

# CRS Report for Congress

## Congressional Budget Actions in 2007

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Committees of Congress**

# Congressional Budget Actions in 2007

## Summary

During the first session of the 110<sup>th</sup> Congress, the House and Senate will consider many different budgetary measures. Most measures will pertain to fiscal year (FY) 2008 (which will begin on October 1, 2007) and beyond. Some also will pertain to the budget for FY2007. 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 110<sup>th</sup> Congress began, only two of the 11 regular appropriations acts for FY2007 (which began on October 1, 2006) had been enacted. The federal agencies and programs funded in the nine remaining regular appropriations acts were provided temporary appropriations by successive continuing resolutions (CR).

The last CR enacted in 2006 was scheduled to expire on February 15, 2007. On January 31 and February 14, respectively, the House and Senate passed a new CR (H.J.Res. 20) that provided funding at the level appropriated in FY2006, with certain exceptions through the end of FY2007 for those temporarily-funded federal government agencies and programs. In all, the exceptions brought the total FY2007 non-emergency discretionary spending to the level agreed to by the House and Senate, and proposed by President George W. Bush, in 2006. On February 15, President Bush signed the measure into law (P.L. 110-5), thereby bringing action on the FY2007 regular appropriations acts to a close.

President Bush submitted a request for FY2007 supplemental appropriations “in support of operations in the Global War on Terror (GWOT) and the Gulf Coast’s recovery from Hurricane Katrina.” In response to the President’s request, the House and Senate passed H.R. 1591, U.S. Troop Readiness, Veterans’ Health, and Iraq Accountability Act, 2007, on April 25 and 26, respectively. President Bush vetoed the measure on May 1. The House failed to override the veto, which requires a two-thirds vote, by a 222-203 vote on May 2. The House subsequently, on May 10, passed two new supplemental measures (H.R. 2206 and H.R. 2207), which were combined into one bill (H.R. 2206) and sent to the Senate. On May 17, the Senate passed H.R. 2206, with an amendment, and requested a conference with the House to resolve the legislative differences between the two chambers.

Congress typically begins its annual budget process once the President submits his budget for the upcoming fiscal year. President Bush submitted his FY2008 budget to Congress on February 5, 2007.

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 House and Senate agreed to the conference report (H.Rept. 109-153) to the FY2008 budget resolution (S.Con.Res. 21) by votes of 214-209 and 52-40, respectively, on May 17.

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

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# Congressional Budget Actions in 2007

## Most Recent Developments

Over the past few months, Congress has acted on the annual budget resolution for FY2008, which provides a framework for subsequent budgetary legislation, and supplemental appropriations measures for FY2007.

First, the Senate considered its version of the FY2008 budget resolution (S.Con.Res. 21) over the course of four days, March 20-23, and agreed to S.Con.Res. 21, as amended, by a vote of 52-47 on March 23. The House considered its version (H.Con.Res. 99) over the course of two days, March 28 and 29, and agreed to H.Con.Res. 99 by a vote of 216-210 on March 29. The House and Senate agreed to the conference report (H.Rept. 109-153) to the FY2008 budget resolution (S.Con.Res. 21) by votes of 214-209 and 52-40, respectively, on May 17.

Second, President Bush submitted, along with his budget request for FY2008, a request for FY2007 supplemental appropriations “in support of operations in the Global War on Terror (GWOT) and the Gulf Coast’s recovery from Hurricane Katrina.” In response to the President’s request, the House and Senate passed H.R. 1591, U.S. Troop Readiness, Veterans’ Health, and Iraq Accountability Act, 2007, on April 25 and 26, respectively. President Bush vetoed the measure on May 1. The House failed to override the veto, which requires a two-thirds vote, by a 222-203 vote on May 2. The House subsequently, on May 10, passed two new supplemental measures (H.R. 2206 and H.R. 2207), which were combined into one bill (H.R. 2206) and sent to the Senate. On May 17, the Senate passed H.R. 2206, with an amendment, and requested a conference with the House to resolve the legislative differences between the two chambers.

## Introduction

During the first session of the 110<sup>th</sup> Congress, the House and Senate will consider many different budgetary measures. Most of them will pertain to FY2008 (referred to as the “budget year”) and beyond. In addition, some will make adjustments to the budget for FY2007 (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.<sup>1</sup>

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<sup>1</sup> For information on budget actions during the second session of the 109<sup>th</sup> Congress, see CRS Report RL33291, *Congressional Budget Actions in 2006*, by Bill Heniff Jr.

