

# Report for Congress

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## **Congressional Budget Actions in 2003**

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# Congressional Budget Actions in 2003

## Summary

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

As the 108<sup>th</sup> Congress began, only two of the 13 regular appropriations acts for FY2003 (which began on October 1, 2002) had been enacted into law. Since the start of FY2003, federal government agencies and programs funded in regular appropriations acts not yet enacted into law received temporary appropriations provided by eight successive continuing resolutions (CRs), generally at a rate of operations not to exceed the FY2002 enacted level.

On February 13, 2003, the House and Senate agreed to the conference report to the Consolidated Appropriations Resolution, 2003 (H.J.Res. 2), which contains the 11 remaining regular appropriations acts for FY2003. On February 20, President George W. Bush signed the measure into law (P.L. 108-7), thereby bringing action on the FY2003 regular appropriations acts to a close. Later in the session, Congress is expected to act on supplemental appropriations for FY2003, to provide additional funds for the war on terrorism and homeland security and for possible military action in Iraq.

Congress typically begins its annual budget process once the President submits his budget for the upcoming fiscal year. President Bush submitted his FY2004 budget to Congress on February 3, 2003. In preparation for congressional action on the FY2004 budget, the Congressional Budget Office released its annual report on budget baseline projections, *The Budget and Economic Outlook: Fiscal Years 2004-2013*, on January 29, 2003.

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

For FY1991 through FY2002, Congress and the President were constrained by statutory limits on discretionary spending and a “pay-as-you-go” (PAYGO) requirement for direct spending and revenue legislation established under the Budget Enforcement Act of 1990, as amended. These constraints were enforced by a sequestration process after legislative action for a session of Congress ended. Budget enforcement mechanisms expired at the end of FY2002. It is not clear whether Congress and the President will restore these budget enforcement mechanisms, establish similar but modified ones, or take no action in this area.

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# Congressional Budget Actions in 2003

## Most Recent Developments

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

On February 3, President Bush submitted his FY2004 budget to Congress. In preparation for congressional action on the FY2004 budget, the Congressional Budget Office released its annual report on budget baseline projections, *The Budget and Economic Outlook: Fiscal Years 2004-2013*, on January 29, 2003.

## Introduction

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

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

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<sup>1</sup> The enacted regular appropriations acts are the Defense Appropriations Act, 2003 (P.L. 107-248) and the Military Construction Appropriations Act, 2003 (P.L. 107-249). For further information on budget actions in 2002, see CRS Issue Brief IB10096, *Congressional Budget Actions in 2002*, by Bill Heniff Jr.

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

Congress faces an unfavorable budget outlook, exacerbated by an uncertain economic and geopolitical environment. According to the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO), current budget projections under existing law, without any legislative changes, show annual deficits in the unified budget (i.e., including federal funds and trust funds) in each of the next few fiscal years.<sup>3</sup> When various proposed spending increases and tax cuts are taken into account, the projections indicate annual deficits for the foreseeable future. For example, OMB projects that if President Bush's FY2004 budget policy proposals are enacted into law, annual unified budget deficits, ranging from \$178 billion to \$307 billion, will continue through FY2008.

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

## 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.

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

On February 3, 2003, President Bush submitted his FY2004 budget to Congress. Following the usual practice, the President's budget was submitted as a multi-volume set consisting of a main document that includes the President's budget message and information on his 2004 proposals (*Budget*) and supplementary documents that provide special budgetary analyses (*Analytical Perspectives*), historical budget information (*Historical Tables*), and detailed account and program level information (*Appendix*), among other things. The FY2004 budget documents include a new

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<sup>3</sup> See OMB, *Budget of the United States Government, FY2004* (Washington: GPO, 2003), table S-1, p. 311 (for projections with President Bush's budget proposals included) and table S-13, p. 330 (for projections under existing law); CBO, *The Budget and Economic Outlook: Fiscal Years 2004-2013*, Jan. 2003, table 1.1, p. 2 (for CBO's budget baseline projections, under existing law).

volume relating to President Bush's management agenda (*Performance and Management Assessment*).<sup>4</sup>

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

**Table 1. The Congressional Budget Process Timetable**

<b>On or before</b>	<b>Action to be completed</b>
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.

Budget resolution policies are implemented through the enactment of revenue and debt-limit legislation, appropriations and other spending measures, and, if required by the budget resolution, one or more reconciliation bills. Congress enforces budget resolution policies through points of order on the floor of each chamber and the reconciliation process. For example, any legislation that would cause the aggregate levels to be violated is prohibited from being considered.

