Report No. 87-286 GOV

# MANUAL ON THE FEDERAL BUDGET PROCESS



Prepared by

ALLEN SCHICK
Consultant

and

ROBERT KEITH
Specialist in American National Government
and
EDWARD DAVIS
Analyst in American National Government
Government Division

March 31, 1987



CRS

CONGRESSIONAL
RESEARCH
SERVICE
THE LIBRARY
OF CONGRESS

The Congressional Research Service works exclusively for the Congress, conducting research, analyzing legislation, and providing information at the request of committees, Members, and their staffs.

The Service makes such research available, without partisan bias, in many forms including studies, reports, compilations, digests, and background briefings. Upon request, CRS assists committees in analyzing legislative proposals and issues, and in assessing the possible effects of these proposals and their alternatives. The Service's senior specialists and subject analysts are also available for personal consultations in their respective fields of expertise.

## CONTENTS

## LIST OF EXHIBITS

## LIST OF EXHIBITS
—continued

## LIST OF EXHIBITS
—continued

## LIST OF EXHIBITS
—continued

# INTRODUCTION

This manual is intended to assist users of Federal budget information (especially of congressional budget material) in understanding how the process works and how data are to be interpreted. It does so primarily by displaying and explaining sample forms used at each stage of the budget process and other documents affecting budgetary procedures. The selections in the manual are drawn from widely used documents, but in a publication of this size, it is not possible to cover every situation or application.

The forms do not reveal everything about budgeting, but they offer useful clues to the rules of the game, the requirements of the process, and the roles of the participants. Anyone who wants to comprehend the Federal budget, whether to influence the decisions made in it or to interpret them, must understand the status and derivation of the various forms and documents used in it.

Following an overview chapter that explains the roles and relationships of the participants in the budget process, the basic concepts of Federal budgeting, and key features of the process, the manual devotes a separate chapter to each stage of the process. As a document intended for congressional users, the manual emphasizes the elements of congressional budgeting, though it includes chapters dealing with the President's budget and the management of public expenditures. Each chapter opens with an introductory statement that explains the status of the particular stage of the process and the procedures and documents associated with it and closes with a series of exhibits. The exhibits present sample forms and documents accompanied by explanatory comments. The manual concludes with appendices that present a glossary of terms and other reference materials.

## I. OVERVIEW OF THE FEDERAL BUDGET PROCESS

The "power of the purse" is a legislative power. The Constitution lists the power to lay and collect taxes as one of the powers of Congress and provides that funds may be drawn from the Treasury only pursuant to appropriations made by law. Over the years, the House and Senate developed procedures for the enactment of spending, revenue, and debt-limit legislation. These procedures were based on the standing rules or each House, on statutory provisions, and on ad hoc practices. Neither the Constitution nor the procedures subsequently developed by the House and Senate provided for a budget system. As long as the Federal Government was small and its revenues and expenditures were stable, such a system was not considered necessary.

The Budget and Accounting Act of 1921 (Public Law 67-13; 42 Stat. 20) established an executive budget process; it did not directly alter the procedures by which Congress makes revenue and spending decisions. The President was required to submit his budget recommendations to Congress each year, and the Bureau of the Budget (renamed the Office of Management and Budget (OMB) in 1970) was created to assist him in carrying out his budgetary responsibilities. Congress, it was expected, would be able to coordinate its revenue and spending decisions if it received comprehensive budget recommendations from the President. In line with this expectation, the House and Senate strengthened the jurisdiction of the Appropriations Committees over spending. The 1921 Budget and Accounting Act also established the General Accounting Office (GAO), headed by the Comptroller General, and made it the principal auditing arm of the Federal Government. The Budget and Accounting Act of 1921, as amended, remains the statutory basis for the presidential budget system.

After World War II, the belief that a presidential budget would suffice gave way to the view that Congress needs its own budget process. Some Members of Congress feared that dependence on the executive budget had bolstered the President's fiscal powers at the expense of Congress'; others felt that as long as its financial decisions were fragmented, Congress could not effectively control expenditures. Some efforts were made in the late 1940's to create a congressional budget, but it was not until the 1970's that a durable process was initiated.

The Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344; 88 Stat. 297) established a congressional budget process centered around a "concurrent resolution on the budget," scheduled for adoption prior to legislative consideration of revenue or spending bills. (The 1974 Budget Act provided for the adoption of two budget resolutions each year, but the Act was amended in 1985 to provide for a single resolution.) The central purpose of the process established by the Act is to coordinate the various revenue and spending decisions which are made in separate tax, appropriations, and legislative measures. To assist Congress in making budget decisions, the 1974 Budget Act established the Congressional Budget Office (CBO) and directed it to provide data on and analyses of the Federal budget.

During the years that the congressional budget process has been in operation, its procedures have been adapted by Congress to changing circumstances. Following a decade of experience with the 1974 Budget Act, Congress made a number of changes in the budget process by enacting the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177; 99 Stat. 1037), commonly referred to as the 1985 Balanced Budget Act or the Gramm-Rudman-Hollings Act. Other, less extensive changes have been made from time to time. Various modifications are discussed in appropriate sections of the manual.

## The Budget Cycle

Federal budgeting is a cyclical activity that begins with formulation of the President's annual budget and concludes with the audit and review of expenditures. The process spreads over a two-and-a-half year period (or longer). The main steps (as shown in **Exhibit 1-A**) are formulation of the President's budget, congressional budget actions, and execution of the budget. While the basic steps continue from year to year, particular procedures vary in accord with the style of the President, the economic and political conditions under which the budget is prepared and implemented, and other factors.

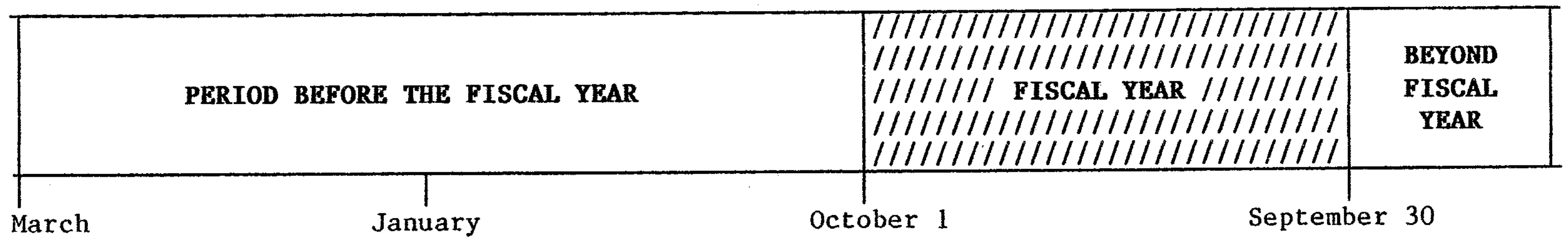
### Formulation of the President's Budget

In January of each year, the President must submit to Congress a budget for the fiscal year starting on October 1. (Although the President is required by law to submit the budget in early January, Congress may extend the deadline in any year by enacting a law.) Preparation of the President's budget begins in the spring of the preceding year, about ten months before it is submitted to Congress. Thus, at the time the budget is submitted, Federal agencies must deal concurrently with three fiscal years: they are executing the budget for the current fiscal year, seeking funds from Congress for the fiscal year starting on October 1 (the "budget year"), and preparing for the fiscal year after that. Understandably, budgets are formulated with a great deal of uncertainty about the future conditions to which they will apply.

Before it examines detailed spending and program requests, the Office of Management and Budget reviews the major policy issues for the next budget and updates the long-term forecast of receipts and expenditures. Together with the Council of Economic Advisers (CEA), it reviews the economic outlook and presents the President with a projection of future economic conditions. The President often issues (through OMB) policy directions and planning guidelines to be used by agencies in preparing their budget requests. The extent to which these guidelines limit the amounts that agencies may request varies from year to year.

EXHIBIT 1-A

**MAJOR PHASES IN THE FEDERAL BUDGET PROCESS**




**FORMULATION OF PRESIDENT'S BUDGET**

Spring Budget overview and guidelines developed.

Summer Agencies prepare budget requests.

Fall President and OMB review requests.

January President submits budget to Congress.

**EXECUTION OF BUDGET**

OMB apportions funds and agencies make allotments.

Agencies reprogram and transfer funds and request supplemental appropriations.

President proposes impoundments.

**REVIEW**

Post-auditing occurs and final budget data are made available.

**CONGRESSIONAL BUDGET ACTION**

February-April Committees submit "views and estimates"; Congress adopts the budget resolution.

May-September Congress considers spending, revenue, and debt-limit legislation.

During Fiscal Year Congress considers continuing and supplemental appropriations and adopts revised budget resolution, if necessary.

The summer months and the early fall are an intensive period for preparation of detailed budget requests by Federal agencies. These requests are reviewed by OMB, which notifies agencies of the spending levels recommended by it for their programs. Agencies have a brief period during which they may appeal to the President for higher levels than were recommended by OMB. Some recent Presidents (particularly Nixon and Reagan) delegated much of the "appeal" function to senior White House staff. The appeals often involve policy issues as well as budget levels. After the appeals have been decided, budget preparation is complete but changes may be made right up to the deadline for printing the budget.

## Congressional Budget Action

The congressional budget process begins early each year after the President submits his annual budget. Congress is not bound by the President's recommendations. When it develops a budget resolution, Congress often uses different policy, economic, and technical assumptions than those presented in the executive budget. When it enacts legislation to carry out the budget plan, Congress may provide more or less funds than the President wants for particular programs, or change tax rates in a way different than the President recommends.

Under the 1974 Budget Act, each House and Senate committee is required to issue by February 25 a "views and estimates" report on the budget matters in its jurisdiction. The Budget Committees use these reports, along with Congressional Budget Office analyses, to prepare the budget resolution for the next fiscal year. The Budget Committees use baseline estimates to project the costs of continuing programs without policy or statutory changes.

The budget resolution, which is to be adopted by April 15, contains revenue and spending levels for three fiscal years, but the figures for the second and third years are not binding. Because it is a concurrent resolution, the budget resolution does not have statutory effect. No taxes can be levied or funds spent pursuant to a budget resolution. Although the budget resolution does not mention specific programs or accounts, the aggregates (such as total new budget authority, total outlays), functional allocations, and reconciliation instructions (if any) are predicated on assumptions about particular programs. These assumptions are not binding on Congress. Congress is supposed to complete action on the budget resolution before it turns to the consideration of revenue, spending, or debt-limit measures for the fiscal year.

Congress enforces its budget decisions principally through "crosswalking," reconciliation, and binding totals on spending and revenues. After a budget resolution has been adopted, the spending totals are allocated among House and Senate committees through a crosswalk procedure. Each committee is then required to subdivide its share of the budget among its programs or subcommittees. These subdivisions, which are used in "scorekeeping" reports and for measuring the impact of legislation on the congressional budget, are enforced by points of order.

Enforcement also is provided by "reconciliation," a procedure for conforming existing law to current budget decisions. Through reconciliation, Congress instructs designated committees to report measures changing revenue, spending, entitlement, or debt-limit legislation. The committees usually are given a deadline and their recommendations are considered by the House and Senate in one or more reconciliation measures. In 1985, the House adopted a deadline of June 15 for completing action each year on any required reconciliation measures.

Finally, Congress enforces its budget decisions through aggregate spending ceilings and revenue floors established in the budget resolution. The consideration of any legislation that would cause budget authority or outlays to exceed, or revenues to fall below, the levels in the budget resolution could be blocked by a point of order.

Despite these and other enforcement mechanisms in the 1974 Budget Act, Congress may approve legislation at variance with its budget decisions. The manner in which the enforcement mechanisms are waived differs in the two Houses.

In recent years, Congress has failed to adopt the budget resolution by the deadline set in the 1974 Budget Act. This slippage can impede Congress from considering appropriations bills for the next fiscal year. Many appropriations bills have been delayed by the failure of Congress to enact necessary authorizations, conflict over spending priorities, and other factors. As a result, the House and Senate sometimes have waived the requirement that the budget resolution be adopted before regular appropriations bills are considered (in 1985, the House changed the requirement so that it can consider such bills after May 15, even if the budget resolution has not been adopted); additionally, the House and Senate often waive their rules against "unauthorized appropriations."

Annual appropriations are provided in 13 regular appropriations bills, each one under the jurisdiction of parallel House and Senate Appropriations subcommittees which recommend spending levels to the full committees. These bills come to the House and Senate individually as do other measures (such as revenue and entitlement legislation) affecting overall budget levels. In recent years, because Congress has not been able to enact all of the regular appropriations bills by the start of the fiscal year, it has been necessary to provide interim funding in "continuing resolutions." In some recent years, these measures have provided appropriations for the full fiscal year, not just for a month or two.

## Execution of the Budget

Although they are bound by congressional decisions, agencies typically have some spending discretion because appropriations are made in broad categories. Agencies generally conform to the financial and program plans they submit to congressional committees but they often "reprogram" funds (shift them from one use to another within an account) to meet unanticipated needs or changing conditions. Some reprogrammings require approval by legislative or appropriations committees.

Agencies cannot spend appropriations until OMB apportions those funds. The Antideficiency Act (31 U.S.C. 1512-1519) requires that OMB apportion funds to prevent the necessity for deficiency or supplemental appropriations or to achieve the most effective and economical use of funds. OMB apportions available funds among time periods (such as quarters or months) or projects, then agencies allot their apportioned funds among their administrative units. Agencies generally are not permitted to spend in excess of their apportionments or allotments.

When the President or another executive official withholds funds provided by Congress, he uses the procedures set forth in the Impoundment Control Act of 1974. If the President wants to delay obligations or expenditures, he proposes a deferral. The capacity of Congress to disapprove these deferrals by means of a legislative veto has been ended by a Supreme Court decision which held all such vetoes to be unconstitutional. The status of deferrals--the subject of recent litigation--is likely to be modified in the years ahead. If the President wants to cancel an appropriation, he must propose a rescission. If Congress fails to rescind the funds within a 45-day waiting period, the President must release the funds. The Comptroller General oversees compliance with the Impoundment Control Act.

The final phase of the budget process is review and audit. Under the principle of "internal control," agencies have the primary responsibility for ensuring the propriety and efficiency of their expenditures. Agencies are required to maintain accounting systems and to audit their expenditures in accordance with standards promulgated by the General Accounting Office.

## Roles of the Participants

Budgeting cannot be an isolated activity, conducted solely by a small number of financial experts. Because the stakes in budgeting radiate to all sectors of public policy, the participants come from all parts of the Government. Some budget-makers are program specialists; others are fiscal experts. Some occupy central roles in Government; some participate from the limited perspective of a particular program or organization. The division of budgetary labor is essentially political in character: there are program advocates and fiscal guardians, legislative controllers and executive bargainers, presidential agents and agency spokesmen.

The existence of parallel legislative and executive processes adds significantly to the number and diversity of budget participants. The executive branch has its own budget experts; so too does Congress. There are program experts in executive agencies as well as in congressional committees. Congress, in exercise of its budgetary independence, has developed its own data bases, so as to avoid undue dependence on executive data.

There is much greater budgetary heterogeneity in Congress than in the executive branch, however. As an institution that represents a diversity of interests and perspectives, Congress has diversified its budgetary processes to allow a multiplicity of participants. When it comes to public money, no one in Congress is fully in charge, but just about every Member and committee has some role.

The principal roles and functions of the participants in the budget process are enumerated in **Exhibits 1-B and 1-C.** There are three main participants in executive budgeting; arrayed in hierarchical order they are the President, the Office of Management and Budget, and the executive agencies. In addition to these, various executive units have specialized roles. The Department of the Treasury maintains government-wide accounts, manages Federal cash and debt, issues periodic statements on the condition of the budget, and has the lead role (on the executive side) in tax policy. The Council of Economic Advisers prepares the annual Economic Report, forecasts economic trends, and advises the President (along with others) on economic policy.

Budget roles cannot be considered independently of the participants. As the interests, skills, and relationships among participants change, so too do the roles they play. Some presidents take an active interest in budget policy; but few of them get involved in specific budget decisions.

The manner in which the President uses his Office of Management and Budget (and its Director) varies from administration to administration. In some years, OMB has the dominant role in budget policy; in other seasons, it faces tough competition from other presidential agencies and advisers.

Yet there must be a measure of stability to budgetary roles, if only because of the urgent need to produce a budget each year. If some participants were to behave differently each year, others might not know what to expect of them or how to adjust their own roles. Budgeting is a process that depends on reciprocal expectations. It is expected that agencies will seek more funds for programs in their jurisdiction and that the Appropriations Committees will seek to constrain budgetary growth. It is expected that the President will try to push his budget through Congress and that legislators will try to exercise some independence in budget policy, but it is also expected that both sides will compose their differences without going to the brink. When one side is more obdurate than usual, this pattern of expectations can break down, leading to protracted conflict.

## Changing Legislative Roles

In recent years, legislative budgetary roles have been less stable than they have been in the executive branch. Several explanations can be offered for this, beginning with the fact, already noted, that there is greater diversity in legislative budgetary roles. Of greater importance, however, are the newness of the congressional budget process and other changes in budgetary behavior. The 1974 Budget Act introduced new participants in the legislative process, but it also retained old ones. On paper, the roles of the revenue, authorizing, and appropriating committees were hardly changed, but the establishment of the Budget Committees inevitably altered their expectations and behavior. Even before the budget process was established, Congress was experiencing considerable budgetary turbulence. As many authorizing committees moved from permanent to periodic authorizations, they became more active in proposing spending levels for specific programs. Moreover, entitlements (as well as other forms of "backdoor spending") became more prevalent. These changes affected the jurisdiction and role of the Appropriations Committees.

**PRINCIPAL DUTIES AND FUNCTIONS OF EXECUTIVE PARTICIPANTS IN THE FEDERAL BUDGET PROCESS**

| President | Office of Management and Budget (OMB) | Executive Agencies |
|---|---|---|
| -Establishes executive budget policy and submits budget to Congress. | -Operates executive budget system and advises President on budget issues. | -Submit budget requests to OMB; appeal to President for more funds. |
| -Submits supplemental requests, budget amendments, and updates to Congress. | -Issues planning targets and budget "marks" to agencies. | -Justify President's budget recommendations before congressional committees. |
| -Signs (or vetoes) revenue, appropriations, and other budget-related measures passed by Congress. | -Prepares budget options and recommendations for President. | -Request apportionment from OMB and allot funds among subunits. |
| -Notifies Congress of proposed rescissions and deferrals. | -Issues joint reports on prospective deficit with Congressional Budget Office. | -Maintain systems of internal control. |
| -Issues sequestration order to cancel budgetary resources. | -Reviews proposed legislation and testimony to determine whether it conforms to the President's budget. | -Obligate funds and pre-audit expenditures. |
| <u>Limitations:</u><br>-Must release funds when Congress fails to approve rescission or when it disapproves deferral. | -Sets personnel limits for Federal agencies. | <u>Limitations:</u><br>-May not incur obligations or expenditures in excess of appropriations or apportionments. |
| -Must submit a budget consistent with deficit amounts allowed under the Gramm-Rudman-Hollings Act. | -Apportions funds and oversees execution of the budget. | -Must follow applicable rules (if any) in reprogramming funds. |
| | -Conducts management activities to improve efficiency of Federal expenditures. | |

## PRINCIPAL DUTIES AND FUNCTIONS OF LEGISLATIVE PARTICIPANTS IN THE FEDERAL BUDGET PROCESS

### Authorizing Committees

-Report authorizing and entitlement legislation.

-Oversee executive agencies.

-Submit views and estimates on matters in their jurisdiction.

-Recommend changes in laws pursuant to reconciliation instructions.

-Include CBO cost estimates in reports on their legislation.

Limitations:
-New contract and borrowing authority can be effective only as provided in appropriations.

-New entitlements cannot take effect before next fiscal year.

### Appropriations Committees

-Report regular and supplemental appropriations bills.

-Review proposed rescissions and deferrals.

-Submit views and estimates on Federal expenditures.

-Include limits on credit programs in appropriations bills.

-Establish rules for reprogramming.

-Establish account structure for Federal agencies.

Limitation:
-Appropriations cannot exceed totals in budget resolution (except in House if within discretionary allocation) or subdivisions by subcommittee.

### Revenue Committees

-Jurisdiction over all tax legislation.

-Jurisdiction over public debt, Social Security, and certain other entitlements.

-Submit views and estimates on matters in their jurisdiction.

-Recommend changes in laws pursuant to reconciliation instructions.

Limitation:
Legislation cannot cause revenues to fall below level in budget resolution.

### Budget Committees

-Report budget resolutions.

-Draft reconciliation instructions and compile reconciliation bill.

-Allocate new budget authority, outlays, and new entitlement and credit authority to committees.

-Monitor budget and advise Congress on its status.

-(Senate) reports resolutions waiving certain budget procedures.

Limitations:
-Cannot alter recommendations made by committees for reconciliation.

-Does not specify programs or tax expenditures in budget resolution.

### Congressional Budget Office

-Issues reports on budget and economy, including 5-year budget projections.

-Estimates 5-year cost of reported bills.

-Issues joint reports with OMB on prospective deficit.

-Maintains data base for scorekeeping.

-Constructs "current policy baseline."

-Assists the budget, tax, appropriations, and other committees.

Limitation:
-Cannot take partisan positions on issues.

### General Accounting Office*

-Approves agency accounting systems.

-Reviews deferrals and rescissions to determine whether they have been properly reported, and funds released as required.

-Audits operations of Federal agencies.

-Issues legal opinions concerning the use of funds.

-Settles claims and collects debts involving appeals of agency actions and certain questions of law.

-Evaluates programs and develops methods for assessing the effectiveness of expenditures.

*Some GAO functions are executive or judicial in nature.

Despite the fact that the congressional budget process has been in operation for more than a decade, role changes continue to unfold in Congress. Reconciliation has altered legislative roles and relationships. In each year since 1975, the congressional budget process has been implemented differently. Multiyear budgeting was introduced one year, credit budgeting another; in some years party leaders have been active in shaping the budget; in other years they have remained on the sidelines. Relationships between Congress and the White House have varied from year to year and have contributed to role uncertainty on Capitol Hill. The Gramm-Rudman-Hollings Act has also influenced legislative roles and behavior.

Fiscal stress has affected legislative roles and expectations. The roles embraced by most budget participants in the postwar era were based on the expectations of high and sustained economic growth. The fiscal stress of the recent past has made incrementalism an unsuitable form of budgetary behavior, yet it has not been easy to devise new roles more adapted to fiscal constraints than to spending opportunities.

**The Terminology and Arithmetic of Budgeting**

The Federal budget is a compilation of numbers about the revenues and spending of Government. Revenues, also called receipts or collections, come largely from taxes, but stem from other sources as well (such as duties, fines, licenses, gifts, and so forth). Spending, also referred to generally as expenditure, involves such concepts as budget authority, obligations, outlays, and offsetting collections. The numbers are computed according to rules and conventions that have accumulated over the years; they do not always conform to the way revenues and spending are accounted for in other processes. Some of the rules are not recognized in law, but they are nonetheless used by the various participants in Federal budgeting.

The key budget decisions relate to the obligations that agencies are authorized to incur during a fiscal year, not to the outlays made during the year. (Obligations occur when agencies enter into contracts, submit purchase orders, employ personnel, and so forth; outlays occur when obligations are liquidated, primarily through the issuance of checks or the disbursement of cash.) When Congress appropriates money, it provides "budget authority," that is, authority to enter into obligations. Budget authority also may be provided in legislation that does not go through the appropriations process ("backdoor spending" legislation).

Budget authority that becomes available for a fiscal year is counted as "new budget authority." In some cases, new budget authority becomes available each year without congressional action. For example, under law, the income of the Social Security trust funds is automatically available for obligation; hence, the receipts of these funds are counted as budget authority.

Budget authority is the key point at which Congress exercises control over Federal spending, although the outlay level often receives greater public attention because of its bearing on the deficit. Congress does not directly control outlays; each year's outlays derive in part from new budget authority and in part from "carryover" budget authority provided in prior years. For example, President Reagan's budget for fiscal year 1987 estimated that outlays would total $994 billion. As shown in **Exhibit 1-D** (taken from the President's fiscal year 1987 budget), approximately $759 billion of this amount came from new budget authority for the fiscal year, while the remainder ($235 billion) came from budget authority enacted in previous years.

The relation of budget authority to outlays varies from program to program and depends on "spendout rates," the rates at which funds provided by Congress are obligated and payments disbursed. In a program with a high spendout rate, most new budget authority is expended during the fiscal year; if the spendout rate is low, however, most of the outlays occur in later years.

Regardless of the spendout rate, the outlays in the budget are merely estimates of the amounts that will be disbursed during the year. If payments turn out to be higher than the budget estimate, outlays will be above the budgeted level. The President and Congress control outlays indirectly by deciding on the amount of budget authority to be provided or by limiting the amount of obligations to be incurred.

The Gramm-Rudman-Hollings process increases the prominence of outlays in Federal budgeting. Under this process, outlay estimates are essential in estimating the projected deficit and in determining both the amount, if any, to be sequestered and the distribution of these cutbacks.

The 1974 Budget Act excludes guaranteed loans from the computation of budget authority because they are contingent rather than direct liabilities of the Federal Government. However, direct loans are included in the definition of budget authority, but on a net basis. In computing new budget authority, repayments of old loans are subtracted from the amount of new loans.

The transactions of revolving funds also are netted; the amount shown in the budget is the difference between revenues and outlays. If, for example, a revolving fund has income of $150 million and outlays of $200 million, its net outlays would be only $50 million.

Certain receipts of the Federal Government are accounted for as "offsets" against outlays rather than as revenues. Various fees collected by Government agencies are deducted from their outlays; similarly, income from the sale of certain assets are treated as "offsetting receipts." Most such receipts are offsets against the outlays of the agencies that collect the money, but in the case of offshore oil leases, the revenues are deducted from the total outlays of the Government.

**RELATION OF BUDGET AUTHORITY TO OUTLAYS**

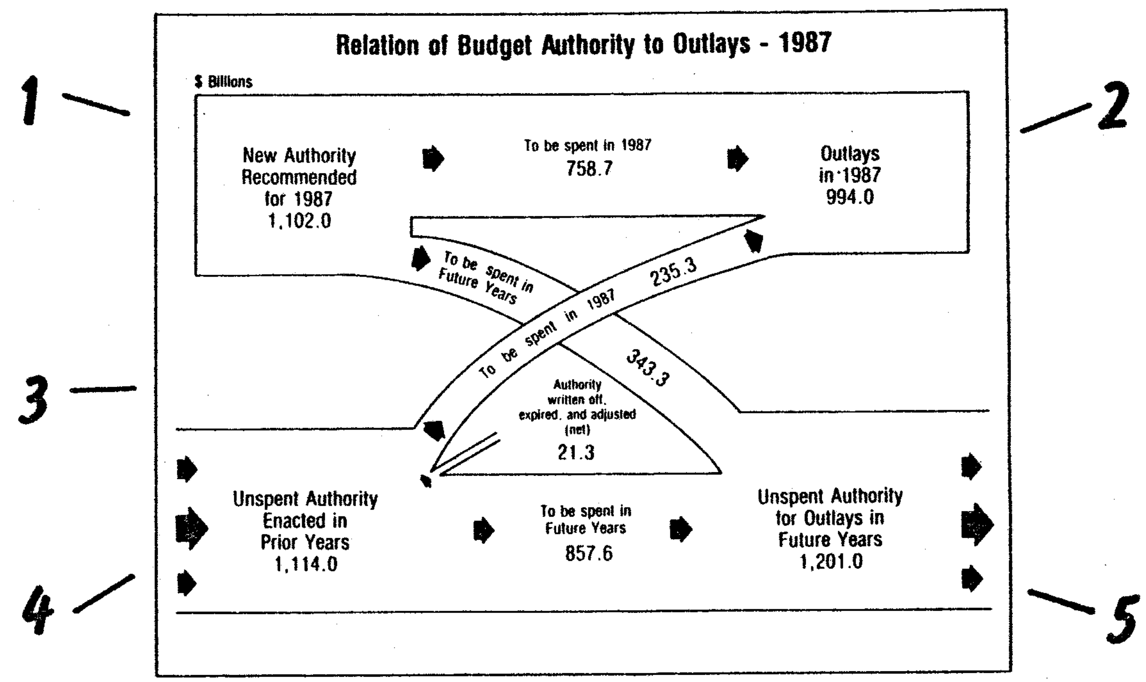
(1) New budget authority typically exceeds total outlays for a fiscal year; this pattern portends future increases in outlays. There are two main reasons for the gap between budget authority and outlays: (a) when programs are expanding, outlay increases tend to lag behind the rise in budget authority because it takes time for the additional resources provided by Congress to be used; and (b) trust funds--such as Social Security--build up balances that are spent in later years.

(2) The outlays set forth in the budget are only an estimate of the total amount to be spent. Actual outlays for a fiscal year can vary substantially from the estimate.

(3) Only a small portion of the budget authority provided by Congress--less than 2 percent of the total in this fiscal year--lapses without being spent. The low lapse rate is due to the fact that once funds have been obligated, they can be carried over to later years. Another prominent factor is that a substantial portion of appropriations continue to be available beyond the fiscal year even if they have not been obligated.

(4) Unspent budget authority consists of both obligated and unobligated balances. Most of the obligated balances are for contracts entered into in prior years; most of the unobligated balances are in trust funds.

(5) Budget authority carried over into future years usually remains available without any time limit. But there are some exceptions, especially for certain defense funds which must be used within a number of years after they have been appropriated.




**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 6a-4.

Another type of offsetting receipt occurs when one Government account makes a payment to another account. For example, Federal agencies contribute to a trust fund that provides pensions to retired Federal employees. Because both the payment by the agency (to the trust fund) and by the trust fund (to retired workers) are computed as budget authority and outlays, there can be double counting of the same expenditures. To avoid this problem, payments by the agency to the trust fund are counted as offsets to total spending.

**Scope of the Budget**

The budget totals do not include all the financial transactions of the Federal Government. The exclusions fall into three categories: (1) off-budget entities; (2) credit guarantees; and (3) government-sponsored enterprises.

Off-budget entities are excluded by law from the budget totals. The receipts and disbursements of the Social Security trust funds (the Federal Old-Age and Survivors Insurance Fund and the Federal Disability Insurance Fund) are excluded from the budget totals. The transactions of these funds are shown in a separate chapter of the budget. However, these funds are included in the budget for calculating the budget deficit under the Gramm-Rudman-Hollings Act. As a consequence, the budget now reports two deficits: the budget deficit excluding the Social Security trust funds, and the Gramm-Rudman-Hollings deficit.

Credit guarantees are excluded from the definition of budget authority. However, payments made by the Federal Government pursuant to these guarantees (such as when borrowers default on their loans) are counted as budget outlays. Although they are excluded from the budget totals, loan guarantees are part of a "credit budget." The gross amount of loan guarantee commitments are set forth in the congressional budget resolution and limitations on such loans are established in the appropriations made to Federal agencies. Parallel credit controls are also applied to direct loans.

Government-sponsored enterprises are excluded from the budget because they are deemed to be private rather than public organizations. The Federal Government does not own any equity in these enterprises, which receive most of their financing from private sources. Although they were established by the Federal Government, their budgets are not reviewed by the President or Congress in the same manner as other programs. At this writing, the seven government-sponsored enterprises are: the Student Loan Marketing Association, the Federal National Mortgage Association, the Banks for Cooperatives, the Federal Intermediate Credit Banks, the Federal Land Banks, the Federal Home Loan Banks, and the Federal Home Loan Mortgage Corporation. These enterprises engage in credit activities.

The budget schedules of the government-sponsored enterprises are annexed to the Appendix to the Budget of the United States Government. Schedules of direct loans and loan guarantees are displayed along with the regular budget schedules in the Appendix.

Information on direct and guaranteed loans, as well as other types of budget transactions, is summarized in **Exhibit 1-E.**

**Budget Functions**

Budget authority and outlays are classified into more than 20 functions that represent the major objectives and operations of the Federal Government. The current list of budget functions is set forth in **Exhibit 1-F.** Each of the functions is divided into a number of subfunctions.

The functional classification is used for a number of purposes in the Federal budget process. First, the functional classification brings together in a single category the various programs and activities serving a common objective, regardless of the agency responsible for them. For example, the "National Defense" function includes most of the programs and expenditures of the Defense Department, as well as defense-related activities of the Energy Department and other Federal agencies.

Second, the functional classification shows the various types of resources spent on the same objective. Thus, the budget presents the budget authority, outlays, tax expenditures, and credit authority associated with each function.

Third, the functional classification is used in explaining the President's budget. Part V of the Budget of the United States Government explains the major policies and expenditures in each function.

Finally, the most important role of the functional classification is in establishing congressional budget priorities. Each budget resolution contains a functional allocation of new budget authority, outlays, and credit authority for the next three fiscal years. (See **Exhibit 6-G** for a display of this functional allocation.)

**Funds in the Budget**

The budget consists of two main groups of funds: federal funds and trust funds. Federal funds (which are similar to general funds in State and local government budgets) are not earmarked by law to any specific program or agency and derive from the general exercise of the taxing power. The use of these funds is determined largely by appropriations acts. Trust funds, by contrast, are restricted by law to designated programs or uses. These funds obtain most of their receipts from earmarked taxes and charges. The Social Security funds are the largest of the trust funds.

## SUMMARY OF THE BUDGET

(1) The Budget contains, for the most part, summary information and information on each of the budget functions. It also has a list of budget authority and outlays by agency and account. More detailed account information is published in the Budget Appendix.

(2) The off-budget entries show the budget authority, receipts, and outlays of the Social Security trust fund.

(3) The Gramm-Rudman-Hollings Act bars the President from submitting a budget with a deficit in excess of the maximum level specified for each fiscal year. As shown here, that law prescribes steep annual reductions in the deficit and a balanced budget no later than fiscal year 1991.

(4) The direct loan obligations and guaranteed loan commitments are budgeted on a gross basis. The changes in outstanding amounts net out repayments and other adjustments.

(5) The year-to-year increase in the gross Federal debt exceeds the budget deficit. The portion of the debt held in Government accounts represents the balances of trust funds.

(6) Each year, Congress must enact legislation raising the statutory limitation on the public debt. The increase must be sufficient both to finance the deficit and to cover borrowing from trust funds.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 6e-7.

1

Table 1. SUMMARY

(In billions of dollars)

| | Description | 1985 actual | Estimate | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
| | **TOTALS** | | | | | | | |
| | **Budget authority** | **1,074.1** | **1,058.7** | **1,102.0** | **1,165.9** | **1,218.0** | **1,261.3** | **1,310.1** |
| | On-budget | (889.7) | (871.4) | (887.7) | (923.1) | (954.4) | (975.2) | (1,004.7) |
| | Off-budget | (184.3) | (187.3) | (214.3) | (242.8) | (263.7) | (286.1) | (305.4) |
| | **Receipts** | **734.1** | **777.1** | **850.4** | **933.2** | **996.1** | **1,058.1** | **1,124.0** |
| 2 | On-budget | (547.9) | (579.2) | (636.1) | (690.4) | (732.5) | (771.9) | (818.6) |
| | Off-budget | (186.2) | (197.9) | (214.3) | (242.8) | (263.7) | (286.1) | (305.4) |
| | **Outlays** | **946.3** | **979.9** | **994.0** | **1,026.8** | **1,063.6** | **1,093.8** | **1,122.7** |
| | On-budget | (769.5) | (795.2) | (795.4) | (817.1) | (843.8) | (862.1) | (884.3) |
| | Off-budget | (176.8) | (184.7) | (198.6) | (209.6) | (219.9) | (231.8) | (238.5) |
| 3 | **Surplus or deficit (–)** | **–212.3** | **–202.8** | **–143.6** | **–93.6** | **–67.5** | **–35.8** | **1.3** |
| | On-budget | (–221.6) | (–216.0) | (–159.3) | (–126.8) | (–111.3) | (–90.1) | (–65.6) |
| | Off-budget | (9.4) | (13.2) | (15.7) | (33.2) | (43.8) | (54.4) | (67.0) |
| | **THE CREDIT BUDGET** | | | | | | | |
| 4 | New direct loan obligations | 52.8 | 41.6 | 30.6 | 28.0 | 24.8 | 22.3 | 20.1 |
| | New guaranteed loan commitments [1] | 84.7 | 93.8 | 79.8 | 81.7 | 83.3 | 84.8 | 85.4 |
| | **Total** | **137.6** | **135.5** | **110.3** | **109.7** | **108.1** | **107.0** | **105.5** |
| | Change in outstandings: | | | | | | | |
| | Direct loans | 28.0 | –4.1 | –4.4 | –3.2 | –5.7 | –7.1 | –4.6 |
| | Guaranteed loans [1] | 21.6 | 40.2 | 30.8 | 25.9 | 24.0 | 24.7 | 24.7 |
| | **Total** | **49.6** | **36.1** | **26.4** | **22.6** | **18.2** | **17.7** | **20.1** |

**FEDERAL DEBT [2]**

| | | 1984 actual | 1985 actual | Estimate | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
| 5 | **Debt outstanding, end of year:** | | | | | | | | |
| | **Gross Federal debt** | 1,576.7 | 1,827.5 | 2,112.0 | 2,320.6 | 2,509.0 | 2,684.3 | 2,841.4 | 2,976.7 |
| | Held by: | | | | | | | | |
| | Government accounts | 264.2 | 317.6 | 398.0 | 464.9 | 560.3 | 668.9 | 791.0 | 928.6 |
| | The public | 1,312.6 | 1,509.9 | 1,714.0 | 1,855.7 | 1,948.7 | 2,015.4 | 2,050.3 | 2,048.1 |
| | (Federal Reserve System) | (155.1) | (169.8) | | | | | | |
| | (Others) | (1,157.5) | (1,340.1) | | | | | | |
| | **MEMORANDUM** | | | | | | | | |
| 6 | Debt subject to statutory limitation | 1,573.0 | 1,823.8 | 2,108.5 | 2,317.4 | 2,506.5 | 2,681.9 | 2,838.9 | 2,974.3 |

## FUNCTIONAL CLASSIFICATION

**(1)** The functional classification has been changed from time to time. When a functional category is altered, budget authority and outlays incurred in prior years are restated to make them consistent with the revised classification.

**(2)** Each function and subfunction has a unique 3-digit code. Each budget account is assigned to one functional category. The last 3 digits in an account´s identification code represent its functional classification. (A few accounts are classified "999," an indication that they fall into two or more functional categories.)

**(3)** Social Security is included in the functional classification, but (as indicated here) most of its finances are off-budget.

**(4)** "Allowances" and "Undistributed Offsetting Receipts" do not consist of programs but are adjustments pertaining to the whole budget.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 6e-17.

