Congressional Research Service
Informing the legislative debate since 1914

A Brief Overview of the Congressional Budget Process

July 29, 2020

Congressional Research Service
https://crsreports.congress.gov
R46468

CRS REPORT
Prepared for Members and
Committees of Congress

SUMMARY

R46468

July 29, 2020

James V. Saturno
Specialist on Congress and the Legislative Process

A Brief Overview of the Congressional Budget Process

Under the U.S. Constitution, Congress exercises the "power of the purse." This power is expressed through the application of several provisions. The power to lay and collect taxes and the power to borrow are among the enumerated powers of Congress under Article I, Section 8. Furthermore, Section 9 of Article I states that funds may be drawn from the Treasury only pursuant to appropriations made by law. The Constitution, however, does not prescribe how these legislative powers are to be exercised, nor does it expressly provide a specific role for the President with regard to budgetary matters. Instead, various statutes—as well as congressional rules, practices, and precedents—have been established over time to create a complex system in which multiple decisions and actions occur with varying degrees of coordination. As a consequence, there is no single "budget process" through which all budgetary decisions are made, and in any year there may be multiple budgetary measures necessary to establish or implement different aspects of federal fiscal policy.

This report is intended to describe in brief each of the parts of the budget process, discuss the role of Congress in each aspect, and explain how they operate together. They include the President's budget submission, the budget resolution and reconciliation, the authorization and appropriations process, and budget enforcement and sequestration. In addition, this report provides a flow chart of congressional budgetary actions. For a more extensive discussion of the budget process, including citations to additional CRS reports on the topic and a glossary of budget terms, see CRS Report R46240, *Introduction to the Federal Budget Process*, by James V. Saturno.

Contents

Appendixes

Contacts

Introduction

Under the U.S. Constitution, Congress exercises the "power of the purse." This power is expressed through the application of several provisions. The power to lay and collect taxes and the power to borrow are among the enumerated powers of Congress under Article I, Section 8. Furthermore, Section 9 of Article I states that funds may be drawn from the Treasury only pursuant to appropriations made by law. The Constitution, however, does not prescribe how these legislative powers are to be exercised, nor does it expressly provide a specific role for the President with regard to budgetary matters. Instead, various statutes—as well as congressional rules, practices, and precedents—have evolved over time to meet changing needs and circumstances to establish a complex system in which multiple decisions and actions occur with varying degrees of coordination. As a consequence, there is no single "budget process" through which all budgetary decisions are made, and in any year there may be multiple budgetary measures to establish or implement different aspects of federal fiscal policy.

The Budget Cycle

Since FY1977, the federal fiscal year has run from October 1 through September 30, and much of the focus of the budget process for Congress concerns the upcoming fiscal year (referred to as the budget year). The Budget and Accounting Act of 1921[1] established a requirement that the President submit a budget request for the next fiscal year at the beginning of each calendar year. Likewise, the Congressional Budget Act of 1974 (CBA)[2] provides for the consideration of a concurrent resolution on the budget (i.e., a budget resolution) to allow Congress to make decisions about fiscal policy and budget priorities on an annual basis. In addition, since appropriations legislation typically provides budget authority to be obligated over the course of a single fiscal year, Congress must enact new appropriations legislation each year prior to the start of the fiscal year.

On the other hand, while much of the congressional agenda and workload in any given session is focused on annual budgetary actions, most federal spending (in the form of direct, or mandatory, spending), as well as most revenue, occurs as a consequence of permanent law or laws with sunset dates beyond the next fiscal year.[3] While changes to laws concerning direct spending or revenue are not tied directly to the annual budget cycle, such legislation may be a necessary part of budgetary actions in any given year.

The President's Budget

The Constitution does not assign a formal role in the federal budget process to the President. This was changed by the Budget and Accounting Act of 1921, which established the requirement for a consolidated budget proposal to be developed by the President, with the assistance of the Office of Management and Budget (OMB), and submitted to Congress. Although it also does not have

[1] Public Law 13, 67th Congress, 42 Stat. 20. Requirements concerning the President's budget submission are codified in 31 U.S.C. §§1104-1113.

[2] Titles I-IX of the Congressional Budget and Impoundment Control Act, P.L. 93-344. Codified in 2 U.S.C. §§601-688.