<sup>4</sup> These documents are available on OMB's Web site, at [<http://www.whitehouse.gov/omb/budget/fy2004/>], visited on Feb. 21, 2003.

Further, the total budget authority and outlays set forth in the budget resolution are allocated among the House and Senate committees having jurisdiction over specific spending legislation. Any legislation, or amendment, that would cause these committee allocations to be exceeded is prohibited. Finally, the House and Senate Appropriations Committees subdivide their allocations among their respective 13 subcommittees. A point of order may be raised against any appropriations act, or amendment, that would cause one of these subdivisions to be exceeded.<sup>5</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 direct spending, revenue, and debt-limit provisions of a budget resolution.

For FY1991 through FY2002, Congress and the President also were constrained by statutory limits on discretionary spending and a “pay-as-you-go” (PAYGO) requirement for direct spending and revenue legislation.<sup>6</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. These budget enforcement mechanisms, however, expired at the end of FY2002 (i.e., September 30, 2002).

At the beginning of the 108<sup>th</sup> Congress, it was not clear whether Congress and the President would restore these budget enforcement mechanisms, establish similar but modified ones, or take no action on additional budget controls. In the event Congress considers restoring or modifying these budget enforcement mechanisms during 2003, the last section of this report provides an overview of how they operated.

## Budget Resolution

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

Following the submission of the President’s budget early in the year, Congress begins formulating the budget resolution. The House and Senate Budget Committees are responsible for developing and reporting the budget resolution. In formulating it, the Budget Committees hold hearings and receive testimony from Members of Congress and representatives from federal departments and agencies, the general

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<sup>5</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>6</sup> These constraints were first established by the Budget Enforcement Act (BEA) of 1990 (Title XIII of P.L. 101-508, Omnibus Budget Reconciliation Act of 1990, 104 Stat. 1388-573-1388-630), which amended the Balanced Budget and Emergency Deficit Control Act of 1985 (Title II of P.L. 99-177, 99 Stat. 1038-1101).

public, and national organizations. Three regular hearings include separate testimony from the CBO director, the OMB director, and the chair of the Federal Reserve Board. On January 30, 2003, CBO Acting Director Barry B. Anderson presented CBO's baseline budget projections for FY2004-FY2013 during testimony to the Senate Budget Committee.<sup>7</sup> On February 4, the day after President Bush's FY2004 budget was submitted to Congress, OMB Director Mitchell E. Daniels Jr. provided an overview of the budget request, and defended it, before the House Budget Committee.<sup>8</sup>

The congressional budget resolution, as well as the President's budget, is based on budget baselines (see **Table 2**). The budget baseline is a projection of federal revenue, spending, and deficit or surplus levels based upon current policies, assuming certain economic conditions. The President's budget baseline, referred to as current services estimates, is included in the budget documents submitted to Congress.<sup>9</sup> The President's baseline usually differs from CBO's baseline, referred to as baseline budget projections, because of different economic and technical assumptions. Baseline projections provide a benchmark for measuring the budgetary effects of proposed policy changes. On January 29, 2003, CBO released its annual report on budget baseline projections, *The Budget and Economic Outlook: Fiscal Years 2004-2013*.<sup>10</sup>

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<sup>7</sup> Mr. Anderson's written testimony is available on CBO's Web site at [<http://www.cbo.gov/showdoc.cfm?index=4031&sequence=0>], visited on Feb. 21, 2003.

<sup>8</sup> Mr. Daniel's written testimony is available on the House Budget Committee's Web site at [<http://www.house.gov/budget/hearings/danielsstmnt020403.htm>], visited on Feb. 21, 2003.

<sup>9</sup> See the summary table S-13 in the main *Budget* volume, p. 330, and chapter 15 of the *Analytical Perspectives* volume, pp. 295-348, for detailed baseline estimates. OMB, *Budget of the United States Government, FY2004*.

<sup>10</sup> The report is available on CBO's Web site at [<http://www.cbo.gov>], visited on Feb. 21, 2003.



