Record*, daily edition, vol. 152 (May 11, 2006), pp. S4385-S4447, respectively. In the House, the conference report to H.R. 4297 was considered under the provisions of a special rule (H.Res. 805, H.Rept. 109-455) agreed to by a vote of 228 - 194. See *Congressional Record*, daily edition, vol. 152 (May 10, 2006), pp. H2354-H2360, H2367-H2368. In the Senate, the conference report to H.R. 4297 was considered under the provisions of an unanimous consent agreement reached on May 10, 2006. See *Congressional Record*, daily edition, vol. 152 (May 10, 2006), p. S4327.

³³ [<http://www.house.gov/jct/x-18-06.pdf>].

Revenue and Debt-Limit Legislation

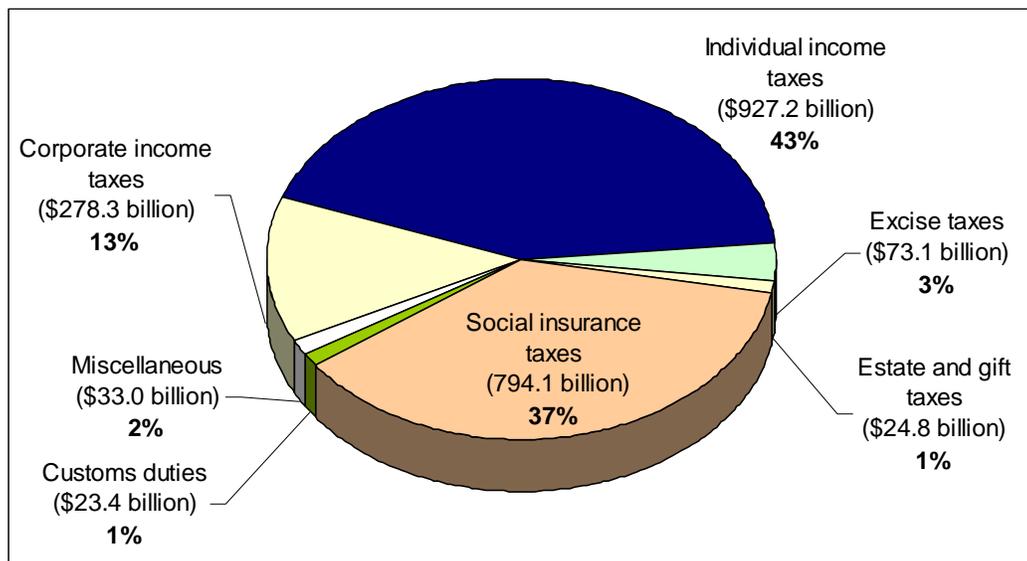
Congress may adopt individual revenue and debt-limit measures without employing the optional reconciliation process as well.

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 that 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 1**). Congress, however, typically enacts revenue legislation, changing some portion of the existing tax system or renewing expiring provisions, every year. Revenue legislation may include changes to individual and corporate income taxes, social insurance taxes, excise taxes, or tariffs and duties.

Figure 1. Actual FY2005 Revenues by Source



Source: Chart created by CRS based on data from Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2007-2016* (Washington: CBO, 2006), p. 142.

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 revenue laws to effect adjustments in the rates of taxation or the distribution of the tax burden, or for other purposes. An initial step in the congressional budget process is the publication of revenue estimates of the President's budget by CBO. 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 the Joint Committee on Taxation (JCT). They are published in committee reports or in the *Congressional Record* and are available on JCT's website.³⁴

The budget resolution recommends yearly revenue levels, based on baseline estimates of federal government revenues, which are based on the continuation of existing laws and any proposed policy changes to them. 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 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 (i.e., 60 Senators if there are no vacancies).

A Senate "pay-as-you-go" (PAYGO) point of order, under Section 505 of the FY2004 budget resolution (H.Con.Res. 95, 108th Congress), 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 five fiscal years, or the following five fiscal years, covered by the most recently adopted budget resolution.³⁵ A motion to waive the point of order requires a three-fifths vote.