Table 8. **BUDGET AUTHORITY BY FUNCTION, 1985–91** 1

(In billions of dollars)

| | | 1985 actual | Estimate | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | |
| 2 | 050 National defense | 294.7 | 286.1 | 320.3 | 341.6 | 363.2 | 384.8 | 405.9 | |
| | Department of Defense—Military | (286.8) | (278.4) | (311.6) | (332.4) | (353.5) | (374.7) | (395.5) | |
| | Other | (7.9) | (7.7) | (8.7) | (9.2) | (9.7) | (10.1) | (10.4) | |
| | 150 International affairs | 26.5 | 20.8 | 22.6 | 21.5 | 21.5 | 20.9 | 20.8 | |
| | 250 General science, space, and technology | 9.2 | 8.8 | 9.5 | 10.0 | 11.0 | 11.5 | 12.1 | |
| | 270 Energy | 8.8 | 5.8 | 4.4 | 5.3 | 4.8 | 4.7 | 4.7 | |
| | 300 Natural resources and environment | 13.3 | 12.0 | 10.9 | 10.6 | 10.0 | 9.4 | 9.4 | |
| | 350 Agriculture | 27.5 | 28.1 | 19.6 | 22.3 | 22.6 | 18.4 | 13.6 | |
| | 370 Commerce and housing credit | 12.1 | 8.7 | 10.2 | 8.7 | 6.5 | 7.6 | 7.1 | |
| | 400 Transportation | 29.6 | 27.6 | 22.6 | 22.4 | 22.5 | 22.6 | 22.7 | |
| | 450 Community and regional development | 8.2 | 6.8 | 3.8 | 5.0 | 4.8 | 5.5 | 5.5 | |
| | 500 Education, training, employment, and social services | 32.4 | 28.6 | 27.0 | 26.6 | 26.6 | 26.1 | 26.0 | |
| | 550 Health | 33.6 | 35.4 | 35.3 | 36.5 | 38.0 | 39.4 | 40.8 | |
| | 570 Medicare | 71.7 | 86.7 | 82.3 | 89.8 | 98.1 | 105.8 | 112.7 | |
| | 600 Income security | 164.1 | 151.4 | 153.3 | 163.3 | 166.0 | 171.2 | 183.5 | |
| | 650 Social security | 199.5 | 199.4 | 227.9 | 259.2 | 283.7 | 309.1 | 330.5 | |
| | On-budget | (8.5) | (4.8) | (5.7) | (6.4) | (7.2) | (7.4) | (6.5) | 3 |
| | Off-budget | (191.0) | (194.6) | (222.2) | (252.8) | (276.5) | (301.8) | (324.0) | |
| | 700 Veterans benefits and services | 27.4 | 27.4 | 26.7 | 27.3 | 27.5 | 27.8 | 27.9 | |
| | 750 Administration of justice | 6.7 | 6.6 | 7.1 | 7.2 | 7.3 | 7.4 | 7.5 | |
| | 800 General government | 6.0 | 6.4 | 6.2 | 5.7 | 6.1 | 6.0 | 5.7 | |
| | 850 General purpose fiscal assistance | 6.3 | 5.2 | 1.7 | 1.8 | 1.9 | 2.0 | 2.0 | |
| | 900 Net interest | 129.4 | 142.7 | 148.0 | 145.1 | 136.0 | 125.6 | 115.9 | |
| | On-budget | (133.6) | (147.2) | (152.7) | (151.4) | (144.7) | (136.4) | (129.1) | |
| | Off-budget | (−4.1) | (−4.4) | (−4.7) | (−6.3) | (−8.7) | (−10.8) | (−13.3) | |
| | 920 Allowances: | | | | | | | | |
| | Civilian agency pay raises | | | 0.4 | 2.0 | 3.2 | 4.4 | 5.6 | |
| 4 | Increased employer share, employee retirement | | | 0.3 | 0.4 | 0.4 | 0.4 | 0.3 | |
| | Total allowances | | | 0.8 | 2.4 | 3.6 | 4.7 | 6.0 | |
| | 950 Undistributed offsetting receipts: | | | | | | | | |
| | Employer share, employee retirement (on-budget) | −24.7 | −26.3 | −28.5 | −30.2 | −31.7 | −33.1 | −34.4 | |
| | Employer share, employee retirement (off-budget) | −2.5 | −2.8 | −3.2 | −3.7 | −4.2 | −4.8 | −5.3 | |
| | Rents and royalties on the Outer Continental Shelf | −5.5 | −5.5 | −5.3 | −8.2 | −6.4 | −5.6 | −5.6 | |
| | Sale of major physical assets (proposed) | | −1.2 | −1.2 | −4.2 | −1.5 | −5.8 | −4.8 | |
| | Total undistributed offsetting receipts | −32.8 | −35.8 | −38.1 | −46.4 | −43.8 | −49.3 | −50.1 | |
| | On-budget | (−30.3) | (−32.9) | (−35.0) | (−42.6) | (−39.6) | (−44.5) | (−44.9) | |
| | Off-budget | (−2.5) | (−2.8) | (−3.2) | (−3.7) | (−4.2) | (−4.8) | (−5.3) | |
| | **Total budget authority** | **1,074.1** | **1,058.7** | **1,102.0** | **1,165.9** | **1,218.0** | **1,261.3** | **1,310.1** | |
| | On-budget | (889.7) | (871.4) | (887.7) | (923.1) | (954.4) | (975.2) | (1,004.7) | |
| | Off-budget | (184.3) | (187.3) | (214.3) | (242.8) | (263.7) | (286.1) | (305.4) | |

The unified budget includes both the federal funds and the trust funds (with the exception of Social Security, whose off-budget status was discussed earlier). The receipts and disbursements of all the funds in the budget are summarized in **Exhibit 1-G.** The balances in the trust funds are borrowed by the Federal Government; they are counted, therefore, in the Federal debt. Because these balances offset the budget deficit but are included in the Federal debt, the annual increase in the debt invariably exceeds the amount of budget deficit.

Capital and operating expenses are not segregated in the budget. Hence, monies paid for the operations of Government agencies as well as for the acquisition of long-life assets (such as buildings, roads, and weapons systems) are reported as budget outlays. Proposals have been made from time to time to divide the budget into capital and operating accounts. While these proposals have not been adopted, Special Analysis D in the budget contains various schedules showing the investment and operating outlays of the Government. See **Exhibit 1-H** for a summary of capital-type outlays.

## TRANSACTIONS BY FUND GROUP

(1) Interfund transactions are offset against both total receipts and total outlays. Hence, these transactions have no impact on the budget deficit.

(2) The off-budget trust funds are the main Social Security funds--OASDI (Old Age and Survivors Insurance and Disability Insurance). Note that the receipts of these funds are projected to grow much more steeply than outlays in the years ahead.

(3) The surpluses in the on-budget and off-budget trust funds offset a sizeable portion of the total Federal deficit. These surpluses are invested in Treasury debt.

(4) It is characteristic of the budget to project a decline in "outyear" deficits. The outyear projections usually assume favorable economic conditions and little or no program expansion.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 6a-20.

**TRANSACTIONS BY FUND GROUP**

(In billions of dollars)

| | 1985 actual | 1986 estimate | 1987 estimate | 1988 estimate | 1989 estimate |
|---|---|---|---|---|---|
| **Receipts:** | | | | | |
| On-budget: | | | | | |
| Federal funds | 459.5 | 485.2 | 533.3 | 583.5 | 622.8 |
| Trust funds | 197.7 | 207.2 | 216.7 | 228.8 | 240.7 |
| Interfund transactions | −109.4 | −113.1 | −113.9 | −122.0 | −131.0 |
| Total, on-budget receipts | 547.9 | 579.2 | 636.1 | 690.4 | 732.5 |
| Off-budget (trust funds) | 186.2 | 197.9 | 214.3 | 242.8 | 263.7 |
| Total, Federal Government receipts | 734.1 | 777.1 | 850.4 | 933.2 | 996.1 |
| **Outlays:** | | | | | |
| On-budget: | | | | | |
| Federal funds | 726.1 | 750.9 | 751.8 | 773.1 | 799.2 |
| Trust funds | 152.7 | 157.4 | 157.5 | 166.0 | 175.6 |
| Interfund transactions | −109.4 | −113.1 | −113.9 | −122.0 | −131.0 |
| Total, on-budget outlays | 769.5 | 795.2 | 795.4 | 817.1 | 843.8 |
| Off-budget (trust funds) | 176.8 | 184.7 | 198.6 | 209.6 | 219.9 |
| Total, Federal Government outlays | 946.3 | 979.9 | 994.0 | 1,026.8 | 1,063.6 |
| **Surplus or deficit (−):** | | | | | |
| On-budget: | | | | | |
| Federal funds | −266.6 | −265.8 | −218.5 | −189.5 | −176.4 |
| Trust funds | 45.0 | 49.8 | 59.2 | 62.8 | 65.1 |
| Total, on-budget surplus or deficit (−) | −221.6 | −216.0 | −159.3 | −126.8 | −111.3 |
| Off-budget (trust funds) | 9.4 | 13.2 | 15.7 | 33.2 | 43.8 |
| **Total, Federal Government surplus or deficit (−)** | −212.3 | −202.8 | −143.6 | −93.6 | −67.5 |

1

2

3

4

## INVESTMENT-TYPE OUTLAYS

**(1)** This exhibit, from Special Analysis D, shows investment-type outlays in the Federal budget. Some of these outlays are of the type that might be placed in a capital budget. These are the total new investment-type outlays. On a net basis, adjustments would be made for depreciation.

**(2)** Approximately 60 percent of total investment-type outlays are spent on national defense; only a small portion of the total goes for the acquisition of nondefense physical assets.

**(3)** This schedule includes investments in research and development and education and training because the benefits from these outlays accrue in later years. Some definitions of capital investment are limited to the acquisition or improvement of physical assets; research and development and education and training would be excluded from the capital budget under such definitions.

**(4)** On a gross basis, without adjustment for depreciation, capital outlays broadly defined (including research and development and education) would exceed or be about the same amount as recent budget deficits.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, Special Analyses (Special Analysis D: Federal Investment and Operating Outlays), page D-2.

1

Table D-1. **SUMMARY OF TOTAL FEDERAL INVESTMENT-TYPE OUTLAYS, 1984–87**

(In billions of dollars)

| | 1984 | 1985 | 1986 estimate | 1987 estimate |
|---|---|---|---|---|
| Loans and financial investments | 5.2 | 32.5 | 20.5 | 9.7 |
| Construction and rehabilitation: | | | | |
| National defense | 4.7 | 5.4 | 5.8 | 5.9 |
| Nondefense: | | | | |
| Grants to State and local governments | 22.7 | 24.4 | 26.0 | 24.1 |
| Other | 6.8 | 8.1 | 8.6 | 9.0 |
| Subtotal | 34.1 | 38.0 | 40.4 | 38.9 |
| Acquisition of major equipment: | | | | |
| 2 National defense | 63.8 | 72.6 | 78.1 | 79.2 |
| Nondefense | 2.6 | 3.6 | 3.9 | 3.8 |
| Subtotal | 66.5 | 76.2 | 82.0 | 83.0 |
| Conduct of research and development: | | | | |
| National defense | 25.8 | 30.4 | 32.1 | 35.3 |
| Nondefense | 15.2 | 16.9 | 16.4 | 16.3 |
| Subtotal | 41.0 | 47.2 | 48.5 | 51.6 3 |
| Conduct of education and training: | | | | |
| Grants to State and local governments | 10.6 | 11.4 | 11.9 | 11.2 |
| Other | 11.5 | 11.6 | 12.0 | 10.5 |
| Subtotal | 22.1 | 23.0 | 24.0 | 21.7 |
| Other (including commodity inventories): | | | | |
| National defense | 1.1 | 1.2 | 1.0 | 1.2 |
| Nondefense | 6.0 | 6.4 | 4.9 | 0.8 |
| Subtotal | 7.2 | 7.6 | 5.9 | 2.0 |
| 4 Total | 176.1 | 224.5 | 221.3 | 206.9 |

# II. THE PRESIDENT'S BUDGET

## Background and Procedures

The President's budget consists of revenue and spending estimates and recommendations (with explanations and financial schedules) submitted to Congress by the President each year. The President's budget is only a request to Congress; under the Constitution the raising of revenues and the appropriation of funds are legislative powers. Nevertheless, the power to make budget proposals is a significant tool in the President's direction of the executive branch.

The Constitution does not provide for a budget process, nor does it require the President to make recommendations concerning the receipts and expenditures of the Federal Government. Until 1921, the Federal Government operated without a budget system such as it has today. Agencies submitted estimates to the Secretary of the Treasury (who compiled them in a Book of Estimates). The President was not formally involved in the process, though some Presidents effectively intervened in financial matters.

The Budget and Accounting Act of 1921 provides for a national budget system. The original concept of the budget was that it would cover all receipts and expenditures of the government. Over time, however, certain financial matters were excluded from the budget (some by law, some by accounting practices).

The 1921 Budget Act, as amended, requires the President to submit the budget to Congress by the first Monday after January 3. (In some years, Congress allows for a later submission by enacting a joint resolution.) Prior to submission of the budget, executive agencies formulate their budget requests according to the timetable set forth in **Exhibit 2-A.** The process of formulating the executive budget is often guided by the establishment of presidential policy for the next fiscal year. Even before the policy is developed, agencies are usually at work preparing their own budgets. **Exhibit 2-B** displays the budget preparation schedule in one Federal agency. Agency requests are submitted to OMB in late summer or early fall; these are reviewed by OMB staff in consultation with the President and his aides. Agencies have an opportunity to appeal OMB's budget recommendations to the White House. After the various appeals have been decided and other last-minute decisions are made, the budget documents are printed for distribution to Congress and the public.

The 1921 Budget Act bars agencies from submitting their budget requests directly to Congress. Moreover, OMB regulations provide for confidentiality in all budget requests and recommendations prior to the transmittal of the President's budget to Congress (see **Exhibit 2-C**). However, it is quite common for internal budget documents to become public while the budget is still being formulated.

The format and content of the budget are partly determined by law; **Exhibit 2-D** lists some of the items that must be included in the budget. But the 1921 Budget Act authorizes the President to set forth the budget "in such form and detail" as he may determine. Over the years, there has been a steady increase in the types of information and explanatory material presented in the budget documents.

The President submits a budget update (reflecting changed economic conditions, congressional actions, and other factors) by July 15 each year. The President may revise his recommendations any time during the year. Changes requested before Congress has acted are submitted as budget amendments; requests made for additional funds after Congress has acted on the particular appropriations measures are submitted as supplemental requests.

Much of the budget is an estimate of requirements under existing law rather than a request for congressional action. As shown in **Exhibit 2-E**, approximately half of the budget authority in the budget becomes available without congressional action.

**The Budget and the Economy**

Because of its size--outlays total more than 20 percent of the gross national product (GNP)--the budget has a significant impact on the economy. The relationship between the budget and the economy is bilateral. Not only does budget policy affect the economy, economic performance strongly influences budget outcomes. In making the budget, the President must consider the condition of the economy and the potential effects of Federal policies on prices, employment levels, the output of goods and services, and other economic indicators.

The President's budget contains a forecast of economic conditions for the next two calendar years (see **Exhibit 2-F**). It also projects assumed economic performance for a longer period, extending over the following four years. There is a marked tendency for these forecasts and assumptions to project steady improvement in the years ahead.

Congress is not bound by the President's economic projections. It usually makes its own economic forecast, relying on data and analyses from the Congressional Budget Office, in formulating the budget resolution for the next fiscal year.

The budget is highly sensitive to the level of economic growth, price changes, interest rates, and unemployment. Deviations between actual and projected economic conditions will cause receipts and outlays to vary from budgeted amounts. For example, receipts are especially sensitive to the level of economic activity; outlays are directly affected by interest rates. The tables in **Exhibit 2-G** show how recent budgets have been affected by changing economic conditions. In recent years, as these tables reveal, economic conditions that were less favorable than had been forecast contributed to the enlargement of the deficit above the budgeted level.

Much of the adjustment of the budget to economic conditions is automatic; it occurs without presidential or congressional action. Budget receipts tend to fall in a weakening economy and to rise when the economy recovers. Outlays of various indexed programs are adjusted for price changes, and interest charges respond directly to changing interest rates. Periodically, the President issues an updated budget forecast to take account of fresh economic data and other developments. The CBO also reestimates Federal receipts and outlays to reflect changing economic conditions.

The Gramm-Rudman-Hollings law enacted in 1985 can affect the capacity of the Government to use the budget as an instrument of economic policy. That law prescribes deficit reduction as the key fiscal policy objective of the Federal Government and sets a maximum deficit level for each fiscal year and a balanced budget no later than fiscal year 1991. However, the Gramm-Rudman-Hollings process can be suspended by Congress in case of recession or weak economic growth.

**Information in the President's Budget**

The President's budget contains a variety of data and information concerning both overall budget policy and particular programs and accounts. One useful guideline for understanding budget requests is to compare them to current services estimates (see **Exhibit 2-H**). The current services estimates extrapolate budget authority and outlay amounts without policy change. Summary estimates are presented in the budget; more detailed estimates appear in Special Analysis A.

Detailed information on each budget account is provided in the Budget Appendix. The Appendix provides the text of the current appropriation for each annually-appropriated account, as well as a narrative description of each account's program and performance (see **Exhibit 2-I**).

Following the appropriations language and program statement, the Appendix presents a "Program and Financing Schedule" for each account, as displayed in **Exhibit 2-J**. This schedule shows the account's programs and financing sources and relates annual obligations to outlays. The Appendix also contains a schedule of each account's objects of expenditure (see example in **Exhibit 2-K**). This exhibit also displays a summary of positions associated with each account.

The standard schedules shown in the Appendix were designed for accounts which spend appropriated funds. Special schedules are used for credit transactions in which the Federal Government makes or guarantees loans. **Exhibit 2-L** displays schedules for direct and guaranteed loans.

The final exhibit in this chapter is taken from a relatively new budget volume which highlights the major policy initiatives proposed in the President's budget. As shown in **Exhibit 2-M**, this volume emphasizes and justifies the policy changes sought by the President.

**Documents**

The President usually submits a number of budget documents to Congress:

(1) The Budget presents the President's budget message, analyses and listings of receipts and spending, an explanation of the budget process, and various supporting schedules and data.

(2) The Budget Appendix has a detailed financial schedule, along with a narrative explanation, for each budget account, arranged by Federal agency. It also has annexed schedules for government-sponsored enterprises and detailed information on proposed supplementals and rescissions.

(3) The Budget in Brief highlights and summarizes the proposals and policies of the President.

(4) Special Analyses are in-depth studies of selected aspects of the budget, such as the current services estimates, aid to State and local governments, and tax expenditures.

(5) Historical Tables provide trend data on Federal outlays, receipts, and many other categories. Some of the data in this publication go back to 1940. Where necessary to ensure consistency, data are reconstructed to reflect current practice.

(6) Major Policy Initiatives outlines the key policy proposals of the Administration.

Shortly after the budget is issued, the President submits an annual Economic Report to Congress. This document also contains the annual report of the President's Council of Economic Advisers.

During the summer, the President issues an update of his budget, the Mid-Session Review, which is printed as a House document. Periodic modifications to his budget, in the form of budget amendments, requests for supplemental appropriations, and impoundments, also are issued as congressional documents.

## TIMETABLE FOR EXECUTIVE BUDGET FORMULATION

(1) The focus of these reviews varies from year to year; they generally deal with the economic outlook and with major policy issues rather than with specific programs.

(2) This guidance can be a "planning total" for the agency, or a more detailed breakdown of policies. Agencies frequently exceed these guidances, though in some years strong efforts are made to ensure compliance.

(3) There is continuing consultation between OMB and agency officials during the interval between issuance of the guidelines and submission of requests. After it receives requests, OMB conducts an internal review that includes a "Director's Review," at which examiners defend their recommendations for specific programs and accounts.

(4) The requests of these agencies are included without change in the budget submitted to Congress. In addition to the budget estimates for the legislative and executive branches, the President must include—without change—the requests of certain agencies such as the International Trade Commission and the Federal Deposit Insurance Corporation.

(5) The President sometimes requests additional time for submission of his budget to Congress. Congress can grant an extension of the deadline by enacting a joint resolution.

**DOCUMENT:** OMB Circular A-11, May 28, 1986, page 8.

| | The Executive Budget Process | Timing | |
|---|---|---|---|
| 1 | OMB and the President conduct reviews to establish Presidential policy to guide agencies in developing the next budget. | April-June | |
| | President submits mid-session update of the budget estimates. | July 15 | |
| | OMB provides agencies with policy guidance for the upcoming budget. | July-August | 2 |
| 3 | Agencies subject to executive branch review submit initial budget request materials. | September 1 | |
| | Fiscal year begins. | October 1 | |
| 4 | Agencies not subject to executive branch review submit initial budget request materials. | October 15 | |
| | Legislative branch and the judiciary submit initial budget request materials. | November-December | |
| | President submits his budget to the Congress. | 1st Monday after January 3 | 5 |

## BUDGET FORMULATION WITHIN AGENCIES

**(1)** This is the schedule used in a recent year by the Department of Energy to prepare its budget prior to submission to OMB. Note the large number of steps in the process and the brief period between the steps.

**(2)** Each major Federal agency has its own budget office which manages the agency's internal budget process. This office deals on a regular basis with OMB and the relevant Appropriations subcommittees.

**(3)** The core of budget formulation is preparation of "internal review budgets" (IRBs) by the various administrative units within the Department, and review of the IRBs by the budget office and the agency's senior officials.

**(4)** Many Federal agencies have internal hearings at which chiefs of the various administrative units present their budget requests.

**(5)** Agencies have an internal appeals process in which the budget office makes recommendations and administrative units can appeal to the head of the agency. Typically, the appeals process occurs within a few days.

**(6)** After the agency's internal budget process is completed, it submits its budget for the next fiscal year to OMB. Many of the steps within OMB parallel those within the agency.

**DOCUMENT:** Department of Energy, Office of the Secretary, FY 1987 Internal Review Schedule.

1

### FY 1987 INTERNAL REVIEW SCHEDULE

| | | |
|---|---|---|
| 2 | June 21 | Office of Budget Receives and Distributes Internal Review Budget Submissions. |
| 3 | June 24 July 12 | Analysis of Internal Review Budgets. |
| | June 28 | Office of Budget Comments on Hearing Material Back to Programs. |
| | July 8 | Final Hearing Materials Due. |
| 4 | July 15 Aug. 1 | Hearings on Issues and IRB. |
| | Aug. 2 | Wrap Up Hearings. |
| | Aug. 6 | Preliminary Decisions Issued. |
| | Aug. 6 | Ops Office Mgr. Meeting on Budget. |
| 5 | Aug. 8 | Office of Budget Receives Appeals of Preliminary Allowances. |
| | Aug. 12 16 | Review of Preliminary Allowance and Appeals by the Secretary. |
| | Aug. 20 | Issue Final FY 1987 Allowance. |
| | Sept. 3 | Initial Draft of OMB Justifications Due to Office of Budget. |
| | Sept. 6 | Return Comments on Draft Justifications to Programs. |
| | Sept. 11 | Final OMB Justification Due to Office of Budget. |
| 6 | Sept. 13 | Submit FY 1987 Budget to OMB. |

## TRANSMITTAL OF BUDGETARY INFORMATION TO CONGRESS

**(1)** This provision, in the Budget and Accounting Act of 1921, is intended to ensure that agencies submit their requests to the President, not to Congress. A few agencies are required by law to provide their requests directly to Congress at the same time they give the requests to the President.

**(2)** OMB circulars establish regulations that continue from year to year unless changed, in contrast to OMB bulletins, which are effective only in the fiscal year for which they are issued. Circular A-10 sets forth OMB policy with respect to the release of budget information by agencies.

**(3)** OMB policy bars agencies from discussing their budget requests until the President has transmitted the budget to Congress. Over the years, however, there has been a significant relaxation of practices concerning the confidentiality of budget requests and information.

**(4)** Agencies bear the principal responsibility for defending the President's budget at congressional hearings. These rules require agencies to speak for the President's recommendations and not to ask for amounts in excess of the recommendations. In practice, however, agencies can find ways to discuss their own requests without blatantly violating these rules.

**(5)** In responding to congressional inquiries, agency representatives often divulge the amounts they originally asked for; they sometimes go further and discuss the reasons for wanting more than the President has requested for them.

**DOCUMENT:** 31 U.S.C. 1108(e); OMB Circular A-10, March 29, 1982, page 2.

**31 U.S.C. 1108(e)**

(e) Except as provided in subsection (f) of this section, an officer or employee of an agency (as defined in section 1101 of this title) may submit to Congress or a committee of Congress an appropriations estimate or request, a request for an increase in that estimate or request, or a recommendation on meeting the financial needs of the Government only when requested by either House of Congress. 1

2

**OMB CIRCULAR A-10**

3

3. Requirements for confidentiality prior to official transmittal. The confidential nature of agency submissions, requests, recommendations, supporting materials and similar communications should be maintained, since these documents are an integral part of the decisionmaking process by which the President resolves budget issues and develops recommendations to the Congress. Presidential budget decisions are not final until the budget itself is transmitted to Congress. Amendments to the budget and supplemental appropriation requests may also follow the transmittal of the budget. Budgetary material should not be disclosed in any form prior to transmittal by the President of the material to which it pertains. The head of each agency is responsible for preventing premature disclosures of this budgetary information.

4

4. Agency testimony before and communications with Congress on budgetary matters. In furnishing information on appropriations and budgetary matters, representatives of agencies should be aware of the limitations on such communications, including

* * * * *

5

d. In responding to specific questions on program and appropriation requests, witnesses will refrain from providing plans for the use of appropriations that exceed the President's request. Witnesses, typically, bear responsibility for the conduct of one or a few programs, whereas the President must weigh carefully all of the needs of the Federal Government, and compare them against each other and against the revenues available to meet such needs. Where appropriate, witnesses should call attention to this difference in scope of responsibility in explaining why it is not proper for them to support efforts to raise appropriations above the amounts requested by the President.

## CONTENT OF THE PRESIDENT'S BUDGET

**(1)** Over the years, amendments to the Budget and Accounting Act have added to the types of information included in the budget. However, there has been a reduction in the number of budget accounts and in line-item detail.

**(2)** The budget provides outyear projections for 4 years beyond the fiscal year for which the budget is submitted. These projections generally are highly aggregated, do not estimate future spending by account, and are not binding on the President or Congress.

**(3)** The budget provides comparative information for three fiscal years: the last completed year; the current fiscal year; and the next fiscal year (the "budget year").

**(4)** In addition to the financial statements presented in the budget, the Treasury Combined Statement is issued after the close of each fiscal year.

**DOCUMENT:** 31 U.S.C. 1105(a).

### § 1105. Budget contents and submission to Congress

**(a)** During the first 15 days of each regular session of Congress, the President shall submit a budget of the United States Government for the following fiscal year. Each budget shall include a budget message and summary and supporting information. The President shall include in each budget the following: 1

**(1)** information on activities and functions of the Government.

**(2)** when practicable, information on costs and achievements of Government programs.

**(3)** other desirable classifications of information.

**(4)** a reconciliation of the summary information on expenditures with proposed appropriations.

2 **(5)** except as provided in subsection (b) of this section, estimated expenditures and proposed appropriations the President decides are necessary to support the Government in the fiscal year for which the budget is submitted and the 4 fiscal years after that year.

**(6)** estimated receipts of the Government in the fiscal year for which the budget is submitted and the 4 fiscal years after that year under—

**(A)** laws in effect when the budget is submitted; and

**(B)** proposals in the budget to increase revenues.

**(7)** appropriations, expenditures, and receipts of the Government in the prior fiscal year. 3

**(8)** estimated expenditures and receipts, and appropriations and proposed appropriations, of the Government for the current fiscal year.

**(9)** balanced statements of the—

4 **(A)** condition of the Treasury at the end of the prior fiscal year;

**(B)** estimated condition of the Treasury at the end of the current fiscal year; and

**(C)** estimated condition of the Treasury at the end of the fiscal year for which the budget is submitted if financial proposals in the budget are adopted.

**(10)** essential information about the debt of the Government.

**(11)** other financial information the President decides is desirable to explain in practicable detail the financial condition of the Government.

## ACTION ON THE PRESIDENT'S BUDGET

**(1)** Although the budget is a recommendation to Congress, only about half of the budget authority requested in it becomes available through current action by Congress. Almost all of the budget authority available through current action by Congress is provided in annual appropriations acts; the funds that do not require congressional action are provided in permanent appropriations and other measures.

**(2)** In his fiscal year 1987 budget, the President requested about $556 billion in annual appropriations (that Congress would consider later in the year). Further, he proposed a net reduction in annual appropriations for the current fiscal year--fiscal year 1986--of about $8 billion (including about $3 billion in supplemental appropriations and $11 billion in rescissions).

**(3)** Most of the trust funds in the budget are funded by permanent appropriations. Payment of interest on the public debt is provided for in a permanent appropriation.

**(4)** The offsetting receipts net out interfund transactions to avoid double counting of the same item.

**BUDGET AUTHORITY**

(In billions of dollars)

| Description | 1985 actual | 1986 estimate | 1987 estimate | 1988 estimate | 1989 estimate |
|---|---|---|---|---|---|
| 1 **Available through current action by the Congress:** | | | | | |
| Enacted and pending appropriations | 561.1 | 533.1 | | | |
| Proposed in this budget: | | | | | |
| Appropriations | | | 555.9 | 592.0 | 618.9 2 |
| Supplemental requests | | 1.9 | —* | | |
| Rescission proposals | | −11.1 | | | |
| To be requested separately: | | | | | |
| Upon enactment of proposed legislation | | 1.4 | 4.3 | 2.0 | 1.8 |
| Allowances: | | | | | |
| Civilian agencies [1] | | | 0.8 | 2.4 | 3.6 |
| Department of Defense—Military [2] | | * | 3.3 | 7.6 | 12.5 |
| Subtotal, available through current action by the Congress | 561.1 | 525.5 | 564.2 | 604.0 | 636.8 |
| **Available without current action by the Congress** (permanent appropriations): | | | | | |
| Trust funds (existing law) | 419.1 | 443.2 | 452.3 | 504.4 | 541.1 3 |
| On-budget | (220.6) | (239.3) | (224.0) | (244.8) | (257.8) |
| Off-budget | (198.5) | (203.9) | (228.3) | (259.6) | (283.3) |
| Interest on the public debt | 179.1 | 196.1 | 207.5 | 212.0 | 206.1 |
| Other | 100.0 | 85.8 | 72.7 | 62.0 | 58.4 |
| Subtotal, available without current action by the Congress | 698.2 | 725.1 | 732.5 | 778.4 | 805.6 |
| 4 **Deductions for offsetting receipts** | −185.2 | −191.8 | −194.7 | −216.4 | −224.3 |
| On-budget | (−171.0) | (−175.3) | (−180.4) | (−199.3) | (−203.6) |
| Off-budget | (−14.2) | (−16.5) | (−14.3) | (−17.1) | (−20.7) |
| **Total, budget authority** | **1,074.1** | **1,058.7** | **1,102.0** | **1,165.9** | **1,218.1** |
| On-budget | (889.7) | (871.4) | (887.7) | (923.1) | (954.4) |
| Off-budget | (184.3) | (187.3) | (214.3) | (242.8) | (263.7) |

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 6a-2.

## ECONOMIC FORECAST

(1) The budget forecasts economic conditions in the next two calendar years; this forecast is consistent with the levels of revenue and outlays projected in the budget. In addition to the short-term forecast exhibited on this page, the budget sets forth economic assumptions for the following four calendar years.

(2) Gross national product (GNP) is forecast in both nominal and real terms. Nominal GNP (expressed in current dollars) is important in relating monetary and fiscal policy and in projecting budget receipts; real GNP (expressed in constant dollars) is essential in projecting the unemployment rate and change in economic activity.

(3) The GNP deflator and the consumer price index (CPI) are two measures of price changes. The former is a broad measure encompassing all goods and services in the market; the latter is a more selective measure derived from a representative basket of goods and services. Payments in a number of transfer programs and certain tax provisions are adjusted each year to changes in the CPI.

(4) Changes in the unemployment rate have a modest effect on Federal outlays and a more pronounced effect on revenues.

(5) The pay raises shown here are the percentages that the President intends to recommend to Congress; they are not necessarily the percentage increases that would be required to maintain comparability of Federal and private pay.

(6) Both short-term and long-term interest rates have pronounced effects on the budget. The two sets of rates do not always move in tandem.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 2-24.

1 **SHORT-RANGE ECONOMIC FORECAST**

(Calendar years; dollar amounts in billions)

| Item | Actual 1984 | Forecast | | |
|---|---|---|---|---|
| | | 1985 | 1986 | 1987 |
| **Major economic indicators:** | | | | |
| Gross national product, percent change, fourth quarter over fourth quarter: | | | | |
| Current dollars | 9.0 | 5.8 | 8.0 | 8.3 |
| Constant (1982) dollars | 4.7 | 2.5 | 4.0 | 4.0 |
| GNP deflator (percent change, fourth quarter over fourth quarter) | 4.1 | 3.2 | 3.8 | 4.1 |
| Consumer Price Index (percent change, fourth quarter over fourth quarter) [1] | 3.6 | 3.3 | 3.7 | 4.1 |
| Unemployment rate (percent, fourth quarter) [2] | 7.1 | 6.9 | 6.7 | 6.5 |
| **Annual economic assumptions:** | | | | |
| Gross national product: | | | | |
| Current dollars: | | | | |
| Amount | 3,775 | 3,992 | 4,274 | 4,629 |
| Percent change, year over year | 11.0 | 5.8 | 7.0 | 8.3 |
| Constant (1982) dollars: | | | | |
| Amount | 3,492 | 3,574 | 3,695 | 3,842 |
| Percent change, year over year | 6.6 | 2.3 | 3.4 | 4.0 |
| Incomes: | | | | |
| Personal income | 3,112 | 3,294 | 3,486 | 3,756 |
| Wages and salaries | 1,835 | 1,961 | 2,078 | 2,247 |
| Corporate profits before tax | 238 | 228 | 281 | 330 |
| Price level: | | | | |
| GNP deflator: | | | | |
| Level (1982=100), annual average | 108.1 | 111.7 | 115.7 | 120.5 |
| Percent change, year over year | 4.1 | 3.3 | 3.5 | 4.2 |
| Consumer Price Index: [1] | | | | |
| Level (1967=100), annual average | 307.6 | 318.5 | 329.5 | 343.1 |
| Percent change, year over year | 3.4 | 3.5 | 3.5 | 4.1 |
| Unemployment rates: | | | | |
| Total, annual average [2] | 7.4 | 7.1 | 6.7 | 6.5 |
| Insured, annual average [3] | 2.8 | 2.8 | 2.7 | 2.6 |
| Federal pay raise (percent): | | | | |
| Military (October) [4] | 4.0 | 7.0 | 4.0 | 4.8 |
| Civilian (January) | 4.0 | 3.5 | ........ | 3.0 |
| Interest rate, 91-day Treasury bills (percent) [5] | 9.6 | 7.5 | 7.3 | 6.5 |
| Interest rate, 10-year Treasury notes (percent) | 12.4 | 10.6 | 8.9 | 8.5 |

## SENSITIVITY OF THE BUDGET TO ECONOMIC CONDITIONS

(1) This exhibit from the fiscal year 1987 budget shows how the long-term budget outlook was altered by changes made in economic assumptions since the previous budget was issued.

(2) For each of the 5 years displayed in this table, changes in economic assumptions had a more pronounced impact on receipts than on outlays. Note, also, that the impact cumulates over the 5-year period. The change in both receipts and outlays is much greater in the fifth year than in the first.

(3) Both inflation and interest rates are assumed to be lower, leading to substantial reductions in projected outlays. For the period in question, changes in assumed unemployment rates have an insignificant impact on the budget.

(4) Both receipts and outlays are expected to be lower than previously forecast, but because the drop in receipts is steeper, the deficit is projected to be higher. Thus, the projected fiscal year 1990 deficit rose from $10.6 billion to $35.7 billion because of changes in economic assumptions.

(5) This table looks at a completed fiscal year (1985) to show how changes in policy, economic conditions, and technical estimates affected that year's deficit.

(6) The actual deficit for the fiscal year was $17 billion above the projected deficit. Both policy changes and economic conditions had adverse effects on the deficit (to roughly the same degree), while estimating factors had a favorable impact.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, pages 2-28 and 6a-29.

1

**EFFECTS ON THE BUDGET OF CHANGES IN ECONOMIC ASSUMPTIONS SINCE LAST YEAR**

(Fiscal years, in billions of dollars)

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Budget totals under February 1985 economic assumptions and February 1986 policies: | | | | | |
| Receipts | 798.1 | 870.5 | 956.8 | 1,026.2 | 1,095.8 |
| Outlays | 983.7 | 1,005.4 | 1,038.7 | 1,073.3 | 1,106.4 |
| Deficit (–) | –185.6 | –134.9 | –81.9 | –47.0 | –10.6 |
| Changes due to economic assumptions: | | | | | |
| Receipts | –21.0 | –20.1 | –23.6 | –30.1 | –37.7 |
| Outlays: | | | | | |
| Inflation and pay raises | –2.7 | –5.9 | –7.0 | –8.9 | –11.5 |
| Unemployment | –0.3 | –0.4 | –0.1 | | |
| Interest rates | –2.5 | –7.9 | –8.5 | –4.9 | –6.1 |
| Interest on changes in borrowing | 1.6 | 2.9 | 3.6 | 4.1 | 5.0 |
| Total, outlays | –3.8 | –11.4 | –11.9 | –9.7 | –12.6 |
| Increase in deficit (–) | –17.2 | –8.7 | –11.7 | –20.5 | –25.1 |
| Budget totals under February 1986 economic assumptions and February 1986 policies: | | | | | |
| Receipts | 777.1 | 850.4 | 933.2 | 996.1 | 1,058.1 |
| Outlays | 979.9 | 994.0 | 1,026.8 | 1,063.6 | 1,093.8 |
| Deficit (–) | –202.8 | –143.6 | –93.6 | –67.5 | –35.7 |

2

3

4

5

**SUMMARY OF REASONS FOR THE DIFFERENCE IN THE 1985 DEFICIT**

(In billions of dollars)

| | On-budget | Off-budget | Total |
|---|---|---|---|
| February 1984 estimate of surplus or deficit (–) | –197.1 | 2.0 | –195.2 |
| Changes: | | | |
| Policy: | | | |
| Receipts | 2.5 | –0.9 | 1.6 |
| Outlays | –13.8 | –0.1 | –13.9 |
| Subtotal, policy | –11.3 | –1.0 | –12.4 |
| Economic conditions: | | | |
| Receipts | –13.3 | –0.4 | –13.7 |
| Outlays | –0.1 | 0.9 | 0.8 |
| Subtotal, economic conditions | –13.4 | 0.5 | –12.9 |
| Estimating and other differences: | | | |
| Receipts | 1.3 | –0.3 | 1.0 |
| Outlays | –1.1 | 8.2 | 7.1 |
| Subtotal, estimating and other differences | 0.2 | 7.9 | 8.1 |
| Total, changes | –24.5 | 7.4 | –17.1 |
| Actual surplus or deficit (–) | –221.6 | 9.4 | –212.3 |

6

## CURRENT SERVICES ESTIMATES AND POLICY CHANGES

**(1)** The current services estimates project receipts and outlays under unchanged policy assumptions. Congress uses its assumptions in developing a "current policy baseline." (In some instances, there are significant differences between the President's current services estimates and Congress' baseline.) In addition to the current services estimates presented in the budget, Special Analysis A has extensive data on these estimates.

**(2)** One major use of the current services estimates is to measure the policy changes recommended in the budget. Any variance between the President's budget and current services estimates can be attributed to policy changes.

**(3)** The categories shown in this table have no official status in the budget process, but they are of the sort used in budget negotiations between the White House and congressional leaders.

**(4)** The policy changes attributed to interest are indirect and would result from changes proposed in the budget. Policy changes resulting in lower outlays or greater receipts would lower interest payments because the Government would borrow less than would otherwise be the case.

**(5)** Policy changes often have a snowballing effect on total outlays. Program cutbacks might only modestly reduce outlays in the first year they are implemented but have a pronounced effect in later years. Thus, policy changes are estimated to reduce total outlays by $2 billion in the first year, but by more than $100 billion in the fifth year.

**(6)** This "bottom line" shows that without policy changes, high deficits would persist despite rising receipts.

**FEDERAL GOVERNMENT TOTALS AND PROPOSED CHANGES** [1]

(In billions of dollars)

| | | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | |
|---|---|---|---|---|---|---|---|---|
| 1 | **Defense function:** | | | | | | | |
| | Current services | 265.8 | 284.9 | 303.7 | 328.6 | 354.1 | 379.4 | |
| 2 | Policy change | ... | −2.7 | −4.5 | −6.3 | −9.3 | −13.1 | |
| | Proposed level | 265.8 | 282.2 | 299.1 | 322.3 | 344.8 | 366.3 | |
| | **Social security benefits:** | | | | | | | |
| | Current services | 197.6 | 209.6 | 223.6 | 237.5 | 252.4 | 261.1 | |
| | Policy change | ... | −* | −* | ... | ... | ... | |
| | Proposed level | 197.6 | 209.6 | 223.6 | 237.5 | 252.4 | 261.1 | |
| 3 | **Low income support benefits:** | | | | | | | |
| | Current services | 40.2 | 40.1 | 42.7 | 43.1 | 43.0 | 44.4 | |
| | Policy change | −0.1 | −0.7 | −0.9 | −1.1 | −1.3 | −1.4 | |
| | Proposed level | 40.1 | 39.4 | 41.8 | 41.9 | 41.7 | 43.0 | |
| | **Other nondefense programs:** | | | | | | | |
| | Current services | 371.5 | 377.8 | 399.3 | 416.8 | 436.7 | 454.7 | |
| | Policy change | −2.0 | −24.9 | −35.8 | −47.1 | −58.1 | −68.1 | |
| | Proposed level | 369.5 | 352.9 | 363.5 | 369.7 | 378.6 | 386.6 | |
| | **Undistributed offsetting receipts:** | | | | | | | |
| | Current services | −34.6 | −35.8 | −40.7 | −40.7 | −41.9 | −44.2 | |
| | Policy change | −1.2 | −2.4 | −5.6 | −3.1 | −7.3 | −6.0 | |
| | Proposed level | −35.8 | −38.1 | −46.4 | −43.8 | −49.3 | −50.2 | |
| | **Net interest:** | | | | | | | |
| | Current services | 141.5 | 149.2 | 148.7 | 142.8 | 135.1 | 128.6 | |
| | Policy change | +1.2 | −1.2 | −3.6 | −6.8 | −9.5 | −12.8 | 4 |
| | Proposed level | 142.7 | 148.0 | 145.1 | 136.0 | 125.6 | 115.9 | |
| 5 | **Total outlays:** | | | | | | | |
| | Current services | 982.0 | 1,025.9 | 1,077.3 | 1,128.1 | 1,179.3 | 1,224.1 | |
| | Policy change | −2.1 | −31.9 | −50.5 | −64.5 | −85.5 | −101.4 | |
| | Proposed level | 979.9 | 994.0 | 1,026.8 | 1,063.6 | 1,093.8 | 1,122.7 | |
| | **Receipts:** | | | | | | | |
| | Current services | 776.5 | 844.1 | 927.3 | 989.2 | 1,053.0 | 1,120.2 | |
| | Policy change | +0.7 | +6.3 | +5.9 | +6.9 | +5.0 | +3.9 | |
| | Proposed level | 777.1 | 850.4 | 933.2 | 996.1 | 1,058.1 | 1,124.0 | |
| | **Deficit or surplus:** | | | | | | | |
| | Current services | −205.6 | −181.8 | −150.0 | −138.9 | −126.3 | −103.9 | 6 |
| | Policy change | +2.8 | +38.2 | +56.4 | +71.4 | +90.5 | +105.2 | |
| | Proposed level | −202.8 | −143.6 | −93.6 | −67.5 | −35.8 | +1.3 | |

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 3-3.