[3] Direct spending has grown to comprise the majority of all federal outlays. For example, in FY2019, such spending accounted for approximately 61% of all federal outlays. U.S. Office of Management and Budget, *Budget of the U.S. Government Fiscal Year 2021, Historical Tables*, Table 8.1 Outlays by Budget Enforcement Act Category, 1962-2025, https://www.whitehouse.gov/omb/historical-tables/.

the force of law, the President's budget submission reflects his policy priorities and offers a set of recommendations regarding federal programs, projects, and activities funded through appropriations acts, as well as any proposed changes to revenue and direct spending laws. As currently provided under 31 U.S.C §1105, the President is to submit the request "on or after the first Monday in January but not later than the first Monday in February of each year."

In support of the President's appropriations requests, executive branch agencies prepare additional materials, frequently referred to as congressional budget justifications. These materials provide more detail 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.

The Budget Resolution and Reconciliation

Until the 1970s, congressional consideration of the multiple budgetary measures considered every year lacked any formal coordination. Instead, Congress considered these various budgetary measures separately, sometimes informally comparing them to proposals in the President's budget. The CBA changed that. It provides for the adoption of a concurrent resolution on the budget, allowing Congress to make decisions about overall fiscal policy and priorities, as well as coordinate and establish guidelines for the consideration of various budget related measures. This budget resolution sets aggregate budget policies and functional priorities for the upcoming budget year as well as at least four additional fiscal years. In recent practice, budget resolutions have often covered a 10-year period.

Because a concurrent resolution is not presented to the President and cannot become law, it has no statutory effect, and no money can be raised or spent pursuant to it. The main purpose of the budget resolution is to establish a framework within which Congress can consider separate revenue, spending, and other budget-related legislation. Revenue and spending amounts set in the budget resolution establish the basis for the enforcement of congressional budget policies through points of order during House and Senate floor consideration. Most budget points of order in the Senate require a three-fifths supermajority to be waived. The budget resolution may also be used to initiate the reconciliation process (described below) for conforming existing revenue and direct spending laws to congressional budget policies.

In the absence of a budget resolution, Congress may use alternative means to establish enforceable budget levels. When Congress has been late in reaching final agreement on a budget resolution, or has not reached agreement at all, the House and Senate, often acting separately, have established alternate legislative procedures to deal with enforcement issues on an ad hoc basis. These alternatives are typically referred to as "deeming resolutions," because they are deemed to serve in place of an agreement between the two chambers on an annual budget resolution for the purposes of establishing enforceable budget levels for the upcoming fiscal year (or multiple fiscal years).

The budget resolution represents an agreement between the House and Senate concerning the overall size of the federal budget and the general composition of the budget in terms of functional categories. The amounts in functional categories are translated into allocations to each House or Senate committee with jurisdiction over spending in a process called "crosswalking" under Section 302(a) of the CBA. Legislation considered by the House and Senate must be consistent with these allocations, as well as with the aggregate levels of spending and revenues. Both the allocations and aggregates are enforceable through points of order that may be made during House or Senate floor consideration of such legislation. These allocations are supplemented by nonbinding assumptions concerning the substance of possible budgetary legislation that are included in the report from the Budget Committee that accompanies each chamber's respective budget resolution.

In some years, the budget resolution includes reconciliation instructions. Reconciliation instructions identify the committees that must recommend changes in laws affecting revenues or direct spending programs within their jurisdiction in order to implement the priorities agreed to in the budget resolution. Although the level of budgetary changes in a committee's instructions are enforceable, the choice of policy changes necessary to achieve it remains the prerogative of the committee. In some instances, reconciliation instructions have included particular policy options or assumptions regarding how an instructed committee might be expected to achieve its reconciliation target, but such language has not been considered binding or enforceable. Reconciliation instructions may further direct the committee to report the legislation for consideration in its respective chamber or to submit the legislation to the Budget Committee to be included in an omnibus reconciliation measure. If it will be included in an omnibus measure, Section 310(b)(2) of the CBA requires that the Budget Committee report such a measure "without any substantive revision."

Once it is reported, a reconciliation bill may then be considered, and possibly amended, by the full House or Senate. In the House, reconciliation bills are typically considered under the terms of a special rule setting any limits on debate or amending. In the Senate, reconciliation legislation is eligible to be considered under expedited procedures. The CBA (primarily in Sections 305, 310, and 313) provides for limits on the contents and consideration of a reconciliation bill. The limits on the contents of the measure and any amendments are enforced by points of order and would require a three-fifths supermajority to be waived in the Senate. In addition, debate on a reconciliation bill is limited to 20 hours. Because the 20-hour limit is on debate rather than consideration, after debate time has expired, Senators may continue to offer amendments and make other motions or appeals but without further debate (often referred to as a "vote-a-rama"). The time limit on floor debate has meant that, in practice, reconciliation bills can be passed by the Senate by a simple majority without the need for a supermajority of three-fifths of the Senate to first invoke cloture.