Within this procedural framework, Congress will consider various budget-related legislation in the context of the existing budget outlook and the stated goal of achieving a balanced budget by FY2012. Current budget projections under existing law, without any legislative changes, by the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) show the unified budget (i.e., including federal funds and trust funds) achieving a surplus in FY2012 and FY2011, respectively. Specifically, CBO projects that the FY2007 unified budget deficit will be \$177 billion, with the budget achieving a surplus of \$155 billion in FY2012. Similarly, OMB projects that the FY2007 unified budget deficit will be \$186 billion, with the budget achieving a surplus of \$95 billion in FY2011.<sup>2</sup>

## 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 not 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 5, 2007, President Bush submitted his FY2008 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 2008 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.<sup>3</sup> In addition, on February 9, OMB made available

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<sup>2</sup> For further information on current budget projections, see Office of Management and Budget, *Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2008* (Washington: GPO, 2007), Table 25-1, p. 371; Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2008*, March 2007, p. 46; and CRS Report RL33915, *The Budget for Fiscal Year 2008*, by Philip D. Winters.

<sup>3</sup> The President's FY2008 budget documents are available at [<http://www.whitehouse.gov/omb/budget/fy2008/>]. For further information on accessing (continued...)

a supplementary document, *Major Savings and Reforms in the President's 2008 Budget*, outlining program terminations and reductions proposed in the President's FY2008 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.<sup>4</sup>

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.<sup>5</sup> 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.

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,

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<sup>3</sup> (...continued)

these documents, see CRS Report RS22605, *FY2008 Budget Documents: Internet Access and GPO Availability*, by Jennifer Teefy.

<sup>4</sup> These requests are available at [<http://www.whitehouse.gov/omb/budget/amendments.html>].

<sup>5</sup> 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.

or amendment, that would cause one of these subdivisions to be exceeded.<sup>6</sup> 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.

**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.
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).

In addition, both the House and Senate have “pay-as-you-go” (PAYGO) requirements for direct spending and revenue legislation, prohibiting the consideration of such legislation if it is projected to increase the deficit in specified time periods (both explained further below).<sup>7</sup>

<sup>6</sup> 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.

<sup>7</sup> For more detailed information on the PAYGO requirements, see CRS Report RL32835, *PAYGO Rules for Budget Enforcement in the House and Senate*, by Robert Keith and Bill Heniff Jr.

## Expired Statutory 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.<sup>8</sup> 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 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.<sup>9</sup> If Congress and President Bush enact new budget enforcement procedures such as these applicable to budget legislation in 2007, this report will incorporate them accordingly.

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<sup>8</sup> 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).

<sup>9</sup> In his FY2008 budget, President Bush proposed to set discretionary spending limits for FY2007 through FY2012 and to restore the PAYGO requirement for direct spending legislation only, among other budget reform initiatives. See OMB, *Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2008*, pp. 211-220. For a contextual discussion of budget process reform, see CRS Report RL33818, *Federal Budget Process Reform in the 110<sup>th</sup> Congress: A Brief Overview*, by Robert Keith.



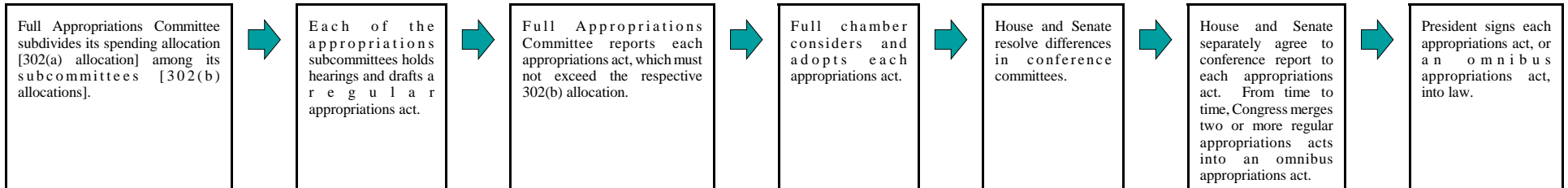
**Table 2. Mapping Spending and Revenue Legislation through the Congressional Budget Process**

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.