As noted above, Congress passed and President Bush enacted H.R. 4297, the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222). According to JCT, P.L. 109-222 is projected to reduce federal revenues by \$70.0 billion over the five-year period covering FY2006-FY2010. (For information on the consideration of this legislation, see section "Reconciliation Provided by the FY2006 Budget Resolution," above.)

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 considers and adopts legislation to change this limit.³⁶

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 all or most of 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

³⁴ [<http://www.house.gov/jct/>].

³⁵ See the Senate Budget Committee's Budget Bulletin dated February 3, 2006, available at [<http://www.senate.gov/~budget/republican/analysis/2006/bb01-2006.pdf>].

³⁶ For further information on debt-limit legislation, see CRS Report RS21519, *Legislative Procedures for Adjusting the Public Debt Limit: A Brief Overview*, by Bill Heniff Jr.; and CRS Report RL31967, *The Debt Limit: The Ongoing Need for Increases*, by Philip D. Winters.

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 annual congressional budget resolution specifies the appropriate level of the public debt for each fiscal year covered by the resolution. Although the budget resolution does not become law itself, the specified debt limits serve as a guide for any necessary debt-limit legislation.

Congress may develop debt-limit legislation in any of three ways: (1) under regular legislative procedures; (2) under House Rule XXVII; or (3) as part of reconciliation legislation (as described above). Regardless of the process by which debt-limit legislation is developed, the House Ways and Means Committee and the Senate Finance Committee maintain exclusive jurisdiction over debt-limit legislation.

Under House Rule XXVII (commonly referred to as the Gephardt rule after its author, former Representative Richard Gephardt), a joint resolution specifying the amount of the 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.³⁷ 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.

The most recent increase in the public-debt limit was enacted as an independent measure (P.L. 108-415, 118 Stat. 2337) in November 2004. The debt-limit measure increased the statutory limit by \$800 billion, from \$7.384 trillion to \$8.184 trillion. At the end of 2005, the Department of the Treasury informed Congress that it would not be able to finance government operations beyond mid-March 2006 without an increase to the statutory debt limit.³⁸

In 2005, pursuant to House Rule XXVII, upon the adoption of the FY2006 budget resolution by Congress, the House Clerk engrossed and transmitted to the Senate a joint resolution (H.J.Res. 47) increasing the public debt limit by \$781 billion, to \$8.965 trillion. H.J.Res. 47 was deemed to have been adopted by the House on April 28 by a vote of 214-211 (i.e., the vote upon which the House agreed to the conference report to the FY2006 budget resolution).

The Senate considered H.J.Res. 47 on March 15 and 16, 2006. After rejecting an amendment offered by Senator Max Baucus (S.Amdt. 3131) on a 44-55 vote, the Senate passed the measure by a 52-48 vote. President Bush signed H.J.Res. 47 into law (P.L. 109-182) on March 20.

³⁷ For further information, see CRS Report RL31913, *Developing Debt-Limit Legislation: The House's "Gephardt Rule,"* by Bill Heniff Jr.

³⁸ See, for example, Jonathan Nicholson, "Snow Seeks Boost in Debt Limit In Advance of Mid-February Deadline," *BNA's Daily Report for Executives* (Jan. 3, 2006), p. A-17.