Direct Spending Legislation

Congressional budgetary procedures distinguish between two types of spending: discretionary spending (which is controlled through the annual appropriations process) and direct spending (also referred to as mandatory spending, for which the level of funding is controlled outside of the annual appropriations process). Discretionary and direct spending are both included in the President's budget and the congressional budget resolution, and they both provide statutory authority for agencies to enter into obligations for payments from the Treasury. The two forms of spending, however, are distinct in most other respects in terms of both formulation and consideration.

Direct spending characteristically provides budget authority in the form of a requirement to make payments to individual recipients according to a formula that establishes eligibility criteria and a program of benefits. The resulting overall level of outlays for a direct spending program represents an aggregation of obligations for these individual benefits. In general, direct spending programs are established in permanent law that continues in effect until such time as it is revised or terminated. In some cases, however, such as the Child Health Insurance Program (CHIP) and Temporary Assistance for Needy Families (TANF), the program may require periodic reauthorization. For some programs (termed "appropriated entitlements"), appropriations legislation may provide the means of financing, but, in practice, the requirements for funding such programs are determined through their authorizing legislation so that the Appropriations Committees have little or no discretion over the amounts provided.

Jurisdiction over direct spending programs (including those funded in annual appropriations acts) is exercised in the House and Senate through legislative committees (such as the Senate Committee on Health, Education, Labor and Pensions or the House Agriculture Committee) based on their jurisdiction over legislation concerning the structure of direct spending programs including formulas regarding eligibility criteria and benefit payments.

While direct spending legislation may be included in reconciliation legislation, it may also be considered under the regular procedures of the House and Senate. The scheduling for consideration of legislation making such changes is determined by congressional leadership through their agenda-setting authority rather than keyed to the beginning of the fiscal year.

The Authorization/Appropriations Process

Discretionary spending is provided through a characteristically annual process in which Congress enacts regular appropriations measures. As an exercise of their constitutional authority to determine their rules of proceeding, both chambers have adopted rules that broadly distinguish between legislation that addresses questions of policy on the one hand and, on the other, legislation that addresses questions of funding and that also provide for their separate consideration. In common usage, the terms used to describe these types of measures are authorizations and appropriations, respectively.

An authorization may generally be described as a statutory provision that defines the authority of the government to act. It can establish or continue a federal agency, program, policy, project, or activity. Further, it may establish policies and restrictions and deal with organizational and administrative matters. It may also, explicitly or implicitly, authorize subsequent congressional action to provide appropriations. By itself, however, an authorization of discretionary spending does not provide funding for government activities.

An appropriation may generally be described as a statutory provision that provides budget authority, thus permitting a federal agency to incur obligations and make payments from the Treasury for specified purposes, usually during a specified period of time.

Congress regularly considers three main types of appropriations measures: regular annual appropriations to provide budget authority to fund programs and agency activities for the next fiscal year, supplemental appropriations to provide additional budget authority during the current fiscal year if the regular appropriation is insufficient or to finance activities not provided for in the regular appropriation, and continuing appropriations (often referred to as continuing resolutions or CRs) to provide interim (or sometimes full-year) funding to agencies for activities or programs not yet covered by a regular appropriation. By custom, appropriations bills originate in the House but may be amended by the Senate, as with other legislation.

The House and Senate Appropriations Committees are organized into subcommittees, each of which is responsible for developing one of the regular annual appropriations bills. Appropriations bills are constrained in terms of both their purpose and the amount of funding they provide. Appropriations are broadly constrained in terms of purpose because the rules of both the House (Rule XXI) and the Senate (Rule XVI) generally limit appropriations to programs and purposes previously authorized by law.

Constraints in terms of the amount of funding exist on several levels. For individual items or programs, funding may be limited to the level recommended in authorizing legislation. The overall level of discretionary spending provided in all appropriations acts is limited by the allocation of discretionary spending in the budget resolution to the Appropriations Committees under Section 302(a) of the CBA. Section 302(b) of the CBA further requires the House and Senate Appropriations Committees to subdivide the overall amount of discretionary spending among their subcommittees. Section 302(b) further requires these suballocations to be made "as soon as practicable after a concurrent resolution on the budget is agreed to." Because each subcommittee is responsible for developing a single general appropriations bill, the process of making suballocations effectively determines a spending limit for each of the regular annual appropriations bills. Legislation (or amendments) that would cause the suballocations made under Section 302(b) to be exceeded is subject to a point of order during floor consideration. The Appropriations Committees can (and do) issue revised subdivisions over the course of appropriations actions to reflect changes in spending priorities effected during floor consideration or in conference committee actions. In addition, the Budget Control Act of 2011 established a statutory limit on discretionary spending, divided into separate defense and nondefense categories (described below).