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

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	<b>Total</b> FY2004-FY2008
<b>Office of Management and Budget – February 2003</b>							
(current services estimates–without President Bush’s proposals)							
Outlays	2,131	2,189	2,276	2,384	2,440	2,541	11,794
Revenues	1,867	2,031	2,235	2,352	2,469	2,593	11,681
Total Surplus/Deficit (-)	-264	-158	-40	5	29	51	-114
On-budget	-425	-330	-237	-207	-199	-192	-1,170
Off-budget <sup>a</sup>	160	172	197	211	228	243	1,056
(current services estimates–with President Bush’s proposals)							
Outlays	2,140	2,229	2,343	2,464	2,576	2,711	12,323
Revenues	1,836	1,922	2,135	2,263	2,398	2,521	11,239
Total Surplus/Deficit (-)	-304	-307	-208	-201	-178	-190	-1,084
On-budget	-468	-482	-407	-412	-406	-433	-2,140
Off-budget <sup>a</sup>	163	175	199	211	228	243	1,056

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	<b>Total</b> FY2004-FY2008
<b>Congressional Budget Office – January 2003</b> (budget baseline projections)							
Outlays	2,121	2,199	2,298	2,387	2,479	2,583	11,945
Revenues	1,922	2,054	2,225	2,370	2,505	2,648	11,802
Total Surplus/Deficit (-)	-199	-145	-73	-16	26	65	-143
On-budget	-361	-319	-268	-228	-205	-185	-1,206
Off-budget <sup>a</sup>	162	174	195	212	231	250	1,063

**Sources:** Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2004* (Washington: GPO, 2003), pp. 312 and 330; Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2004-2013*, Jan. 2003, pp. 4-5.

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

Another source of input comes from the “views and estimates” of congressional committees with jurisdiction over spending and revenues. Within 6 weeks after the President’s budget submission, each House and Senate committee is required to submit views and estimates of budget matters under its jurisdiction to its respective Budget Committee. These views and estimates, frequently submitted in the form of a letter to the chair and ranking minority Member of the Budget Committee, typically include comments on the President’s budget proposals and estimates of the budgetary impact of any legislation likely to be considered during the current session of Congress. The Budget Committees are not bound by these recommendations. The 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 to make budget decisions, leaving specific program determinations to House and Senate Appropriations Committees and other committees with spending and revenue jurisdiction. In many instances, however, particular program changes are considered when the budget resolution is formulated. Program assumptions sometimes are referred to in the reports of the House and Senate Budget Committees and usually are discussed during floor action. Although these program changes are not binding, committees may be strongly influenced by the recommendations when formulating appropriations bills, reconciliation measures, or other budgetary legislation.

The congressional budget process timetable sets April 15 as a target date for final adoption of the budget resolution. The CBA 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 Senate consider the budget resolution under procedures generally intended to expedite final action. In the House, the budget resolution usually is considered under a special rule, limiting the time of debate and allowing only a few amendments, as substitutes to the entire resolution. The Senate considers the budget resolution under the procedures set forth in the CBA, sometimes as modified by a unanimous consent agreement. Debate on the initial consideration of the budget resolution, and all amendments, debatable motions, and appeals, is limited to 50 hours. Amendments, motions, and appeals may be considered beyond this time limit, but without debate. Consideration of the conference report is limited to 10 hours in the Senate.

In years Congress is late in adopting, or does not adopt, a budget resolution, the House and Senate independently may adopt a “deeming resolution” for the purpose of enforcing certain budget levels. A deeming resolution, typically in the form of a simple resolution, specifies certain budget levels normally contained in the budget resolution, including aggregate spending and revenue levels, spending allocations to House and Senate committees, spending allocations to the Appropriations Committees only, or a combination of these. In some cases, an entire budget resolution, earlier adopted by one chamber, may be deemed to have been passed. Under a deeming resolution, the enforcement procedures related to the Congressional Budget Act, as discussed below, have the force and effect as if Congress had adopted a budget resolution.

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

At the beginning of the 108<sup>th</sup> Congress, the House agreed to deem the FY2003 budget resolution adopted by the House during the 107<sup>th</sup> Congress (H.Con.Res. 353) to have been adopted by the 108<sup>th</sup> Congress. Under this deeming resolution, the enforcement procedures of the Congressional Budget Act will have the force and effect on budget legislation pertaining to FY2003 and beyond in the House as if the budget resolution had been adopted by Congress, until Congress adopts an FY2004 budget resolution.<sup>11</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 CBA. The reconciliation process has two stages. First, Congress includes reconciliation instructions in a budget resolution directing one or more committees to recommend changes in statute to achieve the levels of spending, revenues, and debt limit agreed to in the budget resolution. Second, the legislative language recommended by these committees is packaged “without any substantive revision” into one or more reconciliation bills, as set forth in the budget resolution, by the House and Senate Budget Committees. In some instances, a committee may be required to report its legislative recommendations directly to its chamber.