**APPROPRIATIONS LANGUAGE AND PROGRAM DESCRIPTION**

**(1)** The Budget Appendix provides detailed information on each budget account. For each account, except for those with permanent appropriations, the Appendix shows the text of the appropriation proposed for the next fiscal year. Material in brackets is current appropriations language proposed to be deleted; material in italics is proposed to be added.

**(2)** All operating funds for the entire agency are typically provided in a single account; other accounts (if any) provide funds for special purposes, such as procurement or construction.

**(3)** The language following "Provided" typically either limits the use of the funds or makes legislative changes respecting the program or agency. Both types of provisos appear in this exhibit. These provisos pertain only to the particular account, in contrast to "general provisions" which affect all accounts in the appropriations act.

**(4)** The appropriations language is followed by a citation of the act in which the appropriation for the current fiscal year was provided.

**(5)** The Appendix presents a "Narrative Statement of Program and Performance" for most annually appropriated accounts. There is no standard format for these statements. Many are reprinted year after year with little change. More detailed statements are contained in the justification material prepared by Federal agencies for the Appropriations Subcommittees.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, Appendix, pages I-R35 and I-R36.

**FEDERAL AVIATION ADMINISTRATION**

***Federal Funds***

**General and special funds:**

1 OPERATIONS

For necessary expenses of the Federal Aviation Administration, not otherwise provided for, including administrative expenses for research and development, and for establishment of air navigation facilities, and carrying out the provisions of the Airport and Airway Development Act, as amended, or other provisions of law authorizing obligation of funds for similar programs of airport and airway development or improvement; purchase of four passenger motor vehicles for replacement only, [$2,694,600,000] *$2,799,780,000*, of which not to exceed [$446,000,000] *$2,099,835,000* shall be derived from the Airport and Airway Trust Fund: *Provided*, That there may be credited to this appropriation funds received from States, counties, municipalities, other public authorities, and private sources, for expenses incurred in the maintenance and operation of air navigation facilities: *Provided further*, That none of these funds shall be available for new applicants for the second career training [program.] *program: Provided further, That the unexpended balances of the appropriation "Federal Aviation Administration Headquarters Administration" shall be transferred to and merged with this appropriation.* 2

3

*(Department of Transportation and Related Agencies Appropriation Act, 1986, as included in Public Law 99-190; additional authorizing legislation to be proposed for $1,823,085,000.)* 4

5 *Operation of traffic control system.*—This activity covers the operation of a national system of air traffic management in the United States, its territories and possessions on a 24-hour basis. With the aid of radar, communications, and other facilities, traffic management personnel at 24 centers monitor and control en route flights of civil and military aircraft conducted under instrument conditions to assure safety and to expedite the flow of traffic. Terminal control facilities are operated at major civil airports to guide traffic movements at and in the vicinity of the airports. A system of flight service stations provides weather and aeronautical information to pilots, processes flight plans and provides inflight advisory and emergency services.

## PROGRAM AND FINANCING SCHEDULE

**(1)** The "Program and Financing" schedule in the <u>Budget Appendix</u> consists of three sections: (a) "Program by Activities"; (b) "Financing"; and (c) "Relation of Obligations to Outlays." The numbers down the left side of the schedule are computer codes.

**(2)** Each account has a unique 11-digit identification code. The first two digits designate the agency; the next four are the account number; the seventh digit indicates the type of budget request (regular, supplemental, etc.); and the eighth digit indicates the type of fund (general, special, trust, etc.). The last three digits are the functional classification.

**(3)** The "Program by Activities" schedule classifies the amount in each account among various programs and activities. This classification sometimes corresponds to categories of authorizing legislation; sometimes to the organizational structure of the agencies; sometimes to an agency's own program classification. OMB instructions call for agencies to define activities so that they have an adequate accounting basis, are related to the administrative operation of the agency, and are useful for program analysis and evaluation.

**(4)** The "Reimbursable Program" is financed by payments received from other accounts or from non-Federal sources.

**(5)** The "Financing" schedule shows the source of funds. In this exhibit, funds were provided from multiple sources. Most funds came from appropriations; other sources were trust funds, other federal funds, and non-Federal sources.

**(6)** The final section of this schedule relates obligations to outlays. It should be noted that the outlay figure is an estimate, not a statutory limit.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, Appendix, pages I-R35 and I-R36.

**Program and Financing (in thousands of dollars)** 1

| | | | | | |
|---|---|---|---|---|---|
| 2 | Identification code 69-1301-0-1-402 | 1985 actual | 1986 est. | 1987 est. | |
| 3 | **Program by activities:** | | | | |
| | Direct program: | | | | |
| 00.01 | Operation of traffic control system | 1,178,752 | 1,211,514 | 1,204,501 | |
| 00.02 | Installation and materiel services | 194,348 | 191,515 | 187,788 | |
| 00.03 | Maintenance of traffic control system | 756,478 | 739,160 | 761,058 | |
| 00.04 | Administration of aviation standards program | 259,193 | 282,365 | 298,938 | |
| 00.05 | Development direction | 8,923 | 9,965 | 9,031 | |
| 00.06 | Administration of airports program | 26,751 | 25,703 | 26,181 | |
| 00.07 | Direction, staff and supporting services | 69,237 | 79,631 | 72,027 | |
| 00.08 | Human resource management | 177,757 | 182,962 | 205,343 | |
| 00.09 | Headquarters administration | 41,674 | 41,562 | 34,913 | |
| 00.91 | Total direct program | 2,713,113 | 2,764,377 | 2,799,780 | |
| 01.01 | Reimbursable program | 31,762 | 32,000 | 32,000 | 4 |
| 10.00 | Total obligations | 2,744,875 | 2,796,377 | 2,831,780 | |
| 5 | **Financing:** | | | | |
| | Offsetting collections from: | | | | |
| 11.00 | Federal funds | −24,771 | −25,000 | −25,000 | |
| 13.00 | Trust funds | −1,110,000 | −446,000 | −2,099,835 | |
| 14.00 | Non-Federal sources | −6,991 | −7,000 | −7,000 | |
| 21.40 | Unobligated balance available, start of year | −13,584 | −5,388 | | |
| 22.40 | Unobligated balance transferred, net | −7,016 | | | |
| 24.40 | Unobligated balance available, end of year | 5,388 | | | |
| 25.00 | Unobligated balance lapsing | 1,513 | 11 | | |
| 39.00 | **Budget authority** | **1,589,414** | **2,313,000** | **699,945** | |
| | Budget authority: | | | | |
| 40.00 | Appropriation | 1,581,500 | 2,313,000 | 699,945 | |
| 42.00 | Transferred from other accounts | 7,914 | | | |
| 43.00 | **Appropriation (adjusted)** | **1,589,414** | **2,313,000** | **699,945** | |
| | Relation of obligations to outlays: | | | | |
| 71.00 | Obligations incurred, net | 1,603,113 | 2,318,377 | 699,945 | 6 |
| 72.40 | Obligated balance, start of year | 314,618 | 316,550 | 399,047 | |
| 74.40 | Obligated balance, end of year | −316,550 | −399,047 | −468,827 | |
| 77.00 | Adjustments in expired accounts | 11,037 | | | |
| 90.00 | Outlays | 1,612,218 | 2,235,880 | 630,165 | |

## OBJECT CLASSIFICATION AND PERSONNEL SUMMARY

(1) This schedule classifies obligations among major objects of expenditure. The same object codes are used for all Federal agencies.

(2) Personnel compensation is divided into a number of subclasses to distinguish full-time compensation from other personnel costs.

(3) This category shows amounts paid from this account to another Federal agency for services purchased from it.

(4) For each account with personnel compensation, the Appendix provides a "Personnel Summary" showing the number of full-time positions and full-time equivalents. The number of Federal employees generally is controlled on a full-time equivalent basis.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, Appendix, page I-R37.

1 **Object Classification** (in thousands of dollars)

| Identification code 69-1301-0-1-402 | | 1985 actual | 1986 est. | 1987 est. |
|---|---|---|---|---|
| | FEDERAL AVIATION ADMINISTRATION | | | |
| | Direct obligations: | | | |
| | Personnel compensation: | | | |
| 2 11.1 | Full-time permanent | 1,538,984 | 1,539,729 | 1,559,143 |
| 11.3 | Other than full-time permanent | 20,771 | 20,425 | 20,657 |
| 11.5 | Other personnel compensation | 169,453 | 179,055 | 182,592 |
| 11.8 | Special personal services payments | 3,507 | 911 | 924 |
| 11.9 | Total personnel compensation | 1,732,715 | 1,740,120 | 1,763,316 |
| 12.1 | Personnel benefits: Civilian | 296,713 | 302,270 | 275,161 |
| 13.0 | Benefits for former personnel | 2,555 | 2,400 | 2,400 |
| 21.0 | Travel and transportation of persons | 63,331 | 72,137 | 85,507 |
| 22.0 | Transportation of things | 19,169 | 19,112 | 18,530 |
| 23.1 | Standard level user charges | 25,298 | 26,419 | 29,587 |
| 23.2 | Rental payments to others | 28,042 | 13,252 | 7,144 |
| 23.3 | Communications, utilities, and miscellaneous charges | 92,585 | 120,459 | 124,933 |
| 24.0 | Printing and reproduction | 11,013 | 11,630 | 12,080 |
| 25.0 | Other services | 199,556 | 220,678 | 239,213 |
| 26.0 | Supplies and materials | 68,269 | 62,423 | 62,881 |
| 31.0 | Equipment | 16,795 | 15,300 | 11,342 |
| 32.0 | Lands and structures | 623 | 275 | 255 |
| 42.0 | Insurance claims and indemnities | 206 | 202 | 204 |
| 99.0 | Subtotal, direct obligations, Federal Aviation Administration | 2,556,870 | 2,606,677 | 2,632,553 |
| 99.0 | Reimbursable obligations, Federal Aviation Administration | 31,762 | 32,000 | 32,000 |
| | ALLOCATION TO DEPARTMENT OF DEFENSE | | | |
| 23.3 | Communications, utilities, and miscellaneous charges | 156,243 | 157,700 | 167,227 3 |
| 99.9 | Total obligations | 2,744,875 | 2,796,377 | 2,831,780 |

4 **Personnel Summary**

| | 1985 actual | 1986 est. | 1987 est. |
|---|---|---|---|
| Direct: | | | |
| Total number of full-time permanent positions | 45,376 | 45,315 | 44,529 |
| Total compensable workyears: | | | |
| Full-time equivalent employment | 43,956 | 43,711 | 42,740 |
| Full-time equivalent of overtime and holiday hours | 1,295 | 1,229 | 1,228 |
| Reimbursable: | | | |
| Total number of full-time permanent positions | 460 | 460 | 427 |
| Total compensable workyears: | | | |
| Full-time equivalent employment | 323 | 446 | 405 |
| Full-time equivalent of overtime and holiday hours | 8 | 8 | 7 |

## STATUS OF CREDIT ACTIVITIES

(1) For each account with credit activity, the Appendix provides schedules showing the status of direct loans and guaranteed loans. These schedules appear after the Program and Financing schedule for the account.

(2) For accounts with credit activity, appropriations language often sets annual limitations on the amount of obligations of direct loans and (where applicable) on commitments of guaranteed loans. Certain loan activity may be exempt from the limitation.

(3) This part of the schedule shows the amount of direct loans outstanding at the start and end of each fiscal year. Changes in the amount outstanding are due to disbursements for new loans minus repayments and adjustments (such as write-offs for default) of old loans.

(4) This schedule does not show any appropriations act limitation because there was no new loan guarantee activity in the account. Hence, the amount of such loans outstanding was reduced in each year by the repayment of previously-guaranteed loans.

(5) This memorandum entry shows the contingent liability of the Federal Government for this account. In this case, the contingent liability is less than the amount of guaranteed loans outstanding because some of these loans have a partial--not a full--guarantee. (The amount outstanding shown above represents the full principal of these loans.)

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, Appendix, page I-R40.

1

**Status of Direct Loans** (in thousands of dollars)

| Identification code 69-1399-0-1-402 | | 1985 actual | 1986 est. | 1987 est. |
|---|---|---|---|---|
| | **Position with respect to appropriations act limitation on obligations.** | | | |
| 1111 | Limitation on direct loans to the public | | | |
| | Obligations exempt from limitation: | | | |
| 1132 | Defaulted guaranteed loan claims | 13,264 | | |
| 1150 | Total direct loan obligations | 13,264 | | |
| | **Cumulative balance of direct loans outstanding:** | | | |
| 1210 | Outstanding, start of year | 89,134 | 68,714 | 60,946 |
| 1232 | Disbursements: Disbursements for guaranteed loan claims | 13,264 | | |
| 1264 | Adjustment: Other adjustments, net | −33,684 | −7,768 | −5,680 |
| 1290 | Outstanding, end of year | 68,714 | 60,946 | 55,266 |

2

3

**Status of Guaranteed Loans** (in thousands of dollars)

4

| | | 1985 actual | 1986 est. | 1987 est. |
|---|---|---|---|---|
| | **Cumulative balance of guaranteed loans outstanding:** | | | |
| 2210 | Outstanding, start of year | 493,331 | 406,733 | 356,746 |
| 2251 | Repayments: Repayments and prepayments | −75,382 | −49,987 | −46,111 |
| 2261 | Adjustments: Termination for default that result in direct loans | −11,216 | | |
| 2290 | Outstanding, end of year | 406,733 | 356,746 | 310,635 |
| | **MEMORANDUM** | | | |
| 2299 | U.S. contingent liability for guaranteed loans outstanding, end of year | 366,060 | 321,071 | 279,572 |

5

**EXPLANATION OF MAJOR ADMINISTRATION PROPOSALS**

(1) Some recent budgets have been accompanied by a Major Policy Initiatives volume that outlines the key policy proposals of the Administration. Approximately 70 such policy initiatives were discussed in the volume accompanying the fiscal year 1987 budget.

(2) The budgetary impact of each initiative is measured in terms of current services (see **Exhibit 2-H** for an explanation of current services estimates). The dollar impact of each policy initiative is the amount that budget authority and outlays would vary from current services.

(3) Deficit reduction is computed as the difference between the current services estimate and the amount proposed in the President's budget. In this exhibit, the policy initiative would add modestly to the deficit at the outset but produce significant reductions in later years.

(4) Details and justifications of proposals are provided in Major Policy Initiatives. As is the case here, it is not uncommon for the Administration to seek spending reductions while at the same time claiming program enhancements.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, Major Policy Initiatives, pages 19-20.

1

# AVIATION SAFETY

**FUNDING SUMMARY**

(In millions of dollars)

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|---|---|
| Current services: | | | | | | | |
| Budget authority | 5,355 | 4,785 | 4,862 | 4,981 | 5,087 | 5,181 | 5,259 |
| Outlays | 4,267 | 4,365 | 4,577 | 4,686 | 4,798 | 4,935 | 5,091 |
| President's budget: | | | | | | | |
| Budget authority | n.a | 4,786 | 4,819 | 4,642 | 4,650 | 4,652 | 4,656 |
| Outlays | n.a | 4,366 | 4,594 | 4,453 | 4,441 | 4,508 | 4,481 |
| Deficit reduction: | | | | | | | |
| Outlays | n.a | −1 | −17 | 233 | 357 | 427 | 610 |

2

3

* * * * *

## ADMINISTRATION PROPOSAL

Launched in 1982, the FAA's multi-year $11.4 billion National Airspace System Plan is well underway. It is a broad modernization effort focusing on the entire air traffic control system. Many safety benefits are being derived from it. New systems will:

- improve controller productivity by introducing greater automation of the controllers' tasks;
- prevent air travel delays in the future by expanding the capacity of the air traffic control system to accommodate growth in air travel; and
- further reduce the already minimal risks of mid-air and runway collisions and landing and weather-related accidents.

4

In 1987, the administration's proposal will enable FAA to:

- add 500 air traffic controllers at busy locations;
- add 138 aircraft safety inspectors and intensify FAA inspection programs on a national basis;
- complete an evaluation of FAA operations and of aviation industry safety through special inspections;
- further strengthen its capability to enhance the security of airports and airlines; and
- expand the Nation's LORAN-C navigation system to provide a low-cost, coast-to-coast independent navigation capability.

* * * * *

Overall budget savings will be achieved by reduced grants for local airport construction. In addition, new budget authority for equipment purchases is reduced somewhat because contract awards for complex systems have been at a somewhat slower pace than anticipated. Consequently, large carryover balances of previously appropriated funds are expected in 1986 and 1987.

## III. REVENUE AND DEBT-LIMIT LEGISLATION

### Background

The Constitution gives Congress the power to levy taxes and to borrow money (see **Exhibit 3-A**). It also requires that revenue measures originate in the House. (The Senate sometimes strips House-passed measures of all text except for the enacting clause and then inserts its own revenue provisions.) It should be noted that budget resolutions, which set forth total revenue for the next three fiscal years, often originate in the Senate. But inasmuch as budget resolutions do not actually raise revenues, this sequence does not violate the Constitution.

Revenues of the Federal Government derive from a number of sources. As displayed in the top part of **Exhibit 3-B**, individual and corporate income taxes account for more than half of the receipts of the Federal Government. Social insurance taxes are an increasingly prominent source of revenues. Additional amounts accrue to the Government from various excise taxes, customs fees, and miscellaneous receipts. These revenues do not include offsetting receipts, which, as will be discussed below, are not accounted for as budget receipts.

Most budget receipts derive from permanent provisions of the tax code or Social Security law which continue in effect from year to year unless changed by Congress. This tax structure can be expected to produce increasing amounts of revenues in future years, even if no additional taxes are levied. The table in **Exhibit 3-B** projects almost a 40-percent rise in Federal receipts over a 5-year period. This projection is based, for the most part, on current tax laws.

Congress usually makes some changes in the tax laws each year. In a typical year, these changes tend to have only a small effect on Federal revenues (though the effects on particular categories of taxpayers can be enormous). In some years, however, Congress overhauls the tax code and makes significant changes in the level of Federal revenues or in the distribution of the tax burden. Such was the case in 1986 when Congress enacted major tax reform legislation. The table at the bottom of **Exhibit 3-B** shows the estimated changes in Federal revenues due to the 1986 act. Although the net effect on total revenue was relatively small over the first five years, that legislation enacted massive changes in tax rates and in the taxes levied on individuals and corporations.

In enacting tax legislation, Congress often creates or alters tax expenditures. The term "tax expenditures" is defined in the Congressional Budget Act of 1974 (see **Exhibit 3-C**) to include revenue losses due to deductions, exemptions, credits, and other deviations from the normal tax structure. Special Analysis G in the President's budget presents a list of tax expenditures and estimated revenue losses. The budget also lists the tax expenditures associated with each function (see **Exhibit 3-D**).

As was previously noted, offsetting receipts are not counted as revenue. Rather, they are accounted for as "negative expenditures"; that is, these receipts offset--or reduce--budget outlays and (where applicable) budget authority by an equivalent amount. There are two types of offsetting receipts: (1) income from the sale of assets and from various business-type activities (see **Exhibit 3-E**); and (2) interfund transactions, such as flows of money between the general fund and trust funds.

## Procedures

The budget resolution adopted by Congress each year sets forth the total revenues of the Federal Government for each of the next three fiscal years and the amount (if any) by which total revenues are to be increased or decreased by changes in law. (See Chapter VI for a full discussion of the budget resolution process.) The revenue level set in the budget resolution establishes a framework for subsequent consideration of revenue legislation. The budget resolution contains only revenue totals; it does not allocate revenues among various sources, nor does it specify tax expenditures. Information on revenue sources and tax expenditures is presented in the reports accompanying each budget resolution.

Congress may not consider legislation increasing or decreasing revenues for the next fiscal year until it has adopted the budget resolution for that year. Congress can waive this requirement--in the House, usually by means of a "special rule" reported by the Rules Committee; in the Senate, usually by unanimous consent, or by a waiver resolution or motion authorized by the 1974 Budget Act.

The budget resolution can contain reconciliation instructions directing the House Ways and Means Committee and the Senate Finance Committee to report legislation changing the total amount of revenues. These changes can be incorporated in an omnibus reconciliation measure or can be made in general revenue legislation reported by the revenue committees.

The 1974 Budget Act bars Congress from considering legislation that would cause total revenues to fall below the amount set forth in the adopted budget resolution.

## Debt-Limit Legislation

Pursuant to its constitutional power to borrow funds, Congress establishes a statutory limit on the public debt. The Federal Government is not permitted to borrow in excess of the limit. The limit pertains to the total public debt outstanding, not to the amount issued in a fiscal year.

The debt limit is usually set at (or less than) the amount required by the end of the fiscal year. Thus, it is necessary for Congress to raise the statutory debt limit one or more times in a fiscal year. The process of raising the debt limit begins with a letter from the Treasury Department advising Congress that the Government will be unable to borrow funds unless the limit is raised by a certain date (see **Exhibit 3-F**). The annual budget resolution sets forth the recommended level of the public debt. In the House, after the budget resolution is passed, a joint resolution raising the debt limit to the amount recommended in the budget resolution is engrossed by the Clerk and deemed to have passed the House. The vote on the budget resolution is deemed to be the vote on the debt-limit resolution as well. This procedure obviates the need for a separate vote in the House on the debt limit (unless the Senate amends the joint resolution). The joint resolution is then considered by the Senate. As displayed in **Exhibit 3-G**, Congress sometimes attaches non-germane provisions to the debt-limit measure.

## Documents

The various budget documents submitted by the President include information on sources of revenue, the impact of recent tax legislation, current services estimates for receipts, tax expenditures, and related matters (see discussion of documents in Chapter II on page 24). Data on revenues are also provided in reports of the Congressional Budget Office (principally Reducing the Deficit: Spending and Revenue Options and The Economic and Budget Outlook, both usually issued in January or February, and The Economic and Budget Outlook: An Update, issued in August) and in the reports of the House and Senate Budget Committees to accompany the budget resolution. Information on tax expenditures, in particular, may be found in the President's Special Analyses, in an annual report of the Joint Committee on Taxation, and in a print issued by the Senate Budget Committee in June of 1986 (S. Prt. 99-159), Tax Expenditures: Relationships to Spending Programs and Background Material on Individual Provisions.

Information on increases in the public debt limit is provided in hearings, prints, and reports of the House Ways and Means Committee and the Senate Finance Committee.

**REVENUE PROVISIONS IN THE CONSTITUTION**

**(1)** The "power of the purse" is a legislative power. No taxes can be raised (or money spent) by the Federal Government except by authority of Congress.

**(2)** The Constitution expressly requires that all revenue bills originate in the House; the House has also claimed the prerogative to initiate all appropriations measures. The Senate often makes major changes in House-passed revenue measures. Sometimes it strips all provisions (except the enacting clause) from House-passed measures and inserts entirely new provisions.

**(3)** Although they set forth the recommended level of revenues, budget resolutions can originate in the Senate because they do not actually levy taxes; they merely establish overall legislative policy with respect to revenues and other budget matters.

**DOCUMENT:** Constitution of the United States, Article I, Sections 7 and 8.

CONSTITUTION OF THE UNITED STATES
[ARTICLE I, SECTION 8]

1

§117. The revenue power.

SECTION 8. The Congress shall have Power [1] To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts, and Excises shall be uniform throughout the United States;

§118. The borrowing power.

[2] To borrow Money on the credit of the United States:

CONSTITUTION OF THE UNITED STATES
[ARTICLE I, SECTION 7]

2

§102. Bills raising revenue to originate in the House.

SECTION 7. [1] All Bills for raising Revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills.

This provision has been the subject of much discussion (II, 1488, 1494). In the earlier days the practice was not always correct (II, 1484); but in later years the House has insisted on its prerogative and the Senate has often shown reluctance to infringe thereon (II, 1482, 1483, 1493). in several instances, however, the subject has been matter of contention, conference (II, 1487, 1488), and final disagreement (II, 1485, 1487, 1488). Sometimes, however, when the House has questioned an invasion of prerogative, the Senate has receded (II, 1486, 1493). The disagreements have been especially vigorous over the right of the Senate to concur with amendments (II, 1489), and while the Senate has acquiesced in the sole right of the House to originate revenue bills, it has at the same time held to a broad power of amendment (II, 1497-1499). The House has frequently challenged the Senate on this point (II, 1481, 1491, 1496; Sept. 14, 1965, p. 23632). When the House has conceived that its prerogative has been invaded, it has ordered the bill to be returned to the Senate (II, 1493-1495; VI, 317; March 30, 1937, p. 2930; H. Res. 598, July 2, 1960, p. 15818; H. Res. 831, Oct. 10, 1962, p. 23014; H. Res. 397, May 20, 1965, p. 11149; H. Res. 478, Nov. 8, 1979, p. 31518), or declined to proceed further with it (II, 1485). 3

## SOURCES OF REVENUE

**(1)** Most Federal revenue comes from three sources: individual income taxes, corporate income taxes, and social insurance taxes. Relatively small amounts come from other sources, such as excise and estate taxes and duties on imported goods. With the exception of social insurance taxes, most revenues provide general funds for the various programs of Government; most social insurance taxes are dedicated to the Social Security program.

**(2)** In most years, the President proposes (and Congress enacts) some changes in the revenue laws. In 1986, Congress enacted major tax reform legislation that shifted a portion of the tax burden from individual to corporate income taxes.

**(3)** The revenue effects of major tax legislation sometimes vary markedly from year to year. The 1986 tax reform legislation, for example, initially was estimated to increase revenues by $11 billion in the first year, but to reduce them by nearly $17 billion in the second. Over a five-year period, the revenue increases and decreases were predicted to be roughly equivalent, leading to the characterization of the legislation as "revenue neutral."

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 4-3; and House Report No. 99-841, Vol. II (conference report to accompany H.R. 3838, the Tax Reform Act of 1986), September 18, 1986, pages II-861, II-864, and II-865.

**RECEIPTS BY SOURCE**

(In billions of dollars)

1

| Source | 1985 actual | 1986 estimate | 1987 estimate | 1988 estimate | 1989 estimate |
|---|---|---|---|---|---|
| Individual income taxes | 334.5 | 353.7 | 386.0 | 425.9 | 455.5 |
| Corporation income taxes | 61.3 | 70.9 | 86.7 | 101.2 | 111.8 |
| Social insurance taxes and contributions | 265.2 | 280.4 | 302.8 | 335.0 | 358.1 |
| On-budget | (79.0) | (82.5) | (88.5) | (92.1) | (94.5) |
| Off-budget | (186.2) | (197.9) | (214.3) | (242.8) | (263.7) |
| Excise taxes | 36.0 | 34.6 | 35.2 | 33.4 | 32.7 |
| Estate and gift taxes | 6.4 | 6.1 | 5.7 | 5.4 | 5.1 |
| Customs duties | 12.1 | 12.4 | 12.9 | 13.6 | 14.1 |
| Miscellaneous receipts | 18.5 | 19.0 | 21.1 | 18.7 | 18.7 |
| **Total receipts** | 734.1 | 777.1 | 850.4 | 933.2 | 996.1 |
| On-budget | (547.9) | (579.2) | (636.1) | (690.4) | (732.5) |
| Off-budget | (186.2) | (197.9) | (214.3) | (242.8) | (263.7) |

2

**Summary of Estimated Budget Effects of H.R. 3838, as Approved by the Conference Committee, Fiscal Years 1987-1991**

[Millions of Dollars]

| Title and Provision | 1987 | 1988 | 1989 | 1990 | 1991 | 1987-91 |
|---|---|---|---|---|---|---|
| **I. Individual Income Tax Provisions** | | | | | | |
| Individual | −27,374 | −70,736 | −71,724 | −57,849 | −60,376 | −288,059 |
| Corporate | 891 | 1,452 | 1,551 | 1,736 | 1,871 | 7,501 |
| **Total** | **−26,483** | **−69,284** | **−70,173** | **−56,113** | **−58,505** | **−250,558** |
| * * * * * | | | | | | |
| **XVIII. Technical Corrections** | | | | | | |
| Individual | −360 | −68 | −50 | −54 | −62 | −594 |
| Corporate | −140 | −99 | 34 | 34 | 28 | −143 |
| Excise | −3 | −6 | −6 | −5 | −5 | −25 |
| **Total** | **−503** | **−173** | **−22** | **−25** | **−39** | **−762** |
| **Totals, Tax Reform** | | | | | | |
| Individual | −13,950 | −41,048 | −37,877 | −15,610 | −13,462 | −121,947 |
| Corporate | 25,169 | 23,939 | 22,501 | 23,436 | 25,226 | 120,271 |
| Excise | 306 | 412 | 270 | 244 | 247 | 1,479 |
| Employment | −129 | −7 | 18 | 20 | 22 | −76 |
| Estate & Gift | 1 | −3 | −3 | −4 | −4 | −13 |
| Customs | (2) | (2) | (2) | (2) | (2) | (2) |
| 3 **Grand Total** | **11,397** | **−16,707** | **−15,091** | **8,086** | **12,029** | **−286** |

## TAX EXPENDITURES: DEFINITIONS AND RULES

**(1)** Section 3(a)(3) of the 1974 Budget Act provides a definition of tax expenditures. Tax expenditures are revenue losses due to programmatic--in contrast to structural--features of the tax system. Examples of tax expenditures include deductions for medical expenses, mortgage interest payments, and charitable contributions.

**(2)** The Congressional Budget Office prepares 5-year projections of the increases or decreases in tax expenditures, to be included in committee reports on revenue legislation. Data on tax expenditures also are contained in reports of the Joint Committee on Taxation, the President's budget, and reports accompanying the budget resolution.

**DOCUMENT:** Congressional Budget Act of 1974, Sections 3(a)(3) and 308(a)(1).

**DEFINITIONS**

SEC. 3. *(a)* IN GENERAL.—For purposes of this Act—

* * * * *

1 (3) The term "tax expenditures" means those revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability; and the term "tax expenditures budget" means an enumeration of such tax expenditures.

**REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS**

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR NEW CREDIT AUTHORITY, OR PROVIDING AN INCREASE OR DECREASE IN REVENUES OR TAX EXPENDITURES.—

(1) Whenever a committee of either House reports to its House a bill or resolution, or committee amendment thereto, providing new budget authority (other than continuing appropriations), new spending authority described in section 401(c)(2), or new credit authority, or providing an increase or decrease in revenues or tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, or the committee shall make available such a statement in the case of an approved committee amendment which is not reported to its House, prepared after consultation with the Director of the Congressional Budget Office—

* * * * *

2 (C) containing a projection by the Congressional Budget Office of how such measure will affect the levels of such budget authority, budget outlays, spending authority, revenues, tax expenditures, direct loan obligations, or primary loan guarantee commitments under existing law for such fiscal year and each of the four ensuing fiscal years, if timely submitted before such report is filed;

## TAX EXPENDITURE DATA

(1) The budget classifies tax expenditures by function. This exhibit shows a listing of tax expenditures for function 600, "Income Security." The functional classification makes it possible to compare the level of direct spending and tax expenditures in similar program areas.

(2) There are a number of different ways of counting tax expenditures. One is to estimate the amount of revenue lost to the Treasury; another is to estimate the outlays required to provide an equivalent subsidy to taxpayers. This table uses the latter method, indicating the "outlay equivalents."

(3) This table exhibits four types of tax expenditure: (a) exclusion of certain earnings from taxable revenue; (b) exemptions for certain categories of taxpayers; (c) tax credits; and (d) deductions of certain costs.

(4) In adding up the various tax expenditures, it is necessary to adjust for interactions among them. That is, use of one tax expenditure may affect the extent to which other tax expenditures are used. Because of these interactions, the elimination of a particular tax expenditure might not produce an equivalent gain in revenue.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 5-125.

1

**TAX EXPENDITURES FOR INCOME SECURITY**

(Outlay equivalents; in millions of dollars) 2

| Description | Estimates | | |
|---|---|---|---|
| | 1985 | 1986 | 1987 |
| Net exclusion of pension contributions and earnings: | | | |
| Employer plans | 71,065 | 78,190 | 86,755 |
| Individual Retirement Accounts (IRAs) | 18,685 | 21,090 | 22,925 |
| Keogh plans | 3,385 | 3,730 | 4,140 |
| Exclusion of other employee benefits: | | | |
| Premiums on group term life insurance | 2,765 | 2,990 | 3,225 |
| Premiums on accident and disability insurance | 175 | 170 | 175 |
| Income of trust to finance supplementary unemployment benefits | 20 | 30 | 30 |
| Additional exemption for elderly | 3,040 | 3,340 | 3,675 |
| Additional exemption for the blind | 35 | 40 | 40 |
| Tax credit for the elderly and disabled | 110 | 110 | 115 |
| Exclusion of military disability pensions | 120 | 125 | 125 |
| Exclusion of railroad retirement system benefits | 445 | 455 | 460 |
| Exclusion of special benefits for disabled coal miners | 150 | 145 | 145 |
| Exclusion of workmen's compensation benefits | 2,325 | 2,500 | 2,685 |
| Exclusion of untaxed unemployment insurance benefits | 1,115 | 995 | 940 |
| Deductibility of casualty losses | 295 | 335 | 375 |
| Exclusion of public assistance benefits | 545 | 580 | 605 |
| Earned income credit [1] | 345 | 330 | 300 |
| Total (after interactions) income security [2] | 102,780 | 113,135 | 124,465 |

3

4

## OFFSETTING RECEIPTS

**(1)** Offsetting receipts are accounted for as negative budget authority and outlays. They are subtracted from budget authority and outlays, not added to budget receipts. Offsetting receipts consist of proprietary receipts derived from business-type activities and intragovernmental transactions. (Only proprietary receipts are exhibited on this page.)

**(2)** Most proprietary receipts are offset against the budget authority and outlays of the collecting agency; some (such as income from offshore oil leases) are subtracted from total budget authority and outlays.

**(3)** Many proprietary receipts derive from the sale or rental of Government property. These receipts are treated as offsets because they represent the exchange of one asset (the property) for another (money). Unlike budget receipts, they do not add to Federal assets.

**DOCUMENT:** Budget of the United States Government, Fiscal Year 1987, page 6e-27.

| | | | | | |
|---|---|---|---|---|---|
| 1 | **PROPRIETARY RECEIPTS FROM THE PUBLIC** | | | | |
| 2 | **Distributed by agency:** | | | | |
| | **Interest:** | | | | |
| | Interest on loans, Foreign Assistance Act | 386 | 357 | 359 | |
| | Other interest on foreign loans and deferred foreign collections | 939 | 936 | 1,205 | |
| | Interest on deposits in tax and loan accounts | 1,028 | 755 | 780 | |
| | Other interest (domestic-civil) [a] | 822 | 871 | 1,356 | |
| | Total interest | 3,175 | 2,919 | 3,700 | |
| | **Dividends and other earnings** | 27 | 5 | 5 | |
| | **Rents:** | | | | |
| | Rent and bonuses from land leases, etc | 25 | 68 | 136 | |
| | Rent of land and other real property | 106 | 52 | 56 | |
| | Rent of equipment and other personal property | 14 | 15 | 15 | |
| | Total rents | 145 | 135 | 208 | |
| | **Royalties** | 1,074 | 1,112 | 1,140 | |
| | **Sale of products:** | | | | |
| | Sale of timber and other natural land products | 773 | 1,154 | 1,021 | |
| | Sale of minerals and mineral products | 847 | 832 | 507 | |
| | Sale of power and other utilities | 822 | 908 | 738 | 3 |
| | Sale of other products | * | * | * | |
| | Recovery of mint manufacturing expense | 62 | 215 | 93 | |
| | Total sale of products | 2,503 | 3,108 | 2,359 | |
| | **Fees and other charges for services and special benefits:** | | | | |
| | Medicare premiums and other charges (trust fund) | 5,562 | 5,771 | 7,294 | |
| | Revenues for enrichment of uranium | 1,411 | 1,375 | .......... | |
| | Nuclear waste disposal revenues | 1,795 | 381 | 423 | |
| | Veterans life insurance (trust funds) | 421 | 436 | 436 | |
| | Tolls and other revenues, Panama Canal | 416 | 437 | 444 | |
| | Other [a] | 1,091 | 1,354 | 2,555 | |
| | Total fees and other charges | 10,696 | 9,754 | 11,152 | |

* * * * *

| | | | | |
|---|---|---|---|---|
| | **Miscellaneous receipt accounts** [a] | 824 | 1,022 | 1,042 |
| | Total proprietary receipts from the public distributed by agency | 29,715 | 30,345 | 34,291 |
| 2 | **Undistributed by agency:** | | | |
| | Other interest: Interest received from Outer Continental Shelf escrow account | 2 | 300 | .......... |
| | Rents and royalties on the Outer Continental Shelf: | | | |
| | Rents and bonuses | 1,953 | 1,869 | 1,645 |
| | Royalties | 3,589 | 3,581 | 3,635 |
| | Sale of major physical assets | .......... | 1,200 | 1,200 |
| | Total proprietary receipts from the public undistributed by agency | 5,544 | 6,950 | 6,480 |
| | **Total proprietary receipts from the public** [4] | 35,259 | 37,295 | 40,771 |
| | **Total offsetting receipts** | 185,203 | 191,849 | 194,691 |

## DEBT-LIMIT PROCEDURES

**(1)** Legislation raising the statutory limit on the public debt usually is initiated by a letter from the Treasury Department to Congress stating that the Government will not be able to borrow money if the limit is not raised by a certain date.

**(2)** Most of the debt of the Federal Government (and of Federal agencies) is subject to the statutory limit on the public debt. Certain debt of the Federal Financing Bank (FFB) is one of the few exceptions. It has authority to borrow up to $15 billion outside the debt limit. (However, most FFB borrowings are from the Treasury Department, and these are subject to the limit.)

**(3)** In the past, the statutory debt limit was comprised of a permanent limitation of $400 billion and additional temporary amounts. For fiscal years 1983-1986, the entire statutory limit was permanent. For fiscal year 1987, Congress enacted an additional temporary amount.

**(4)** In some years, Congress has raised the statutory limit several times. The need to do so has occurred either because the initial estimate of the amount to be borrowed was too low or because Congress did not raise the limit to the amount requested by the Treasury Department.

**(5)** The increase in the statutory debt limit exceeds the Federal deficit because monies borrowed from trust funds are included in the public debt but not in the deficit.

**DOCUMENT:** Debt Limit Extension—1986 (hearing of the Senate Finance Committee, 99th Congress), July 15, 1986, page 3; and Senate Report No. 99-335 (to accompany H.J. Res. 668, Increase of Permanent Public Debt Limit), July 18, 1986, page 3.

DEPARTMENT OF THE TREASURY
WASHINGTON

UNDER SECRETARY

May 27, 1986

1

Dear Mr. Chairman:

I am writing to advise you of the need for action by Congress before the August recess on legislation to increase the limit on the public debt.