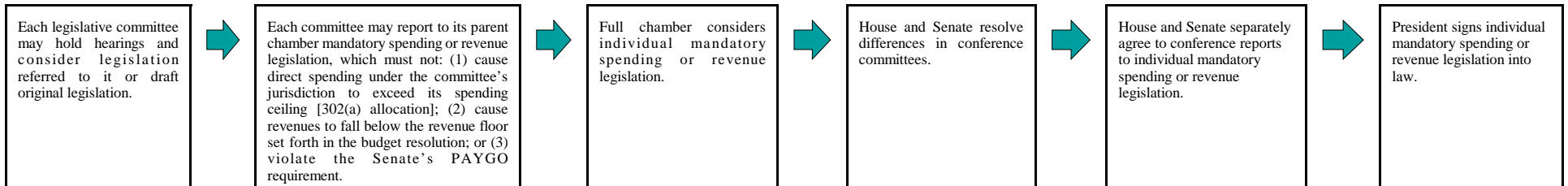
*Discretionary spending policies in the budget resolution are implemented through the appropriations process.*

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

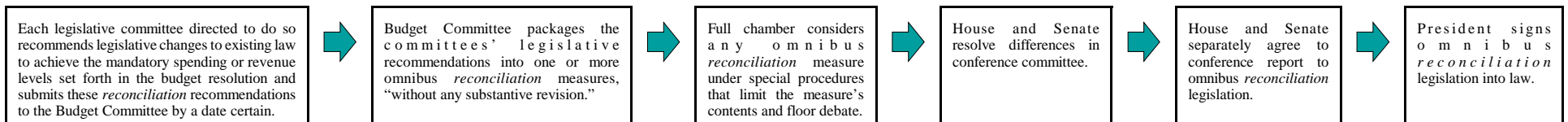


*Mandatory spending, revenue, and debt-limit policies in the budget resolution are implemented through the regular legislative process or the reconciliation process.*

**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.<sup>10</sup> 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 it, 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 new CBO director and the OMB director. On January 25 and 30, 2007, CBO Director Peter R. Orszag presented CBO's baseline budget projections for FY2008-FY2017 during separate testimony to the Senate and House Budget Committees, respectively.<sup>11</sup> On February 6 and 7, OMB Director Robert J. Portman provided an overview of President Bush's budget request before the House and Senate Budget Committees, respectively.<sup>12</sup>

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.<sup>13</sup> The President's baseline usually differs from CBO's baseline, referred to as baseline budget projections, because of different economic and technical assumptions. On January 24, 2007, CBO released its initial budget baseline projections in its annual report, *The Budget and Economic Outlook: Fiscal Years 2008-2017*. On March 21, CBO released updated baseline projections in its report *An Analysis of the President's Budgetary Proposals for Fiscal Year 2008*.<sup>14</sup> The report also contains estimates of the President's proposals using CBO's

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<sup>10</sup> 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.

<sup>11</sup> Peter Orszag's written testimony to the budget committees is available on CBO's website at [<http://www.cbo.gov>].

<sup>12</sup> Robert Portman's written testimony to the House Budget Committee is available at [[http://budget.house.gov/hearings/2007/08Portman\\_testimony\\_with\\_charts.pdf](http://budget.house.gov/hearings/2007/08Portman_testimony_with_charts.pdf)]; his written testimony to the Senate Budget Committee is available at [[http://budget.senate.gov/democratic/testimony/2007/Portman\\_budget020707FINAL.pdf](http://budget.senate.gov/democratic/testimony/2007/Portman_budget020707FINAL.pdf)].

<sup>13</sup> See chapter 25 of the *Analytical Perspectives* volume, pp. 371-387, for the current services estimates. OMB, *Budget of the U.S. Government, Fiscal Year 2008*.

<sup>14</sup> Both the Senate and House versions of the FY2008 budget resolution use CBO's March (continued...)

economic and technical assumptions, and provides an analysis of the potential macroeconomic effects of the President's budgetary proposals.