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

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<sup>11</sup> See Sec. 3(a)(4) of H.Res. 5, adopted on Jan. 7, 2003. Also, the provision required the House Budget Committee chair to submit for printing in the *Congressional Record* the committee allocations associated with the spending levels contained in H.Con.Res. 353, and other related budget information. In the absence of official committee chair assignments, Sec. 2 of H.Res. 14, adopted by the House on Jan. 8, 2003, provided that Rep. Jim Nussle, the prospective House Budget Committee chair (see H.Res. 24), could submit the committee allocations. He did so on the same date. See *Congressional Record*, daily edition, vol. 149, Jan. 8, 2003, pp. H74-H75.

of reconciliation legislation, or any amendment to a reconciliation bill, recommending changes to the Social Security program. Finally, in the Senate, Section 313 of the CBA, commonly referred to as the Byrd rule, prohibits extraneous matter in a reconciliation bill.

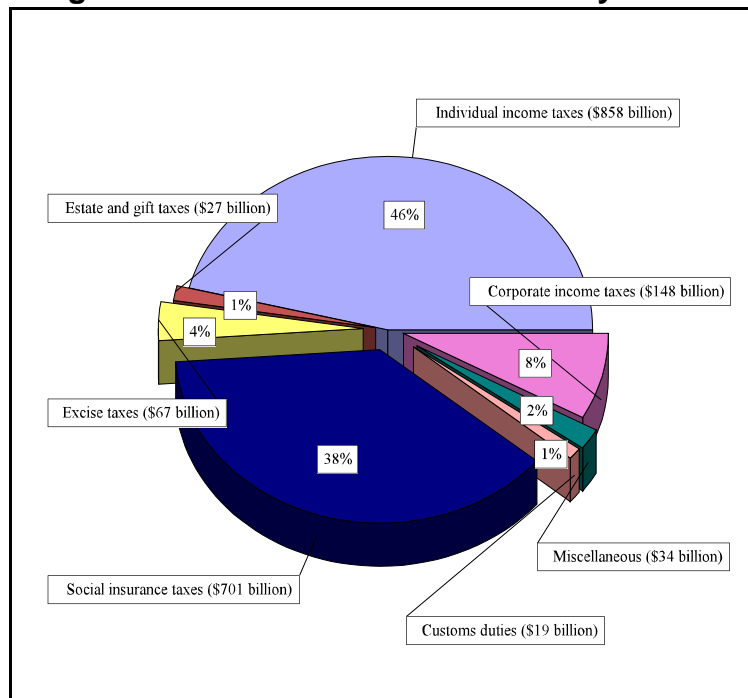
## Revenue and Debt-Limit Legislation

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

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

Most of the laws establishing the federal government's revenue sources are permanent and continue year after year without any additional legislative action (see **Figure 1**).<sup>12</sup> Congress, however, typically enacts revenue legislation, changing some portion of the existing tax system, every year. Revenue legislation may include changes to individual and corporate income taxes, social insurance taxes, excise taxes, or tariffs and duties.

**Figure 1. Actual FY2002 Revenues by Source**



<sup>12</sup> Chart created by CRS based on data from Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2004-2013*, p. 150.

Revenue legislation is not considered automatically in the congressional budget process on an annual basis. Frequently, however, the President proposes and Congress considers changes in the rates of taxation or the distribution of the tax burden. An initial step in the congressional budget process is the publication of revenue estimates of the President's budget by CBO. These revenue estimates usually differ from the President's, since they are based on different economic and technical assumptions (e.g., growth of the economy and change in the inflation rate). Cost estimates of any congressional revenue proposals are prepared by CBO, based on revenue estimates made by the Joint Committee on Taxation (JCT), and are published in committee reports or in the *Congressional Record*, as well as available on JCT's Web site.<sup>13</sup>

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

A Senate PAYGO point of order, under Section 207 of the FY2000 budget resolution (H.Con.Res. 68, 106<sup>th</sup> Congress), also may be raised against any revenue legislation that would increase or cause an on-budget deficit for the first fiscal year, the period of the first 5 fiscal years, or the following 5 fiscal years, covered by the most recently adopted budget resolution. A motion to waive the point of order requires a three-fifths vote (i.e., 60 Senators if there are no vacancies). The Senate PAYGO rule is scheduled to expire on April 15, 2003.

**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 adopts legislation to raise this limit.<sup>14</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 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

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<sup>13</sup> See [<http://www.house.gov/jct/>], visited on Feb. 21, 2003.