The Budget submitted to Congress by the President in February, projected that the debt subject to the statutory limit would be $2,108.5 billion on September 30, 1986, and $2,317.4 billion on September 30, 1987. Our preliminary cash and debt projections show that the statutory debt limit of $2,078.7 billion will be reached no later than August 1.

If Congress does not act to increase the debt limit before August 1, Treasury is prepared to use the borrowing authority of the Federal Financing Bank (FFB) to avoid a default on the government's obligations on August 1. As you know, the FFB is authorized to issue up to $15 billion of debt not subject to the statutory limit. The authority was used last October when Treasury substituted FFB issues for certain Treasury debt in the Civil Service Retirement and Disability Fund, an action that kept that fund fully invested. However, our current projections indicate that it is very likely that even after using the FFB authority, we will run out of cash, and therefore default, on August 15. This could not be avoided through trust fund redemptions, since such redemptions cannot be made for the purpose of paying general government obligations. 2

**TABLE 1.—STATUTORY DEBT LIMITATIONS, FISCAL YEARS 1947 TO DATE, AND PROPOSED PERMANENT LIMIT—CONTINUED**

[In billions of dollars]

| Fiscal year | Statutory debt limitation | | |
|---|---|---|---|
| | Permanent | Temporary additional | Total |
| * * * * * | | | |
| 1982 through Sept. 30, 1982 [1] | 400 | 743.1 | 1,143.1 |
| 1982 through Sept. 30, 1983 [1] | 400 | 890.2 | 1,290.2 |
| 1983 [1] | 1,389 | | 1,389 |
| 1984 [1] | 1,490 | | 1,490 |
| 1984 [1] | 1,520 | | 1,520 |
| 1984 [1] | 1,573 | | 1,573 |
| 1985 [1] | 1,823.8 | | 1,823.8 |
| 1985 [1] | 1,847.8 | | 1,847.8 |
| 1986 [1] | 2,078.7 | | 2,078.7 |

## DEBT-LIMIT LEGISLATION

**(1)** The statutory limit on the public debt is increased each year (or more often), usually by a joint resolution. In the House, the statutory limit is initially considered as part of a (nonstatutory) budget resolution. After the budget resolution is passed, a joint resolution raising the debt limit is deemed, under House Rule XLIX, to have passed the House. This procedure (sometimes referred to as the Gephardt procedure) obviates the need for a separate vote in the House on the statutory debt limit (unless the Senate amends the joint resolution). In some years, when this procedure has been prolonged, Congress has enacted a separate bill raising the debt limit.

**(2)** This paragraph is all that is necessary to increase the debt limit. However, Congress often uses the debt-limit measure as a "vehicle" for other unrelated legislation. This exhibit shows two types of unrelated matter attached to a debt-limit measure in 1985. This law, Public Law 99-177, also included the Gramm-Rudman-Hollings Act as a separate title.

**DOCUMENT:** Public Law 99-177, Increasing the Statutory Limit on the Public Debt (99 Stat. 1037), Sections 1-3.

**Public Law 99-177**
**99th Congress**

**Joint Resolution**

1

Increasing the statutory limit on the public debt.

Dec. 12, 1985
[H.J. Res. 372]

2

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (b) of section 3101 of title 31, United States Code, is amended by striking out the dollar limitation contained in such subsection and inserting in lieu thereof "$1,847,800,000,000, or $2,078,700,000,000 on and after October 1, 1985,".

**SEC. 2. MINIMUM CORPORATE TAX BY CORPORATIONS.**

(a) Notwithstanding any other provision of this joint resolution, the Senate Committee on Finance is directed to report to the Senate by July 1, 1986, legislation providing for payment of an alternative minimum corporate tax by corporations on the broadest feasible definition of income to assure that all of those with economic income pay their fair share of taxes: *Provided,* That said alternative minimum corporate tax shall take effect for corporate tax years commencing on or after October 1, 1986. The revenue raised by this tax shall be applied to reduce the Federal deficit.

(b) Notwithstanding any other provision of this joint resolution, the Committee on Ways and Means is directed to report to the House of Representatives legislation providing for payment of an alternative minimum corporate tax by corporations based upon the broadest feasible definition of income to assure that all of those with economic income pay their fair share of taxes: *Provided,* That, the Committee on Ways and Means shall report such legislation prior to October 1, 1986.

**SEC. 3. ACHILLE LAURO HIJACKING.**

(a) The Senate finds that—

(1) the four men identified as the hijackers of the Achille Lauro were responsible for brutally murdering an innocent American citizen, Leon Klinghoffer, and for terrorizing hundreds of innocent crew members and passengers for two days;

(2) the United States urges all countries to aid in the swift apprehension, prosecution, and punishment of the terrorists; and

(3) the United States should not tolerate any country providing safe harbor or safe passage to the terrorists.

(b) It is the sense of the Senate that—

(1) the United States demands that no country provide safe harbor or safe passage to these terrorists;

(2) the United States expects full cooperation of all countries in the apprehension, prosecution, and punishment of these terrorists;

## IV. THE AUTHORIZATIONS PROCESS

### Background and Procedures

An authorization act is legislation that: (1) provides for the establishment, operation, or continuation of a Federal agency or program, and (2) authorizes appropriations for the agency or program, providing the basis under the rules of the House and Senate for later appropriations to be made.

Authorizations represent the exercise by Congress of its legislative power. (At one time, what is now termed "authorization" or "authorizing legislation" was known simply as "legislation.") Government programs and agencies operate under the terms and conditions authorized in legislation. Under the rules of the House and Senate, funds are provided in appropriations acts, not in authorizing legislation. The rules contemplate a two-step legislative process: first, an authorization act is enacted for a program or agency; then, appropriations are made for the authorized purposes. (Relevant House and Senate rules are discussed in **Exhibits 4-A and 4-B.**)

(In recent years, the House and Senate have often waived or disregarded these rules, blurring somewhat the distinction between authorizations acts and appropriations acts. Unauthorized appropriations have become more common, as has legislation in appropriations measures. (See Chapter V for further discussion.)

Authorizations can be classified into three categories, depending on their duration. <u>Permanent</u> authorizations do not have any time limit and continue in effect until they are changed by Congress. An agency having a permanent authorization need only obtain appropriations to continue in operation. <u>Annual</u> authorizations are for a single year and, usually, for a fixed amount of money. These authorizations have to be renewed each year. <u>Multiyear</u> authorizations are typically in effect for a two- to five-year period and have to be renewed when they expire. (**Exhibit 4-C** provides examples of the three types of authorizations.)

In the past, virtually all authorizations were permanent. Since the 1950s, there has been a trend toward temporary (annual or multiyear) authorizations. As shown in **Exhibit 4-D,** the shift from permanent to temporary authorizations can be mandated either by law or by the rules of the House or Senate.

There are two main reasons for the trend to temporary authorizations, corresponding to the two functions of authorizing legislation identified in the opening paragraph of this chapter. First, an annual or multiyear authorization act gives Congress the means of exercising close review of an agency's activities. Congress is more likely to seek additional control when it lacks confidence in the agency. Second, temporary authorizations enhance the influence of authorizing committees in Congress, especially with respect to the funds appropriated to affected agencies.

The time difference in the various types of authorizations leads to other differences in the character of legislation. While permanent authorizations rarely specify money, temporary authorizations usually do. In fact, some of these authorizations have become quite detailed in specifying amounts of money for particular programs. **Exhibit 4-E** shows funds earmarked for the National Science Foundation (NSF) in authorizing legislation.

Under House and Senate rules, an authorization for a fixed amount of money establishes a ceiling on the budget authority that may be appropriated by Congress. However, if Congress sets aside its rules and appropriates in excess of the authorized amount or for unauthorized purposes, the full appropriation is available for expenditure (except when a law prohibits the obligation or expenditure of such unauthorized funds).

## Backdoor Spending

A conventional authorization does not permit agencies to incur obligations or spend money; the authorized funds are available only to the extent provided in appropriations acts. In some instances, however, the authorizing legislation itself provides budget authority (or comparable authority to use funds or enter into obligations) in advance of appropriations. These practices are termed "spending authority" in the 1974 Budget Act and are generally referred to as "backdoor spending."

There are several types of backdoor spending, the most prominent of which is entitlement authority--provisions of law that mandate payments to eligible recipients. Backdoor legislation also includes "borrowing authority" (provisions authorizing agencies to spend borrowed funds), "contract authority" (provisions authorizing agencies to enter into obligations), and authority to forego offsetting receipts. The statutory definitions of backdoor spending are set forth in **Exhibit 4-F.** The 1974 Budget Act bars Congress--with certain exceptions--from considering contract authority or borrowing authority unless it is effective only to the extent provided in appropriations acts. This bar does not apply to entitlements.

Although entitlements are established in authorizing legislation, the rules and procedures for them are somewhat different than for conventional authorizations. Entitlements are laws that give eligible recipients (persons or units of government) a legal right to payments from the Federal Government. The Federal Government is obligated to make these payments even if funds are not provided for them in the budget.

Some entitlements (such as Social Security) have permanent appropriations; funds for them become available without annual action by Congress. Other entitlements (such as veterans´ pensions) go through the annual appropriations process, though Congress does not really control them at this stage (see **Exhibit 4-G**).

Section 303 of the 1974 Budget Act bars the House and Senate from considering entitlement legislation until the budget resolution for the next fiscal year has been adopted. This prohibition applies to entitlements that would become effective in the next or any later fiscal year. Under Section 401 of the Act, most new entitlements cannot take effect before the start of the next fiscal year.

New entitlements that exceed the amounts allocated to a committee pursuant to Section 302 of the 1974 Budget Act are referred to the Appropriations Committee under a 15-day time limit. The Appropriations Committee may report an amendment changing the amount of the entitlement, but it has rarely exercised this authority.

Authorizing legislation may authorize a Federal agency to make or guarantee loans. Under present rules--there are some notable exceptions—use of this credit authority is determined by limits set in appropriations acts. The 1974 Budget Act bars Congress from considering new credit authority legislation that does not make this authority effective only to the extent provided in appropriations acts. **Exhibit 4-H** sets forth the rules governing credit authority.

**Documents**

A major source of information on authorizations, entitlements, other backdoor spending, and credit activities is the reports of House and Senate committees that accompany these types of legislation. Many committees also provide information on the authorizations in their jurisdiction in their February 25 "views and estimates" reports made to the Budget Committees. The President´s Special Analyses volume provides data on Federal credit programs; the annual CBO reports also provide information on credit and entitlement programs.

**AUTHORIZATIONS REQUIREMENTS: HOUSE RULES**

**(1)** House rules do not expressly require authorizations; they bar unauthorized appropriations. Under the rules, before the House can consider most appropriations measures, the purposes for which the money is to be provided have to be authorized in law.

**(2)** The rule against unauthorized appropriations applies only to general appropriations bills. According to the precedents of the House, a continuing resolution (providing interim funding for agencies that have not received regular appropriations by the start of the fiscal year) is not deemed to be a general appropriations bill. Hence, unauthorized programs can be funded in it.

**(3)** A change in existing law is legislation and cannot, under the rules, be made in an appropriations bill.

**(4)** The phrase concerning provisions which retrench expenditures is known as the "Holman Rule." This rule was devised in the 1870s; it is rarely used anymore.

**(5)** Rescissions in appropriations acts have the same effect as those made in rescission bills enacted pursuant to the 1974 Impoundment Control Act, but the procedures for their consideration differ somewhat.

**(6)** This clause bars appropriations in authorizing legislation. It is sometimes waived by the House, more likely for permanent than for annual appropriations.

**DOCUMENT:** House Rule XXI, Clauses 2 and 5.

RULE XXI

1 2. (a) No appropriation shall be reported in any general appropriation bill, or shall be in order as an amendment thereto, for any expenditure not previously authorized by law, except to continue appropriations for public works and objects which are already in progress. 2

3 (b) No provision changing existing law shall be reported in any general appropriation bill except germane provisions which retrench expenditures by the reduction of amounts of money covered by the bill, which may include those recommended to the Committee on Appropriations by direction of any legislative committee having jurisdiction over the subject matter thereof, and except recissions of appropriations contained in appropriations Acts. 4 5

* * * * *

6 5. (a) No bill or joint resolution carrying appropriations shall be reported by any committee not having jurisdiction to report appropriations, nor shall an amendment proposing an appropriation be in order during the consideration of a bill or joint resolution reported by a committee not having that jurisdiction. A question of order on an appropriation in any such bill, joint resolution, or amendment thereto may be raised at any time.

**AUTHORIZATIONS REQUIREMENTS: SENATE RULES**

**(1)** The Senate, unlike the House, does not bar appropriations in authorizing legislation. Rule XVI bars unauthorized appropriations and legislation in appropriations bills, but the practical effect of these prohibitions is limited by a number of exceptions.

**(2)** The word "amendments" in this rule refers to any change made by the Senate--in committee or on the floor --to a House-passed appropriations bill.

**(3)** Absolute limitations are permitted, but not limitations whose effect depends on some contingency.

**(4)** The Senate can insert legislation into an appropriations bill if it is deemed germane to the House-passed measure.

**(5)** When a point of order is made that a provision is legislation on an appropriations bill, the Senate usually votes on whether the matter is germane. If the Senate votes that the provision is germane, the point of order falls.

**DOCUMENT:** Senate Rule XVI, Paragraphs 2 and 4.

1

RULE XVI

2. The Committee on Appropriations shall not report an appropriation bill containing amendments to such bill proposing new or general legislation or any restriction on the expenditure of the funds appropriated which proposes a limitation not authorized by law if such restriction is to take effect or cease to be effective upon the happening of a contingency, and if an appropriation bill is reported to the Senate containing amendments to such bill proposing new or general legislation or any such restriction, a point of order may be made against the bill, and if the point is sustained, the bill shall be recommitted to the Committee on Appropriations. 2

3

* * * * *

4. On a point of order made by any Senator, no amendment offered by any other Senator which proposes general legislation shall be received to any general appropriation bill, nor shall any amendment not germane or relevant to the subject matter contained in the bill be received; nor shall any amendment to any item or clause of such bill be received which does not directly relate thereto; nor shall any restriction on the expenditure of the funds appropriated which proposes a limitation not authorized by law be received if such restriction is to take effect or cease to be effective upon the happening of a contingency; and all questions of relevancy of amendments under this rule, when raised, shall be submitted to the Senate and be decided without debate; and any such amendment or restriction to a general appropriation bill may be laid on the table without prejudice to the bill. 4

5

## TYPES OF AUTHORIZATIONS

(1) A permanent authorization has no time limit and does not refer to any fiscal year. It usually is open-ended (without dollar limits) and authorizes "such sums as may be necessary."

(2) Annual authorizations are renewed every year (unless Congress terminates the program or provides unauthorized appropriations). They usually specify the amount authorized for the fiscal year.

(3) Multiyear authorizations typically are for two- to five-year periods, with amounts specified for each year. Some multiyear authorizations are open-ended.

(4) Multiyear authorizations often authorize escalating amounts for successive fiscal years. In this instance, the act authorizes certain State Department activities at increasing, constant, and decreasing levels.

**DOCUMENT:** Public Law 97-108, State and Local Government Cost Estimate Act of 1981; Public Law 99-73, National Bureau of Standards Authorization Act for FY 1986; and Public Law 99-93, Foreign Relations Authorization Act, FY 1986 and 1987.

1 — **PERMANENT**

**SEC. 3. There are authorized to be appropriated such sums as may be necessary to carry out this Act.**

2 — **ANNUAL**

**SEC. 2. (a) There are authorized to be appropriated to the Secretary of Commerce (hereinafter referred to as the "Secretary") for fiscal year 1986, to carry out activities performed by the National Bureau of Standards, the sums set forth in the following line items:**

**(1) Measurement Research and Standards, $36,843,000.**
**(2) Materials Science and Engineering, $21,943,000.**
**(3) Engineering Measurements and Standards, $33,555,000.**
**(4) Computer Science and Technology, $9,657,000.**
**(5) Center for Fire Research, $5,827,000.**

3 — **MULTIYEAR**

**SEC. 101. AUTHORIZATIONS OF APPROPRIATIONS.**

**The following amounts are authorized to be appropriated for the Department of State to carry out the authorities, functions, duties, and responsibilities in the conduct of the foreign affairs of the United States and for other purposes authorized by law:**

4 — **(1) ADMINISTRATION OF FOREIGN AFFAIRS.—For "Administration of Foreign Affairs", $1,828,088,000 for the fiscal year 1986 and $1,873,790,000 for the fiscal year 1987.**

**(2) INTERNATIONAL ORGANIZATIONS AND CONFERENCES.—For "International Organizations and Conferences", $534,074,000 for the fiscal year 1986 and $534,074,000 for the fiscal year 1987.**

**(3) INTERNATIONAL COMMISSIONS.—For "International Commissions", $28,704,000 for the fiscal year 1986 and $25,824,000 for the fiscal year 1987.**

## PRIOR AUTHORIZATION REQUIREMENTS

**(1)** Some requirements of prior authorization--such as the one for the State Department--are enacted in law; some--such as for the intelligence agencies--are required by the rules of the House or Senate. The effect on Congress is about the same in both cases. Congress can, in the exercise of its legislative power, appropriate without prior authorization.

**(2)** Note that this statutory provision applies to the obligation or expenditure of appropriated funds. Hence, the State Department would not be able to use unauthorized appropriations provided by Congress, unless the appropriations act expressly waived this statutory requirement.

**(3)** This provision, and similar ones in other laws requiring prior authorization, do not specify the duration of the authorization. When this provision was enacted, Congress made annual authorizations to the State Department, but in recent years it has provided biennial authorizations.

**(4)** This language--in contrast to that pertaining to the State Department--requires annual authorizations for intelligence agencies.

**DOCUMENT:** 22 U.S.C. 2680(a); and House Rule XLVIII, Clause 9.

### REQUIREMENT IN STATUTE

1 **§ 2680. Appropriations for State Department; information to congressional committees**

(a)(1) Notwithstanding any provision of law enacted before October 26, 1974, no money appropriated to the Department of State under any law shall be available for obligation or expenditure with respect to any fiscal year commencing on or after July 1, 1972— 2

3 (A) unless the appropriation thereof has been authorized by law enacted on or after February 7, 1972; or

(B) in excess of an amount prescribed by law enacted on or after such date.

### REQUIREMENT IN HOUSE RULES

Rule XLVIII

1 9. Subject to the rules of the House, no funds shall be appropriated for any fiscal year beginning after September 30, 1978, with the exception of a continuing bill or resolution continuing appropriations, or amendment thereto, or conference report thereon, to, or for use of, any department or agency of the United States to carry out any of the following activities, unless such funds shall have been previously authorized by a bill or joint resolution passed by the House during the same or preceding fiscal year to carry out such activity for such fiscal year: 4

(a) The activities of the Central Intelligence Agency and the Director of Central Intelligence.

(b) The activities of the Defense Intelligence Agency.

(c) The activities of the National Security Agency.

## CHARACTERISTICS OF ANNUAL AUTHORIZATIONS ACTS

**(1)** Some authorizations measures—such as the one for the National Science Foundation (NSF)—contain earmarked amounts for specific areas or programs. When this occurs, conflicts can arise between the amounts authorized and appropriated for particular programs.

**(2)** Some authorizations measures establish floors for particular programs or organizational units covered in more general authorizations.

**(3)** Authorizations measures that earmark amounts sometimes contain "proportionality language" to maintain the authorizing committee's priorities when less than the full amounts authorized are appropriated. Each authorized category is reduced to its pro-rata share of the total authorization.

**(4)** Earmarked authorizations are sometimes accompanied by flexibility to shift funds among programs. This discretion usually has a percentage limitation and a requirement that relevant congressional committees be informed of the action. These shifts are comparable to "reprogrammings" (see **Exhibit 10-G**).

**DOCUMENT:** Public Law 99-383, National Science Foundation Authorization Act for FY 1987.

1 — SEC. 2. (a) There are authorized to be appropriated to the National Science Foundation, for fiscal year 1987, the sums set forth in the following categories:

(1) Mathematical and Physical Sciences, $489,870,000.
(2) Engineering, $172,470,000.
(3) Biological, Behavioral, and Social Sciences, $270,500,000.
(4) Geosciences, $298,150,000.
(5) Scientific, Technological, and International Affairs, $47,030,000.
(6) Computer and Information Science and Engineering, $122,980,000.
(7) Program Development and Management, $78,000,000.
(8) United States Antarctic Program, $117,000,000.
(9) Science and Engineering Education, $89,000,000.

(b) Notwithstanding any other provision of this Act, from the amount authorized under subsection (a)— — 2

(1) not less than $33,430,000 is authorized only for purposes of the Social and Economic Sciences Division;
(2) not less than $49,870,000 is authorized only for purposes of the Behavioral and Neural Sciences Division;
(3) not less than $89,060,000 is authorized only for the purposes of the Astronomical Sciences Division; and
(4) not less than $11,500,000 is authorized only for the purposes of the College Science Instrumentation Program.

AVAILABILITY

SEC. 3. (a) Appropriations made under authority provided in sections 2 and 5 shall remain available for obligation for periods specified in the Acts making the appropriations.

3 — (b) To the extent that the total amount appropriated to carry out program activities specified in this Act is less than the total amount authorized to be appropriated for such activities under this Act, all such authorized amounts for such activities or their subactivities shall be reduced proportionally.

* * * * *

TRANSFERS AUTHORIZED

SEC. 6. (a) Funds may be transferred among the categories listed in section 2(a), so long as the net funds transferred to or from any category do not exceed 10 percent of the amount authorized for that category in section 2. — 4

(b) The Director of the National Science Foundation may propose transfers to or from any category exceeding 10 percent of the amount authorized for that category in section 2. An explanation of any such proposed transfer must be transmitted in writing to the Speaker of the House of Representatives, the President of the Senate, the Committees on Labor and Human Resources and Commerce, Science, and Transportation of the Senate, and the Committee on Science and Technology of the House of Representatives. The proposed transfer may be made only when 30 calendar days have passed after submission of the written explanation.

## TYPES OF BACKDOOR SPENDING

**(1)** "Spending authority" is the legal term for what is often called "backdoor spending"--funds provided by Congress prior to or outside of the appropriations process. Section 401 of the 1974 Budget Act defines various types of spending authority.

**(2)** Contract authority permits agencies to incur obligations in advance of appropriations. The 1974 Budget Act requires (with some exceptions) that contract authority be effective only to the extent provided in appropriations acts.

**(3)** Borrowing authority permits an agency to borrow funds from the Treasury Department or the public. The 1974 Budget Act requires (with some exceptions) that borrowing authority be effective only to the extent provided in appropriations acts.

**(4)** Entitlement authority obligates agencies to make payments to eligible recipients. Some entitlements are funded by annual appropriations, some by permanent appropriations.

**(5)** Authority to forego offsetting receipts has the same effect as an expenditure. The financial benefit to those relieved of making the payments and the financial loss to the Government are the same as they are in direct outlays.

**(6)** This catchall paragraph covers any other type of backdoor spending, including revolving funds, not covered in the other definitions.

**(7)** Guaranteed loans are excluded from the definition of spending authority.

**DOCUMENT:** Congressional Budget Act of 1974, Section 401(c).

**BILLS PROVIDING NEW SPENDING AUTHORITY**

SEC. 401.

(c) DEFINITIONS.—

1 (1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this Act, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts; 2

3 (B) to incur indebtedness (other than indebtedness incurred under chapter 31 of title 31 of the United States Code) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts;

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law; 4

5 (D) to forego the collection by the United States of proprietary offsetting receipts, the budget authority for which is not provided in advance by appropriation Acts to offset such foregone receipts; and

(E) to make payments by the United States (including loans, grants, and payments from revolving funds) other than those covered by subparagraph (A), (B), (C), or (D), the budget authority for which is not provided in advance by appropriation Acts. 6

7 Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

ENTITLEMENT AUTHORITY

(1) There is no bar in the 1974 Budget Act against the enactment of new entitlements funded outside of the annual appropriations process. However, the Act seeks to ensure that new entitlement authority will be subject to congressional budget decisions. Section 303 of the Act bars consideration of entitlement legislation before adoption of the budget resolution; Section 401 bars new entitlements from taking effect before the start of the next fiscal year.

(2) This entitlement (for Civil Service retirement and disability pay) has a permanent appropriation. All contributions to the trust fund become available for expenditure without action by Congress.

(3) This entitlement (for a portion of the Medicare program) is financed by annual appropriations. While the 1974 Budget Act gives the Appropriations Committees some limited review of new entitlement legislation, these committees consistently provide the funds mandated by law.

**DOCUMENT:** Congressional Budget Act of 1974, Section 401(b); 5 U.S.C. 8348(a); and H.R. 5233, Labor-Health and Human Services-Education appropriations bill (as enacted into law by Section 101(i) of Public Law 99-591, Continuing Appropriations Act for FY 1987).

BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

1 (1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

---

**PERMANENT APPROPRIATION**

**§ 8348. Civil Service Retirement and Disability Fund**

(a) There is a Civil Service Retirement and Disability Fund. The Fund—

2 (1) is appropriated for the payment of—

(A) benefits as provided by this subchapter; and

(B) administrative expenses incurred by the Office of Personnel Management in placing in effect each annuity adjustment granted under section 8340 of this title; and

(2) is made available, subject to such annual limitation as the Congress may prescribe, for any expenses incurred by the Office in connection with the administration of this chapter and other retirement and annuity statutes.

---

**ANNUAL APPROPRIATION**

PAYMENTS TO HEALTH CARE TRUST FUNDS

3 For payment to the Federal Hospital Insurance and the Federal Supplementary Medical Insurance Trust Funds, as provided under sections 217(g), 229(b) and 1844 of the Social Security Act, sections 103(c) and 111(d) of the Social Security Amendments of 1965, and section 278(d) of Public Law 97-248, $20,826,000,000.

**CREDIT AUTHORITY LEGISLATION**

(1) Credit authority is of two types: (a) authority to make direct loans; and (b) authority to guarantee loans made by others.

(2) This provision requires that new credit authority be effective only to the extent provided in appropriations acts. Credit authority is subject to all three processes applied to direct spending: the authorizations, budget, and appropriations processes. Credit programs are established in authorizing legislation; budget resolutions set forth total and functional allocations for direct and guaranteed loans; and appropriations acts limit the amount of credit activity in applicable accounts. Not all credit programs, however, are subject to limitations in appropriations acts.

**DOCUMENT:** Congressional Budget Act of 1974, Sections 3(a)(10) and 402(a) and (b).

DEFINITIONS

SEC. 3. *(a)* IN GENERAL.—For purposes of this Act—

* * * * *

1 (10) The term "credit authority" means authority to incur direct loan obligations or to incur primary loan guarantee commitments.

SEC. 402. (a) CONTROLS ON LEGISLATION PROVIDING NEW CREDIT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or conference report, as reported to its House, or any amendment which provides new credit authority described in subsection (b)(1), unless that bill, resolution, conference report, or amendment also provides that such new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts. 2

(b) DEFINITION.—For purposes of this Act, the term "new credit authority" means credit authority (as defined in section 3(10) of this Act) not provided by law on the effective date of this section, including any increase in or addition to credit authority provided by law on such date.

# V. THE APPROPRIATIONS PROCESS

An appropriations act is a law passed by Congress that provides Government agencies legal authority to incur obligations and the Treasury Department authority to make payments for designated purposes. Appropriations provide budget authority to agencies. They are made in appropriations measures, which, as explained in the previous chapter, are distinct from authorizing legislation.

The power of appropriation derives from the Constitution (see **Exhibit 5-A**), which provides that "No money shall be drawn from the Treasury but in consequence of appropriations made by law." The power to appropriate is exclusively a legislative power; it was seen by the framers of the Constitution as a limitation on the executive branch. An agency may not spend more than the amount appropriated to it, and it may use the funds only for the purposes and according to the conditions provided by Congress. In recent times, appropriations also have been viewed as mandates that the funds be used to carry out the activities intended by Congress.

In the Federal Government, an appropriation makes funds available for obligation; it does not usually provide for the outlays to be made in a fiscal year. This is in contrast to the practices of most State and local governments which have cash-based appropriations; the amount provided is the amount to be spent in the fiscal year.

The Constitution does not specify the form in which appropriations shall be made. Established practices predating the Constitution and recognized in the rules of the House and Senate provide for appropriations to be made in appropriations measures that are distinct from other types of legislation. This distinction was discussed in Chapter IV and is reflected in Rule XXI of the House and Rule XVI of the Senate. **Exhibit 5-B** presents additional excerpts from Senate Rule XVI. As previously noted, the rules establish a two-step authorizations-appropriations process.

The President requests annual appropriations in his budget submitted in January of each year (see Chapter II of the manual for a discussion of the preparation and submission of the President's budget). In support of the President's appropriations requests, agencies submit "justification books" to the House and Senate Appropriations Committees. These justification books provide more detailed information than that contained in the President's budget, and are used, in part, to support agency testimony during Appropriations subcommittee hearings on the President's budget (see **Exhibit 5-C**).

**Appropriations Measures**

Congress passes three main types of appropriations measures. Regular appropriations bills provide budget authority to agencies for a specified fiscal year. Supplemental appropriations measures provide additional budget authority when the regular appropriation is insufficient or for activities not funded in the regular appropriation. Continuing appropriations measures provide stop-gap funding for agencies that have not received a regular appropriation by the start of the fiscal year. Supplemental appropriations may be provided in bills or joint resolutions; continuing appropriations usually are provided in joint resolutions (which are referred to as "continuing resolutions"), but sometimes are provided in bills. **Exhibit 5-D** lists the various types of appropriations measures considered in a recent session of Congress.

The requirement that appropriations measures be acted on separately from authorizing legislation applies only to "general" appropriations bills. In the House, regular appropriations bills and measures providing supplemental appropriations to two or more agencies are general appropriations bills; continuing resolutions are not. The Senate defines the term in a similar manner, except that it includes continuing resolutions.

Jurisdiction over the appropriations measures is vested in the House and Senate Appropriations Committees, each of which is divided into 13 parallel subcommittees. Each subcommittee has jurisdiction over one of the regular appropriations bills.

Congress sometimes makes appropriations in substantive legislation (reported by an authorizing committee) rather than in appropriations measures. These usually are "permanent" appropriations which become available each year without any current action by Congress. Because of the growth of permanent appropriations (for example, the Social Security trust funds and interest on the public debt), only about half of the budget authority available each year is in the jurisdiction of the Appropriations Committees. Moreover, a sizeable portion of the budget authority provided in annual appropriations acts is mandatory (principally for entitlements), so that the Appropriations Committees have effective discretion over less than half of each year's total new budget authority.

Regular appropriations acts contain a variety of features. Some of these are displayed in **Exhibits 5-E, 5-F, and and 5-G.** The most common type of provision in such an act is an appropriation providing budget authority to a particular agency account. The standard appropriation is for a single fiscal year—the funds have to be obligated during the fiscal year for which they are provided; they lapse if not obligated by the end of that year. An appropriation that does not mention the period during which the funds are to be available is a one-year appropriation. Congress also makes no-year appropriations by specifying that the funds shall remain available until expended. Congress sometimes makes multiyear appropriations which provide for the funds to be available for two or more fiscal years.

Appropriations measures also contain other types of provisions that serve different purposes. For example, these provisions can pay off (liquidate) obligations made pursuant to backdoor contract authority legislation; transfer funds from one account to another; reappropriate funds provided in previous years; rescind (or release impounded) funds; and set ceilings on the amount of obligations that can be made under permanent appropriations, on the amount of direct or guaranteed loans that can be made, or on the amount of administrative expenses that can be incurred during the fiscal year.

**Continuing Appropriations**

Continuing appropriations measures (often called continuing resolutions) have become increasingly important in the 1980s, and their scope has become much broader than was the case in earlier decades. The major continuing appropriations act for fiscal year 1987 covered all of the regular appropriations bills for that year (see **Exhibit 5-H**). Moreover, rather than providing interim funding until the regular appropriations bills were enacted, that act provided funds for the entire fiscal year. In effect, the continuing resolution became an omnibus appropriations act for fiscal year 1987.

This development has been accompanied by two other changes in the character of continuing appropriations. First, they frequently provide funding at levels other than a "continuation" rate. Recent continuing resolutions have contained the full text of regular appropriations bills or have incorporated these bills by reference to the version passed by the House or Senate or agreed to in conference. Some continuing resolutions have specified definite amounts for particular programs or accounts in the same manner as is done in regular appropriations bills. Second, continuing appropriations are increasingly used as measures for the enactment of legislation. The opportunity to do so is based in part on the fact that these are not deemed to be general appropriations bills in the House and on the greater flexibility in the amendment process in the Senate. The manner in which these measures are considered--late in the session and with the threat that Government agencies will have to suspend operations if funds are not speedily provided--invite use of the continuing resolution as a vehicle for substantive legislation.

**Procedures**

By precedent, appropriations measures originate in the House of Representatives. In the House, most appropriations measures are originated directly by the Appropriations Committee (when it marks up and reports the legislation), rather than being introduced by a Member beforehand. Because general appropriations bills are privileged, they can be brought to the House without first obtaining a "special rule" through the Rules Committee. However, most appropriations measures do come to the House under a rule waiving one or more of the standing rules, such as the rule against unauthorized appropriations.

The Senate considers appropriations measures after they have been passed by the House, though the Senate Appropriations Committee sometimes marks up these measures before the House has completed action on them. When the Senate changes a House-passed appropriations measure, it does so by inserting consecutively-numbered amendments (see **Exhibit 5-I**). The conference to resolve differences in the measures passed by the two chambers considers each of the numbered amendments.

Most appropriation accounts encompass a number of activities or projects. Detailed information on how these funds are to be spent, along with other directives or guidance, is provided in the reports accompanying the various appropriations measures. Government agencies ordinarily abide by report language (such as is displayed in **Exhibit 5-J**) in spending the funds appropriated by Congress.

In addition to providing funds, appropriations acts often contain substantive limitations on Government agencies. Rulings in the House and Senate have held that certain limitations (examples of which are in **Exhibit 5-K**) may be included in appropriations measures even though legislation is precluded.

## Documents

The House and Senate Appropriations Committees and their subcommittees each year conduct extensive hearings, which are published, and issue reports to accompany the regular, supplemental, and continuing appropriations measures. The text of all the appropriations acts enacted in a particular session of Congress, along with data on permanent appropriations and a comparison of budget estimates and appropriations enacted, are published in an annual report of the Appropriations Committees, Appropriations, Budget Estimates, Etc., which is printed as a Senate document. The President's Budget Appendix contains the appropriations language for each annual appropriation for the current fiscal year and proposed language changes for subsequent years, as well as the "General Provisions" included in the various appropriations acts.

## THE APPROPRIATIONS POWER

(1) The Constitution is the source of Congress' power to appropriate. It provides that the appropriation of funds by Congress must precede Government expenditures. The Constitution does not require that appropriations be made before funds are obligated.

(2) The second part of this section requires a public accounting of Government receipts and expenditures. The budget, various Treasury statements, and agency reports provide public information on Government financial operations. However, a number of covert accounts are maintained for intelligence activities and some other purposes.

(3) The enacting clause of every appropriations measure designates the fiscal year for which the funds contained therein are provided. All provisions in an appropriations measure expire at the end of the fiscal year, unless they are expressly continued for a longer period.

(4) The appropriation accounts have evolved from "line items" (many detailed accounts) to "lump sums" (fewer, more aggregated accounts). When new programs are established, they are often funded in existing accounts. The lump-sum accounts are backed up by supporting schedules submitted to the Appropriations Committees.

**DOCUMENT:** Constitution of the United States, Article I, Section 9; 1 U.S.C. 105; and 2 U.S.C. 190f.

CONSTITUTION OF THE UNITED STATES
[ARTICLE I, SECTION 9]

1

[7] No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.

2

1 U.S.C. 105

3

**§ 105. Title of appropriation acts**

The style and title of all Acts making appropriations for the support of Government shall be as follows: "An Act making appropriations (here insert the object) for the year ending September 30 (here insert the calendar year.)."

2 U.S.C. 190f(b)

4

**Standard appropriation classification schedule**

(b) The Committees on Appropriations of the two Houses are authorized and directed, acting jointly, to develop a standard appropriation classification schedule which will clearly define in concise and uniform accounts the subtotals of appropriations asked for by agencies in the executive branch of the Government. That part of the printed hearings containing each such agency's request for appropriations shall be preceded by such a schedule.

**APPROPRIATIONS RULES AND PROCEDURES**

**(1)** The rules of the House and Senate pertain to "general" appropriations bills (see **Exhibits 4-A** and **4-B**). Regular appropriations bills and supplemental appropriations for two or more agencies are general appropriations bills. Continuing resolutions are considered general appropriations appropriations bills in the Senate, but not in the House.

**(2)** General appropriations bills are "privileged"--they can be brought to the House without a "special rule," but it is customary to obtain a rule before considering these bills. The rule usually waives one or more rules of the House.

**(3)** Paragraph 1 of Senate Rule XVI bars unauthorized appropriations, but the effect of this rule is limited by a number of exceptions. The Senate may increase or add appropriations for an existing program or for one recommended in the President's budget, for newly-passed legislation, or upon the recommendation of the Appropriations Committee or any committee having legislative jurisdiction over the matter.

**(4)** When a point of order is made in the Senate that a provision is legislation on an appropriations bill, the Senate usually votes on whether the provision is germane to the House-passed bill. If the matter is deemed to be germane, it may be considered, even if it is legislation.

**(5)** This paragraph explains why the Senate may consider germane legislation in an appropriations bill. If it were barred from considering germane legislation, the Senate would not be able to amend legislation in a House-passed appropriation. Once the House has "opened the door" by legislating in an appropriations bill, the Senate may do so as well. Using the test of germaneness, the Senate has legislated even when the House provision had no legislation.

**DOCUMENT:** Procedure in the U.S. House of Representatives, Vol. 4, 1982, page 393; Senate Rule XVI, Paragraph 1; and Senate Procedure, Senate Doc. No. 97-2, pages 132-133.

**HOUSE PRECEDENTS**

1

## § 1. General Appropriation Bills; Privileged Status

§ 1.1 Rule XI clause 4 gives the Committee on Appropriations the right "to report at any time" on general appropriation bills. This rule makes a motion to proceed to the consideration of such measures privileged in the House, subject to the three-day rule (discussed in § 20, infra). But this privilege extends only to

2

"general" appropriation bills. A joint resolution providing an appropriation for a single government agency is not a "general" appropriation bill within the meaning of clause 23 Rule XI [now clause 4 of Rule XI], and is not reported as privileged.

**SENATE RULE XVI**

3

1. On a point of order made by any Senator, no amendments shall be received to any general appropriation bill the effect of which will be to increase an appropriation already contained in the bill, or to add a new item of appropriation, unless it be made to carry out the provisions of some existing law, or treaty stipulation, or act or resolution previously passed by the Senate during that session; or unless the same be moved by direction of the Committee on Appropriations or of a committee of the Senate having legislative jurisdiction of the subject matter, or proposed in pursuance of an estimate submitted in accordance with law.

**SENATE PRECEDENTS**

4

An amendment legislative in character is in order on a general appropriation bill if it is germane to the language as passed by the House.

5

If the House of Representatives opens the door by incorporating legislation in a general appropriation bill, the Senate has an inherent right to amend such proposed legislation,[10] and to perfect that language,[11] notwithstanding its rules.

## AGENCY JUSTIFICATIONS OF APPROPRIATIONS REQUESTS

**(1)** Each agency requesting appropriations submits "justifications" to the Appropriations subcommittees with jurisdiction over its budget. The justification materials are much more detailed than the information provided in the President's budget. The justifications materials are published as part of the hearings on the Agency's appropriations request.

**(2)** The form and content of the justifications varies among Appropriations subcommittees, but it is standard to show the current appropriation, the amount requested for the next fiscal year, and the amount of increase or decrease. Agencies normally use the same format year after year, making changes only at the behest of, or in consultation with, the relevant subcommittees.

**(3)** The justifications typically display the number of positions (and/or full-time equivalents (FTE)), for the current and the next fiscal year, and any changes in the number of positions.

**(4)** The narrative part of the justifications usually focuses on requested changes in the level of funding and in the number of positions. The appropriations hearings often deal with these changes. As is the case here, most requests are for additional funds and positions. It is not uncommon for the Appropriations Committees to recommend funds for a portion--but not all--of the requested increase.

**DOCUMENT:** Department of Transportation and Related Agencies Appropriations for 1987, Pt. 2 (hearings of the House Transportation Appropriations Subcommittee, 99th Congress), page 38.