**Table 3. Budget Baselines, FY2007-FY2012**  
(in billions of dollars)

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	<b>Total</b> <b>FY2008- FY2012</b>
<b>Congressional Budget Office — March 2007</b> [budget baseline projections]							
Revenues	2,542	2,720	2,810	2,901	3,167	3,405	15,003
Outlays	2,719	2,833	2,944	3,058	3,202	3,250	15,286
Surplus/Deficit (-)	-177	-113	-134	-157	-35	155	-283
On-budget	-363	-315	-351	-388	-281	-102	-1,438
Off-budget <sup>a</sup>	186	202	217	232	247	257	1,155
<b>Office of Management and Budget — February 2007</b> [current services estimates]							
Revenues	2,550	2,714	2,831	3,008	3,151	3,348	15,052
Outlays	2,735	2,752	2,866	2,973	3,116	3,201	14,908
Surplus/Deficit (-)	-185	-38	-35	34	35	147	143
On-budget	-368	-250	-261	-210	-228	-130	-1,079
Off-budget <sup>a</sup>	183	212	225	244	263	277	1,009

**Sources:** Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2008*, Mar. 2007, p. 46; Office of Management and Budget, *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2008* (Washington: GPO, 2007), p. 371.

**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.

Also in preparation for upcoming congressional budget actions, CBO released its periodic report on the budgetary implications of policy choices, *Budget Options*, on February 23. The report provides background information and the estimated 10-year budgetary effects of 182 spending options and 65 revenue options.<sup>15</sup>

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

<sup>14</sup> (...continued)

2007 baseline projections. See S.Prt. 110-19, Committee print to accompany S.Con.Res. 21, *Concurrent Resolution on the Budget FY2008*, p. 3; and H.Rept. 110-69, Report to accompany H.Con.Res. 99, *Concurrent Resolution on the Budget — Fiscal Year 2008*, p. 5.

<sup>15</sup> All CBO reports are available on its website at [<http://www.cbo.gov>].

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 or committee print accompanying the budget resolution in the Senate<sup>16</sup> 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 the 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 congressional budget process timetable sets April 15 as a target date for final adoption of the budget resolution.<sup>17</sup> 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.

## Committee Markup and Reporting

On March 15, the Senate Budget Committee marked up and voted to report the Senate version of the FY2008 budget resolution (S.Con.Res. 21, S.Prt. 110-19) by a vote of 12-11. During markup, the committee considered 20 amendments to the chairman's mark: 10 amendments were adopted and 11 amendments were rejected.<sup>18</sup>

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<sup>16</sup> S.Prt. 110-19, pp. 50-258.

<sup>17</sup> 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.

<sup>18</sup> For a description of the amendments and the roll call votes, see S.Prt. 110-19, Committee print to accompany S.Con.Res. 21, *Concurrent Resolution on the Budget FY2008*, pp. 28-31.

The House Budget Committee, on March 21, marked up and voted to report the House version of the FY2008 budget resolution (H.Con.Res. 99, H.Rept. 110-69) by a vote of 22-17. During markup, the committee considered 30 amendments to the chairman's mark: three amendments were adopted, 26 amendments were rejected, and one amendment was withdrawn.<sup>19</sup>

## Floor Consideration

The House and 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 FY2008 budget resolution on March 20, 21, 22, and 23. During consideration of S.Con.Res. 21, the Senate considered 91 amendments: 63 amendments were adopted, 24 amendments were rejected, one amendment fell on a point of order, and three amendments were withdrawn. On March 23, the Senate agreed to S.Con.Res. 21, as amended, by a 52-47 vote.<sup>20</sup>

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 28 and 29, the House considered H.Con.Res. 99 under a structured rule (H.Res. 275, H.Rept. 110-79) reported by the House Rules Committee. The special rule provided for the consideration of H.Con.Res. 99, limited general debate to four hours, and made in order the three amendments in the nature of a substitute printed in the House Rules Committee report. The House agreed to H.Res. 275 by a vote of 229-197 after agreeing to order the previous question by a vote of 225-196. During consideration of the FY2008 budget resolution, the House rejected the three amendments made in order by the special rule. The House subsequently agreed to H.Con.Res. 99 by a vote of 216-210.<sup>21</sup>

After resolving the differences between their respective versions, the House and Senate agreed to the conference report to accompany the FY2008 budget resolution

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<sup>19</sup> For a description of the amendments and the roll call votes, see H.Rept. 110-69, *Concurrent Resolution on the Budget — Fiscal Year 2007*, committee report to accompany H.Con.Res. 99, pp. 67-92.

<sup>20</sup> For the consideration and adoption of the Senate version of the FY2008 budget resolution, see *Congressional Record*, daily edition, vol. 153 (March 20-23, 2007), pp. S3308-S3340, S3452, S3453-S3512, S3545, S3547-S3603, S3647-S3655, S3659-S3702.