Revenue and Public Debt Legislation

The budget resolution provides a guideline for the overall level of revenues but not for their composition. Legislation controlling revenues is reported by the committees of jurisdiction (the House Ways and Means Committee and the Senate Finance Committee). The revenue level agreed to in the budget resolution acts as a minimum, limiting consideration of revenue legislation that would decrease revenue below that level. In addition, Article I, Section 7, of the Constitution requires that all revenue measures originate in the House of Representatives, although the Senate may amend them, as with other legislation. Revenue legislation may be considered at any time, although revenue provisions are often included in reconciliation legislation.

When the receipts collected by the federal government are not sufficient to cover outlays, it is necessary for the Treasury to finance the shortfall through the sale of various types of debt instruments to the public and federal agencies. Federal borrowing is subject to a statutory limit on public debt (referred to as the debt limit or debt ceiling). The budget resolution includes an appropriate level for the public debt that reflects the budgetary policies agreed to in the resolution. However, any change to the authorized limit on the public debt must be implemented through a statutory enactment. In recent years, Congress has chosen to suspend the debt limit for a set amount of time instead of raising the debt limit by a fixed dollar amount. When a suspension ends, the debt limit is reestablished at a dollar level that accommodates the level of federal debt issued during the suspension period.

Budget Enforcement and Sequestration

The CBA includes several provisions designed to encourage congressional compliance with the budget resolution. The House and Senate have also adopted other limits as part of their standing rules, as procedural provisions in budget resolutions, or as a parts of some other measures to establish other budgetary rules, limits, and requirements. In particular, the overall spending ceiling, revenue floor, and committee allocations of spending determined in a budget resolution are all enforceable by points of order in both the House and the Senate during floor consideration. In addition, Appropriations Committees are required to make subdivisions of their committee allocation, and these too are enforceable. Legislation breaching other budgetary limits or causing increases in the deficit would also generally be subject to points of order.

Points of order enforce prohibitions against certain types of legislation or other congressional actions being taken in the legislative process. Points of order are not self-enforcing, however. A point of order must be raised by a Member on the floor of the chamber before the presiding officer can rule on its application and, thus, for its enforcement.

In the Senate, most points of order related to budget enforcement may be waived by a vote of three-fifths of all Senators (60 if there is no more than one vacancy). As with other provisions of Senate rules, budget enforcement points of order may also be waived by unanimous consent. In the House, points of order, including those for budget enforcement, may be waived by the adoption of special rules, although other means (such as unanimous consent or suspension of the rules) may also be used.

Since 1985, budgetary decision-making has often been subject to various budget control statutes designed to restrict congressional budgetary actions or implement particular budgetary outcomes in order to reduce the budget deficit, limit spending, or prevent deficit increases. The mechanisms included in these acts have sought to supplement and modify the existing budget process and also added statutory budget controls, in some cases seeking to require future deficit reduction legislation or limit future congressional budgetary actions and in some cases seeking to preserve deficit reduction achieved in accompanying legislation. These control statutes have used sequestration as a means for their enforcement. Sequestration involves a presidential order that permanently cancels non-exempt budgetary resources for the purpose of achieving a required amount of outlay savings. Once an executive determination triggers sequestration, spending reductions are made automatically.