OPERATIONS

Operation of Traffic Control System

1

General Justification

This activity covers the operation of a national system of air traffic control and flight service facilities to assure safety, reliability, and regularity of flight operations. In FY 1987, this system will control a daily average of 169,315 landings and takeoffs and 115,900 instrument rule flights, and provide 154,800 flight services. In addition, the system is responsible for the safety of a daily average of 1,133,400 revenue passengers in the United States. A table reflecting current trends in air traffic activity and a forecast through FY 1987 is included at the end of this general justification.

This FY 1987 estimate provides for staffing and funding requirements for the continuation of functions under the Air Traffic Services activity as follows:

($ in 000)

| | FY 1986 | FY 1987 | Increase/ Decrease |
|---|---|---|---|
| Air Traffic Control Centers | $456,398 | $481,981 | $+25,583 |
| Air Traffic Control Towers | 458,609 | 482,510 | +23,901 |
| Flight Service Stations | 172,632 | 171,532 | - 1,100 |
| Planning, Direction, and Evaluation | 71,317 | 68,478 | - 2,839 |
| Total | $1,158,956 | $1,204,501 | $+45,545 |
| FTP Positions | 25,130 | 24,559 | -571 |
| FTE's | 24,529 | 24,125 | -404 |

2

3

Air Traffic Control Centers: Staffing in the Center subactivity is increased by 325 positions and 187 FTE's. The increase in positions is due to a new staffing standard applied to FY 1987 projected workload and a transfer of 25 positions from the Planning, Direction, and Evaluation subactivity. This increase is offset by a decrease of 180 positions and 90 FTE's for overhead staffing.

4

A net increase in funding of $25,583,000 is made in this subactivity for FY 1987.

Air Traffic Control Towers. Staffing in the tower subactivity is increased by 200 positions and 108 FTE's. The increase is a result of a revision to the staffing standard that makes allowances for facilities with a high secondary instrument operations count, limited radar facilities with Airport Radar Surveillance Areas (ARSA), and projected workload. This increase is offset by a decrease of 145 positions and 85 FTE's for overhead staffing. A net increase in funding of $23,901,000 is required in this subactivity.

## TYPES OF APPROPRIATIONS MEASURES

**(1)** Congress usually acts on three types of appropriations measures each year: (a) regular appropriations for the next fiscal year; (b) supplemental appropriations for the fiscal year in progress; and (c) continuing appropriations for programs and agencies lacking regular appropriations at the start of the fiscal year. There are 13 regular appropriations bills and a varying number of continuing and supplemental appropriations measures each year.

**(2)** Each appropriation measure has either an "H.R." (House of Representatives) or "H.J.Res." (House Joint Resolution) number, indicating that the measure was first considered in the House. House-passed appropriations measures are amended in the Senate; the Senate does not initiate its own appropriations measures.

**(3)** Joint resolutions (H.J.Res.) are used for supplemental and continuing appropriations. There is no significant difference between a bill and a joint resolution. Historically, the latter have been used for housekeeping and symbolic legislation, and bills for substantive legislation.

**(4)** There usually is only a brief interval from the time that an appropriations measure is reported and its consideration in the House. The House usually takes up regular appropriations bills in May, June and July, continuing resolutions in late September and beyond, and supplemental appropriations measures throughout the session.

**(5)** Senate consideration of regular appropriations bills in July, August, and September does not usually enable Congress to complete action on all of them by the start of the fiscal year.

**DOCUMENT:** Calendars of the United States House of Representatives, 99th Congress, Final Edition.

1

2

| Number of bill | Title | Reported | Passed House | Reported in Senate | Passed Senate | Date approved |
|---|---|---|---|---|---|---|
| | **LEGISLATIVE BILLS** | 1986 | 1986 | 1986 | 1986 | 1986 |
| H.R. 2005 [1] | Superfund Amendments of 1985 | | | | | Oct. 17 |
| H.R. 3128 | Deficit Reduction Amendments of 1985 | | | | | Apr. 7 |
| S. Con. Res. 120 [2] | Budget, First, 1987 | | May 15 | Mar. 24 | May 2 | |
| H.R. 3838 [4] | Tax Reform Act of 1985 | | | May 29 | June 24 | Oct. 22 |
| H.J. Res. 668 | Debt Ceiling Increase | | June 26 | July 18 | Aug. 9 | |
| H.R. 5300 | Budget Reconciliation, 1986 | July 31 | Sept. 24 | | Sept. 25 | Oct. 21 |
| H.R. 5484 | Omnibus Drug Act of 1986 | | Sept. 11 | | Sept. 30 | Oct. 27 |
| | **APPROPRIATION BILLS** | | | | | |
| H.J. Res. 520 | Supplemental 1986, Agriculture | | Feb. 6 | | Feb. 6 | Feb. 10 |
| H.J. Res. 534 | Supplemental 1986, Agriculture | | Feb. 26 | Mar. 4 | Mar. 5 | Mar. 24 |
| H.R. 4515 | Supplemental Appropriations 1986 | Mar. 25 | May 8 | May 15 | June 6 | July 2 |
| H.R. 5052 | Military Construction, 1987 | June 19 | June 25 | Aug. 5 | Aug. 13 | |
| H.R. 5161 | Commerce, Justice, State, Judiciary, 1987 | July 15 | July 17 | Sept. 3 | | |
| H.R. 5162 | Energy and Water, 1987 | July 15 | July 23 | Sept. 15 | | |
| H.R. 5175 | District of Columbia, 1987 | July 15 | July 24 | Aug. 5 | Sept. 16 | |
| H.R. 5177 | Agriculture, 1987 | July 16 | July 24 | Sept. 11 | | |
| H.R. 5203 | Legislative Branch, 1987 | July 17 | July 29 | Aug. 7 | Aug. 13 | |
| H.R. 5205 | Transportation, 1987 | July 18 | July 30 | Aug. 19 | Sept. 17 | |
| H.R. 5233 | Labor, Health, Human Services, 1987 | July 24 | July 31 | Aug. 15 | Sept. 10 | |
| H.R. 5234 | Interior, 1987 | July 24 | July 31 | Aug. 13 | Sept. 16 | |
| H.R. 5294 | Treasury, Postal, 1987 | July 30 | Aug. 6 | Aug. 14 | | |
| H.R. 5313 | HUD, 1987 | July 31 | Sept. 12 | Sept. 25 | Oct. 3 | |
| H.R. 5339 | Foreign Assistance, 1987 | Aug. 5 | | | | |
| H.R. 5438 | Defense, 1987 | Aug. 14 | | | | |
| H.J. Res. 730 | Continuing, 1987 | Sept. 17 | | | | |
| H.J. Res. 732 | Supplemental, Philippines, 1986 | | Sept. 18 | | | |
| H.J. Res. 738 | Continuing, 1987 | | Sept. 25 | Sept. 26 | Oct. 3 | Oct. 18<br>Oct. 30 |
| H.J. Res. 743 | Continuing, 1987 | | Sept. 30 | | Sept. 30 | Oct. 1 |
| H.J. Res. 748 | Continuing, further, 1987 | | Oct. 8 | | Oct. 8 | ([8]) |
| H.J. Res. 750 | Continuing, further, 1987 | | Oct. 8 | | Oct. 8 | Oct. 9 |
| H.J. Res. 751 | Continuing, further, 1987 | | Oct. 10 | | Oct. 10 | Oct. 11 |
| H.J. Res. 753 | Continuing, further, 1987 | | Oct. 16 | | Oct. 16 | Oct. 16 |

3 4 5

## FRAMEWORK OF A REGULAR APPROPRIATIONS ACT

**(1)** The enacting clause of each regular appropriations bill specifies the fiscal year for which the appropriation is made. Unless otherwise stipulated, all funds in the bill are available for obligation only in that fiscal year.

**(2)** Each unnumbered paragraph is a separate appropriation account. Funds cannot be transferred between accounts without the approval of Congress.

**(3)** Note that a single appropriation account provides almost $2.8 billion for operations of the Federal Aviation Administration. This lump-sum appropriation is backed up by detailed schedules showing how the funds are to be used. Note also the vestige of "line-item" appropriations in the provision of four motor vehicles.

**(4)** The funds transferred from the Airport and Airway Trust Fund have a permanent appropriation; the balance of the $2.78 billion represents an annual appropriation of new budget authority.

**(5)** The large number of provisos in this appropriation reflects congressional concern over the operations of the agency. Three types of provisos appear in this appropriation: (a) directives mandating the FAA to adopt certain policies; (b) limitations on FAA activities; and (c) changes in existing law.

**DOCUMENT:** H.R. 5205, Department of Transportation Appropriations bill (as enacted into law by Section 101(1) of Public Law 99-591, Continuing Appropriations Act for FY 1987).

# A BILL

Making appropriations for the Department of Transportation and related agencies for the fiscal year ending September 30, 1987, and for other purposes.

1 *Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the Department of Transportation and related agencies for the fiscal year ending September 30, 1987, and for other purposes, namely:

* * * * *

## FEDERAL AVIATION ADMINISTRATION

### HEADQUARTERS ADMINISTRATION 2

For necessary expenses, not otherwise provided for, of providing administrative services at the headquarters location of the Federal Aviation Administration, including but not limited to accounting, budgeting, legal, public affairs, and executive direction services for the Federal Aviation Administration, $34,500,000.

### OPERATIONS

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses of the Federal Aviation Administration, not otherwise provided for, including administrative expenses for research and development, and for establishment of air navigation facilities, and carrying out the provisions of the Airport and Airway Development Act, as amended, or other provisions of law authorizing obligation of funds for similar programs of airport and airway development or improvement, purchase of four passenger 3 motor vehicles for replacement only, $2,783,000,000, of which not to exceed $621,168,000 shall be derived from the Airport and Airway Trust Fund: 4 *Provided,* That there may be credited to this appropriation funds received from States, counties, municipalities, other public authorities, and private sources, for expenses incurred in the maintenance and operation of air navigation facilities: *Provided further,* That, at a minimum, the air traffic controller on-board employment level shall be 15,000 by September 30, 1987: *Provided further,* 5 That none of these funds shall be available for new applicants for the second career training program or for a pilot test of contractor maintenance: *Provided further,* That the immediately preceding proviso shall not prohibit the augmentation of the existing field maintenance workforce if it is determined to be essential for the safe operation of the air traffic control system: *Provided further,* That section 5532(f)(2) of title V, United States Code, is amended by striking "December 31, 1986" and inserting "December 31, 1987" in lieu thereof:

## FEATURES IN A REGULAR APPROPRIATIONS ACT

**(1)** These funds in the fiscal year 1987 appropriation remain available through fiscal year 1991. They would lapse if not obligated by the end of fiscal year 1991, but do not have to be obligated in fiscal year 1987. However, the entire amount is scored as fiscal year 1987 budget authority.

**(2)** The transfer of unobligated balances or of other funds does not create new budget authority.

**(3)** This is a "liquidating appropriation." It does not provide new budget authority; rather, it pays off (liquidates) an existing contractual obligation. The budget authority was provided when Congress authorized the contract authority. This form of "backdoor spending" (see **Exhibit 4-F**) is permitted for programs, such as airports, financed by trust funds.

**(4)** The phrase "to remain available until expended" provides a "no-year appropriation" which does not have to be obligated in a particular fiscal year. The availability of these funds carries over into subsequent fiscal years even if they have not been obligated.

**(5)** This provision establishes an "obligations limitation" for the fiscal year. This type of limitation is used for programs that have permanent trust fund appropriations. In these cases, all the money in the trust fund is available for obligation. The limitation in the appropriations act sets a cap on the amount of these funds that can be obligated in the fiscal year.

**DOCUMENT:** H.R. 5205, Department of Transporation Appropriations bill (as enacted into law by Section 101(1) of Public Law 99-591, Continuing Appropriations Act for FY 1987).

FACILITIES AND EQUIPMENT (AIRPORT AND AIRWAY TRUST FUND)

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses, not otherwise provided for, for acquisition, establishment, and improvement by contract or purchase, and hire of air navigation and experimental facilities, including initial acquisition of necessary sites by lease or grant; engineering and service testing including construction of test facilities and acquisition of necessary sites by lease or grant; and construction and furnishing of quarters and related accommodations of officers and employees of the Federal Aviation Administration stationed at remote localities where such accommodations are not available; to be derived from the Airport and Airway Trust Fund and to remain
1 available until September 30, 1991, $804,584,000 together with
$1,914,000 to be derived from unobligated balances of "Research, 2
engineering and development (Airport and Airway Trust Fund), Center for Research and Training in Information-based Aviation and Transportation Management":

* * * * *

3 GRANTS-IN-AID FOR AIRPORTS (LIQUIDATION OF CONTRACT AUTHORIZATION) (AIRPORT AND AIRWAY TRUST FUND)

For liquidation of obligations incurred for airport planning and development under section 14 of Public Law 91-258, as amended, and under other law authorizing such obligations, and obligations for noise compatibility planning and programs, $860,000,000, to be derived from the Airport and Airway Trust Fund and to remain 4
available until expended: *Provided*, That none of the funds in this Act shall be available for the planning or execution of programs the commitments for which are in excess of $1,000,000,000 in fiscal year 1987 for grants-in-aid for airport planning and development, and noise compatibility planning and programs, notwithstanding section 506(e)(4) of the Airport and Airway Improvement Act of 1982.

* * * * *

FEDERAL-AID HIGHWAYS (LIMITATION ON OBLIGATIONS) (HIGHWAY TRUST FUND)

5 None of the funds in the Act shall be available for the implementation or execution of programs the obligations for which are in excess of $13,000,000,000 for Federal-aid highways and highway safety construction programs for fiscal year 1987.

## LIMITATIONS IN APPROPRIATIONS ACTS ON CREDIT ACTIVITY AND ADMINISTRATIVE EXPENSES

**(1)** This provision limits the amount of direct loans that can be obligated in the fiscal year. The limitation is on obligations—not on the loans actually made. This is comparable to the budgetary treatment of expenditures: appropriations limit the amount of budget authority available for obligation.

**(2)** Limitations on loan guarantees set a ceiling on the volume of commitments to guarantee loans in a fiscal year. These limitations are on a gross basis--the total of new commitments. Loans guarantees generate outlays in case of a default.

**(3)** The budget authority in this account is provided in the form of a limitation on administrative expenses. This form of appropriation is used when an agency has funding that does not require annual action by Congress—such as a trust fund, or in the case of the Export-Import Bank, income from fees and other services. Without the limitation, the agency would be able to spend the total amount available to it.

**DOCUMENT:** Section 101(f) of Public Law 99-591, Continuing Appropriations Act for FY 1987 (100 Stat. 3341-226).

### EXPORT-IMPORT BANK OF THE UNITED STATES

#### LIMITATION ON PROGRAM ACTIVITY

During the fiscal year 1987 and within the resources and author-
ity available, gross obligations for the principal amount of direct
1 loans shall not exceed $900,000,000, including such resources and
authority as are made available in Public Law 99-349 for fiscal year
1987: *Provided*, That, if the Chairman of the Export-Import Bank
certifies that such budget authority will not be fully utilized during
the fiscal year 1987, up to $100,000,000 of that amount may be
available, subject to the regular notification procedures of the
Appropriations Committees of the Senate and House of Representa-
tives, as tied aid credits in accordance with the provisions of the
Export-Import Bank Act Amendments of 1986: *Provided further*,
That there is appropriated to the Export-Import Bank of the United
States an amount equal to the grant amount of tied aid credits
which are made available from time to time, but not to exceed
$100,000,000, which shall be subject to the limitation on gross
obligations for the principal amount of direct loans specified under
this heading: *Provided further*, That during the fiscal year 1987,
total commitments to guarantee loans shall not exceed 2
$11,355,000,000 of contingent liability for loan principal: *Provided
further*, That the direct loan and guaranty authority provided in
this paragraph shall remain available until September 30, 1988.

#### LIMITATION ON ADMINISTRATIVE EXPENSES

3 Not to exceed $18,371,500 (to be computed on an accrual basis) shall be available during fiscal year 1987 for administrative expenses, including hire of passenger motor vehicles and services as authorized by section 3109 of title 5, United States Code, and not to exceed $16,000 for official reception and representation expenses for members of the Board of Directors: *Provided*, That (1) fees or dues to international organizations of credit institutions engaged in financing foreign trade, (2) necessary expenses (including special services performed on a contract or a fee basis, but not including other personal services) in connection with the acquisition, operation, maintenance, improvement, or disposition of any real or personal property belonging to the Export-Import Bank or in which it has an interest, including expenses of collections of pledged collateral, or the investigation or appraisal of any property in respect to which an application for a loan has been made, and (3) expenses (other than internal expenses of the Export-Import Bank) incurred in connection with the issuance and servicing of guarantees, insurance, and reinsurance, shall be considered as nonadministrative expenses for the purposes of this heading.

**CONTINUING APPROPRIATIONS**

**(1)** A continuing appropriation (provided in a "continuing resolution") is made for agencies that have not received their regular appropriation by the start of the fiscal year. It has the same legal effect as a regular appropriation, except that it may be in effect for only part of the fiscal year.

**(2)** The enacting clause is unusually broad because this particular continuing resolution covered all the regular appropriations bills for the entire fiscal year.

**(3)** Rather than merely providing stop-gap funding until the regular appropriations bill is enacted, some recent continuing appropriations acts have served as the regular appropriations bill. Moreover, rather than providing a "continuing" rate of funds (typically, the same as the previous year's), recent continuing appropriations acts have set forth the amounts for each account, just as is done in regular appropriations bills.

**(4)** The continuing resolution is superseded by enactment of the regular appropriations bill. In this case, if no regular appropriations bill were enacted, the continuing appropriations would be available for the entire fiscal year.

**(5)** Because a continuing appropriations measure is not a general appropriations bill, the bar against legislation on an appropriations bill (and against unauthorized appropriations) does not apply to it. Section 108 of this continuing appropriations act changes existing law. Many similar legislative provisions have been included in recent continuing appropriations acts.

**DOCUMENT:** Sections 101(a), 102, and 108 of Public Law 99-591, Continuing Appropriations Act for FY 1987 (100 Stat. 3341 and 3341-346).

Public Law 99-591
99th Congress

Joint Resolution

1 **Making continuing appropriations for the fiscal year 1987, and for other purposes.**

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That the following sums are hereby appropriated, out of any money in the Treasury not otherwise appropriated, and out of applicable corporate or other revenues, receipts, and funds, for the several departments, agencies, corporations, and other organizational units of the Government for the fiscal year 1987, and for other purposes, namely: 2

3 SEC. 101. (a) Such amounts as may be necessary for programs, projects or activities provided for in the Agriculture, Rural Development, and Related Agencies Appropriations Act, 1987, at a rate of operations and to the extent and in the manner provided as follows, to be effective as if it had been enacted into law as the regular appropriations Act:

* * * * *

SEC. 102. Unless otherwise provided for in this joint resolution or in the applicable appropriations Act, appropriations and funds made available and authority granted pursuant to this joint resolution shall be available from October 1, 1986, and shall remain available until (a) enactment into law of an appropriation for any project or activity provided for in this joint resolution, or (b) enactment of the applicable appropriations Act by both Houses without any provision for such project or activity, or (c) September 30, 1987, whichever first occurs. 4

* * * * *

5 SEC. 108. (a) AMENDMENTS TO FOOD SECURITY ACT OF 1985.—Effective with respect to each of the 1987 through 1990 crops, section 1001 of the Food Security Act of 1985 (7 U.S.C. 1308) is amended by—

(1) striking out paragraphs (1), (2), and (3), and inserting in lieu thereof the following:

"(1) For each of the 1987 through 1990 crops, the total amount of deficiency payments (excluding any deficiency payments described in paragraph (2)(B)(I)(iv) of this section) and land diversion payments that a person shall be entitled to receive under one or more of the annual programs established under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.) for wheat, feed grains, upland cotton, extra long staple cotton, and rice may not exceed $50,000.

CONFERENCE REPORTS ON APPROPRIATIONS ACTS

(1) When the Senate (in committee or on the floor) changes the amount or the language of a House-passed appropriation measure, it inserts a numbered amendment into the text of the measure. These amendments are numbered consecutively. The crossed-out material is the House's; the italicized text is the Senate amendment.

(2) The conference on an appropriations measure considers each of the numbered amendments. These amendments are referenced in the conference report. It is necessary to have the text of the Senate-passed appropriations measure in order to interpret the conference report.

(3) The conference can resolve House-Senate differences by: (a) dropping Senate amendments; (b) agreeing to the amendments; or (c) revising the amendments with further amendments.

**DOCUMENT:** House Joint Resolution 738 (99th Congress), printed version with numbered Senate amendments, October 3, 1986, page 7; and House Report No. 99-1005 (conference report to accompany H.J.Res. 738, Making Continuing Appropriations for FY 1987), October 15, 1986, page 1.

1

(3) ~~(c) Such amounts as may be necessary for programs, projects, or activities at the rate for operations and to the extent and in the manner provided for in H.R. 5438, the Department of Defense Appropriations Act, 1987, as reported to the House of Representatives on August 14, 1986.~~

*(c) Such amounts as may be necessary for programs, projects, or activities at the rate for operations and to the extent and in the manner provided for in S. 2827, the Department of Defense Appropriations Act, 1987, as reported to the Senate on September 17, 1986.*

2

## CONFERENCE REPORT

[To accompany H.J. Res. 738]

The Committee of Conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.J. Res. 738) "making continuing appropriations for the fiscal year 1987, and for other purposes," having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

3

That the Senate recede from its amendments numbered 61, 62, 63, 64, 65, 66, 67, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 95, 97, 98, 99, 100, 102, 103, 104, 105, 106, 107, 110, 111, 112, 115, 116, 121, 123, and 125.

That the House recede from its disagreement to the amendments of the Senate numbered 13, 17, 18, 20, 21, 22, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 48, 49, 50, 52, 55, 57, 58, 118, and 126, and agree to the same.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows:

In lieu of the matter stricken and inserted by said amendment, insert the following:

*(a) Such amounts as may be necessary for programs, projects or activities provided for in the Agriculture, Rural Development, and Related Agencies Appropriations Act, 1987, at a rate of operations and to the extent and in the manner provided as follows, to be effective as if it had been enacted into law as the regular appropriations Act:*

## COMMITTEE REPORT ACCOMPANYING AN APPROPRIATIONS MEASURE

**(1)** The reports accompanying appropriations measures compare the amount recommended for each account with the previous year's appropriation and the President's budget request. The Senate Appropriations Committee also compares its recommendations with the House-passed appropriation.

**(2)** Although most appropriations measures provide lump sums for each account (see **Exhibit 5-E**), the Appropriations Committees' reports often itemize the uses for which the funds are to be spent. When agencies shift funds among programs within the same account, they must use the reprogramming procedures prescribed for their appropriations (see **Exhibit 10-G** for reprogramming procedures).

**(3)** It is unusual for committee reports to specify the number of positions for each program; it was done here because of congressional concern that these programs were understaffed.

**(4)** The Appropriations Committees often explain recommended increases or decreases. House Appropriations Committee reports usually focus on changes made to the President's budget request; the Senate Appropriations Committee's reports typically discuss changes made to the House-passed appropriation.

**DOCUMENT:** Senate Report No. 99-423 (to accompany H.R. 5205, Department of Transportation appropriations bill for FY 1987), August 19, 1986, pages 23 and 24.

### FEDERAL AVIATION ADMINISTRATION

#### OPERATIONS

1

| | |
|---|---|
| Appropriations, 1986 | $2,658,732,000 |
| (By transfer) | (4,250,000) |
| Budget estimate, 1987 | 2,764,867,000 |
| House allowance | 2,797,447,000 |
| Committee recommendation | 2,769,300,000 |

* * * * *

The following table summarizes the Committee's recommendation in comparison to the budget request and House allowance.

[Dollars in thousands]

2

| | Fiscal year 1986 program level[1] | Fiscal year 1987 budget estimate | House allowance | Committee recommendations |
|---|---|---|---|---|
| Operation of air traffic control system | $1,207,763 | $1,204,501 | $1,231,716 | $1,216,501 |
| (Positions) | (25,130) | (24,559) | (25,625) | (24,945) |
| Installation and materiel services | $187,364 | $187,788 | $184,573 | $184,573 |
| (Positions) | (1,491) | (1,491) | (1,491) | (1,491) |
| Maintenance of air traffic control system | $733,035 | $761,058 | $757,815 | $752,815 |
| (Positions) | (10,397) | (10,038) | (10,397) | (10,397) 3 |
| Administration of Aviation Standards Program | $270,623 | $298,938 | $308,119 | $300,161 |
| (Positions) | (4,886) | (5,024) | (5,246) | (5,174) |
| Development direction | $9,872 | $9,031 | $9,031 | $9,031 |
| (Positions) | (138) | (138) | (138) | (138) |
| Administration of Airports Program | $26,957 | $26,181 | $26,181 | $26,181 |
| (Positions) | (472) | (472) | (472) | (472) |
| Centralized training | $99,724 | | | |
| (Positions) | (788) | | | |
| Human resources management | | $205,343 | $208,343 | $208.343 |
| (Positions) | | (1,295) | (1,295) | (1,295) |
| Direction, staff and supporting services | $133,021 | $72,027 | $71,669 | $71,695 |
| (Positions) | (1,005) | (1,005) | (1,005) | (1,005) |
| Total | $2,668,359 | $2,764,867 | $2,797,447 | $2,769,300 |

* * * * *

4 *Operation of air traffic control system.*—The Committee recommends $1,216,501,000 for the air traffic control system, which is $12,000,000 more than the budget request and $15,215,000 less than the House allowance. The Committee assumes an additional $5,000,000 over the budget in tower and center overtime costs, an additional $6,500,000 and 370 positions over the budget for flight service stations, and $500,000 for 16 positions to serve as traffic management coordinators at the New York and Washington, DC, metropolitan area towers.

## LIMITATIONS IN APPROPRIATIONS ACTS ON THE USE OF FUNDS

(1) Although legislation is barred in general appropriations bills, "limitations" which preclude the use of the funds for certain purposes may be included in them.

(2) The typical limitation begins with the phrase, "Provided, that none of the funds shall be used for . . ." The distinction between legislation and limitations is not always clear; there have been many rulings on this question. If a provision is cast in negative terms and denies use of funds without any qualifications or conditions, it is more likely to be ruled as a limitation than if it qualifies use of the appropriation.

(3) The House has a special procedure for floor amendments that would add limitations in appropriations bills. These limitation amendments are not considered until all other amendments have been disposed of. At that point, any Member can move that the House—actually the Committee of the Whole--end its consideration of the appropriations measure. If the motion is agreed to, the House would not consider any proposed limitation.

(4) This limitation pertains only to this account, not to other accounts in the bill. While the language following the word "provided" in appropriations measures often limits the use of the funds, many provisos contain legislation or designate the purposes for which some of the funds are to be used.

(5) The "general provisions" at the end of each regular appropriations bill apply to all of the appropriations made in that bill (or to a particular agency's appropriations) rather than to a particular account.

**DOCUMENT:** Rules of the House of Representatives (House Doc. No. 98-277), pages 578 and 583; and H.R. 5233, Labor-Health and Human Services-Education appropriations bill (as enacted into law by Section 101(i) of Public Law 99-591, Continuing Appropriations Act for FY 1987).

### HOUSE RULE XXI (ANNOTATION)

1

**§ 843a. Limitations on appropriation bills generally.**

Although the rule forbids on any general appropriation bill a provision "changing existing law," which is constructed to mean legislation generally, the House's practice has established the principle that certain "limitations" may be admitted. It being established that the House under its rules may decline to appropriate for a purpose authorized by law, so it may by limitation prohibit the use of the money for part of the purpose while appropriating for the remainder of it (IV, 3936; VII, 1595). The language of the limitation provides that no part of the appropriation under consideration shall be used for a certain designated purpose 2

* * * * *

the 98th Congress narrowed the "Holman Rule" exception from the prohibition against legislation to cover only retrenchments reducing amounts of money covered by the bill, and not retrenchments resulting from reduction of the number and salary of officers of the United States or of the compensation of any person paid out of the U.S. Treasury. Paragraph (b) also eliminated separate authority conferred upon legislative committees or commissions with proper jurisdiction to report amendments retrenching expenditures, and permitted legislative committees to recommend such retrenchments by reduction of amounts covered by the bill to the Appropriations Committee for discretionary inclusion in the reported bill. Paragraph (d) as added in the 98th Congress provides a new procedure for consideration of all retrenchment amendments only when reading of the bill has been completed and only if the Committee of the Whole does not adopt a motion to rise and report the bill back to the House. 3

### ANNUAL APPROPRIATIONS ACT

OPERATION AND MAINTENANCE

4

For maintenance and operation of the United States Soldiers' and Airmen's Home, to be paid from the Soldiers' and Airmen's Home permanent fund, $34,022,000: *Provided*, That this appropriation shall not be available for the payment of hospitalization of members of the Home in United States Army hospitals at rates in excess of those prescribed by the Secretary of the Army upon recommendation of the Board of Commissioners and the Surgeon General of the Army.

TITLE V—GENERAL PROVISIONS 5

SEC. 512. None of the funds provided in this Act to any department or agency may be expended for the transportation of any officer or employee of such department or agency between his domicile and his place of employment, with the exception of the Secretaries of Labor, Health and Human Services, and Education, and medical officers and other health personnel on out-patient medical service who are exempted from such limitations under 31 U.S.C. 1344.

# VI. THE CONGRESSIONAL BUDGET PROCESS

## Background and Procedures

The Congressional Budget Act of 1974, as amended, establishes the congressional budget process as the means by which Congress coordinates the various budget-related decisions made by it in the course of the year. The process is centered around a concurrent resolution on the budget which sets aggregate budget policies and functional priorities for the next three fiscal years. Because it is not a law, the budget resolution does not have statutory effect; no money can be raised or spent pursuant to a budget resolution. The main purpose of the annual budget resolution is to establish the framework within which Congress considers separate revenue, spending, and other budget-related legislation.

The congressional budget cycle begins with presentation of the President's budget. (See **Exhibit 6-A** for a timetable of the congressional budget process.) After receipt of the President's budget, a number of actions are taken leading to formulation of the budget resolution. These actions include issuance of reports on the economic outlook and budget options by the Congressional Budget Office and "views and estimates" reports by House and Senate committees on budget matters in their jurisdiction.

The basic content of each budget resolution is prescribed by the 1974 Budget Act. (Relevant provisions are identified in **Exhibit 6-B.**) The budget resolution sets forth for each of the next three fiscal years: total revenues and the amount by which the total is to be changed, total budget authority and outlays, the debt limit, the deficit or surplus, and total direct loan obligations and guaranteed loan commitments. The budget resolution also allocates the new budget authority, outlays, and direct and guaranteed loans among the various functions in the budget. Congress may also include reconciliation directives in the budget resolution. These directives instruct designated committees to report changes in law or pending legislation that would increase or decrease revenues or expenditures.

Preparation of the budget resolution is guided by baseline projections (shown in **Exhibit 6-C**) which inform Congress of estimated revenues and expenditures under assumed rates of inflation and economic conditions, and without policy changes. The baseline is used in developing the budget resolution and to measure policy changes intended or made by Congress.

The budget resolution is also influenced by the "views and estimates" reports of House and Senate committees. These reports--an excerpt from one appears as **Exhibit 6-D**--provide the Budget Committees with information on the preferences and legislative plans of congressional committees.

In markup, the Budget Committees use baseline data, the views and estimates reports, economic projections, and other data to formulate a budget resolution that can attract majority support (see **Exhibit 6-E**). The extent to which the Budget Committees consider particular programs varies from year to year, but there is a strong likelihood that major issues will be discussed in markup or in reports of the Budget Committees on the resolution.

The first part of each resolution consists of the aggregates required by the 1974 Budget Act (see **Exhibit 6-F**). At this writing, the Budget Committees prepare two sets of aggregates, one excluding the Social Security trust fund, the other including it. This dual presentation is necessitated by the Gramm-Rudman-Hollings Act, which excludes Social Security from the unified budget except for the purpose of determining adherence to that Act's maximum deficit levels.

Functional allocations of new budget authority, outlays, and direct and guaranteed loans comprise the second part of each resolution. (See **Exhibit 6-G** for part of these allocations and **Exhibit 1-F** for a list of budget functions.) The functional allocations must total to the corresponding budget aggregates. The budget resolution does not allocate funds among specific programs or accounts, but the major program assumptions underlying these allocations are often discussed in the reports accompanying each resolution. As displayed in **Exhibit 6-H,** some recent reports have contained detailed information on the program levels assumed in the resolution.

The 1974 Budget Act, as amended, also establishes certain mechanisms to enforce the budgetary aggregates established in the budget resolution. These enforcement mechanisms are discussed in Chapter VII.

**Documents**

Prior to the development of the budget resolution for a fiscal year, the House and Senate Budget Committees hold extensive hearings, which are published, and issue the "views and estimates" reports of the standing committees. The House Budget Committee usually compiles the reports of the House committees into a single volume (issued as a committee print); the reports of the Senate committees usually are issued separately, but sometimes have been included in the Budget Committee's report on the budget resolution. The House Budget Committee normally uses a markup document in the form of a committee print; markup documents of the Senate Budget Committee usually are not published. When a budget resolution is reported, each Budget Committee issues an accompanying report.

The Congressional Budget Office issues, early each year, several reports that assist the Budget Committees in developing the budget resolution: (1) The Economic and Budget Outlook, (2) Reducing the Deficit: Spending and Revenue Options, and (3) An Analysis of the President's Budgetary Proposals. In August, CBO updates the report on the economic and budget outlook.

## TIMETABLE OF THE CONGRESSIONAL BUDGET PROCESS

**(1)** Congress has often been unable to meet the deadlines for adoption of the budget resolution and passage of reconciliation legislation and appropriations bills.

**(2)** Prior to 1987, the budget was submitted almost one month later. In response to the new requirement, the Administration issued the fiscal year 1988 budget in two parts: an abbreviated version by this deadline and a full set of budget documents in late January.

**(3)** The CBO report is usually issued in two (or more) volumes: one focuses on the economic and budget outlook and the second on options for reducing the deficit.

**(4)** Committees differ substantially in the form and content of their "views and estimates" reports. Some committees have formal markups and issue detailed recommendations; some use informal procedures and send a brief letter to the Budget Committee.

**(5)** The 1974 Budget Act bars Congress from considering appropriations bills before the budget resolution has been adopted. But the House can take up these bills after May 15, even if the budget resolution has not been adopted.

**(6)** Congress acts on reconciliation legislation only if the budget resolution includes reconciliation instructions.

**(7)** If all regular appropriations bills have not been enacted by the start of the fiscal year, Congress provides stop-gap funding in a continuing appropriations act.

**DOCUMENT:** Congressional Budget Act of 1974, Section 300.

1 SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

| On or before: | Action to be completed: |
|---|---|
| First Monday after January 3 | President submits his budget. 2 |
| 3 February 15 | Congressional Budget Office submits report to Budget Committees. |
| February 25 | Committees submit views and estimates to Budget Committees. 4 |
| April 1 | Senate Budget Committee reports concurrent resolution on the budget. |
| April 15 | Congress completes action on concurrent resolution on the budget. |
| 5 May 15 | Annual appropriation bills may be considered in the House. |
| June 10 | House Appropriations Committee reports last annual appropriation bill. |
| June 15 | Congress completes action on reconciliation legislation. 6 |
| June 30 | House completes action on annual appropriation bills. |
| 7 October 1 | Fiscal year begins. |

**CONTENT OF A BUDGET RESOLUTION**

**(1)** A budget resolution is a "concurrent resolution." This type of resolution is not a law, but an internal guideline for Congress in its action on revenue, spending, and debt-limit measures.

**(2)** Each budget resolution contains revenue, spending and other budget levels for the next three fiscal years. The levels set forth for the next year establish ceilings on spending and a floor under revenues; those for the two following years are targets which are likely to be modified in subsequent budget resolutions.

**(3)** The budget resolution sets forth total revenues and the amounts by which the total should be changed, but it does not specify revenue sources or tax expenditures.

**(4)** The Gramm-Rudman-Hollings Act bars Congress from adopting a budget resolution with a deficit in excess of the maximum deficit set in that Act.

**(5)** The statutory limit on the public debt is enacted in separate legislation. After the House has passed the budget resolution, a joint resolution raising the debt limit by the appropriate amount is deemed to have passed the House. There is no comparable Senate procedure.

**(6)** Reconciliation directives instruct designated committees to report legislation changing revenues, budget authority, or outlays for matters in their jurisdiction.

**(7)** Congress has used "deferred enrollment" in some years to ensure that appropriations and other spending bills can be modified prior to enactment if the amounts in them would cause the levels in the budget resolution to be exceeded.

**DOCUMENT:** Congressional Budget Act of 1974, Section 301(a) and (b).

1 SEC. 301. (a) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year, and planning levels for each of the two ensuing fiscal years, for the following— 2

(1) totals of new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments;

3 (2) total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

4 (3) the surplus or deficit in the budget;

(4) new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1); and

5 (5) the public debt.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The concurrent resolution on the budget may—

(1) set forth, if required by subsection (f), the calendar year in which, in the opinion of the Congress, the goals for reducing unemployment set forth in section 4(b) of the Employment Act of 1946 should be achieved;

(2) include reconciliation directives described in section 310; 6

7 (3) require a procedure under which all or certain bills or resolutions providing new budget authority or new entitlement authority for such fiscal year shall not be enrolled until the Congress has completed action on any reconciliation bill or reconciliation resolution or both required by such concurrent resolution to be reported in accordance with section 310(b); and

(4) set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes of this Act.

## CBO BASELINE PROJECTIONS

(1) The CBO baseline projects revenues and outlays on the basis of an assumed rate of inflation and expected workload changes (such as an increase in the number of Social Security recipients). The baseline assumes that current policy will continue in effect.

(2) The progressive decline in the deficit is based on the assumption that: (a) current revenue laws will continue in effect, (b) spending programs will not be initiated or expanded, and (c) the economy will expand throughout the period covered by the projections.

(3) CBO prepares baseline projections for many individual programs and accounts. While these detailed projections are not published, they are used by committees in preparing views and estimates reports, budget resolutions, and reconciliation bills.

(4) These broad categories are often used within Congress and in negotiations with the White House to reach agreement on an overall budget framework.

(5) CBO uses baseline projections in its report on options for reducing the budget deficit. Savings are computed (in this report as well as in reports on the budget resolution) against the baseline projections, not against current spending levels.

**DOCUMENT:** Congressional Budget Office. Economic and Budget Outlook: FY 1987-1991. February 1986, pages 60 and 74; and Congressional Budget Office. Reducing the Deficit: Spending and Revenue Options. March 1986, page 162.

1

TABLE II-1. CBO BASELINE BUDGET PROJECTIONS
(By fiscal year)

| | 1985 Actual | 1986 Base | Projections 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|---|---|
| | In Billions of Dollars | | | | | | |
| Revenues | 734 | 778 | 844 | 921 | 991 | 1,068 | 1,144 |
| Outlays | 946 | 986 | 1,025 | 1,086 | 1,135 | 1,188 | 1,248 |
| Deficit | 212 | 208 | 181 | 165 | 144 | 120 | 104 |
| Debt Held by the Public | 1,510 | 1,720 | 1,900 | 2,064 | 2,207 | 2,326 | 2,429 |

2

* * * * *

3

TABLE II-7. CBO BASELINE OUTLAY PROJECTIONS FOR MAJOR SPENDING CATEGORIES (By fiscal year)

| Major Category | 1985 Actual | 1986 Base | Projections 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|---|---|
| | In Billions of Dollars | | | | | | |
| National Defense | 252.7 | 269.5 | 284.0 | 296.4 | 310.9 | 326.9 | 343.9 |
| Entitlements and Other Mandatory Spending | 440.2 | 453.7 | 473.6 | 509.0 | 536.4 | 566.5 | 604.1 |
| Nondefense Discretionary Spending | 172.1 | 173.2 | 174.3 | 182.6 | 188.3 | 195.9 | 204.0 |
| Net Interest | 129.4 | 138.6 | 145.0 | 154.4 | 157.6 | 159.1 | 160.3 |
| Offsetting Receipts | -48.1 | -48.8 | -51.5 | -56.4 | -58.4 | -60.7 | -64.4 |
| Total Outlays | 946.3 | 986.1 | 1,025.3 | 1,085.9 | 1,134.9 | 1,187.6 | 1,247.9 |
| On-Budget Outlays | 769.5 | 801.7 | 827.0 | 875.7 | 912.9 | 952.8 | 998.5 |
| Off-Budget Outlays | 176.8 | 184.4 | 198.3 | 210.2 | 221.9 | 234.9 | 249.4 |

4

* * * * *

NDD-13 ELIMINATE AMTRAK SUBSIDIES

5

| Savings from CBO Baseline | Annual Savings (millions of dollars) 1987 | 1988 | 1989 | 1990 | 1991 | Cumulative Five-Year Savings |
|---|---|---|---|---|---|---|
| Budget Authority | 610 | 640 | 670 | 690 | 720 | 3,330 |
| Outlays | 610 | 570 | 630 | 690 | 720 | 3,220 |

## VIEWS AND ESTIMATES OF COMMITTEES

(1) The 1974 Budget Act requires House and Senate committees to report their views and estimates on budget matters in their jurisdiction by February 25 of each year.