<sup>21</sup> For the consideration and adoption of H.Res. 275 and H.Con.Res. 99, see *Congressional Record*, daily edition, vol. 153 (March 28 and 29, 2007), pp. H3192-H3199, H3203-H3204, H3237-H3265, H3283-H3338.

(S.Con.Res. 21, H.Rept. 110-153) by votes of 214-209 and 52-40, respectively, on May 17.<sup>22</sup>

## 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 the Budget Act.<sup>23</sup> 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.<sup>24</sup>

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 Budget Act 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

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<sup>22</sup> The House considered the conference report under a special rule (H.Res. 409), which it agreed to by a 225-194 vote, after agreeing to order the previous question by a 224-193 vote. For the House consideration of H.Res. 409 and the conference report to S.Con.Res. 21, see *Congressional Record*, daily edition, vol. 153 (May 17, 2007), pp. H5355-H5373. For the Senate consideration of the conference report to S.Con.Res. 21, see *Congressional Record*, daily edition, vol. 153 (May 17, 2007), pp. S6220-S6253.

<sup>23</sup> 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.

<sup>24</sup> At the beginning of the 110<sup>th</sup> Congress, the House adopted a new rule (clause 7 of rule XXI) that prohibits the consideration of a budget resolution containing reconciliation directives that would have the net effect of increasing the deficit or reducing the surplus. In the Senate, Section 202 of S.Con.Res. 21, the FY2008 budget resolution, agreed to on May 17, prohibits the consideration of a reconciliation measure that would increase the deficit or reduce the surplus.

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.<sup>25</sup>

The FY2008 budget resolution (S.Con.Res. 21), agreed to by the House and Senate on May 17, contains reconciliation directives (Sections 601 and 602) to the House Committee on Education and Labor, and the Senate Committee on Health, Education, Labor, and Pensions, to report by September 10, 2007, reconciliation legislation reducing the deficit by \$750 million over the period covering FY2007-FY2012.

## Revenue and Debt-Limit Legislation

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

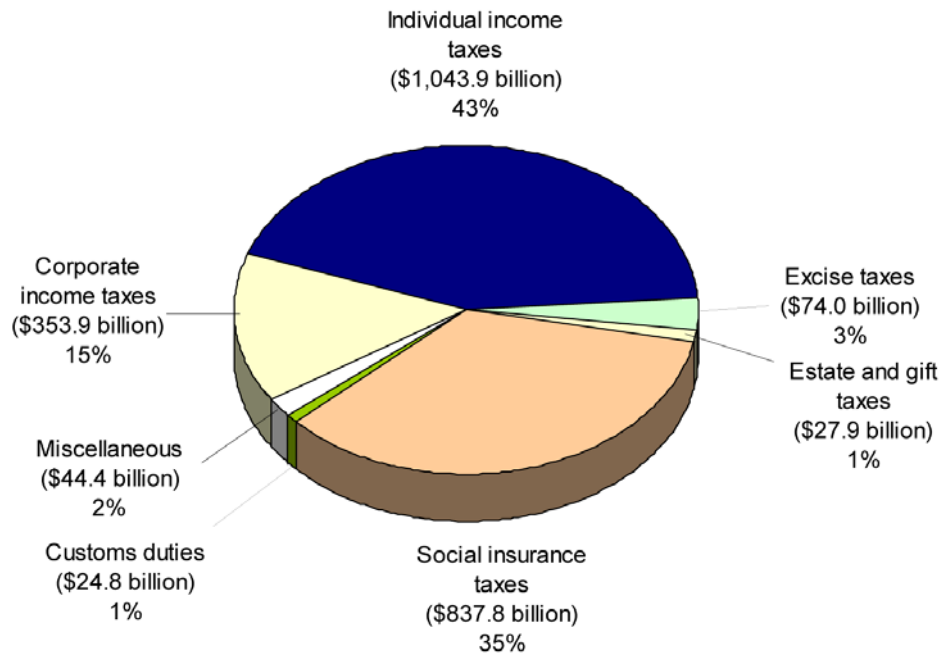
### Revenue Legislation

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 (see **Figure 1**) are permanent and continue year after year without any additional legislative action. 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.

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<sup>25</sup> For detailed information on the Byrd rule, see CRS Report RL30862, *The Budget Reconciliation Process: The Senate's "Byrd Rule,"* by Robert Keith.