<sup>14</sup> For further information on debt-limit legislation, see CRS Report 98-453, *Debt-Limit Legislation in the Congressional Budget Process*, by Bill Heniff Jr.; CRS Report RS20645, *Recent Changes in Federal Debt and Its Major Components*, by Philip D. Winters; CRS Report RS21111, *The Debt Limit: The Need to Raise It After Four Years of Surpluses*, by Philip D. Winters; and CRS Report 98-805, *Public Debt Limit Legislation: A Brief History and Controversies in the 1980s and 1990s*, by Philip D. Winters.

deficits or trust fund surpluses may contribute to the federal government reaching the existing debt limit.

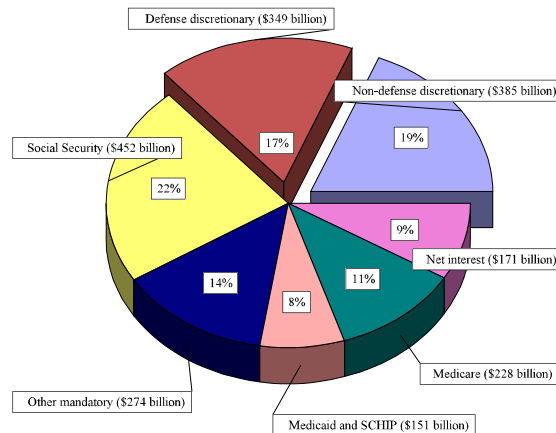
The most recent increase in the public debt limit was enacted as an independent measure (P.L. 107-199, 116 Stat. 734) in June 2002. The debt-limit measure increased the statutory limit by \$450 billion, to \$6,400 billion. In December 2002, however, the Administration indicated that the “debt subject to the limit may reach the statutory ceiling in the latter half of February 2003.”<sup>15</sup>

## Appropriations and Other Spending Legislation

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

Actual FY2002 federal outlays totaled \$2,011 billion (see **Figure 2**).<sup>16</sup> Of this total amount, \$734 billion, or about 36.5%, was discretionary spending (exploded slices in **Figure 2**), while \$1,277 billion, or 63.5%, was direct spending.

**Figure 2. Actual FY2002 Outlays by Major Spending Category**



<sup>15</sup> Letter to Speaker J. Dennis Hastert from Kenneth Dam, deputy secretary, Department of the Treasury, dated Dec. 24, 2002, on the Department of the Treasury’s Web site at [<http://www.ustreas.gov/press/releases/po3718.htm>], visited on Feb. 21, 2003. More recently, Treasury Secretary John W. Snow informed Congress that because of the existing public-debt limit he “will be unable to fully invest the Government Securities Investment Fund (‘G-Fund’) of the Federal Employees Retirement System in special interest-bearing Treasury securities, beginning on February 20, 2003.” See letter to Speaker Hastert from Secretary Snow, dated Feb. 19, 2003, on the Department of the Treasury’s Web site at [<http://www.ustreas.gov/press/releases/js46.htm>], visited on Feb. 21, 2003.

<sup>16</sup> Chart created by CRS based on data from Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2004*, p. 312.

Discretionary spending is under the jurisdiction of the House and Senate Appropriations Committees. Direct 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.

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

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

In addition to the 13 regular appropriations acts, Congress typically acts on at least one supplemental appropriations measure during a session. Also, because of recurring delays in the appropriations process, Congress often adopts one or more continuing resolutions each year. In 2001, for example, Congress passed the 13 regular appropriations measures individually, two supplementals, and eight continuing resolutions. In some fiscal years, such as in each of the three prior to FY2001 (FY1998-FY2000), instead of adopting all of the regular appropriations acts individually, Congress combined several of them into an omnibus appropriations measure.

Spending allocations to the Appropriations Committees and other committees accompany the conference report on the budget resolution. Soon after it is adopted, the House and Senate Appropriations Committees subdivide their spending allocations among their subcommittees and formally report these suballocations to their respective chambers. During the appropriations process, these suballocations usually are revised several times.

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.

At the outset of the 108<sup>th</sup> Congress, only two out of the 13 regular appropriations acts for FY2003 had been enacted into law. Since the start of FY2003, the federal government agencies and programs not yet funded in regular appropriations acts received temporary appropriations in eight successive continuing resolutions (CRs). Congress and President Bush provided temporary funding through: October 4, 2002 (P.L. 107-229); October 11 (P.L. 107-235); October 18 (P.L. 107-240); November 22 (P.L. 107-244); January 11, 2003 (P.L. 107-294); January 31 (P.L. 108-2); February 7 (P.L. 108-4); and February 20 (P.L. 108-5).