(2) Many committees comment only on those matters in disagreement with the President's budget. Some committees, however, prepare a detailed budget for the programs and accounts in their jurisdiction.

(3) Authorizing committees often compare the President's recommendations with the amounts authorized in law. Note that this committee did not make specific spending recommendations.

(4) There usually is continuing contact between the Budget Committee and other committees during the period between the views and estimates reports and formulation of the budget resolution. These contacts aim to develop an understanding between the various committees on budget matters.

(5) This committee's views and estimates report was issued in letter form by the Chairman and Ranking Minority Member. Some committees issue more formal reports reviewed by the entire committee membership.

**DOCUMENT:** Senate Report No. 99-264 (report of the Senate Budget Committee to accompany S.Con.Res. 120, Concurrent Resolution on the Budget--FY 1987). March 24, 1986, pages 183, 184, and 194.

**United States Senate**

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

WASHINGTON, DC 20510

February 28, 1986

The Honorable Pete Domenici
Chairman
Budget Committee
United States Senate
Washington, D.C. 20510

The Honorable Lawton Chiles
Ranking Minority Member
Budget Committee
United States Senate
Washington, D.C. 20510

1

Dear Senators Domenici and Chiles:

This letter is in response to your request for the Committee on Commerce, Science, and Transportation to submit its report pursuant to section 301(d) of the Congressional Budget Act.

* * * * *

We would like to take this opportunity to comment on specific budget proposals affecting programs under this Committee's jurisdiction. 2

FEDERAL AVIATION ADMINISTRATION

3

The Administration's budget request for the FAA is a net increase of approximately 1% over the FY86 budget authority. However, the total budget authority for the FAA programs and accounts remains substantially below previously authorized levels. For example, the Administration requests 29% less than the authorized level for the Facilities and Equipment account, 30% less for the Airport Improvement Program, and 30% less for the Research, Engineering, and Development account. The Committee is concerned that short-term "savings" in these programs and accounts will delay efficiencies and improvements in the national airspace system which are critical to improving the overall safety of civil aviation in the years ahead. The Committee believes that such delays could well jeopardize the safety of the airspace system. Furthermore, failure to pursue aggressively these improvements will ensure inflated operations costs for years to come.

* * * * * 4

5

We hope this information is helpful to the Budget Committee's deliberations and look forward to working with you in the coming months.

Sincerely,

John C. Danforth
Chairman

Ernest F. Hollings
Ranking Minority Member

## BUDGET COMMITTEE MARKUP

(1) The House and Senate Budget Committees mark up the resolution by making decisions on each of the functions in the budget. They often decide on total new budget authority and outlays before considering the individual functions.

(2) The baseline is used for computing the amount of spending that would ensue without policy changes. Changes from the baseline are due, therefore, to policy decisions. The Budget Committees normally use updated baseline projections provided by CBO. In this case, the baseline was updated on May 1, several months after the CBO baseline projections were first issued to Congress.

(3) Note that income from the sale of assets is computed as a negative expenditure. Note, also, that savings in early years can lead to higher spending in subsequent years.

(4) The program assumptions made in markup do not appear in the budget resolution. While these assumptions are not binding on Congress when it considers authorizing or appropriations legislation, they often exercise considerable influence on the outcome.

(5) The total recommended for each function is the difference between the baseline and the policy changes made in markup.

**DOCUMENT:** House Budget Committee. Chairman's Recommendation for the Concurrent Resolution on the Fiscal Year 1987 Budget. May 8, 1986, pages 39-41.

1 FUNCTION 400: TRANSPORTATION

| (In Billions of Dollars) | FY 1987 Budget BA | FY 1987 Budget O | FY 1988 Plan BA | FY 1988 Plan O | FY 1989 Plan BA | FY 1989 Plan O |
|---|---|---|---|---|---|---|
| 2 Baseline (5/1/86).................... | 29.10 | 28.00 | 29.75 | 28.10 | 30.55 | 28.95 |
| Major Policy Issues | | | | | | |
| * * * * * | | | | | | |
| 3 • Sale of Conrail.................. | -1.80 | -1.80 | +0.25 | +0.25 | +0.25 | +0.25 |
| The recommendation assumes the sale of Conrail in fiscal year 1987 to achieve at least $1.80 billion in budget authority and outlay savings. No particular purchaser or method of sale is assumed. | | | | | | |
| 4 • Federal Aviation Administration.... | +0.20 | +0.20 | +0.20 | +0.20 | +0.20 | +0.20 |
| The recommendation assumes an increase of $200 million in budget authority or a funding level of $2.85 billion. The increase is for the operations account to provide more air traffic controllers and aircraft inspectors. | | | | | | |
| * * * * * | | | | | | |
| 2 Subtotal, Changes from Baseline....... | (-4.50) | (-2.50) | (-3.40) | (-1.65) | (-4.25) | (-2.60) |
| 5 TOTAL.............................. | 24.60 | 25.50 | 26.35 | 26.45 | 26.30 | 26.35 |

## BUDGET AGGREGATES

**(1)** The first part of each budget resolution sets forth the budget aggregates for the next three fiscal years. These aggregates are specified in the 1974 Budget Act (see **Exhibit 6-B**).

**(2)** The totals displayed here include the revenues, budget authority, and outlays of the Social Security trust fund. By law, the Social Security fund is not included in the unified budget. However, Social Security is included in these totals for determining whether Congress has adhered to the maximum deficit levels in the Gramm-Rudman-Hollings Act.

**(3)** The deficit is the amount by which outlays exceed revenues. Note that the annual increase in the public debt exceeds the deficit. The main reason for this is that the public debt includes amounts borrowed from trust funds.

**(4)** The total set forth for direct loans is the gross amount of such loans obligated in a year. However, direct loans are netted (new loans minus repayments of old loans) in computing budget outlays.

**(5)** The amount of primary loan guarantee commitments excludes secondary guarantees of previously guaranteed loans.

**DOCUMENT:** House Report No. 99-664 (conference report to accompany S.Con.Res. 120, Concurrent Resolution on the Budget--FY 1987). June 26, 1986, pages 2-4.

(a) The following levels and amounts are set forth for purposes of determining, in accordance with section 301(i) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded, and as set forth in this concurrent resolution shall be considered to be mathematically consistent with the other amounts and levels set forth in this concurrent resolution: 1

2 (1) The recommended levels of Federal revenues are as follows:

Fiscal year 1987: $852,400,000,000.
Fiscal year 1988: $929,750,000,000.
Fiscal year 1989: $1,001,100,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1987: $1,093,350,000,000.
Fiscal year 1988: $1,166,450,000,000.
Fiscal year 1989: $1,215,850,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1987: $995,000,000,000.
Fiscal year 1988: $1,045,400,000,000.
Fiscal year 1989: $1,079,000,000,000.

3 (4) The amounts of the deficits are as follows:

Fiscal year 1987: $142,600,000,000.
Fiscal year 1988: $115,650,000,000.
Fiscal year 1989: $77,900,000,000.

* * * * *

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1987: $2,322,800,000,000.
Fiscal year 1988: $2,530,650,000,000.
Fiscal year 1989: $2,713,300,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1986, October 1, 1987, and October 1, 1988, are as follows:

(A) New budget authority, $26,100,000,000.
(B) Outlays, $24,900,000,000.
(C) New direct loan obligations, $12,100,000,000. 4
5 (D) New primary loan guarantee commitments, $8,500,000,000.

Fiscal year 1989:

(A) New budget authority, $25,300,000,000.
(B) Outlays, $21,600,000,000.
(C) New direct loan obligations, $11,300,000,000.
(D) New primary loan guarantee commitments, $8,500,000,000.

**FUNCTIONAL ALLOCATIONS**

**(1)** Each budget resolution allocates new budget authority, outlays, direct loans, and guaranteed loans among the various functions in the budget. The sum of the functional allocations must equal the corresponding aggregates in the first part of the budget resolution.

**(2)** Each function has its own identification number. National Defense, for example, is function 050. The functions and their numbers are listed in **Exhibit 1-F** on page 17 of this manual.

**(3)** The program assumptions underlying the functional allocations are not included in the budget resolution, but they generally are known to the Budget Committees, other committees, and Members.

**DOCUMENT:** House Report No. 99-664 (conference report to accompany S.Con.Res. 120, Concurrent Resolution on the Budget--FY 1987). June 26, 1986, pages 4 and 6.

1

(c) The Congress hereby determines and declares the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, and new primary loan guarantee commitments for fiscal years 1987 through 1989 for each major functional category are:

2

(1) National Defense (050):
Fiscal year 1987:
(A) New budget authority, $292,150,000,000.
(B) Outlays, $279,150,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1988:
(A) New budget authority, $304,100,000,000.
(B) Outlays, $285,400,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1989:
(A) New budget authority, $316,700,000,000.
(B) Outlays, $297,950,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

3

* * * * *

(8) Transportation (400):
Fiscal year 1987:
(A) New budget authority, $25,350,000,000.
(B) Outlays, $25,850,000,000.
(C) New direct loan obligations, $500,000,000.
(D) New primary loan guarantee commitments, $50,000,000.
Fiscal year 1988:
(A) New budget authority, $26,800,000,000.
(B) Outlays, $26,950,000,000.
(C) New direct loan obligations, $400,000,000.
(D) New primary loan guarantee commitments, $50,000,000.
Fiscal year 1989:
(A) New budget authority, $26,900,000,000.
(B) Outlays, $26,900,000,000.
(C) New direct loan obligations, $200,000,000.
(D) New primary loan guarantee commitments, $50,000,000.

## COMMITTEE REPORT ACCOMPANYING A BUDGET RESOLUTION

(1) The amounts recommended by the Budget Committee are explained in the Budget Committee report as increases or decreases from the baseline. The baseline computations are shown both for the entire function and for particular program recommendations.

(2) A freeze is budgeted as a decrease from the baseline, even though spending is held at current levels. This is so because the baseline shows budget authority and outlays rising for inflation and (in some instances) for workload changes.

(3) Increases in user fees are budgeted as negative expenditures when the revenue is retained by the agency and is available for expenditure by it.

(4) Most discretionary programs are funded in annual appropriations acts. Within the levels established by a freeze, Congress can increase appropriations for some programs by making cuts in other programs.

(5) Note the detailed "line-item" assumptions made by the Budget Committee. While these assumptions are not binding on the Appropriations Committees, they probably reflect an understanding within Congress as to the amounts that will be provided and the purposes for which increased funding would be made available.

**DOCUMENT:** House Report No. 99-598, Pt. 1 (report of the House Budget Committee to accompany H.Con.Res. 337, Concurrent Resolution on the Budget—FY 1987). May 13, 1986, pages 39 and 40.

### FUNCTION 400: TRANSPORTATION

1

The Committee recommends $24.60 billion in budget authority and $25.50 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $4.50 billion in budget authority and $2.50 billion in outlays from the baseline.

#### SUMMARY OF RECOMMENDATION

[In billions of dollars]

2

3

| | Fiscal year— | | | | | |
|---|---|---|---|---|---|---|
| | 1987 budget | | 1988 plan | | 1989 plan | |
| | BA | O | BA | O | BA | O |
| Baseline | 29.10 | 28.00 | 29.75 | 28.10 | 30.55 | 28.95 |
| Recommended changes: | | | | | | |
| 1. Savings from 3-year freeze at 1986 levels | −1.10 | −0.30 | −2.00 | −0.50 | −2.90 | −1.65 |
| 2. Highways | −0.75 | −0.10 | −0.75 | −0.45 | −0.75 | −0.50 |
| 3. Mass transit: | | | | | | |
| Section 3 grants | −0.10 | (1) | −0.10 | −0.05 | −0.10 | −0.05 |
| Operating assistance | −0.10 | −0.05 | −0.10 | −0.10 | −0.10 | −0.10 |
| 4. Amtrak | +0.05 | +0.05 | +0.05 | +0.05 | +0.05 | +0.05 |
| 5. Sale of Conrail | −1.80 | −1.80 | +0.25 | +0.25 | +0.25 | +0.25 |
| 6. Federal Aviation Administration operations | +0.20 | +0.20 | +0.20 | +0.20 | +0.20 | +0.20 |
| 7. NASA commercial R&D | −0.15 | −0.10 | −0.15 | −0.15 | −0.15 | −0.15 |
| 8. Coast Guard user fees | −0.15 | −0.15 | −0.15 | −0.15 | −0.15 | −0.15 |
| 9. Coast Guard retired pay | (1) | (1) | (1) | (1) | (1) | (1) |
| 10. Additional 2½ percent cut | −0.60 | −0.25 | −0.65 | −0.35 | −0.60 | −0.50 |
| Total changes from baseline | (−4.50) | (−2.50) | (−3.40) | (−1.65) | (−4.25) | (−2.60) |
| Committee recommendation | 24.60 | 25.50 | 26.35 | 26.45 | 26.30 | 26.35 |

[1] Less than $25 million.

### EXPLANATION OF COMMITTEE RECOMMENDATION

#### 1. Savings From Three-Year Freeze at 1986 Levels

4

The Committee recommendation assumes discretionary programs will be maintained at fiscal year 1986 levels for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

* * * * *

#### 6. Federal Aviation Administration

5

The Committee recommendation assumes an increase of $200 million in budget authority for the FAA operations account. This would provide a funding level of $2.85 billion in budget authority each year. The additional $200 million is provided so that additional air traffic controllers can be hired and a level of 15,306 controllers can be achieved during fiscal year 1987. These funds are also intended to allow for the hiring of an additional 200 aviation safety inspectors and support personnel during fiscal year 1987. Any remaining balance of these funds is available for maintaining current levels of staffing in other crucial air traffic control and aviation standards functions.

# VII. BUDGET ENFORCEMENT AND RECONCILIATION

The budget resolution is not a self-enforcing measure; achievement of the levels set forth in the resolution depends on the actions and inactions of Congress in dealing with the revenue, spending, and debt-limit legislation considered during the year.

Congress relies on points of order, information on the budgetary status and impact of pending legislation, and the reconciliation process to enforce its budget decisions. Substantive and procedural points of order are designed to obtain congressional compliance when it acts on revenue and spending measures. The various types of budgetary information made available to Congress assist enforcement with respect to legislation, but also serve to help Congress understand and deal with the other factors that influence budget outcomes. The reconciliation process deals principally with the conformance of existing law to current budget decisions, and is intended to spur committee action on the legislative assumptions.

Despite an array of enforcement tools, Congress may fail to achieve its budget targets because of one or more of the following reasons: (1) Economic performance may vary from the conditions assumed in the budget resolution. Congress is not required to take corrective action when economic conditions cause revenues to be below or expenditures to exceed the budgeted levels. (2) Various technical factors which determine how programs are implemented (e.g., how quickly contracts are entered into) may differ from the technical assumptions upon which the budgeted levels are based. (3) Congress may not carry out the legislative actions assumed in the budget resolution, either by enacting legislation that deviates from the assumptions or by not acting at all.

In addition to the enforcement of budget decisions, Congress also has procedures for enforcing the deficit levels in Gramm-Rudman-Hollings Act. These procedures are discussed in Chapter VIII of the manual.

## Substantive and Procedural Restrictions

The 1974 Budget Act provides for both substantive and procedural points of order to block violations of budget resolution policies and congressional budget procedures.

Substantive points of order are applied differently in the House and Senate because the two houses have different practices for allocating spending to committees under Section 302 of the Act. The House distinguishes between discretionary and mandatory budget authority and other amounts; the Senate does not. Also, the House allocates new entitlement authority; the Senate does not.

The main substantive enforcement is based on Section 311 of the Act, which bars Congress from considering legislation that would cause total revenues to fall below the level set in the budget resolution or total new budget authority or total outlays to exceed the budgeted level (see **Exhibit 7-A**). In the House, Section 311 only bars legislation that would cause a committee's allocation of discretionary authority to be exceeded. Thus, the House may consider legislation that would cause total spending to be exceeded if the amount to be spent would be within the discretionary allocation of the committee with jurisdiction over that measure. This section does not bar spending legislation that would cause functional allocations in the budget resolution to be exceeded.

Under Section 302(b) of the Act, House and Senate committees must subdivide their allocations of spending among their programs or subcommittees. (**Exhibit 7-B** displays the allocations made by the Budget Committees to certain House and Senate committees; **Exhibit 7-C** shows the subdivisions made by certain committees among their own programs and subcommittees.)

Section 302(f) bars the House from considering any legislation that would cause the relevant committee's subdivisions of discretionary budget authority, new entitlement authority, or new credit authority to be exceeded. It bars the Senate from considering any measure that would cause a committee's subdivisions of new budget authority or outlays to be exceeded (see **Exhibit 7-D**).

In addition to points of order to enforce compliance with the budget resolution and the allocations made pursuant to it, the 1974 Budget Act also seeks compliance with its procedures. Section 303 of the Act bars consideration of any revenue, spending, entitlement, or debt-limit legislation prior to adoption of the budget resolution. However, it permits the House to begin consideration of appropriations bills if adoption of the budget resolution is delayed beyond May 15.

The various procedural and substantive restrictions are enforced by points of order. If no point of order is made, or if the point of order is waived, the House and Senate can consider a measure despite any Budget Act violation. The House often waives points of order by adopting a "special rule" such as the one that appears in **Exhibit 7-D.** The Senate may waive points of order by unanimous consent, by motion, or, in the case of Section 303 of the Act, by a special waiver resolution. The Senate requires a three-fifths vote to waive certain provisions of the Act.

### Information on the Status and Impact of Legislation

The 1974 Budget Act provides for Congress to have timely and authoritative budget data when it considers legislation affecting revenues or expenditures. Because Congress is organized around committees, a key step in the budget process is the conversion of functional allocations in the budget resolution into allocations to committees. These allocations, which are made in the managers' statement accompanying the conference report on the budget resolution, are often referred to as crosswalks. As previously noted, after a committee receives its allocation, it subdivides the amount among its programs or subcommittees. This suballocation cannot exceed the amount allocated to a committee.

The Section 302 allocations are used in conjunction with cost estimates prepared by CBO on all public legislation other than appropriations bills. These estimates, which are usually published in committee reports, project the outlays ensuing from the legislation over a five-year period. (A recent CBO cost estimate appears in **Exhibit 7-E.**)

Congress also has access to scorekeeping reports (see **Exhibit 7-F**) which provide current information on the status of the budget. CBO issues a scorekeeping report used in determining whether legislation would violate the Section 311 bar against measures that would cause lower revenues or higher spending than was set in the budget resolution. This scorekeeping report deals only with total revenue, total budget authority and outlays, the debt limit, and total direct and guaranteed loans. CBO also prepares--but does not publish on a regular schedule--scorekeeping data with respect to committee allocations.

## The Reconciliation Process

Reconciliation is the process used by Congress to conform the revenues and expenditures ensuing from existing law to the levels in the budget resolution. The process has two stages: (a) the adoption of reconciliation instructions in the budget resolution; and (b) the enactment of reconciliation legislation that implements changes in revenue or spending laws. Reconciliation has been used since 1980, but it is still an evolving process and the procedures used in one year may differ from those applied in the next.

The rules pertaining to the reconciliation process are set forth in section 310 of the 1974 Budget Act (see **Exhibit 7-G**). These rules extend the scope of reconciliation to changes in budget authority, outlays, credit authority, entitlements, revenues, and the public debt. In some years, reconciliation has also been applied to authorizing legislation, but this has not generally been done in recent years.

Reconciliation begins with a directive in a budget resolution instructing designated committees to report legislation changing existing law (or pending legislation). **Exhibit 7-H** is taken from reconciliation instructions in the budget resolution for fiscal year 1987. It shows that these instructions have three components: (a) they name the committee (or committees) to report legislation; (b) they specify the amounts by which existing laws are to be changed (but do not identify how these changes are to be made, which laws are to be altered, or the programs affected); and (c) they usually set a deadline by which the designated committees are to recommend the changes in law. The instructions typically cover a three-year period, with separate dollar amounts specified for each of the years.

Although the instructions do not mention the changes to be made, they are based on assumptions as to the savings or deficit reduction that would result from particular program cutbacks or revenue changes. These program assumptions are sometimes printed in the reports on the budget resolution (as shown in **Exhibit 7-I**); even when the assumptions are not published, committees and Members usually have a good idea of the specific program changes contemplated by the reconciliation instructions.

When a budget resolution containing a reconciliation instruction has been approved by Congress, the instruction has the status of an order by the House and Senate to designated committees to recommend legislation, usually by a date certain. It is expected that committees will carry out the instructions of their parent chamber, but the 1974 Budget Act does not provide any sanctions against committees that fail to do so.

A committee has discretion to decide on the legislative changes to be recommended. It is not bound by the program changes recommended or assumed by the Budget Committees in the reports accompanying the budget resolution.

A committee has to recommend legislation estimated to produce dollar changes for each category delineated in the instructions to it. Thus, it has to separately satisfy the instruction for budget authority and outlays for each fiscal year covered by the instructions.

When more than one committee in the House and Senate is subject to reconciliation, the proposed legislative changes are usually consolidated by the Budget Committees into an omnibus bill (see **Exhibit 7-J**). The 1974 Budget Act does not permit the Budget Committees to substantively revise the legislation recommended by the committees of jurisdiction. Sometimes the Budget Committees, working with the leadership, develop alternatives to the committee recommendations, to be offered as floor amendments, so as to achieve greater compliance with the reconciliation directives.

**Documents**

Spending allocations made to committees usually are published in the managers' statement accompanying the conference report on the budget resolution, but sometimes are inserted into the Congressional Record or issued as House or Senate reports. The subdivisions made by each committee are published as House or Senate reports. CBO scorekeeping data sometimes are inserted in the Congressional Record, and detailed computer runs are furnished to committees. CBO cost estimates are included in committee reports accompanying legislation. The main documents in the reconciliation process are the House and Senate reports accompanying the budget resolution and reconciliation legislation.

## RULES CONCERNING SPENDING CEILINGS AND REVENUE FLOORS

**(1)** Section 311 bars consideration of any measure that would cause total budget authority or total outlays to exceed, or total revenues to be below, the level set forth in the budget resolution. It also bars Senate consideration of measures that would result in a deficit in excess of the maximum deficit level set in the Gramm-Rudman-Hollings Act.

**(2)** Some entitlements do not themselves create budget authority or outlays because the funds are provided in annual appropriations acts. The laws establishing these "appropriated entitlements" can be changed by means of reconciliation.

**(3)** The prohibitions in this section pertain only to total revenue and total spending. There is no bar against consideration of measures that would cause a functional allocation to be exceeded.

**(4)** These references are to the Gramm-Rudman-Hollings deficit level. The exception referred to here is to the suspension of the maximum deficit level in wartime.

**(5)** When a budget resolution is adopted, the House and Senate Budget Committees allocate the budget authority and outlays to House and Senate committees. This is known as a Section 302(a) allocation. The allocations to House—but not Senate—committees distinguish between budget authority and outlays under current law and resulting from "discretionary action." A measure which would cause total spending to be exceeded can be considered in the House if it is within the affected committee's discretionary allocation. (See **Exhibit 7-B** on Section 302 allocations.)

**(6)** The revenue and spending estimates of the Budget Committees are authoritative in enforcing the revenue floors and spending ceilings.

**DOCUMENT:** Congressional Budget Act of 1974, Section 311.

1 SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—Except as provided by subsection (b), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, providing new entitlement authority effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if— 2

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report;

3 would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution or, in the Senate, would otherwise result in a deficit for such fiscal year that exceeds the maximum deficit amount specified for such fiscal year in section 3(7) (except to the extent that paragraph (1) of section 301(i) or section 304(b), as the case may be, does not apply by reason of paragraph (2) of such subsection).[23] 4

(b) EXCEPTION IN THE HOUSE OF REPRESENTATIVES.—Subsection (a) shall not apply in the House of Representatives to any bill, resolution, or amendment which provides new budget authority or new entitlement authority effective during such fiscal year, or to any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report,

5 would not cause the appropriate allocation of new discretionary budget authority or new entitlement authority made pursuant to section 302(a) for such fiscal year, for the committee within whose jurisdiction such bill, resolution, or amendment falls, to be exceeded.

(c) DETERMINATION OF BUDGET LEVELS.—For purposes of this section, the levels of new budget authority, budget outlays, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or of the Senate, as the case may be. 6

## SECTION 302(a) ALLOCATIONS TO COMMITTEES

(1) Separate allocations are made by the House and Senate Budget Committees to committees of their respective Houses. As shown in the two examples on this page, the House and Senate use different classifications in their allocations.

(2) The House Budget Committee makes separate allocations for budget authority, outlays, and entitlement authority. It allocates entitlements to authorizing committees, such as the Energy and Commerce Committee.

(3) Separate allocations for the current level and discretionary action serve two purposes: to avoid situations where committees may spend in excess of their discretionary allocations because spending under current law was overestimated; and to avoid situations where committees cannot spend their full discretionary amount because the total spending level has been exceeded.

(4) The functional allocations are advisory; they are not enforced in determing whether a measure is within a committee's allocation.

(5) "Direct spending jurisdiction," in this instance, refers to both direct spending (within the jurisdiction of legislative committees) and annual appropriations (within the jurisdiction of the Appropriations Committee). "Entitlements funded in annual appropriations acts" are displayed separately for information purposes.

(6) Senate allocations do not distinguish between current level and discretionary action, nor do they provide any details on the budget functions.

**DOCUMENT:** House Report No. 99-666 (report of the House Budget Committee, 302(a) Allocations Pursuant to Section 13 of S.Con.Res. 120). July 9, 1986, page 4; and the Congressional Record of July 14, 1986, page S 9040.

1

### ALLOCATION TO A HOUSE COMMITTEE (FY 1987)

[In millions of dollars]

2

3

4

| | Budget authority | Outlays | Entitlement authority |
|---|---|---|---|
| **ENERGY AND COMMERCE COMMITTEE** | | | |
| Current level (enacted law): | | | |
| 370 Commerce and housing credit | 35 | 35 | 0 |
| 400 Transportation | 9 | –17 | 0 |
| 550 Health | 8 | –1 | 26,199 |
| 600 Income security | 12,694 | 11,434 | 8,824 |
| 850 General purpose fiscal assistance | 7 | 6 | 7 |
| Subtotal | 12,753 | 11,457 | 35,030 |
| Discretionary action (assumed legislation): | | | |
| 270 Energy | –131 | –131 | 0 |
| 400 Transportation | –1,900 | –1,900 | 0 |
| 550 Health | 0 | 0 | 108 |
| 950 Undistributed offsetting receipts | –994 | –1,186 | 0 |
| Subtotal | –3,025 | –3,217 | 108 |
| Committee total | 9,727 | 8,240 | 35,138 |

1

### ALLOCATIONS TO SENATE COMMITTEES (FY 1987)

[In millions of dollars]

5

6

| | Direct spending jurisdiction | | Entitlements funded in annual appropriations acts | |
|---|---|---|---|---|
| | Budget authority | Outlays | Budget authority | Outlays |
| Appropriations | 559,299 | 560,440 | | |
| Agriculture, Nutrition and Forestry | 22,041 | 24,119 | 158 | 158 |
| Armed Services | 44,642 | 29,395 | 156 | 154 |
| Banking, Housing and Urban Affairs | 3,665 | –2,482 | | |
| Commerce, Science and Transportation | 103 | –1,530 | 370 | 368 |
| Energy and Natural Resources | –1,604 | –2,098 | 42 | 51 |
| Environment and Public Works | 14,559 | 556 | 6 | 6 |
| Finance | 565,815 | 526,512 | 50,392 | 50,411 |
| Foreign Relations | 11,532 | 9,213 | | |
| Governmental Affairs | 59,468 | 38,160 | | |
| Judiciary | 552 | 479 | 104 | 104 |
| Labor and Human Resources | 3,619 | 1,953 | 5,051 | 5,111 |
| Rules and Administration | 46 | 28 | | |
| Small Business | –247 | –287 | | |
| Veterans' Affairs | 1,718 | 1,414 | 15,098 | 15,156 |
| Select Indian Affairs | 498 | 431 | | |
| Not allocated to committees | –192,356 | –191,302 | –278 | –278 |
| Total, budget | 1,093,350 | 995,000 | 71,099 | 71,241 |

## SECTION 302(b) SUBDIVISIONS BY COMMITTEES

**(1)** Section 302(b) of the 1974 Budget Act provides that committees are to subdivide their allocations among their programs or subcommittees. All committees must further subdivide between mandatory and controllable amounts. It is not in order to consider spending legislation until the committee of jurisdiction has filed its section 302(b) report.

**(2)** The structure of these reports corresponds to the classification used in section 302(a) allocations shown in the previous exhibit. Thus, House committees report separate amounts for budget authority, outlays, and entitlement authority; Senate committees distinguish between direct spending jurisdiction and entitlements requiring appropriations.

**(3)** Some committees (such as the House Veterans' Affairs Committee) subdivide among their subcommittees; some (like the Senate Labor and Human Resources Committee) subdivide among their programs. The Appropriations Committees are required to subdivide by subcommittees.

**(4)** Each committee's total is equal to the amount allocated to it pursuant to Section 302(a).

**DOCUMENT:** House Report No. 99-734 (Section 302(b) report of the Veterans' Affairs Committee for FY 1987). August 1, 1986, page 1; and Senate Report No. 99-398 (Section 302(b) report of the Labor and Human Resources Committee for FY 1987). August 13, 1986, page 3.

### HOUSE VETERANS' AFFAIRS COMMITTEE SUBDIVISIONS (FY 1987)

1

FUNCTION 700: VETERANS BENEFITS AND SERVICES

[In millions of dollars]

2

3

| | Budget authority | Outlays | Entitlement authority |
|---|---|---|---|
| 1. Subcommittee on Compensation, Pension, and insurance: | | | |
| Mandatory under existing law | 1,410 | 1,180 | 15,218 |
| New entitlement authority | | | 172 |
| 2. Subcommittee on Education, Training, and Employment: | | | |
| Mandatory under existing law | 294 | 218 | 961 |
| New entitlement authority | | | 0 |
| 3. Subcommittee on Hospitals and Health Care: | | | |
| Mandatory under existing law | 15 | 14 | 0 |
| New entitlement authority | | | 0 |
| 4. Subcommittee on Housing and Memorial Affairs: | | | |
| Mandatory under existing law | 0 | −43 | 568 |
| New entitlement authority | | | 0 |
| Total: | | | |
| Mandatory under existing law | 1,718 | 1,370 | 16,748 |
| New entitlement authority | 0 | 0 | 172 |
| Committee total | 1,718 | 1,370 | 16,920 |

4

### SENATE LABOR AND HUMAN RESOURCES COMMITTEE SUBDIVISIONS (FY 1987)

1

2

3

| Program | Direct spending jurisdiction | | Entitlement program requiring appropriations | |
|---|---|---|---|---|
| | Budget authority | Outlays | Budget authority | Outlays |
| National Science Foundation donations | $5 | $5 | | |
| Vocational and adult education | 7 | 7 | | |
| Higher education | 0 | −608 | | |
| Guaranteed student loans | | | $3,194 | $3,158 |
| Truman Memorial Scholarship Fund | 4 | 3 | | |
| National Foundation of the Arts and Humanities: Gifts and donations (Humanities) | (1) | (1) | | |
| Retirement pay and medical benefits for commissioned officers | | | 83 | 83 |
| Office of Assistant Secretary for Health: Miscellaneous trust funds | 8 | 10 | | |
| Special benefits: Longshore and harbor workers' compensation benefits—Federal funds | | | 4 | 4 |
| Special workers' compensation expenses: Longshore and harbor workers' employers assessments | 84 | 79 | | |
| Black Lung Disability Trust Fund | | | 549 | 641 |
| Railroad retirement | 3,296 | 2,330 | | |
| Black lung benefits | | | 968 | 973 |
| Federal Employees' Injury Compensation Act | | | 253 | 253 |
| Withdrawals by Railroad Retirement Board for unemployment compensation payments | 214 | 169 | | |
| Total | 3,618 | 1,995 | 5,051 | 5,112 |

4

## ENFORCING AND WAIVING SPENDING ALLOCATIONS

**(1)** In the House, after Congress has adopted the budget resolution, it is not in order to consider spending measures that would cause the Section 302 subdivisions to be exceeded. This bar pertains to discretionary budget authority, entitlements, and direct or guaranteed loans.

**(2)** In the Senate, after Congress has adopted the budget resolution, it is not in order to consider any measure that would cause a committee's subdivisions of budget authority or outlays to be exceeded. The subdivisions do not distinguish between discretionary spending and other amounts.

**(3)** The House can waive any of its standing rules (including rules pertaining to it in the 1974 Budget Act) by passing a "special rule" (in the form of a House resolution, as shown here). This resolution enabled the House to consider a supplemental appropriations bill that would have violated the Section 302 subdivisions.

**(4)** The Senate does not have "special rules" for waiving its standing rules. (The Budget Act provides for a "waiver resolution" with respect to certain procedural rules.) The Senate can waive its budget rules by unanimous consent or by motion. Some waivers require a three-fifths vote.

**(5)** This "special rule" waived the provision of the 1974 Budget Act (shown as the top part of this exhibit) barring consideration of any measure that would cause a committee's discretionary subdivisions to be exceeded. It also waived a requirement concerning information in committee reports on appropriations bills.

**DOCUMENT:** Congressional Budget Act of 1974, Section 302(f); and H.Res. 448 (99th Congress).

(f) LEGISLATION SUBJECT TO POINT OF ORDER.

(1) IN THE HOUSE OF REPRESENTATIVES.—After the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in the House of Representatives to consider any bill, resolution, or amendment providing new budget authority for such fiscal year, new entitlement authority effective during such fiscal year, or new credit authority for such fiscal year, or any conference report on any such bill or resolution, if—

(A) the enactment of such bill or resolution as reported;

(B) the adoption and enactment of such amendment; or

(C) the enactment of such bill or resolution in the form recommended in such conference report,

would cause the appropriate allocation made pursuant to subsection (b) for such fiscal year of new discretionary budget authority, new entitlement authority, or new credit authority to be exceeded. 1

(2) IN THE SENATE.—At any time after the Congress has completed action on the concurrent resolution on the budget required to be reported under section 301(a) for a fiscal year, it shall not be in order in the Senate to consider any bill or resolution (including a conference report thereon), or any amendment to a bill or resolution, that provides for budget outlays or new budget authority in excess of the appropriate allocation of such outlays or authority reported under subsection (b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year. 2

3 99TH CONGRESS 2D SESSION **H. RES. 448** 4

*Resolved,* That all points of order for failure to comply with the provisions of section 302(f) of the Congressional Budget Act of 1974, as amended (Public Law 93-344, as amended by Public Law 99-177), and with the provisions of clause 2(l)(3)(B) of rule XI, are hereby waived against the consideration of the bill (H.R. 4515) making urgent supplemental appropriations for the fiscal year ending September 30, 1986, and for other purposes. 5

## CBO COST ESTIMATES

**(1)** Section 403 of the 1974 Budget Act requires that CBO prepare five-year cost estimates of all public bills (other than appropriations bills) reported by House or Senate committees. These estimates are usually published in the reports accompanying the bills.

**(2)** The cost estimate exhibited here shows that the bill authorizes appropriations for one fiscal year (1987); CBO assumes no authorizations for the remaining four years covered by the estimate. Assuming that the authorized amount is appropriated in full, CBO estimates that the outlays will be made over four years.

**(3)** The fiscal year 1987 outlay estimate for this bill—$866.5 million—is based solely on the authorized level of appropriations for that fiscal year. As CBO notes, if appropriations for previous years are taken into account, fiscal year 1987 outlays are estimated to total $1,598.9 million.

**(4)** In estimating the cost of conventional authorizations (such as the one exhibited here), whose funds are provided in annual appropriations acts, CBO assumes that the authorization will be fully funded. Also, as explained by CBO, the outlay estimate is based on past spendout rates. (In estimating the cost of entitlements, CBO estimates participation rates, price changes, and other relevant financial and demographic factors.)

**DOCUMENT:** Senate Report No. 99-338 (report of the Commerce, Science, and Transportation Committee to accompany S. 2184, Authorization of Appropriations for the National Science Foundation for Fiscal Year 1987). July 23, 1986, page 3.

1

### CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 2184.
2. Bill title: National Science Foundation Authorization Act for Fiscal Year 1987.
3. Bill status:

As amended and ordered reported by the Senate Committee on Commerce, Science, and Transportation, July 23, 1986.

4. Bill purpose:

This bill authorizes the appropriation of $1,685.7 million in fiscal year 1987 to provide funding for the activities of the National Science Foundation (NSF). Of that total, $1,479 million is for research and related activities, $117 million is for the U.S. Antarctic Program, $89 million is for science and engineering education activities, and $0.7 million is for the Special Foreign Currency Fund. Additionally, the bill provides for the appointment of NSF assistant directors by the NSF director instead of the President. The bill also establishes an interagency task force on women, minorities, and the handicapped in science and technology.

NSF funding to date for fiscal year 1986 totals $1,458.3 million, after reductions required under the Balanced Budget and Emergency Deficit Control Act of 1985. The President has requested appropriations of $1,685.7 million for fiscal year 1987, the same amount as authorized in S. 2184.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

2

| | 1987 | 1988 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|
| Authorization Level | 1,685.7 | | | | |
| Estimated Outlays | 866.5 | 573.0 | 150.2 | 96.0 | |

3

Including outlays from previous years' appropriations, total 1987 outlays would be $1,598.9 million, assuming appropriation of the authorized amounts.

The costs of this bill fall within budget function 250.

Basis of estimate:

4

This estimate assumes that all funds authorized will be appropriated and that spending will follow historical patterns.

The bill establishes an interagency task force on women, minorities, and the handicapped in science and technology. This is an expansion of an existing NSF task force. NSF believes that administrative assistance can be provided to the new task force at no significant additional cost.

6. Estimated cost to State and local governments: None.

## CBO SCOREKEEPING REPORTS

**(1)** Section 308(b) of the 1974 Budget Act provides for CBO to issue scorekeeping reports on the status of the congressional budget. The form of these reports has changed from time to time. Nowadays, these reports are in the form of letters from the CBO Director to the Chairmen of the House and Senate Budget Committees.

**(2)** The scorekeeping reports are used in determining whether a measure would violate Section 311 of the Budget Act by causing total budget authority or outlays to exceed, or total revenues to be below, the levels set in the budget resolution (see **Exhibit 7-A**).

**(3)** The scorekeeping reports take account only of legislation passed by Congress; they do not include pending measures, not even those whose enactment is expected.

**(4)** In the scorekeeping reports, "current level" includes both new legislation enacted during the session and revenue or spending resulting from existing law.

**(5)** The scorekeeping reports deal only with budget totals (total budget authority, total outlays, and so on) because there is no violation if Congress deviates from the functional allocations or from particular assumptions used in the budget resolution.

**DOCUMENT:** Remarks of Senator Domenici, "Budget Scorekeeping Report," in the Congressional Record of October 14, 1986 at page S 16245.

● **Mr. DOMENICI. Mr. President, I hereby submit to the Senate the budget scorekeeping report for this week, prepared by the Congressional Budget Office in response to section 308(b) of the Congressional Budget Act of 1974, as amended. This report also serves as the scorekeeping report for the purposes of section 311 of the Budget Act.**

**The report follows:**

1

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
*Washington, DC, October 14, 1986.*

Hon. PETE V. DOMENICI
*Chairman, Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The attached report shows the effects of Congressional action on the budget for fiscal year 1987. The estimated totals of budget authority, outlays, and revenues are compared to the appropriate or recommended levels contained in the most recent budget resolution, Senate Concurrent Resolution 120. This report meets the requirements for Senate scorekeeping of section 5 of Senate Concurrent Resolution 32 and is current through October 10, 1986. The report is submitted under section 308(b) and in aid of section 311 of the Congressional Budget Act, as amended.