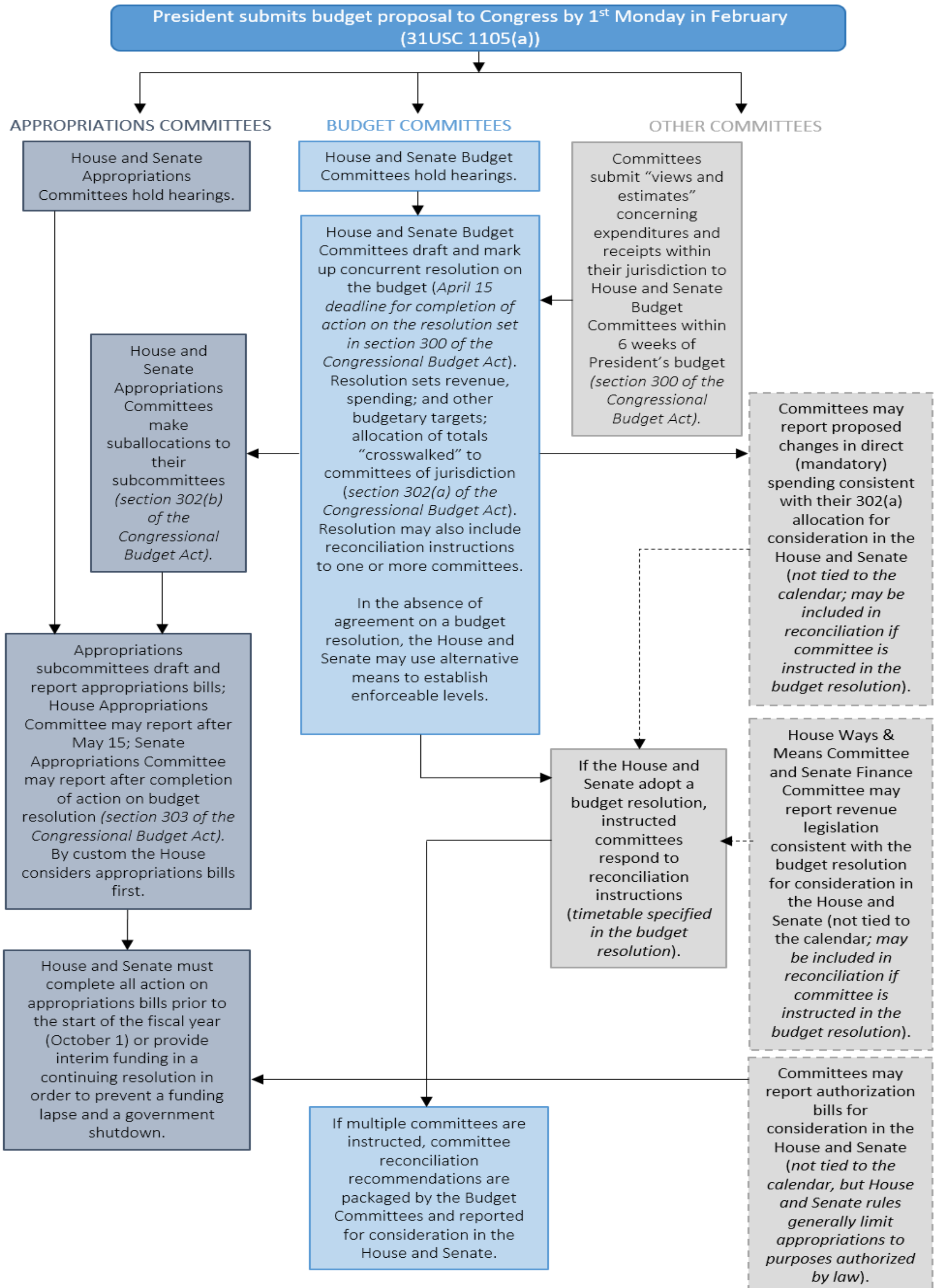
Currently, sequestration is used as an enforcement mechanism associated with the Statutory Pay-As-You-Go (PAYGO) Act of 2010 and the Budget Control Act of 2011.[4] In the case of the Statutory PAYGO Act, OMB records the budgetary effects of revenue and direct spending provisions enacted into law, including both costs and savings, on two PAYGO scorecards covering five- and 10-year periods. If OMB reports the net impact of changes to direct spending and revenue laws over the course of an annual session of Congress is projected to increase the deficit over either of these time periods, the President is required to issue a sequester order to eliminate it. In the case of the Budget Control Act, statutory limits were established for discretionary spending, divided into separately enforceable amounts for defense and nondefense, for FY2012-FY2021. If discretionary spending is enacted that would breach either of these limits, the President is required to issue a sequester order to reduce discretionary spending in that category to the level of the limit. Several measures have subsequently been enacted that have adjusted the spending limits or enforcement procedures.[5]

For a more extensive discussion of the budget process, including citations to additional CRS reports on the topic and a glossary of budget terms, see CRS Report R46240, *Introduction to the Federal Budget Process*, by James V. Saturno.

[4] P.L. 111-139 and P.L. 112-25, respectively.

[5] These include the American Taxpayer Relief Act of 2012 (P.L. 112-240), the Bipartisan Budget Act of 2013 (P.L. 113-67), the Bipartisan Budget Act of 2015 (P.L. 114-74), the Bipartisan Budget Act of 2018 (P.L. 115-123), and the Bipartisan Budget Act of 2019 (P.L. 116-37).

Appendix. Congressional Budget Process Actions



Author Information

James V. Saturno
Specialist on Congress and the Legislative Process

Disclaimer