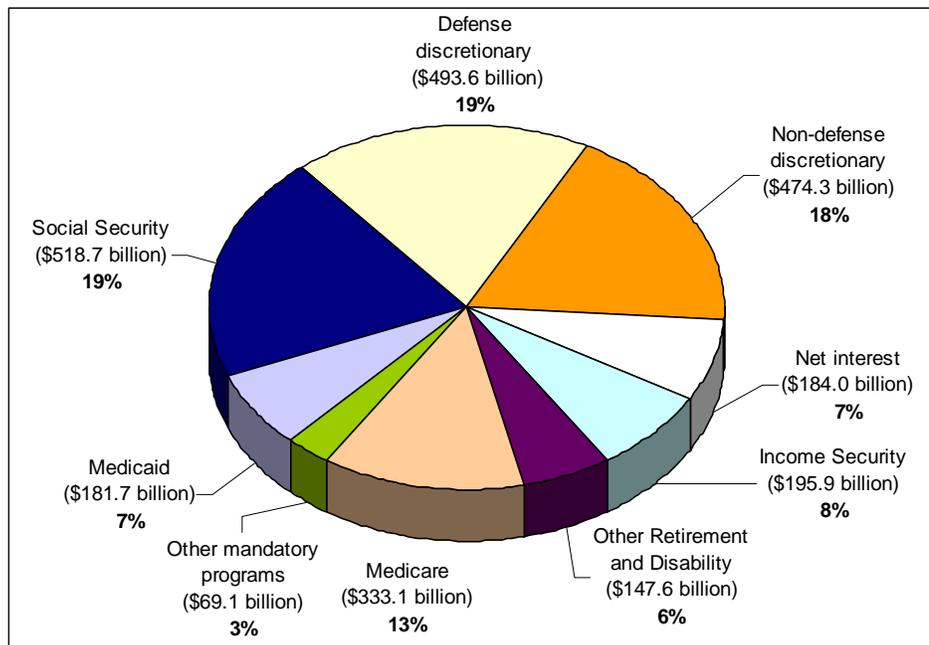
As noted above, the FY2006 budget resolution (H.Con.Res. 95) provided for a reconciliation measure increasing the statutory limit on the public debt by \$781 billion. Neither the House or the Senate, however, have acted on such a measure. The enactment of H.J.Res. 47, increasing the public debt limit by the same amount, presumably makes such reconciliation measure unnecessary.

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, whereas mandatory, or direct spending (which consists mostly of entitlement programs), is determined by existing law.

Actual FY2005 federal outlays totaled \$2,472.2 billion (see **Figure 2**). Of this total amount, \$967.9 billion, or 39%, was discretionary spending (exploded slices in **Figure 2**), whereas \$1,504.3 billion, or 61%, was mandatory spending.

Figure 2. Actual FY2005 Outlays by Major Spending Category



Source: Chart created by CRS based on data from CBO, *The Budget and Economic Outlook: Fiscal Years 2007-2016* (Washington: CBO, 2006), pp. 144, 146, and 148. The chart excludes offsetting receipts, which are treated as negative spending (i.e., they are deducted from spending in the budget totals); offsetting receipts totaled \$125.8 billion in FY2005. Percentages do not add to 100% due to rounding.

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 in the joint explanatory statement accompanying the conference report to the budget

resolution. A point of order may be raised against any legislation that would cause a committee's spending allocation to be exceeded. The budget resolution typically provides for periodic revisions of these allocations if certain conditions, specified in reserve fund provisions, for instance, are met.

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 subdivisions to their respective chambers. These subdivisions, 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 subdivisions usually are revised several times.

Until they were repealed upon the enactment of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (see Section 7035 of P.L. 109-234), discretionary spending limits for FY2006, FY2007, and FY2008 also could have been enforced in the Senate by a point of order.³⁹ A motion to waive the point of order requires a three-fifths vote (i.e., 60 Senators if there are no vacancies).

Congress passes three main types of appropriations measures. *Regular appropriations acts* provide budget authority for the next fiscal year, beginning on October 1.⁴⁰ (From time to time, Congress merges two or more of these regular appropriations acts into an omnibus appropriations act.) *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.

³⁹ Section 404 of H.Con.Res. 95 also provided for the adjustment of the FY2006 discretionary spending limits to accommodate spending for continuing disability reviews, Internal Revenue Service tax enforcement, health care fraud and abuse control program, and unemployment insurance improper payments. These discretionary spending limits for FY2006 were adjusted on July 28, 2005. See *Congressional Record*, daily edition, vol. 151 (July 28, 2005), pp. S9274-S9275.

⁴⁰ Each subcommittee of the House and Senate Appropriations Committees typically is responsible for one of the regular appropriations acts. At the beginning of the 109th Congress, the House Appropriations Committee reduced the number of its subcommittees to 10. It also reduced the number of regular appropriations bills to 11, with each subcommittee responsible for one regular appropriations act and the full Committee responsible for the accounts and programs of the Legislative Branch. Similarly, the Senate Appropriations Committee also reduced the number of its subcommittees to 12, with a corresponding number of regular appropriations bills. At the end of the 109th Congress, 1st sess., the House and the Senate passed a total of 11 regular appropriations acts for FY2006. For additional information on changes to the appropriations subcommittee structure, see CRS Report RL31572, *Appropriations Subcommittee Structure: History of Changes from 1920-2005*, by James V. Saturno.