2

Since my last report Congress has completed action on the Omnibus Veterans Benefits Improvement and Health Care Authorization Act, H.R. 5299, changing outlay estimates for 1987. This bill included an increase in veterans compensation that is contingent on other legislation being enacted. The cost of this provision is not reflected in this report.

3

With best wishes,
Sincerely,
RUDOLPH G. PENNER.

CBO WEEKLY SCOREKEEPING REPORT FOR THE U.S. SENATE, 99TH CONGRESS, 2D SESSION AS OF OCTOBER 10, 1986

[Fiscal year 1987—in billions of dollars]

4

| | Cureent level [1] | Budget resolution S. Con Res. 120 | Current level +/− resolution |
|---|---|---|---|
| Budget authority | 634.0 | 1,093.4 | −459.4 |
| Outlays | 734.5 | 995.0 | −260.5 |
| Revenues | 857.7 | 852.4 | 5.3 |
| Debt subject to limit | 2,111.0 | [2] 2,322.8 | −211.8 |
| Direct loan obligations | 20.4 | 34.6 | −14.1 |
| Guaranteed loan commitments | 33.1 | 100.8 | −67.7 |

5

**THE RECONCILIATION PROCESS: RULES AND PROCEDURES**

**(1)** Reconciliation is an optional procedure; it is used principally to reduce the deficit by raising revenues or cutting expenditures through changes in existing law. The process of making these changes in law begins with reconciliation directives in the budget resolution.

**(2)** The reconciliation directives to designated committees specify the amounts by which budget authority, entitlements, direct or guaranteed loans, revenues, or the public debt are to be changed. They do not mention the programs or laws to be changed, only dollar amounts.

**(3)** Section 310 refers to "changes"; these can be either revenue or expenditure increases or decreases. The thrust of the reconciliation process has been to reduce the deficit, but it could also be used for tax cuts or spending increases.

**(4)** When more than one committee in each House receives reconciliation directives, the Budget Committees usually combine the recommendations of the various committees into an omnibus reconciliation bill. In some years, however, a number of separate reconciliation bills have been considered.

**(5)** The Budget Committees may not make substantive revisions in the recommendations made pursuant to reconciliation directives, but these recommendations can be amended on the floor.

**DOCUMENT:** Congressional Budget Act of 1974, Section 310 (a) and (b).

RECONCILIATION

1 SEC. 310. (a) INCLUSION OF RECONCILIATION DIRECTIVES IN CONCURRENT RESOLUTIONS ON THE BUDGET.—A concurrent resolution on the budget for any fiscal year, to the extent necessary to effectuate the provisions and requirements of such resolution, shall—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years; 2

(C) new entitlement authority which is to become effective during such fiscal year; and

(D) credit authority for such fiscal year, contained in laws, bills, and resolutions within the jurisdiction of a committee is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

3 (2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amounts by which the statutory limit on the public debt is to be changed and direct the committee having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

(b) LEGISLATIVE PROCEDURE.—If a concurrent resolution containing directives to one or more committees to determine and recommend changes in laws, bills, or resolutions is agreed to in accordance with subsection (a), and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House reconciliation legislation containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House reconciliation legislation carrying out all such recommendations without any substantive revision. 4 5

## RECONCILIATION DIRECTIVES

**(1)** The reconciliation directives usually set a deadline for committees to report their recommendations. There is no penalty for failure to meet the deadline, and in some years the deadline has been missed or postponed.

**(2)** Separate instructions are issued to each committee named in the directives. The number of committees varies from year to year, depending on the scope of the changes sought through the reconciliation process.

**(3)** Section 401(c)(2)(C) of the 1974 Budget Act refers to entitlements. The main objective of reconciliation in recent years has been to reduce spending on entitlements.

**(4)** The savings are computed in terms of baseline projections; that is, as reductions in the amounts that would be spent if existing law were not changed. For this reason, it is possible for spending to rise even when savings are achieved.

**(5)** Separate savings directives are issued for each of the three fiscal years covered by the budget resolution. Separate amounts are also specified for budget authority, outlays, and for any of the other items subject to reconciliation. The designated committee has to meet each of these directives.

**DOCUMENT:** House Report No. 99-664 (conference report to accompany S.Con.Res. 120, Concurrent Resolution on the Budget--FY 1987). June 26, 1987, page 11.

**RECONCILIATION**

1 — **Sec. 2. (a) Not later than July 25, 1986, the committees named in subsections (b) through (t) of this section shall submit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.**

**HOUSE COMMITTEES**

2 — (b) The House Committee on Agriculture shall report (1) changes in laws within its jurisdiction which provide spending authority, as 3 — defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combi- 4 — nation thereof, as follows: decrease budget authority by $55,000,000 and outlays by $555,000,000 in fiscal year 1987; decrease budget authority by $49,000,000 and outlays by $549,000,000 in fiscal year 1988; and decrease budget authority by $43,000,000 and outlays by $543,000,000 in fiscal year 1989.

(c) The House Committee on Banking, Finance, and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: increase budget authority by $642,000,000 and decrease outlays by $1,658,000,000 in fiscal year 1987; outlays by $523,000,000 in fiscal year 1988; and increase budget authority by $164,000,000 and decrease outlays by $546,000,000 in fiscal year 1989.

(d) The House Committee on Education and Labor shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction which provide spending authority other than as defined in section 401(c)(2)(C) of 5 — the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $25,000,000 and outlays by $604,000,000 in fiscal year 1987; decrease budget authority by $150,000,000 and outlays by $449,000,000 in fiscal year 1988; and decrease budget authority by $250,000,000 and outlays by $141,000,000 in fiscal year 1989.

## PROGRAM ASSUMPTIONS IN THE RECONCILIATION PROCESS

(1) The program assumptions do not appear in the budget resolution--they usually are discussed in the Budget Committee reports accompanying the resolution--but they underlie the savings set forth in the reconciliation directives and are used in assessing compliance with the directives. As noted in the previous exhibit, the savings represent the amounts by which spending would be reduced below the baseline.

(2) While the program assumptions are not binding on committees--they can recommend alternative savings--these assumptions usually influence the changes in existing law made in reconciliation bills.

(3) In the reconciliation process, increased user fees, revenue from asset sales, and increases in other offsetting receipts are classified as savings. Committees can sometimes avoid program cutbacks by recommending increased fees or asset sales, as shown in this exhibit.

(4) The subtotal for each committee is the same amount as the savings sought in the reconciliation directive.

(5) The baseline is used in computing the savings that would ensue from committee recommendations. The savings are the difference between the baseline and the amount recommended by the committee. Note that these savings are close to the amount assumed in the top part of this exhibit for the Agriculture, Nutrition, and Forestry Committee. The amounts differ because the reconciliation savings are by committee while the recommendations here are by budget function.

**DOCUMENT:** Senate Report No. 99-264 (report of the Senate Budget Committee on S.Con.Res. 120, Concurrent Resolution on the Budget--FY 1987). March 24, 1986, pages 77 and 127.

1

### DETAIL OF RECONCILIATION SPENDING SAVINGS IN BUDGET RESOLUTION BY SENATE COMMITTEE [1]

[In millions of dollars]

2

| Senate committee/function/program | FY 1987 | | FY 1988 | | 1989 | |
|---|---|---|---|---|---|---|
| | BA | O | BA | O | BA | O |
| Agriculture, Nutrition, and Forestry: | | | | | | |
| 300: Forest Service fees | −10 | −10 | −12 | −12 | −17 | −17 |
| 350: Tobacco program improvements | −70 | −70 | −230 | −230 | −290 | −290 |
| 450: Rural development insurance fund loan asset sales | −55 | −55 | −49 | −49 | −43 | −43 |
| Subtotal | −135 | −135 | −291 | −291 | −350 | −350 |
| Armed Services: | | | | | | |
| 270/950: Sell the Naval Petroleum Reserve | | | −1,623 | −1,579 | | |
| 050: Third-party reimbursement | −16 | −16 | −73 | −73 | −123 | −123 |
| Subtotal | −16 | −16 | −1,696 | −1,652 | −123 | −123 |
| Banking, Housing, and Urban Affairs: | | | | | | |
| 370: Rural housing insurance fund | −794 | −394 | −722 | −948 | −634 | −511 |
| 450: CDBG Section 108 | −58 | −56 | −104 | −94 | −131 | −106 |
| 500: College housing loans | | −290 | | −135 | | |
| Subtotal | −852 | −740 | −826 | −1,177 | −765 | −617 |

3

4

### Function 350: AGRICULTURE

#### FUNCTION 350 SPENDING PROJECTIONS

[In billions of dollars]

5

| | | FY 1986 | FY 1987 | FY 1988 | FY 1989 |
|---|---|---|---|---|---|
| Baseline | BA | 31.6 | 23.9 | 26.5 | 25.6 |
| | O | 30.8 | 23.7 | 25.2 | 21.9 |
| Committee recommendation | BA | 31.6 | 23.8 | 26.1 | 25.3 |
| | O | 30.8 | 23.5 | 24.9 | 21.6 |

**OMNIBUS BUDGET RECONCILIATION BILL**

**(1)** Nongermane matters (not related to the savings sought in reconciliation directives) are frequently inserted into the omnibus reconciliation bill. This provision exempts a particular account from sequestration under the Gramm-Rudman-Hollings Act. The Senate included in reconciliation legislation enacted in 1986 provisions aimed at curbing the inclusion of extraneous matter in reconciliation measures.

**(2)** Reconciliation bills sometimes have provisions that increase expenditures. This provision repealed savings enacted in a previous reconciliation bill. To meet reconciliation directives, increased spending has to be offset by additional cutbacks, so that the net savings equal the amount specified in the reconciliation directives.

**(3)** This provision was scored as savings even though it did not actually reduce expenditures. It advanced the scheduled fiscal year 1987 revenue sharing payment to fiscal year 1986.

**(4)** This provision counts savings enacted in another law as if they were included in the reconciliation bill.

**DOCUMENT:** Public Law 99-509, Omnibus Budget Reconciliation Act of 1986, Sections 7002-7005.

1

***SEC. 7002. EXEMPT PROGRAMS AND ACTIVITIES.***

*(a) IN GENERAL.—Section 255(g)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)) is amended by inserting after the item relating to Compensation of the President the following new item:*

*"Dual benefits payments account (60-0111-0-1-601);".*

*(b) APPLICATION.—The amendment made by subsection (a) shall apply to fiscal years beginning after September 30, 1986.*

***SEC. 7003. COMPUTATION OF RETIREMENT ANNUITY FOR PART-TIME EMPLOYMENT.***

*(a)(1) Subsection (b) of section 15204 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272; 100 Stat. 335) is repealed.* 2

*(2) The provision of title 38, United States Code, that was repealed by such subsection is revived.*

*(b) Subsection (c) of section 15204 of such Act is redesignated as subsection (b).*

*(c) This section is effective with respect to individuals who retire after September 19, 1986.*

***SEC. 7004. REVENUE SHARING PAYMENTS.***

3 *Notwithstanding section 6702(b) of title 31, United States Code, the Secretary of the Treasury shall make the installment payment of revenue sharing funds under chapter 67 of such title that is otherwise required to be paid on or before October 5, 1986, by no later than September 30, 1986.*

***SEC. 7005. HIGHER EDUCATION SAVINGS.***

*For the purpose of complying with the instructions set forth in the concurrent resolution on the budget for the fiscal year 1987 (S. Con. Res. 120, 99th Congress, agreed to June 27, 1986), the provisions of the bill, S. 1965, as passed by the House of Representatives on September 24, 1986, as passed by the Senate on September 25, 1986, and submitted to the President, shall be treated as if they were included in this Act.* 4

## VIII. DEFICIT-REDUCTION PROCEDURES (THE GRAMM-RUDMAN-HOLLINGS ACT)

The Balanced Budget and Emergency Deficit Control Act of 1985, commonly referred to as the Gramm-Rudman-Hollings Act, establishes procedures for annual reductions in the budget deficit leading to its elimination by fiscal year 1991. The Act sets forth the maximum deficit for each of fiscal years 1987-1991 and provides for elimination of any excess deficit through the sequestration of funds. Sequestration is a process by means of which certain budgetary resources are cancelled.

A number of programs (including interest, Social Security, Federal military and civilian retirement, veterans' compensation and pensions, Medicaid, AFDC, SSI, WIC, and food stamps) are not subject to sequestration. Congress has modified the list of exempted programs several times. The deficit-reduction process would not operate in wartime, and it may be suspended by Congress in case of recession.

### Maximum Deficit Levels

The Act sets the following maximum deficit for each fiscal year from 1986 through 1991:

| Fiscal Year | Maximum Deficit |
|---|---|
| 1986 | 171.9 billion |
| 1987 | 144 billion |
| 1988 | 108 billion |
| 1989 | 72 billion |
| 1990 | 36 billion |
| 1991 | 0 |

The President is barred from submitting a budget with a deficit in excess of these amounts. Congress is barred from adopting a budget resolution with a deficit in excess of these levels.

It should be noted, however, that these requirements pertain to the deficit <u>estimated</u> for a fiscal year according to the procedures of the Gramm-Rudman-Hollings Act. There would be no violation of the Act if the <u>actual</u> (but not the estimated) deficit were to exceed the maximum.

If the deficit were estimated to exceed the maximum level by more than $10 billion in any of fiscal years 1987-1990, special deficit-reduction procedures, known as sequestration, would be activated. These procedures would be activated by any excess deficit for fiscal year 1991.

**Deficit-Reduction Timetable**

**Exhibit 8-A** sets forth the timetable for estimating the deficit and sequestering funds. The process begins with a joint report issued by the Directors of the Office of Management and Budget and the Congressional Budget Office This report estimates the deficit for the ensuing fiscal year on the basis of projected economic conditions and estimates of the "budget base" (sometimes referred to as the "Gradison baseline")--the amounts of revenues and outlays for the next fiscal year. The joint report calculates the percentages and amounts of reduction, if any, necessary to eliminate any excess deficit. If the OMB and CBO Directors do not agree on the estimates, they average their estimates in the joint report.

The budget base generally assumes that current laws will continue in effect and that expiring laws or provisions will terminate as scheduled. For appropriated accounts, the base assumes the amount enacted for the fiscal year. (If the regular appropriations acts, or a full-year continuing appropriations act, have not been enacted yet, it assumes the amounts appropriated for the previous year.)

The Gramm-Rudman-Hollings Act initially provided for the joint OMB/CBO report to be reviewed by the Comptroller General, who would issue his own report; the sequester order would be based on the amounts and percentages set forth in his report. But in 1986, the Supreme Court ruled that the role of the Comptroller General was in violation of the Constitution's separation-of-powers doctrine. Because of this ruling, Congress has resorted to a "fallback" procedure provided in the Act under which cuts can be triggered by a joint resolution (based on the OMB/CBO joint report) passed by Congress and signed into law by the President. **Exhibit 8-B** displays the joint resolution enacted in fiscal year 1986.

The next step in the process is the issuance of the sequester order by the President (see **Exhibit 8-C**). The President is required to sequester the amounts provided in the OMB/CBO report, as set forth in (or ratified by) the joint resolution passed by Congress. He may not alter any of these amounts.

The initial sequester order is issued on September 1, one month prior to the start of the fiscal year to which it applies. During this month, Congress may consider alternative deficit reductions. If Congress enacted reductions during this month that eliminated the excess deficit or reduced it below $10 billion, the sequester order would not take effect. If Congress enacted reductions, but an excess deficit greater than $10 billion remained, the reductions in the sequester order would be reduced accordingly.

OMB and CBO issue a revised report on October 5, shortly after the fiscal year has started. This revised report would reestimate the deficit on the basis of any action taken by Congress (or the Administration) subsequent to the joint report of August 20. The revised report would use the same economic assumptions used in the August 20 report.

The President's order would take effect on October 15 and all sequestered budgetary resources would be cancelled.

**Computing the Reductions**

The Gramm-Rudman-Hollings Act requires that outlays be reduced by an amount that would eliminate any excess deficit. One half of the reductions are to be made in the defense function, the other half in nondefense programs. **Exhibit 8-D** shows how the required reductions are equally divided between defense and nondefense spending.

The Act originally required that in any year that funds are sequestered, any automatic cost-of-living increases in pensions for Federal civilian and military retirees be cancelled. Half of the savings due to this cancellation would be credited as defense reductions, and half as nondefense reductions. Late in 1986, Congress exempted these expenditures from any future sequestration.

**Exhibit 8-E** goes through the separate computation for defense and nondefense programs. Because the amounts of sequesterable budgetary resources differ, the percentage reduction required in defense programs differs from the nondefense percentage.

Although the aim is to reduce outlays, the computations are made in terms of budgetary resources--principally new budget authority and (for defense) unobligated balances of budget authority provided in previous years. Because these budgetary resources are sequestered, any reduction in outlays (and, hence, in the deficit) is made indirectly by cancelling budgetary resources that would lead to outlays.

After the percentage reduction has been computed, the reduction is made uniformly in each account, and within each account, to each program, project, and activity (PPA). The definition of PPAs varies among Federal agencies. For most accounts, PPAs are defined by annual appropriations acts and the accompanying reports and documentation; for accounts where funding is provided by means other than annual appropriations, PPAs are defined as the listings of programs for the account in the Budget Appendix. These computations are shown in **Exhibits 8-F and 8-G**, respectively.

**Documents**

The initial and final reports on sequestration, prepared jointly by OMB and CBO, are printed in the Federal Register. (The Comptroller General, whose role in triggering the sequestration process was invalidated by the 1986 ruling of the Supreme Court, may issue upon congressional request an advisory report in the form of a GAO Report to Congress.) If the Temporary Joint Committee on Deficit Reduction reports a sequester resolution, it issues accompanying House and Senate reports. If the President is required to issue a sequester order, the order is printed in the Federal Register. If Federal agencies are directed to report to Congress on their implementation of a sequester order, a compilation of agency reports may be published as House or Senate documents. Following the implementation of a sequester order, the Comptroller General submits a Compliance Report to Congress.

## TIMETABLE OF DEFICIT-REDUCTION PROCEDURES

(1) The deficit-reduction process begins with a joint OMB/CBO report estimating the deficit for the next fiscal year. The report projects relevant economic conditions for the fiscal year and estimates the revenue and spending that will ensue under these conditions. If the OMB and CBO Directors cannot agree on the estimates, they average their estimates in the joint report.

(2) This step has been ruled unconstitutional by the Supreme Court as a violation of the separation-of-powers doctrine. The Gramm-Rudman-Hollings Act provided a fallback procedure in case this provision was ruled unconstitutional.

(3) The President's order may not alter any of the amounts set forth in the previous step. Under the fallback procedure, this order is based on a joint resolution enacted into law.

(4) The Act allowed a month's interval between issuance of the initial order and its effective date, during which Congress can pass alternative deficit reductions.

(5) Funds sequestered at the start of the fiscal year are withheld from obligation until the final order is issued on October 15.

(6) The revised OMB/CBO report adjusts the deficit estimates for legislation enacted and regulations issued after submission of the initial report on August 20. The revised report uses the same economic assumptions as the initial report.

(7) The final order carries out, without change, the reductions set forth in the previous report or in the (fallback) joint resolution approved by Congress.

**DOCUMENT:** Congressional Research Service. Explanation of the Balanced Budget and Emergency Deficit Control Act of 1985. Report No. 85-1130 GOV. February 1986, page 5.

| | FY 1987-91 | | |
|---|---|---|---|
| 1 | Aug. 20 | OMB/CBO deficit and sequestration report to GAO | |
| | Aug. 25 | GAO report to President and Congress on deficit and sequestration amounts | 2 |
| 3 | Sept. 1 | President's initial sequestration order based on GAO report | |
| | September | Congress may consider deficit reductions under regular procedures | 4 |
| 5 | Oct. 1 | President's order takes effect. In fiscal 1986, the budget authority and other funds are cancelled on March 1; in subsequent years, these funds are withheld from obligation as of October 1. | |
| | Oct. 5 | Revised OMB/CBO report to take account of actions since Aug. 20 report | 6 |
| 2 | Oct. 10 | Revised GAO report to President | |
| 7 | Oct. 15 | Final sequestration order takes effect and funds are cancelled | |
| | Nov. 15 | GAO issues compliance report | |

**CONGRESSIONAL ACTION ON SEQUESTRATION**

**(1)** In 1986, Congress used the Gramm-Rudman-Hollings "fallback" procedure to ratify the fiscal year 1986 sequestrations that had been made before the Supreme Court invalidated the role of the Comptroller General. In this instance, the fallback procedure was used "after the fact" to ratify sequestrations ordered previously. However, the primary purpose of the fallback procedure is to trigger the sequestration process.

**(2)** The Temporary Joint Committee on Deficit Reduction formed pursuant to the fallback procedure consists of the entire membership of the House and Senate Budget Committees. Its sole responsibility is to report a joint resolution setting forth the reductions specified in the joint OMB/CBO report.

**(3)** Sequestration is triggered if the joint resolution is passed by Congress and signed into law by the President. Pursuant to enactment of the joint resolution, the President must issue a sequester order implementing the reductions.

**DOCUMENT:** H.J.Res. 676 (99th Congress), as reported to the House of Representatives.

99TH CONGRESS
2D SESSION

# H. J. RES. 676

**[Report No. 99–694]**

1 — Ratifying and affirming the report of January 15, 1986, of the Director of the Office of Management and Budget and the Director of the Congressional Budget Office with respect to fiscal year 1986.

---

IN THE HOUSE OF REPRESENTATIVES

JULY 17, 1986

Mr. GRAY of Pennsylvania, from the Temporary Joint Committee on Deficit Reduction, reported the following joint resolution; which was committed to the Committee of the Whole House on the State of the Union and ordered to be printed — 2

## 3 — JOINT RESOLUTION

Ratifying and affirming the report of January 15, 1986, of the Director of the Office of Management and Budget and the Director of the Congressional Budget Office with respect to fiscal year 1986.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* The Congress hereby ratifies and affirms as law the report of the Directors of the Congressional Budget Office and the Office of Management and Budget, issued on January 15, 1986 pursuant to section 251(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 (51 Fed. Reg. 1918–2336 (1986)).

## PRESIDENTIAL SEQUESTER ORDER

(1) In 1986 (the only fiscal year for which sequestration has been implemented), the President's initial order was issued pursuant to the report of the Comptroller General. If sequestration were made in the future, the President's order would be issued pursuant to a joint resolution enacted into law.

(2) For national defense, sequestration applies both to new budget authority and to unobligated balances; it does not apply to obligated balances.

(3) For nondefense resources, sequestration applies to new budget authority, new direct loan obligations, new loan guarantee commitments, and to obligation limitations. It does not apply to either obligated or unobligated balances.

(4) An equal percentage of budgetary resources is sequestered for each defense program, project, and activity. A uniform percentage is also taken from each nondefense program, project, and activity. (Certain exceptions were provided to the uniform sequestration requirement in fiscal year 1986.)

(5) When the final sequestration order is issued, the cancelled budgetary resources are no longer available. For fiscal year 1986, the initial sequester order also served as the final sequester order.

**DOCUMENT:** Federal Register, Vol. 51, No. 23, Tuesday, February 4, 1986, pages 4291 and 4292.

**Order of February 1, 1986**

### Emergency Deficit Control Measures for Fiscal Year 1986

1 — By the authority vested in me as President by the statutes of the United States of America, including section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (hereafter referred to as "the Act"), I hereby order that the following actions be taken immediately to implement the required sequestration or reduction determined by the Comptroller General in his report dated January 21, 1986, under section 251 of the Act:

* * * * *

2 — (2) New budget authority and unobligated balances amounts for major National Defense functional category (050) are sequestered according to the procedures set forth in section 252(a)(2) of the Act.

3 — (3) For non-defense accounts in the Federal budget, the following are sequestered: new budget authority, new loan guarantee commitments, new direct loan obligations, and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974, as amended, and the reduction of obligation limitations, for each account and for each program, project, and activity, as defined pursuant to section 252(a)(1)(B)(i) of the Act, or each budget account activity as defined pursuant to section 252(a)(1)(B)(ii) of the Act.

* * * * *

4 — Also, the head of each Department or agency shall report the programs, projects, and activities information required by section 252(a)(5) (A) and (B) to the President of the Senate, the Speaker of the House, the Director of the Office of Management and Budget, and the Comptroller General, as instructed by the Director of the Office of Management and Budget in Bulletin No. 86-7. For those programs in the National Defense function that have already been reported by program, project, and activity, no additional report is necessary. The reports of the Departments and agencies are hereby incorporated in this Order.

* * * * *

5 — In accordance with section 252(a)(6)(A), amounts suspended, sequestered or reduced under this Order shall be withheld from obligation and amounts suspended or sequestered shall be permanently cancelled as of March 1, 1986, unless alternative legislation is enacted prior to that date.

## REPORT ON REQUIRED REDUCTIONS

(1) The required reductions are computed by averaging any differences between the OMB and CBO estimates.

(2) If the excess deficit is more than $10 billion above the maximum amount in fiscal years 1987-1990, the entire excess is to be eliminated by the sequestration process. If the excess deficit is less than $10 billion, sequestration would not occur.

(3) The required deficit reduction is equally applied to defense and nondefense spending. However, the percentage taken from defense and nondefense programs is likely to differ because the size of the two categories is unequal.

(4) The automatic spending increases consist of cost-of-living increases in retirement payments and certain other indexed increases. Since this report was issued, most retirement programs have been exempted from sequestration.

(5) As shown in the next exhibit, the remaining reduction is achieved by computing percentage reductions for defense and nondefense programs.

**Table C-1: Summary of Required Reductions**
(In billions of dollars)

| | OMB | CBO | Results of Averaging |
|---|---|---|---|
| Total Budget Revenue | 774.9 | 777.2 | 776.0 |
| Total Budget Outlays | 994.9 | 998.0 | 996.5 |
| Budget Deficit | 220.1 | 220.9 | 220.5 |
| Maximum Deficit Amt. | 171.9 | 171.9 | 171.9 |
| Deficit Excess | a | a | 48.6 |
| Required Outlay Reduction: | | | |
| Defense | 5.850 | 5.850 | 5.850 |
| Non-defense | 5.850 | 5.850 | 5.850 |
| Total | 11.700 | 11.700 | 11.700 |
| Reductions from Automatic Spending Increases: | | | |
| Defense Retirement | 0.496 | 0.497 | 0.497 |
| Non-defense: | | | |
| Retirement | 0.496 | 0.497 | 0.497 |
| Other | 0.045 | 0.045 | 0.045 |
| Subtotal | 0.541 | 0.542 | 0.542 |
| Remaining Reduction Required | | | |
| Defense | 5.354 | 5.353 | 5.353 |
| Non-defense | 5.309 | 5.308 | 5.308 |

1

2

3

4

5

**DOCUMENT:** General Accounting Office. Budget Reductions for FY 1986. Report No. GAO/OCG-86-1. January 21, 1986, page 48.

## COMPUTATION OF PERCENTAGE REDUCTIONS

(1) Note that separate computations are made for the defense and nondefense portions of the budget. Defense corresponds generally to function 050 in the budget. Everything else is categorized as nondefense.

(2) The defense budget authority consists of new budget authority and unobligated balances. Obligated balances are not included, but the Act permits (under certain rules) savings from the modification or termination of prior-year contracts to be applied to the required defense reduction.

(3) This uniform percentage is taken from all defense programs, projects, and activities (PPAs). There are more than 4,000 defense PPAs, each of which would have to be cut an equal percentage.

(4) Special rules limit the amount (or percentage) of reduction in Medicare and a number of other programs. The savings from application of these rules are deducted from the required nondefense reduction before computing the uniform percentage.

(5) Sequesterable nondefense resources are new budget authority, direct and guaranteed loans, and obligation limitations. In addition to the exclusion of both obligated and unobligated balances, the Gramm-Rudman-Hollings Act exempts a number of major programs (with fiscal year 1986 outlays in excess of $400 billion) from sequestration.

(6) This uniform percentage is applied to all new budget authority and other budgetary resources of nondefense programs not subject to special rules and not exempt from sequestration.

**DOCUMENT:** General Accounting Office. Budget Reductions for FY 1986. Report No. GAO/OCG-86-1. January 21, 1986, pages 50 and 51.

1

**Table C-2: Computation of Defense Percentage Reduction**
(dollars in billions)

| | OMB | CBO | Results of Averaging | GAO |
|---|---|---|---|---|
| Remaining Reduction Required ($) | 5.4 | 5.4 | 5.4 | 5.4 |
| Outlays from Sequesterable Budget Authority and Unobligated Balances ($) | 106.2 | 112.4 | 109.3 | 110.3 |
| Percentage Reduction Required | 5.0 | 4.8 | 4.9 | 4.9 |

2

3

1

**Table C-3: Computation of Non-defense Percentage Reduction**
(Dollars in billions)

| | OMB | CBO | Results of Averaging | GAO |
|---|---|---|---|---|
| Remaining Reduction Required ($) | 5.3 | 5.3 | 5.3 | 5.3 |
| Reduction under Special Rules ($) | 0.4 | 0.4 | 0.4 | 0.4 |
| Remaining Reduction($) | 4.9 | 4.9 | 4.9 | 4.9 |
| Outlays from Sequesterable Budget Resources ($) | 114.4 | 115.1 | 114.8 | 115.2 |
| Percentage Reduction Required | 4.3 | 4.3 | 4.3 | 4.3 |

4

5

6

## SEQUESTRATION BY ACCOUNT

**(1)** The sequester baseline (also known as the Gradison baseline) generally assumes that current revenue and entitlement laws will continue in effect and that expiring provisions will terminate as scheduled. The baseline assumes the amounts appropriated for the fiscal year; if the regular appropriations acts, or a full-year continuing appropriations act, have not been enacted, it is based on the previous year's appropriations acts.

**(2)** The amount sequestered is a uniform percentage of the sequester baseline; in fiscal year 1986, it was 4.9 percent of defense sequesterable budgetary resources and 4.3 percent of nondefense sequesterable resources.

**(3)** Sequesterable budgetary resources include offsetting collections as well as direct loan obligations, loan guarantee commitments, and limitations on the amount that may be obligated.

**(4)** The amount of outlays saved is an estimate based on the amount of budgetary resources sequestered. This estimate is based on the "spendout" (or outlay) rate—the rate at which budget authority and other resources result in outlays.

**DOCUMENT:** Federal Register, Vol. 51, No. 10, Wednesday, January 15, 1986, pages 2022 and 2023.

O M B Central Budget Management System PAGE 81
BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985
Sequestration Report
(FY 1986 dollars in thousands)
2 Percentages Used: Non-Defense - 4.3, Defense - 4.9

Sequester Baseline 1

| Account Title, Category | OMB | CBO | Average | Sequester |
|---|---|---|---|---|
| Department of Justice | | | | |
| * * * * * | | | | |
| Office of Justice Programs | | | | |
| Justice assistance | | | | |
| (11-21-0401 -X-1-754-A; 15-0401) | | | | |
| Budget Authority | 203,982 | 203,982 | 203,982 | 8,771 |
| Unobligated Balances - Admin. | 3,443 | 3,443 | 3,443 | 148 |
| Outlays | 74,249 | 77,692 | 75,971 | 3,267 |
| Revolving fund | | | | |
| (11-21-4169 -X-3-754-A; 15-4169) | | | | |
| 401(C) Authority - Off. Coll. | 0 | 0 | 0 | 0 |
| Outlays | 0 | 0 | 0 | 0 |
| Crime Victims Fund | | | | |
| (11-21-5041 -X-2-754-A; 15-5041) | | | | |
| 401(C) Authority | 100,000 | 100,000 | 100,000 | 4,300 |
| Office of Justice Programs | | | | |
| Total | | | | |
| Budget Authority | 203,982 | 203,982 | 203,982 | 8,771 |
| 401(C) Authority | 100,000 | 100,000 | 100,000 | 4,300 |
| 401(C) Authority - Off. Coll. | 0 | 0 | 0 | 0 |
| Unobligated Balances - Admin. | 3,443 | 3,443 | 3,443 | 148 |
| Outlays | 74,249 | 77,692 | 75,971 | 3,267 |
| Department of Justice | | | | |
| Total | | | | |
| Budget Authority | 3,978,845 | 3,978,845 | 3,978,845 | 171,080 |
| 401(C) Authority | 100,000 | 100,000 | 100,000 | 4,300 |
| 3 401(C) Authority - Off. Coll. | 37,086 | 37,086 | 37,086 | 1,595 |
| Obligation Limitation | 2,102 | 2,102 | 2,102 | 90 |
| Unobligated Balances - Admin. | 3,443 | 3,443 | 3,443 | 148 |
| Outlays | 3,269,493 | 3,388,620 | 3,329,057 | 143,149 |

4

## SEQUESTRATION BY PROGRAM, PROJECT, AND ACTIVITY (PPA)

**(1)** A program, project, or activity (PPA) is a discrete item within an appropriation account. A uniform percentage is sequestered from each PPA, though for fiscal year 1986 the Defense Department was given some flexibility which allowed it to sequester less from some PPAs by sequestering more from other PPAs within the same account.

**(2)** The definition of program, project, and activity varies among Federal agencies. For fiscal year 1986, PPAs were defined in the conference report on the Continuing Appropriations Act, Public Law 99-180.

**(3)** This account consists of ten PPAs. The amount sequestered is a uniform percentage of each PPA's base.

**(4)** In this instance, reductions in unobligated balances for administrative expenses were not reflected in the agency's report on PPAs (see **Exhibit 8-F**), because the Comptroller General concluded that they had been improperly included in the OMB/CBO report.

**DOCUMENT:** House Document No. 99-160. Sequestration Order for Fiscal Year 1986. February 4, 1986, page 654.

1

**PROGRAM, PROJECT, ACTIVITY DETAIL**
**($000)**

**Agency:** Department of Justice
Office of Justice Programs
**Account Title:** Justice Assistance
**Account ID code:** 11-21-0401-X-1-754-A; 15-0401
**Source:** 1986 Appropriation Act, P.L. 99-180; Conference Committee Report 99-414 — 2

3

| Program, project, activity | Budgetary Resources: Base | Budgetary Resources: Sequester |
|---|---|---|
| 1. Research, Evaluation, and Demonstration Programs | $19,400 | $834 |
| 2. Criminal Justice Statistical Programs | 16,700 | 718 |
| 3. State and Local Assistance | 50,700 | 2,180 |
| 4. Emergency Assistance | 1,200 | 52 |
| 5. Juvenile Justice Programs | 67,600 a/ | 2,906 |
| 6. Missing Children | 4,000 | 172 |
| 7. Public Safety Officers' Benefits Program | 11,400 | 490 |
| 8. Mariel Cubans | 5,000 | 215 |
| 9. Regional Information Sharing System | 9,900 | 426 |
| 10. Management and Administration | 18,082 | 778 |
| Total | $203,982 | $8,771 |

4

# IX. IMPOUNDMENT

## Background and Procedures

An impoundment is an action or inaction by the President or a Federal agency that withholds or delays the obligation or expenditure of budget authority provided in law. The Impoundment Control Act (Title X of the Congressional Budget and Impoundment Control Act of 1974) divides impoundments into two categories and establishes distinct procedures for each. (**Exhibit 9-A** contains relevant provisions of this Act.) A deferral delays the use of funds; a rescission is a presidential request that Congress rescind (cancel) an appropriation or other form of budget authority. Deferral and rescission are exclusive and comprehensive categories: an impoundment is either a rescission or a deferral; it cannot be both or something else.

Although impoundments are defined very broadly by the Impoundment Control Act, in practice they are limited to major actions which affect the level or rate of expenditure. If every "action or inaction"--the phrase used in the Impoundment Control Act--that slowed the rate of expenditure were deemed to be an impoundment, there probably would be many thousands of impoundments every year. In fact, there usually are a few hundred. As a general practice, only deliberate curtailments of expenditure are reported as impoundments; actions having other purposes which incidently affect the rate of spending are not recorded as impoundments. For example, if an agency were to delay the award of a contract because of a dispute with a vendor, the delay would not be an impoundment; if the delay were for the purpose of reducing expenditure, it would be an impoundment. The line between "routine" administrative actions and impoundments is not clear and controversy occasionally arises as to whether a particular action constitutes an impoundment.

A particularly difficult-to-identify impoundment occurs when the rate or level of spending is deliberately slowed through indirect administrative means. For example, if an agency cuts the size of the staff processing grant applications it might spend less than the amount provided by Congress, even if it does not expressly impound the funds. These actions have come to be known as "de facto" impoundments.

Distinctions are sometimes drawn between policy deferral, whose purpose is to cutback the program level, and programmatic deferrals made pursuant to the Antideficiency Act, whose purpose is to save funds not spent because of efficient operations. Both types of deferrals are covered by the procedures of the Impoundment Control Act.

**Rescissions**

To propose a rescission, the President must submit a message to Congress specifying the amount to be rescinded, the accounts and programs involved, the estimated fiscal and program effects, and the reasons for the rescission. Multiple rescissions can be grouped in a single message. After the message has been submitted to it, Congress has 45 days of "continuous session" (usually a larger number of calendar days) during which it can pass a rescission bill. Congress may rescind all, part, or none of the amount proposed by the President. If Congress does not approve a rescission bill by the expiration of this period, the President must make the funds available for obligation and expenditure.

**Deferrals**

To propose a deferral, the President submits a message to Congress setting forth the amount, the affected account and program, the reasons for the deferral, the estimated fiscal and program effects, and the period of time during which the funds are to be deferred. (**Exhibit 9-B** shows a presidential deferral message.) The President may not propose a deferral for a period of time beyond the end of the fiscal year, nor may he propose a deferral that would prevent an agency from spending appropriated funds prudently. In accounts where unobligated funds remain available beyond the fiscal year, the President may defer the funds again in the next fiscal year.

The status of deferrals is uncertain at the present time. The Impoundment Control Act provides for the House or Senate to disapprove a deferral by adopting an "impoundment resolution." The Act requires the President to release deferred funds pursuant to adoption of an impoundment resolution. However, the Supreme Court has ruled that all legislative vetoes violate the constitutional separation of powers. A Federal appeals court has ruled that because Congress can no longer disapprove deferrals, the authority of the President to defer funds for policy reasons under the Impoundment Control Act has also terminated. At the time of this writing, the ruling has not yet been reviewed by the Supreme Court. The President can still make so-called programmatic deferrals permitted by the Antideficiency Act, but, as with policy deferrals, Congress may not disapprove such deferrals by means of the legislative veto.

The Comptroller General reviews all proposed rescissions and deferrals and advises Congress of their legality and possible budgetary and program effects. The Comptroller General also notifies Congress of any rescission or deferral not reported by the President and he may reclassify an improperly classified impoundment. (**Exhibit 9-C** contains an excerpt from a report of the Comptroller General.) In all cases, a notification to Congress by the Comptroller General has the same legal effect as an impoundment message of the President.

Congress can rescind funds or disapprove impoundments in ordinary legislation or in appropriations acts. (See **Exhibit 9-D** for this type of congressional action.)

If the President fails to release funds at the expiration of the 45-day period for proposed rescissions or pursuant to congressional disapproval of a deferral, the Comptroller General may bring suit to compel release of the funds. This has been a rare occurrence, however. (The authority of the Comptroller General to bring suit with respect to deferrals is under review, at the time of this writing, in light of the recent court rulings discussed above.)

**Documents**

Rescission and deferral messages of the President, as well as cumulative monthly reports on rescissions and deferrals prepared by the OMB Director, are printed as House documents; so, too, are reports from the Comptroller General dealing with impoundments. (Presidential impoundment messages, which usually deal with batches of rescissions and deferrals, are numbered consecutively; each GAO report refers to the appropriate presidential message number and deals only with the impoundments covered in that message. The standardized system of numbering messages and reports, and of consecutively numbering each rescission and deferral, makes it possible to track executive, legislative, and GAO actions in congressional documents.) To the extent that annual appropriations bills may deal with particular impoundments, the House and Senate Appropriations Committees include information on them in the reports accompanying the legislation.

## IMPOUNDMENT: DEFINITIONS AND PROCEDURES

(1) Reserves are funds withheld from apportionment by OMB. The Antideficiency Act permits reserves solely for contingencies or for savings made possible by efficiencies or changes in program requirements. Reserves have to be reported as deferrals.

(2) Deferral is broadly defined to cover any executive action or inaction that withholds or delays the use of funds. In practice, many routine administrative actions that delay expenditure are not reported as deferrals.

(3) Funds can be rescinded only by enactment of a rescission bill (or other legislation) repealing budget authority previously provided by Congress. The 45-day period for acting on a rescission bill excludes recesses in excess of 3 days. The 45-day period begins anew at the start of each session of Congress.