**Figure 1. Actual FY2006 Revenues by Source**

**Source:** Chart created by CRS based on data from Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2008-2017* (Washington: CBO, 2007), 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.<sup>26</sup>

The budget resolution recommends yearly revenue levels, based on baseline estimates of federal government revenues that assume 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).

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<sup>26</sup> [<http://www.house.gov/jct/>].



In addition, both the House and Senate have “pay-as-you-go” (PAYGO) requirements for revenue legislation (as well as direct spending, as discussed below). The House and Senate PAYGO rules (Rule XXI, clause 10, and Section 201 of S.Con.Res. 21, the FY2008 budget resolution, respectively) prohibit the consideration of revenue legislation (as well as direct spending legislation) that would have the net effect of increasing the deficit or reducing the surplus over either a six-year period (FY2007-FY2012) or an 11-year period (FY2007-FY2017). Like many other budget-related points of order, the PAYGO points 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).

For additional information on tax legislation in 2007, see CRS Report RL33768, *Major Tax Issues in the 110th Congress*, by David L. Brumbaugh.

## 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.<sup>27</sup>

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 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

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<sup>27</sup> For further information on debt-limit legislation, see CRS Report RS21519, *Legislative Procedures for Adjusting the Public Debt Limit: A Brief Overview*, by Robert Keith and Bill Heniff Jr.; and CRS Report RL31967, *The Debt Limit: The Ongoing Need for Increases*, by Philip D. Winters.

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.<sup>28</sup> 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. 109-182, 120 Stat. 289), which originated pursuant to the Gephardt rule, in March 2006. The debt-limit measure increased the statutory limit by \$781 billion, from \$8.184 trillion to \$8.965 trillion. President Bush's FY2008 budget projects that the debt subject to the statutory limit will increase to \$8.977 trillion, \$12 billion over the current limit, by the end of FY2007.<sup>29</sup> Therefore, Congress and the President will likely need to increase the statutory limit in late 2007.

Pursuant to House Rule XXVII, upon the adoption of the FY2008 budget resolution by Congress, the House Clerk engrossed and transmitted to the Senate a joint resolution (H.J.Res. 43) increasing the public debt limit by \$850 billion, to \$9.815 trillion. H.J.Res. 43 was deemed to have been adopted by the House on May 17 by a vote of 214-209 (i.e., the vote upon which the House agreed to the conference report to the FY2008 budget resolution).

## Appropriations and Other Spending Legislation

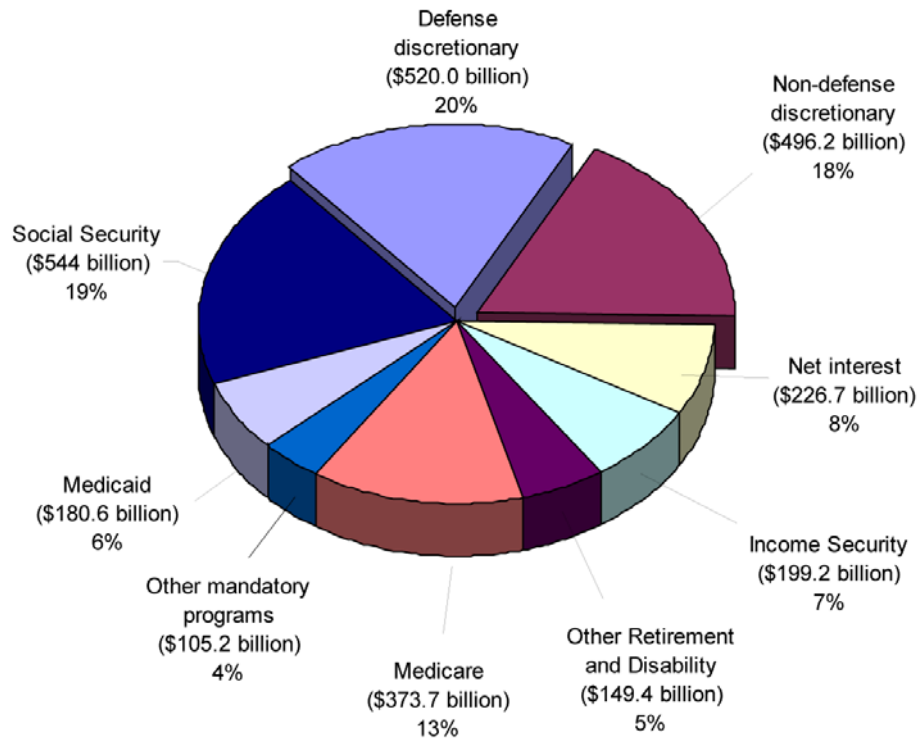
Federal spending is categorized into two different types: discretionary or mandatory spending. Discretionary spending is controlled through the annual appropriations acts, while mandatory or direct spending (which consists mostly of entitlement programs) is determined by existing law.