The President's budget includes recommendations for the agencies, programs, and activities funded in the annual appropriations measures; 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.

Supplemental Appropriations for FY2006. In addition to the regular appropriations acts, Congress typically acts on at least one supplemental appropriations measure during a session. On February 16, President Bush submitted two request for FY2006 supplemental appropriations for ongoing activities in Iraq and Afghanistan and for ongoing hurricane recovery efforts in the Gulf states, among other things.⁴¹ In response to the President's request, the House Appropriations Committee reported H.R. 4939, Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (H.Rept. 109-388) on March 13. The House considered H.R. 4939 on March 15 and 16, and adopted the measure by a vote of 348-71. According to the House Appropriations Committee, the measure provides \$91.9 billion for FY2006.

The Senate Appropriations Committee, subsequently, ordered reported H.R. 4939 with an amendment in the nature of a substitute (S.Rept. 109-230) on April 4. The Senate considered the FY2006 supplemental appropriations act over seven days between April 25 and May 4, adopting the measure, as amended, on May 4 by a 77-21 vote. According to the Senate Appropriations Committee, the measure provides \$108.9 billion for FY2006.

On June 8, a conference report to accompany H.R. 4939 was filed. According to the Appropriations Committees, H.R. 4939 would provide about \$94.5 billion in new budget authority for FY2006. The House agreed to the conference report on June 13 by a 351-67 vote. The Senate agreed to the conference report on June 15 by a 98-1 vote. President Bush signed the measure into law (P.L. 109-234) on June 15.

⁴¹ See [<http://www.whitehouse.gov/omb/budget/amendments.htm>] for the President's supplemental requests.

The supplemental appropriations were designated as emergency requirements pursuant to Section 402 of H.Con.Res. 95, the FY2006 budget resolution, thereby exempting the appropriations from the spending constraints associated with the budget resolution, as mentioned above.

Appropriations for FY2007. As noted above, in the absence of an agreement on the FY2007 budget resolution, the House and Senate separately have adopted so-called deeming resolution provisions for budget enforcement purposes. The House “deemed” its version of the budget resolution (H.Con.Res. 376) to have been agreed to by Congress for purposes of enforcement in the House. The Senate, in contrast, established spending allocations for the Senate Appropriations Committee in the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, which was signed into law (see Section 7035 of P.L. 109-234) on June 15, 2006. Consequently, for both chambers, the spending allocations [302(a)s] for the appropriations committees are \$872.8 billion in budget authority for the FY2007 regular appropriations measures.

On May 18, 2006, the House Appropriations Committee reported its initial subdivisions, or 302(b) allocations, (H.Rept. 109-471) and has since revised these subdivisions twice (H.Rept. 109-483 and H.Rept. 109-488). On June 22, 2006, the Senate Appropriations Committee reported its initial subdivisions (S.Rept. 109-268) and has since revised these subdivisions once (S.Rept. 109-350). As mentioned above, these subdivisions serve as spending ceilings for the 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 FY2007 during the week of May 15 and July 10, respectively.⁴² When FY2007 began on October 1, the House had passed 10, and the Senate had passed two, of the regular appropriations acts for FY2007. Two regular appropriations acts for FY2007 have been signed into law: the Department of Defense Appropriations Act, 2007 (P.L. 109-289) and the Department of Homeland Security Appropriations Act, 2007 (P.L. 109-295). Congress and the President enacted a continuing appropriations resolution (Div. B of P.L. 109-289) to provide temporary appropriations through November 17, 2006, for agencies and programs funded in the remaining regular appropriations acts not yet enacted. They extended this funding twice: first through December 8, 2006 (P.L. 109-369), and then through February 15, 2007 (P.L. 109-383).

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

⁴² For the up-to-date status of and further information on the FY2007 appropriations bills, see [<http://www.crs.gov/products/appropriations/appover.shtml>], the CRS Appropriations website.

spending is not considered discretionary and is not controlled through the annual appropriations process.