On February 13, 2003, the House and Senate agreed to the conference report to the Consolidated Appropriations Resolution, 2003 (H.J.Res. 2), which contains the 11 remaining regular appropriations acts for FY2003.<sup>17</sup> On February 20, President George W. Bush signed the measure into law (P.L. 108-7), thereby bringing action on the FY2003 regular appropriations acts to a close.

## Budget Enforcement and Sequestration

Beginning in 1990, Congress and the President were constrained by statutory limits on discretionary spending and a pay-as-you-go (PAYGO) requirement for direct spending and revenue legislation.<sup>18</sup> Initially applicable through FY1995, they were modified and extended in 1993 to apply through FY1997, and extended again in 1997 to apply through FY2002. In each case, the budgetary controls were designed to enforce 5-year budget agreements between Congress and the President. Without any legislative action by Congress and the President to extend the budget enforcement mechanisms further, they expired at the end of FY2002 (i.e., September 30, 2002).

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

Since 1990, the statutory limits had applied to different categories of discretionary spending. During some periods, discretionary spending was combined into a single category; at other times it was divided into two or more broad categories, such as defense and nondefense spending. Currently, adjustable

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<sup>17</sup> For a guide to the contents of H.J.Res. 2, see CRS Report RS21433, *FY2003 Consolidated Appropriations Resolution: Reference Guide*, by Robert Keith.

<sup>18</sup> The discretionary spending limits and the PAYGO requirement were first established by the Budget Enforcement Act (BEA) of 1990 (Title XIII of P.L. 101-508, Omnibus Budget Reconciliation Act of 1990, 104 Stat. 1388-573-1388-630), which amended the Balanced Budget and Emergency Deficit Control Act of 1985 (Title II of P.L. 99-177, 99 Stat. 1038-1101). The limits were extended in 1993 (Title XIV of P.L. 103-66, Omnibus Budget Reconciliation Act of 1993, 107 Stat. 683-685) and in 1997 (Budget Enforcement Act of 1997, Title X of P.L. 105-33, Balanced Budget Act of 1997, 111 Stat. 677-712).

discretionary spending limits still exist for highway and mass transit spending for FY2003 and conservation spending (divided into six subcategories) through FY2006, but the sequestration process to enforce them expired on September 30, 2002.

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

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

The Senate PAYGO point of order still exists, but is scheduled to expire on April 15, 2003. Under the Senate PAYGO rule, a point of order may be raised against any direct spending or revenue legislation that would increase or cause an on-budget deficit for the first fiscal year, the period of the first 5 fiscal years, or the following 5 fiscal years, covered by the most recently adopted budget resolution. A motion to waive this point of order requires a vote of three-fifths of Senators (i.e., 60 Senators if there are no vacancies).

**Table 3** provides the timetable for sequestration actions. As indicated, OMB and CBO were required to publish preview and update sequestration reports to provide Congress and the President with advance notice regarding the possibility of a sequester. If one or both types of sequester were anticipated, these reports could have afforded Congress and the President enough warning so that they could enact legislation to forestall them. Only an OMB within-session or final sequestration report could have triggered a sequester; the CBO sequestration reports were advisory only.

**Table 3. Timetable for Sequestration Actions**

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

At the end of the 107<sup>th</sup> Congress, Congress passed and President Bush signed legislation (P.L. 107-312, 116 Stat. 2456) that removed the positive balances on the PAYGO scorecard through FY2006, thereby preventing any future PAYGO sequestration unless the budget enforcement mechanism is restored.<sup>19</sup>

## For Additional Reading

### Congressional Hearings, Reports, and Documents

Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2004-2013* (Washington: Jan. 2003). The document is available on CBO's Web site at [<http://www.cbo.gov>], visited on Feb. 21, 2003.

Barry Anderson, Acting Director, CBO, Testimony before the Senate Budget Committee, Jan. 30, 2003. The testimony is available on CBO's Web site at [<http://www.cbo.gov>], visited on Feb. 21, 2003.

### CRS Products

CRS Issue Brief IB10096, *Congressional Budget Actions in 2002*, by Bill Heniff Jr.

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

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<sup>19</sup> For further information on the recent removal of PAYGO balances, see CRS Report RS21378, *Termination of the "Pay-As-You-Go" (PAYGO) Requirement for FY2003 and Later Years*, by Robert Keith.

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

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.