Actual FY2006 federal outlays totaled \$2,654.4 billion (see **Figure 2**). Of this total amount, \$1,016.2 billion, or 38%, was discretionary spending (exploded slices in **Figure 2**), while \$1,638.2 billion, or 62%, was mandatory spending.

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<sup>28</sup> For further information, see CRS Report RL31913, *Developing Debt-Limit Legislation: The House's "Gephardt Rule,"* by Bill Heniff Jr.

<sup>29</sup> OMB, *Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2008*, p. 234.

**Figure 2. Actual FY2006 Outlays by Major Spending Category**

**Source:** Chart created by CRS based on data from CBO, *The Budget and Economic Outlook: Fiscal Years 2008-2017* (Washington: CBO, 2007), 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 \$140.6 billion in FY2006.

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 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.<sup>30</sup> (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 the fiscal year 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.

**Regular Appropriations for FY2007.** At the outset of the 110<sup>th</sup> Congress, only two of the 11 regular appropriations acts for FY2007 (which began on October 1, 2006) had been enacted. Since the start of FY2007, federal government agencies and programs funded in regular appropriations acts not yet enacted into law received temporary appropriations provided by three successive continuing resolutions (CRs), generally at a rate of operations not to exceed the FY2006 enacted level.

The last CR enacted in 2006 was scheduled to expire on February 15, 2007. On January 31 and February 14, respectively, the House and Senate passed a new CR (H.J.Res. 20) that provided funding through the end of FY2007 for those temporarily-funded federal government agencies and programs at the level appropriated in FY2006, with certain exceptions. In all, the exceptions brought the total FY2007 non-emergency discretionary spending to the level agreed to by the House and Senate, and proposed by President George W. Bush, in 2006. On February 15, President Bush signed the measure into law (P.L. 110-5), thereby bringing action on the FY2007 regular appropriations acts to a close.

**Supplemental Appropriations for FY2007.** In addition to the regular appropriations acts, Congress typically acts on at least one supplemental appropriations measure during a session. President Bush submitted, along with his budget request for FY2008, a request for FY2007 supplemental appropriations “in support of operations in the Global War on Terror (GWOT) and the Gulf Coast’s recovery from Hurricane Katrina.”<sup>31</sup> In response to the President’s request, the House Appropriations Committee reported H.R. 1591, U.S. Troop Readiness, Veterans’ Health, and Iraq Accountability Act, 2007 (H.Rept. 110-60) on March 20. The House considered H.R. 1591 on March 22 and 23, and adopted the measure by a vote of 218-212.

The Senate Appropriations Committee ordered reported S. 965, U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (S.Rept. 110-37) on March 22. The Senate took up H.R.

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<sup>30</sup> Each subcommittee of the House and Senate Appropriations Committees typically is responsible for one of the regular appropriations acts. At the beginning of the 110<sup>th</sup> Congress, the House and Senate Appropriations Committees modified their subcommittee structures, establishing 12 parallel appropriations subcommittees. 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.

<sup>31</sup> OMB, *Appendix, Budget of the U.S. Government, Fiscal Year 2008*, pp. 1143-1178.

1591, amended it with the text of S. 965, and considered several other amendments over four days between March 26 and March 29, adopting the measure, as amended, on March 29 by a 51-47 vote.

In each case, the supplemental appropriations were designated as emergency requirements,<sup>32</sup> thereby exempting the appropriations from the spending constraints associated with the budget resolution, as mentioned above.