In addition to the committee spending allocations, under the Section 302 process mentioned above, mandatory spending legislation is limited by the Senate's PAYGO requirement. As with revenue legislation mentioned above, a point of order, under Section 505 of the FY2004 budget resolution (H.Con.Res. 95, 108th Congress), may be raised against any mandatory spending 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 five fiscal years, or the following five fiscal years, covered by the most recently adopted budget resolution.⁴³ A motion to waive the point of order requires a three-fifths vote (i.e., 60 Senators if there are no vacancies).

On several occasions in the past, Congress has included reserve funds in the budget resolution to accommodate specific mandatory spending legislation, often requiring that the legislation be deficit neutral.⁴⁴ Under the provisions of a reserve fund, the chairmen of the House and Senate Budget 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 were not assumed in the budget resolution spending amounts.

⁴³ See the Senate Budget Committee's Budget Bulletin dated February 3, 2006, available at [<http://www.senate.gov/~budget/republican/analysis/2006/bb01-2006.pdf>].

⁴⁴ See, for example, CRS Report RS21038, *Reserve Funds in the FY2002 Budget Resolution*, by Bill Heniff Jr.

Chronology

- October 1, 2006 When FY2007 began on October 1, the House had passed 10, and the Senate had passed two, of the regular appropriations acts for FY2007. Two regular appropriations acts for FY2007 have been signed into law: the Department of Defense Appropriations Act, 2007 (P.L. 109-289) and the Department of Homeland Security Appropriations Act, 2007 (P.L. 109-295). Congress and the President enacted a continuing appropriations resolution (Div. B of P.L. 109-289) to provide temporary appropriations through November 17, 2006, for agencies and programs funded in the remaining regular appropriations acts not yet enacted. They extended this funding twice: first through December 8, 2006 (P.L. 109-369), and then through February 15, 2007 (P.L. 109-383).
- June 15, 2006 With the enactment of the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006, the Senate established spending allocations for the Senate Appropriations Committee (see Section 7035 of P.L. 109-234) for budget enforcement purposes.
- May 18, 2006 The House “deemed” its version of the FY2007 budget resolution (H.Con.Res. 376), for budget enforcement purposes, to have been agreed to by Congress by agreeing to H.Res. 818 (see Section 2), the special rule governing the consideration of the FY2007 Interior Appropriations bill (H.R. 5386).
- May 18, 2006
(legislative day,
May 17) The House agreed to its version of the FY2007 budget resolution (H.Con.Res. 376) by a vote of 218-210.
- May 10 and 11,
2006 The House and Senate agreed to the conference report to accompany H.R. 4297, the Tax Increase Prevention and Reconciliation Act of 2005 (H.Rept. 109-455) by votes of 244-185 on May 10 and 54-44 on May 11, respectively. [On May 17, President Bush signed H.R. 4297 into law (P.L. 109-222).]
- March 16, 2006 The Senate agreed to its version of the FY2007 budget resolution (S.Con.Res. 83) by a vote of 51-49.
- February 6, 2006 President Bush submitted his FY2007 budget to Congress.
- February 1, 2006 The House completed action on the spending reconciliation measure, S. 1932, the Deficit Reduction Act of 2005, by concurring in the Senate amendment to the House amendment to S. 1932, thereby clearing the measure for the President. [On February 8, President Bush signed S. 1932 into law (P.L. 109-171).]
- January 26, 2006 CBO released its annual report on budget baseline projections, *The Budget and Economic Outlook: Fiscal Years 2007-2016*.

For Additional Reading

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CRS Products

CRS Report RL32791. *Congressional Budget Actions in 2005*, by Bill Heniff Jr.

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

CRS Report RL33132. *Budget Reconciliation Legislation in 2005-2006 Under the FY2006 Budget Resolution*, by Robert Keith.

CRS Report RL33030. *The Budget Reconciliation Process: House and Senate Procedures*, by Robert Keith and 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 Streeter.

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

CRS Report RS22390. *FY2007 Budget Documents: Internet Access and GPO Availability*, by Jennifer Anne Teefy.

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CRS Report RL33282. *The Budget for Fiscal Year 2007*, by Philip D. Winters.