On April 24, a conference report to accompany H.R. 1591 was filed. According to the Appropriations Committees, H.R. 1591 would provide about \$124.2 billion in new budget authority for FY2007. The House agreed to the conference report on April 25 by a 218-208 vote. The Senate agreed to the conference report on April 26 by a 51-46 vote. President Bush vetoed the measure on May 1. The House failed to override the veto, which requires a two-thirds vote, by a 222-203 vote on May 2.<sup>33</sup>

The House subsequently, on May 10, passed two new supplemental measures (H.R. 2206 and H.R. 2207), which were combined into one bill (H.R. 2206) and sent to the Senate. On May 17, the Senate passed H.R. 2206, with an amendment, and requested a conference with the House to resolve the legislative differences between the two chambers.

**Regular Appropriations for FY2008.** The President's budget includes recommendations for the upcoming year for 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.

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<sup>32</sup> For the Senate, pursuant to Section 402 of H.Con.Res. 95 (109<sup>th</sup> Congress); for the House, pursuant to Sections 402 and 501 of H.Con.Res. 376 (109<sup>th</sup> Congress), as made applicable by section 511(a)(4) of H.Res. 6 (110<sup>th</sup> Congress).

<sup>33</sup> For further information on the FY2007 supplemental appropriations, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett, Amy Belasco, Pat Towell, Susan B. Epstein, Connie Veillette, Curt Tarnoff, and Rhoda Margesson.

Congress also often adopts one or more continuing resolutions each year because of recurring delays in the appropriations process. For example, Congress passed three continuing resolutions before completing action on the FY2007 regular appropriations acts.<sup>34</sup>

## 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.

In addition to the committee spending allocations, under the Section 302 process mentioned above, mandatory spending legislation is limited by PAYGO rules in the House and Senate. As noted above with regard to revenue legislation, the House and Senate PAYGO rules (Rule XXI, clause 10, and Section 201 of S.Con.Res. 21, the FY2008 budget resolution, respectively) prohibit the consideration of direct spending legislation that would have the net effect of increasing the deficit or reducing the surplus over either a six-year period (FY2007-FY2012) or an 11-year period (FY2007-FY2017). Like many other budget-related points of order, the PAYGO points 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).

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.<sup>35</sup> 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.

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<sup>34</sup> Initially, 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).

<sup>35</sup> See, for example, CRS Report RS21038, *Reserve Funds in the FY2002 Budget Resolution*, by Bill Heniff Jr.

## Chronology

May 17, 2007	The House and Senate agreed to the conference report (H.Rept. 109-153) to the FY2008 budget resolution (S.Con.Res. 21) by votes of 214-209 and 52-40, respectively.
March 29, 2007	The House agreed to its version of the FY2008 budget resolution (H.Con.Res. 99) by a vote of 216-210.
March 23, 2007	The Senate agreed to its version of the FY2008 budget resolution (S.Con.Res. 21) by a vote of 52-47.
February 5, 2007	President Bush submitted his FY2008 budget to Congress.
January 24, 2007	CBO released its annual report on budget baseline projections, <i>The Budget and Economic Outlook: Fiscal Years 2008-2017</i> .

## For Additional Reading

### Congressional Hearings, Reports, and Documents

Congressional Budget Office. *An Analysis of the President's Budgetary Proposals for Fiscal Year 2008*. Washington: CBO, March 2007.

Congressional Budget Office. *The Budget and Economic Outlook: Fiscal Years 2008-2017*. Washington: CBO, January 2007.

U.S. Congress. House Committee on the Budget. *Concurrent Resolution on the Budget — Fiscal Year 2008*. Report to accompany H.Con.Res. 99. 110<sup>th</sup> Congress, 1<sup>st</sup> session. H.Rept. 110-69. Washington: GPO, 2007.

U.S. Congress. Senate Committee on the Budget. *Concurrent Resolution on the Budget FY2008*. Committee Print to Accompany S.Con.Res. 21. 110<sup>th</sup> Congress, 1<sup>st</sup> session. S.Prt. 110-19. Washington: GPO, 2007.

U.S. Congress. Committee on Conference. *Concurrent Resolution on the Budget for Fiscal Year 2008*. Report to accompany S.Con.Res. 21. 110<sup>th</sup> Congress, 1<sup>st</sup> session. H.Rept. 110-153. Washington: GPO, 2007.

### CRS Products

CRS Report RL33291. *Congressional Budget Actions in 2006*, by Bill Heniff Jr.

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

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 RS22605. *FY2008 Budget Documents: Internet Access and GPO Availability*, by Jennifer Teefy.

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

CRS Report RL33915. *The Budget for Fiscal Year 2008*, by Philip D. Winters.