(4) The status of this provision has been called into question by a Supreme Court decision invalidating all legislative vetoes. Congress can disapprove deferrals in legislation; if it does so, it can disapprove all or part of the deferral.

(5) If Congress does not pass a rescission bill by the end of the 45-day period, the President must release the funds. The President may not continue to withhold the funds by proposing a new rescission or deferral. (In certain cases, Congress has acquiesced in having funds withheld after expiration of the 45 days.)

**DOCUMENT:** Impoundment Control Act of 1974, Sections 1011, 1012(b), and 1013(b).

### DEFINITIONS

SEC. 1011. For purposes of this part—

(1) "deferral of budget authority" includes— 1

(A) withholding or delaying the obligation or expenditure of budget authority (whether by establishing reserves or otherwise) provided for projects or activities; or

(B) any other type of Executive action or inaction which effectively precludes the obligation or expenditure of budget authority, including authority to obligate by contract in advance of appropriations as specifically authorized by law; 2

(2) "Comptroller General" means the Comptroller General of the United States; 3

(3) "rescission bill" means a bill or joint resolution which only rescinds, in whole or in part, budget authority proposed to be rescinded in a special message transmitted by the President under section 1012, and upon which the Congress completes action before the end of the first period of 45 calendar days of continuous session of the Congress after the date on which the President's message is received by the Congress;

(4) "impoundment resolution" means a resolution of the House of Representatives or the Senate which only expresses its disapproval of a proposed deferral of budget authority set forth in a special message transmitted by the President under section 1013: 4

* * * * *

SEC. 1012.

5 (b) REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.—Any amount of budget authority proposed to be rescinded or that is to be reserved as set forth in such special message shall be made available for obligation unless, within the prescribed 45-day period, the Congress has completed action on a rescission bill rescinding all or part of the amount proposed to be rescinded or that is to be reserved.

* * * * *

SEC. 1013.

(b) REQUIREMENT TO MAKE AVAILABLE FOR OBLIGATION.—Any amount of budget authority proposed to be deferred, as set forth in a special message transmitted under subsection (a), shall be made available for obligation if either House of Congress passes an impoundment resolution disapproving such proposed deferral. 4

## PRESIDENTIAL IMPOUNDMENT MESSAGES

**(1)** Every deferral (and rescission) has a unique number that identifies it in impoundment messages and reports. Deferrals are prefaced with the letter "D"; rescissions with the letter "R." This was the 67th deferral in fiscal year 1986.

**(2)** The Impoundment Control Act requires the President to notify Congress of any proposed rescission or deferral in a special message that sets forth the reasons for the proposal and the estimated fiscal and program effects. Presidential impoundment messages, which usually deal with batches of rescissions and deferrals, are numbered consecutively.

**(3)** The account symbol is part of the OMB identification code. The "x" designates these funds as no-year money that remains available until expended.

**(4)** Deferrals made pursuant to the Antideficiency Act generally differ from those made for policy reasons. The Antideficiency Act deferrals do not represent a change in the policy or program enacted (or assumed) by Congress.

**(5)** A deferral cannot be in effect beyond the fiscal year to which it applies. Hence, if the President wants to continue to withhold the funds in the next fiscal year, he has to submit a new deferral to Congress.

**DOCUMENT:** House Document No. 99-238. Deferrals (seventh special message for FY 1986). June 24, 1986, page 5.

Deferral No: D86-67 1

2 **DEFERRAL OF BUDGET AUTHORITY**
Report Pursuant to Section 1013 of P.L. 93-344

| | |
|---|---|
| AGENCY:<br>Department of Energy | P.L. 99-190 310,970,912<br>New budget authority..... $ 15,000,000<br>(P.L. 98-146) |
| Bureau:<br>Energy Programs | Other budgetary resources 40,169,853 |
| Appropriation title and symbol:<br><br>Fossil energy research and development 1/<br><br>3 89X0213 | Total budgetary resources 366,140,765<br><br>Amount to be deferred:<br>Part of year $_____<br>Entire year 499,812 |
| OMB identification code:<br>89-0213-0-1-271 | Legal authority (in addition to sec. 1013):<br>[X] Antideficiency Act 4<br>[ ] Other_____ |
| Grant program: [ ] Yes [X] No | |
| Type of account or fund:<br>[ ] Annual<br>[ ] Multiple-year _____ (expiration date)<br>[X] No-Year | Type of budget authority:<br>[X] Appropriation<br>[ ] Contract authority<br>[ ] Other_____ |

**Justification:** This account funds research and development activities in coal, petroleum and unconventional gas. The deferral represents recoveries of prior year obligations for projects and activities which have been completed or terminated. These funds cannot be effectively used this year and will be used to partially offset the 1987 appropriation request. This action is taken pursuant to the Antideficiency Act (31 U.S.C. 1512).

**Estimated Program Effect:** None

**Outlay Effect:** None

5

1/ This account was the subject of a similar deferral (D85-27A) and rescission proposals in 1985 (R85-84 and R85-85). It is the subject of an unrelated deferral in 1986 (D86-6).

Revised from previous report.

## GAO REVIEW OF IMPOUNDMENT MESSAGES

(1) The Impoundment Control Act requires the Comptroller General to review each presidential impoundment message and to notify Congress of the relevant facts and probable effects of each proposed rescission or deferral. The Comptroller General also informs Congress if, in his judgment, the President has failed to report or has improperly classified an impoundment.

(2) These are the same account titles, numbers, and amounts as appeared in the President's message. GAO reviews (in a single report to Congress) all the rescissions and deferrals contained in the same message.

(3) This Federal district court decision held that the President's power to defer funds under the Impoundment Control Act has been invalidated by a 1983 Supreme Court decision that the legislative veto is unconstitutional. A Federal appeals court has upheld the district court ruling. At the time of this writing, the Supreme Court has not yet ruled on the President's deferral power.

(4) If the Comptroller General finds that an impoundment has been erroneously classified, he revises the classification. In this case, the deferral was reclassified as a rescission, and the various procedures pertaining to rescissions were applied.

(5) Because of court decisions concerning the constitutionality of the legislative veto (and for other reasons as well), Congress now disapproves of deferrals in legislation or appropriations acts rather than in impoundment resolutions.

**DOCUMENT:** House Document No. 99-268. Review of Deferrals (review by Comptroller General of deferrals transmitted by the President in his seventh special message for FY 1986). September 22, 1986, pages 1 and 2.

COMPTROLLER GENERAL OF THE UNITED STATES,
*Washington, DC, September 19, 1986.*

B-220532
Hon. THOMAS P. O'NEILL, Jr.,
*Speaker of the House of Representatives.*

1 DEAR MR. SPEAKER: On June 24, 1986, the President's seventh special message for fiscal year 1986 was submitted to the Congress pursuant to the Impoundment Control Act of 1974. The President reported the following four deferrals, affecting budget authority made available to the Departments of Energy (DOE) and Health and Human Services (HHS): 2

| | | |
|---|---|---|
| D86-67 | DOE, Fossil Energy Research and Development | $499,812 |
| D86-68 | DOE, Energy Conservation | 287,488 |
| D86-69 | DOE, Strategic Petroleum Reserve | 636,973 |
| D86-70 | HHS, Health Care Financing Administration, program management | 45,000,000 |

Although these deferrals were reported on June 24, the withholding of the DOE funds was initially approved by the Office of Management and Budget (OMB) in April, according to apportionment schedules dated April 3, 1986. OMB officials told us that the delay in reporting was due to the Administration's decision to re-examine 3 each deferral in light of the decision in *New Haven* v. *United States*, No. 86-0455 (D.D.C. May 16, 1986).[1]

We have reviewed these four deferrals. We found that D86-70, classified by the President as a deferred, is a rescission. The enclosure provides all information we identified which we believe will be useful to the Congress in its examination of these impoundments. 4

Sincerely yours,

MILTON J. SOCOLAR
(For the Comptroller General of the United States).

Enclosure.

COMMENTS ON THE SEVENTH SPECIAL MESSAGE

DEPARTMENT OF ENERGY

D86-67 Energy Programs
Fossil energy research and development
Amount deferred: $499,812
89X0213

The message indicates that this account is the subject of a previous deferral this fiscal year, D86-6. (D86-6 was revised by D86-6A which increased the amount of the deferral.) The Urgent Supple- 5 mental Appropriations Act for fiscal year 1986, Pub. L. No. 99-349, July 2, 1986 (Urgent Supplemental), disapproved all but $2,607,000 of D86-6 and 6A. On July 22, 1986, OMB made available for obligation the amount disapproved. Consequently, the total amount deferred in this account is $3,106,812, the $499,812 reported as D86-67 and the $2,607,000 remaining from D86-6, 6A.

**CONTROL OF IMPOUNDMENTS IN APPROPRIATIONS ACTS**

**(1)** Congress can rescind appropriations in legislation or appropriations acts, without using the procedures of the Impoundment Control Act. In this case, Congress rescinded in a supplemental appropriations measure, not in a rescission bill, a portion of the appropriation made to the Small Business Administration.

**(2)** Congress can disapprove part or all of a deferral in an appropriations act. In disapproving $73.4 million of the proposed deferral of Small Business Administration funds, Congress allowed any remaining funds to be deferred.

**(3)** This paragraph disapproved the entire deferral D81-102 proposed by the President.

**DOCUMENT:** Public Law 97-12, Supplemental Appropriations and Rescission Act, 1981.

PUBLIC LAW 97-12—JUNE 5, 1981

**SMALL BUSINESS ADMINISTRATION**

**SALARIES AND EXPENSES**

1

**(RESCISSION)**

**Of the funds appropriated for the Small Business Administration, "Salaries and expenses" in Public Law 96-536, $700,000 are rescinded: *Provided,* That $8,500,000 shall be available for Small Business Development Centers for fiscal year 1981 pursuant to section 20(i)(6) of the Small Business Act, as amended.**

**BUSINESS LOAN AND INVESTMENT FUND**

**(DISAPPROVAL OF DEFERRAL)**

**The Congress disapproves $73,400,000 of the proposed deferral D81-41A relating to the Small Business Administration, "Business loan and investment fund" as set forth in the message of March 10, 1981, which was transmitted to the Congress by the President. This disapproval shall be effective upon the enactment into law of this bill.** 2

**SURETY BOND GUARANTEES REVOLVING FUND**

3

**(DISAPPROVAL OF DEFERRAL)**

**The Congress disapproves the proposed deferral D81-102 relating to the Small Business Administration, "Surety bond guarantees revolving fund" as set forth in the message of March 10, 1981, which was transmitted to the Congress by the President. This disapproval shall be effective upon the enactment into law of this bill.**

## X. MANAGING PUBLIC EXPENDITURES

The Federal Government has a decentralized and diversified system of expenditure management. The legal basis of managing and spending public funds is established by Congress when it makes appropriations (and provides other forms of budget authority) and when it passes laws prescribing the rules and procedures for financial management. As the President's staff agency for maintaining the executive budget process, the Office of Management and Budget has year-round responsibilities in overseeing the expenditure of funds. Agencies receiving appropriations and other financial resources from Congress have primary responsibility to ensure the legality and propriety of expenditure. The General Accounting Office is the accounting and auditing arm of the Federal Government. (**Exhibit 10-A** lists the main financial management responsibilities and activities in the Federal Government.)

A key requirement of expenditure management is that funds be used only for the purposes for which they were provided. This requirement is embodied in a number of statutes (excerpts of which are presented in **Exhibit 10-B**) which provide that expenditures and obligations may not exceed the appropriated amounts and that funds shall be applied only to the objects for which they were appropriated.

The Antideficiency Act requires that appropriated funds be apportioned among time periods during the fiscal year, or among the projects on which the funds are to be spent before they are made available for obligation (see **Exhibit 10-C**). The purpose of the apportionment process is to prevent agencies from spending at a rate that would exhaust their appropriations before the fiscal year has been completed. In some instances, the Antideficiency Act permits apportionment at a rate that would necessitate additional appropriations.

The apportionment process is managed by OMB, using the standard form displayed in **Exhibit 10-D.** Agency requests for apportionment are reviewed by OMB; any funds withheld from apportionment must be reported to Congress under the procedures of the Impoundment Control Act. OMB also receives monthly budget execution reports from Federal agencies (see **Exhibit 10-E**) showing the status of each appropriation or fund account. In addition to these reports, each agency maintains its own accounting and financial reporting system.

After funds have been apportioned, agencies are responsible for ensuring that funds are spent for authorized purposes. They normally make their own determinations concerning the propriety of expenditure, but from time to time they refer matters to the Comptroller General, who issues authoritative rulings. Excerpts from one such decision are provided in **Exhibit 10-F.**

Although most appropriations are made in broad categories, with a single appropriation often covering all of an agency's salaries and operating expenses, each appropriation is supported by detailed schedules of how the requested funds are to be spent. If an agency wants to spend for somewhat different purposes (within the same account) than were submitted to the Appropriations Committees, it reprograms the funds—that is, it shifts the money from one project or activity to another within the same account. Reprogramming rules and procedures vary among Appropriations subcommittees and Federal agencies. In some instances, prior approval is required before funds may be reprogrammed; in others, the relevant congressional committees must be notified in advance, but the reprogramming takes effect without express approval; in still others, Congress is notified of reprogrammings after they have been implemented. **Exhibits 10-G and 10-H** describe the various types of reprogramming actions taken in the Defense Department and provide an example of a reprogramming notification. (A shift between appropriation accounts is a transfer, and may be made only with statutory authorization.)

The obligation of funds is a key point in expenditure management. Once funds have been obligated, the ensuing outlay normally is a matter of administrative routine. Obligated funds carry over from year to year, even when the appropriation is made for a single fiscal year. **Exhibit 10-I** lists the types of actions constituting the obligation of funds.

Although they are not usually an effective point of financial control, outlays are an essential part of the expenditure management process. For one thing, the timing of outlays is important for cash and debt management by the Treasury; for another, the difference between outlays and receipts determines the size of the budget deficit (or surplus). The Treasury reports on outlays in its Monthly Treasury Statement and, after the close of the fiscal year, in its Combined Statement. (The Monthly Treasury Statement appears in **Exhibit 10-J.**)

The Federal Managers' Financial Integrity Act of 1982 (see **Exhibit 10-K**) makes agencies responsible for the adequacy of their internal accounting and control systems. Pursuant to this Act, the GAO reviews agency internal control systems and reports its findings to Congress. GAO also conducts audits, evaluations, and performance reviews of Federal programs (see **Exhibit 10-L**).

**Documents**

The management of public expenditures might be regarded as the "hidden side" of Federal budgeting. The data and forms used in apportioning and allotting funds, in keeping track of obligations and outlays, and in reprogramming funds are not published in a systematic fashion, although some are included in congressional hearings. As noted above, the Treasury Department issues the Monthly Treasury Statement and the annual Combined Statement, as well as other reports. The rulings of the Comptroller General regarding the availability of funds, the appropriateness of expenditure, and other matters are compiled in Decisions of the Comptroller General, published annually. GAO also issues performance reviews, audits, and other reports on the financial transactions of particular agencies or programs.

## MAJOR FINANCIAL MANAGEMENT ROLES AND RESPONSIBILITIES

**(1)** The Federal Government has a decentralized financial management apparatus. Major government-wide roles are played by Congress, the Office of Management and Budget, the Treasury Department, and the General Accounting Office. In addition, agencies have broad responsibility for managing their financial resources.

**(2)** Congress has enacted a number of laws governing financial management, such as the Federal Managers' Financial Integrity Act of 1982 (see **Exhibit 10-K**). It exercises oversight over Federal programs and agencies and often requests audits and evaluations from GAO and others.

**(3)** The Office of Management and Budget apportions appropriated funds to agencies, monitors agency expenditures and performance, and issues regulations on various financial management activities.

**(4)** Agencies have responsibility for executing the budget and managing their resources. They maintain systems of internal control, and report to Congress and others on their financial operations.

**(5)** The Treasury Department is responsible for cash and debt management, and for maintaining central appropriation and fund accounts. It issues government-wide financial reports during and after each fiscal year.

**(6)** The General Accounting Office establishes accounting standards and principles, approves agency accounting systems, reviews Federal programs, and audits the financial statements of government corporations.

**DOCUMENT:** General Accounting Office. Managing the Cost of Government: Building An Effective Financial Management Structure, Vol. II. Report No. GAO/AFMD-85-35A. February 1985, page 10.

1

| | ***Budget Execution/ Accounting*** | ***Audit Evaluation*** | ***Financial Management Systems*** |
|---|---|---|---|
| 2 Congress | Act on supplementals, deferrals, rescissions and reprogrammings. Monitor programs (ad hoc). | Establish reporting requirements. Conduct oversight. Request audits and reviews from GAO and others. | Create appropriation account structure. Enact statutes governing money, finance, and management. |
| 3 OMB | Apportion budget authority. Initiate and process deferrals and rescission requests. Process supplementals. Monitor agency performance. Process reports of violation or authority. Project outlays. | Oversight by budget examiners. Mandate evaluations by agencies. | Approve agency regulations for administrative control of funds. Issue circulars on procurement, ADP, and current FM problems. Sit on JFMIP. |
| Dept./ Agency | Execute budget. Monitor execution. Reports to central agencies. Manage daily operations. | Conduct internal audits and evaluations. Respond to executive and congressional inquiries. | Design and implement financial management systems. Prepare financial reports for internal and external purposes. 4 |
| 5 Treasury | Government's banker. Cash and debt management. Exercise fund control. Match agency outlays against spending authority. | None | Maintain government-wide accounting systems. Produce government-wide financial reports. Sit on JFMIP. |
| GAO | Review and report on impoundments. Conduct claims settlement. | Review federal programs and operations. Audit financial statements of government corporations and audit selected congressional business activities. | Prescribe accounting principles and standards. Approve agency accounting systems. Develop standard terms for federal fiscal, budgetary, and program-related data. Identify and specify the needs of Congress for fiscal, budgetary, and program-related information. Sit on JFMIP. 6 |

## LIMITATIONS ON EXPENDITURES AND OBLIGATIONS

**(1)** This section contains two prohibitions: (a) against obligations or expenditures in excess of the amount appropriated; and (b) against incurring obligations in advance of appropriations, except when such advance obligation is authorized by law.

**(2)** Legislation permitting obligations in advance of appropriations is known as "contract authority." The Congressional Budget Act of 1974 provides that, with certain exceptions, such legislation may be considered by Congress only if the contract authority is effective to the extent provided in appropriations acts.

**(3)** Federal law permits agencies to spend funds only for the purposes for which the appropriation was made. Nowadays, a single appropriation account may provide funds for numerous programs and activities, giving an agency considerable discretion in spending the money. Nevertheless, agency spending is usually guided by the detailed schedules submitted by them to the Appropriations Committees and by the reports accompanying appropriations measures.

**(4)** A reappropriation is scored as new budget authority in the year for which the availability of the funds is continued. A reappropriation either extends funds which would otherwise lapse or makes them available for a different purpose than the original appropriation.

**(5)** Funds in an annual appropriations act are available for obligation only during the fiscal year for which the appropriation is made unless the funds are expressly made available for a period beyond that fiscal year, or are for certain purposes such as rivers and harbors.

**DOCUMENT:** 31 U.S.C. 1301 and 1341.

31 U.S.C. 1341

1 **§ 1341. Limitations on expending and obligating amounts**

(a)(1) An officer or employee of the United States Government or of the District of Columbia government may not—

(A) make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation; or

(B) involve either government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law. 2

31 U.S.C. 1301

**§ 1301. Application**

3 **(a) Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.**

**(b) The reappropriation and diversion of the unexpended balance of an appropriation for a purpose other than that for which the appropriation originally was made shall be construed and accounted for as a new appropriation. The unexpended balance shall be reduced by the amount to be diverted.** 4

**(c) An appropriation in a regular, annual appropriation law may be construed to be permanent or available continuously only if the appropriation—**

**(1) is for rivers and harbors, lighthouses, public buildings, or the pay of the Navy and Marine Corps; or**

5 **(2) expressly provides that it is available after the fiscal year covered by the law in which it appears.**

## APPORTIONMENT REQUIREMENTS

**(1)** The Antideficiency Act requires the apportionment of appropriated funds as a means of preventing agencies from incurring obligations at a rate that would compel Congress to provide additional funds during the fiscal year.

**(2)** Apportionment is a process by which agencies request, and the Office of Management and Budget divides, appropriated funds by time periods (such as the quarters or months of the fiscal year) or by projects (see the next exhibit). Agencies are not permitted to obligate in excess of the apportioned amounts.

**(3)** OMB can establish "reserves" by withholding funds from apportionment; that is, by making available less than the full appropriation. It reports such reserves to Congress in accord with the procedures of the Impoundment Control Act.

**(4)** A "deficiency apportionment" is one in which the rate at which the funds are apportioned would require a deficiency or supplemental appropriation. This section authorizes deficiency apportionments in certain circumstances (for example, to protect life or property or to make payments mandated by law). Congress must be notified when a deficiency apportionment is made.

**(5)** This provision is applied in determining whether activities that lack an appropriation at the start of the fiscal year may be carried on. As a general rule, only those activities for which a deficiency apportionment may be made continue in operation if they lack an appropriation.

**DOCUMENT:** 31 U.S.C. 1512 and 1515.

<u>31 U.S.C. 1512</u>

**§ 1512. Apportionment and reserves**

1 (a) Except as provided in this subchapter, an appropriation available for obligation for a definite period shall be apportioned to prevent obligation or expenditure at a rate that would indicate a necessity for a deficiency or supplemental appropriation for the period. An appropriation for an indefinite period and authority to make obligations by contract before appropriations shall be apportioned to achieve the most effective and economical use. An apportionment may be reapportioned under this section.

(b)(1) An appropriation subject to apportionment is apportioned by— 2

(A) months, calendar quarters, operating seasons, or other time periods;

(B) activities, functions, projects, or objects; or

3 (C) a combination of the ways referred to in clauses (A) and (B) of this paragraph.

<u>31 U.S.C. 1515</u>

**§ 1515. Authorized apportionments necessitating deficiency or supplemental appropriations**

(a) An appropriation required to be apportioned under section 1512 of this title may be apportioned on a basis that indicates a necessity for a deficiency or supplemental appropriation to the extent necessary to permit payment of pay increases for prevailing rate employees whose pay is fixed and adjusted under subchapter IV of chapter 53 of title 5. 4

(b)(1) Except as provided in subsection (a) of this section, an official may make, and the head of an executive agency may request, an apportionment under section 1512 of this title that would indicate a necessity for a deficiency or supplemental appropriation only when the official or agency head decides that the action is required because of—

(A) a law enacted after submission to Congress of the estimates for an appropriation that requires an expenditure beyond administrative control; or

5 (B) an emergency involving the safety of human life, the protection of property, or the immediate welfare of individuals when an appropriation that would allow the United States Government to pay, or contribute to, amounts required to be paid to individuals in specific amounts fixed by law or under formulas prescribed by law, is insufficient.

## APPORTIONMENT PROCEDURES

(1) This form (S.F. 132) is submitted to OMB by agencies requesting an apportionment of funds. As noted in the previous exhibit, the apportionment process is intended to avert the obligation of funds at a rate that would incur a deficiency. A reapportionment revises a previous apportionment.

(2) A single apportionment is made for an entire appropriation or fund account. OMB does not generally exercise formal control—except through the impoundment process—below the account level.

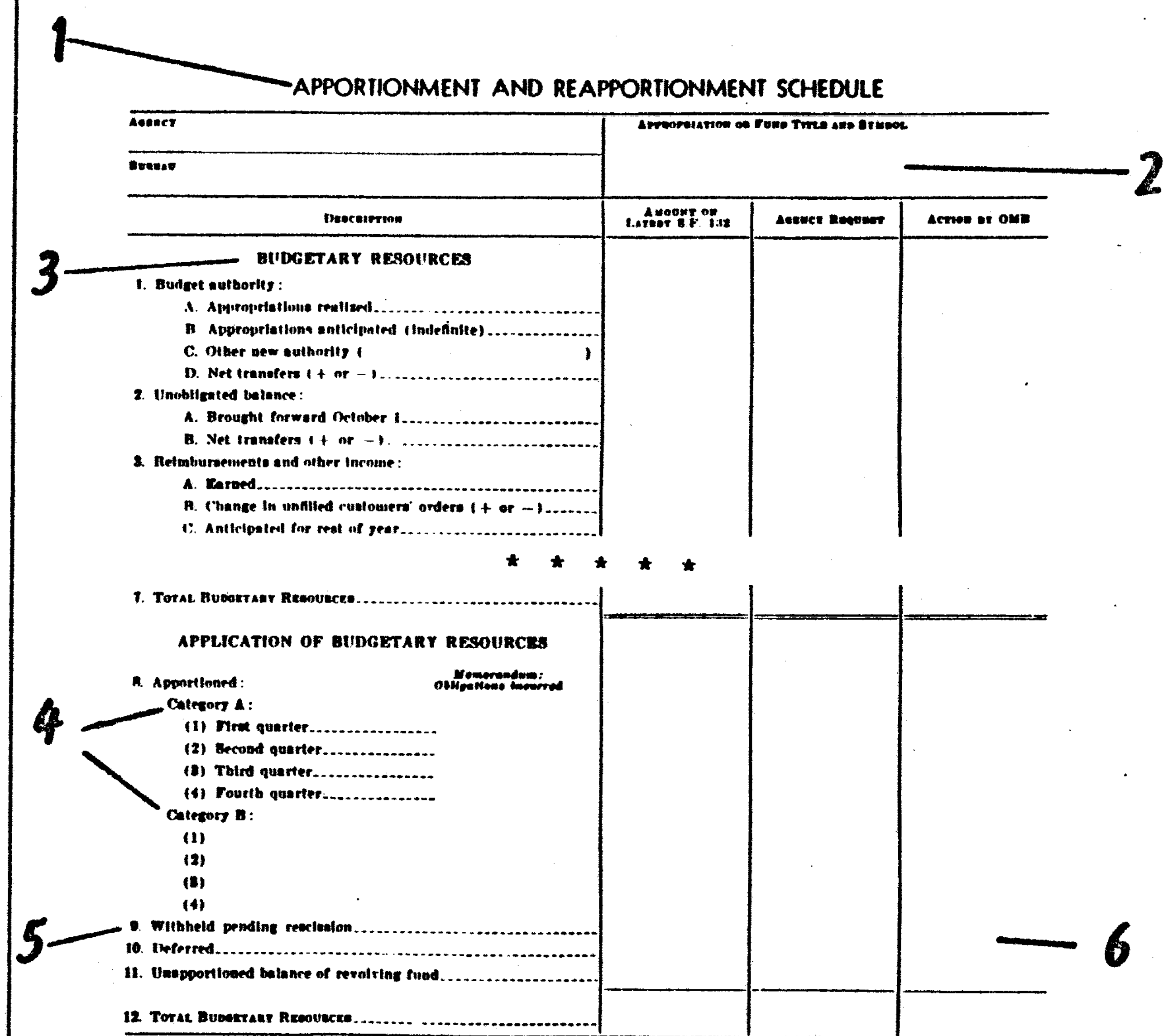
(3) The first part of this form itemizes the resources available for apportionment. These may come from a number of sources: new appropriations ("appropriations realized"); permanent appropriations ("appropriations anticipated"); budget authority provided outside the appropriations process; and transfers to or from other accounts.

(4) Category A apportionments divide the funds by quarters within the fiscal year; category B apportionments are made by projects or activities, or (rarely) by different time periods.

(5) The amounts withheld for rescission or deferral are not apportioned. OMB must notify Congress of all proposed rescissions or deferrals.

(6) After an agency receives an apportionment, it allots the money among its administrative units, projects, activities, etc. Allotment procedures vary among Federal agencies, but the amount allotted cannot exceed the apportionment.

**DOCUMENT:** Standard Form 132 (OMB Circular A-34).


1

APPORTIONMENT AND REAPPORTIONMENT SCHEDULE

Agency | Appropriation or Fund Title and Symbol

Bureau

2

| Description | Amount of Latest S.F. 132 | Agency Request | Action by OMB |
|---|---|---|---|
| 3 BUDGETARY RESOURCES | | | |
| 1. Budget authority: | | | |
| A. Appropriations realized | | | |
| B. Appropriations anticipated (indefinite) | | | |
| C. Other new authority ( ) | | | |
| D. Net transfers (+ or −) | | | |
| 2. Unobligated balance: | | | |
| A. Brought forward October 1 | | | |
| B. Net transfers (+ or −) | | | |
| 3. Reimbursements and other income: | | | |
| A. Earned | | | |
| B. Change in unfilled customers' orders (+ or −) | | | |
| C. Anticipated for rest of year | | | |
| * * * * * | | | |
| 7. Total Budgetary Resources | | | |
| APPLICATION OF BUDGETARY RESOURCES | | | |
| 8. Apportioned: Memorandum: Obligations incurred | | | |
| 4 Category A: | | | |
| (1) First quarter | | | |
| (2) Second quarter | | | |
| (3) Third quarter | | | |
| (4) Fourth quarter | | | |
| Category B: | | | |
| (1) | | | |
| (2) | | | |
| (3) | | | |
| (4) | | | |
| 5 9. Withheld pending rescission | | | |
| 10. Deferred | | | 6 |
| 11. Unapportioned balance of revolving fund | | | |
| 12. Total Budgetary Resources | | | |

## BUDGET EXECUTION REPORT

(1) The budget execution report is submitted to OMB within 20 days after the close of each month, unless a different reporting period is prescribed by OMB.

(2) A separate report is submitted for each appropriation or fund account. Detailed information below the account level is maintained by agencies but not submitted to OMB. Internal budget execution systems are not standardized; they vary among Federal agencies.

(3) The first column is for unexpired accounts; the second is for expired accounts; and the third is the total of both types of accounts.

(4) The entries on the first part of this report—"Budgetary Resources"—correspond to those on the apportionment schedules shown in **Exhibit 10-D.**

(5) The second part of the report, "Status of Budgetary Resources," shows the extent to which available resources have been obligated. Line 8 shows cumulative obligations during the fiscal year; line 9 shows unobligated balances available during the current apportionment period; line 10 shows amounts apportioned for later periods during the fiscal year as well as resources unavailable for certain other reasons.

(6) The third part of this report relates obligations to outlays. Outlays are computed as the difference between (a) obligated balances at the start of the fiscal year plus (or minus) obligated balances transferred into or out of the account during the year, and (b) obligated balances at the end of the reporting period.

**DOCUMENT:** Standard Form 133 (OMB Circular A-34).

1 REPORT ON BUDGET EXECUTION

| Agency | Appropriation or Fund Title and Symbol 2 |
|---|---|
| Bureau | |

| Description | | | 3 |
|---|---|---|---|
| 4 **BUDGETARY RESOURCES** | | | |
| 1. Budget authority: | | | |
| A. Appropriations realized | | | |
| B. Appropriations anticipated (indefinite) | | | |
| C. Other new authority ( ) | | | |
| D. Net transfers (+ or −) | | | |
| 2. Unobligated balance: | | | |
| A. Brought forward October 1 | | | |
| B. Net transfers (+ or −) | | | |
| * * * * * | | | |
| 7. Total Budgetary Resources | | | |
| 5 **STATUS OF BUDGETARY RESOURCES** | | | |
| 8. Obligations incurred ($ ) | | | |
| 9. Unobligated balances available: | | | |
| A. Apportioned, category A | | | |
| B. Apportioned, category B | | | |
| C. Other balances available | | | |
| 10. Unobligated balances not available: | | | |
| A. Apportioned for subsequent periods* | | | |
| B. Withheld pending rescission* | | | |
| C. Deferred* | | | |
| D. Unapportioned balance of revolving fund* | | | |
| E. Other balances not available | | | |
| 11. Total Budgetary Resources | | | |
| 6 **RELATION OF OBLIGATIONS TO OUTLAYS AND ACCRUED EXPENDITURES** | | | |
| 12. Obligations incurred, net (8−3A−3B−4A) | | | |
| 13. Net unpaid obligations: | | | |
| A. Obligated balance, as of October 1 | | | |
| B. Obligated balance transferred, net (+ or −) | | | |
| C. Obligated balance, end of period | | | |
| 14. Outlays (12+13A+13B−13C) ($ ) | | | |

**DETERMINATION OF THE APPROPRIATENESS OF EXPENDITURE**

**(1)** The Comptroller General (who heads the General Accounting Office) is often requested by agencies to rule on whether appropriated funds may be used for a specific purpose. In deciding on the legality of an expenditure, the Comptroller General applies the statutory provisions in **Exhibits 10-A and 10-B**, as well as 31 U.S.C. 1532, which provides in part that: "An amount available under law may be withdrawn from one appropriation account and credited to another or to a working fund only when authorized by law. Except as specifically provided by law, an amount authorized to be withdrawn and credited is available for the same purpose and subject to the same limitations provided by the law appropriating the amount."

**(2)** In interpreting the legality of an expenditure, the Comptroller General analyzes the purpose for which the funds would be used. If he finds a "private" purpose--such as providing Federal employees with special equipment--the expenditure would be disallowed. If he finds--as in this case--that a reasonable public purpose would be served, the expenditure would be permitted.

**(3)** Agencies can rely on decisions of the Comptroller General in spending appropriated funds, but they do not refer every question to him. Agencies often interpret previous rulings and their own knowledge of an appropriation's legislative history in determining the legality of an expenditure.

**DOCUMENT:** General Accounting Office. Decision of the Comptroller General. File No. B-215640. January 14, 1985, page 1.

1 **DECISION** THE COMPTROLLER GENERAL OF THE UNITED STATES WASHINGTON, D.C. 20548

**FILE:** B-215640 **DATE:** January 14, 1985

**MATTER OF:** Purchase of Heavy-Duty Office Chair

**DIGEST:**

An agency requests permission to purchase a heavy-duty office chair (normally used only by air traffic controllers) for an employee who needs extra physical support due to his height and weight. In denying the agency's request, the General Services Administration cited a GAO decision prohibiting the purchase of special equipment for employees. That decision is not controlling where an agency, with reasonable justification, chooses to purchase an item of office furniture from the Federal Supply Schedule that is normally provided for its employees. Accordingly, the chair may be purchased from appropriated funds. 2

3 This decision is in response to a request from the Department of the Navy for a decision as to whether the agency is authorized to purchase a heavy-duty chair for an employee for his use in performing official duties. For the reasons hereafter stated, the purchase of the chair for the employee's use in performing his official duties is authorized from appropriated funds.

The facts, briefly stated, are as follows. The employee has worked for the Department of the Navy since 1966. He is 6'6" in height and weighs about 330 pounds. Since the inception of his employment with the Navy, due to his height and weight, he has broken approximately 15 normal office chairs. The chairs usually bend or break and have to be discarded. The cost of each chair is about $200. In addition, the employee has a medical condition that is aggravated by the narrowness and shallowness of the seat of the normal office chair which does not provide adequate support for his thighs and cuts off the circulation of blood in his legs.

## REPROGRAMMING PRACTICES: DEPARTMENT OF DEFENSE

(1) When agencies request funds from Congress, they identify the programs and activities for which the money is to be used. Reprogramming occurs when agencies shift funds from one program or purpose to another within the same appropriation account. A transfer is a shift of funds between--not within--accounts.

(2) There are no government-wide rules concerning the reprogramming of funds. The rules vary among Appropriations subcommittees (and sometimes authorizing committees). Each agency has its own procedures for proposing and reviewing these actions. The rules and procedures are generally more detailed and formal in the Defense Department than in civilian agencies.

(3) There are four types of defense reprogrammings, varying in the level of approval required before funds can be shifted. The most restrictive--requiring advance approval by the relevant Appropriations subcommittees and the House and Senate Armed Services Committees--pertain to transfers between accounts, increases in the number of weapons to be purchased, and matters of special interest to Congress.

(4) Congress must be notified of reprogramming in excess of specified dollar threshholds. The threshholds vary among categories of defense expenditure. For example, in 1986 prior notification was required to increase a military personnel activity by more than $10 million, or an operations or maintenance activity by more than $5 million.

(5) Internal reprogrammings do not change the purposes or amounts of expenditure presented to Congress; they entail various accounting and other adjustments. These reprogrammings are approved within the Defense Department.

**DOCUMENT:** General Accounting Office. Budget Reprogramming: Department of Defense Process for Reprogramming Funds. Report No. GAO/NSIAD-86-164BR. July 16, 1986, page 8.

1

1. Congressional Prior Approval Reprogrammings occur when DOD increases a congressionally approved procurement quantity for certain weapon systems, or involves items which are known to be or have been designated as matters of special interest to one or more committees, regardless of the dollar amount. Additionally, when DOD uses its general transfer authority to fund a program, the directive requires the military departments to follow the procedures outlined therein. Congressional prior approval reprogrammings require approval by the Secretary or Deputy Secretary of Defense.

2

3

2. Congressional Notification Reprogrammings are initiated when the reprogrammings will exceed established dollar thresholds for the various appropriation accounts or would initiate new programs or line items which would result in significant follow-on costs. They require approval by the Secretary or Deputy Secretary of Defense.

4

5

3. Internal Reprogrammings are accounting actions for realigning or reclassifying dollar amounts within or between appropriation accounts. These actions do not involve changes from the purposes and amounts justified in the budget presentations to the Congress. They require approval by the Assistant Secretary of Defense (Comptroller) and provide audit trail information to the congressional committees.

4. Below-Threshold Reprogrammings are those that do not meet the criteria for prior approval or notification. These actions do not require approval by the Secretary or Deputy Secretary of Defense and are handled within the individual service. Congressional oversight of these reprogramming actions is through DOD's semiannual submission of report DD 1416, "Report of Programs," which contains cumulative below-threshold actions for each line item. For below-threshold reprogrammings which would initiate new programs that are less than the amount requiring a notification reprogramming, advance notification is made by letter to the congressional committees.

# NOTIFICATION OF REPROGRAMMING ACTION

(1) Some Federal agencies, such as the Defense Department, have special procedures and forms for reprogramming funds. The reprogramming must be approved at senior levels within the Department before it is submitted to Congress.

(2) Both the reprogramming increase and decrease must occur within the same appropriation account, in this case, the appropriations for Air Force Research, Development, Test and Evaluation. As shown below, the reprogramming would shift $20 million from Advanced Strategic Missile Systems and other program elements to Acquisition and Command Support.

(3) The relevant congressional committees and subcommittees were notified of this reprogramming because it exceeded the threshhold set for this type of action. Because this was a "notification action," congressional approval was not required.

**DOCUMENT:** Department of Defense Appropriations for Fiscal Year 1987, Pt. 8 (hearings of the House Defense Appropriations Subcommittee, 99th Congress), pages 521-525.

1

**REPROGRAMING ACTION**

Appropriation Account Title: Research, Development, Test and Evaluation, Air Force, 86/87

2

DoD Serial Number: *FY 86-18 N*

Component Serial Number: FY 86-15 N

(Amounts in Thousands of Dollars)

| LINE ITEM | Program Base Reflecting Congressional Action: Quantity | Program Base Reflecting Congressional Action: Amount | Program Previously Approved by Sec Def: Quantity | Program Previously Approved by Sec Def: Amount | Reprograming Action: Quantity | Reprograming Action: Amount | Revised Program: Quantity | Revised Program: Amount |
|---|---|---|---|---|---|---|---|---|
| a | b | c | d | e | f | g | h | i |

**NOTIFICATION ACTION**

As the result of the imposition of Gramm-Rudman reductions, it is necessary to reprogram $20.0 million within the Research, Development, Test and Evaluation, 86/87 appropriation to meet the minimum essential non-pay requirements and to avoid furloughing personnel at Acquisition and Command Support (ACS) activities. This reprograming is submitted as a notification action because it increases an RDT&E program element by more than $4 million. 3 This increase is for a higher priority item, based on unforeseen military requirements, than the items for which funds were originally appropriated. Reinstatement of funds for all sources is not required. This action is not reflected in the FY 1986 column of the FY 1987 President's Budget. This action has been coordinated with the appropriate intelligence activity within the Air Force and affects Intelligence Related Activities.

REPROGRAMING INCREASE

Budget Activity 6: Defensewide Mission Support

| LINE ITEM | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|
| 65806F Acquisition and Command Support | | 336,425 | | 336,425 | | +20,000 | | 356,425 |

Explanation: Acquisition and Command Support activities currently employ over 8,000 employees primarily at Aeronautical Systems Division, Wright-Patterson AFB, Ohio, and Armament Division, Eglin AFB, Florida. A 100% hiring freeze was implemented 21 January 1986 with probable extension through 30 September 1986, and all temporary employees are expected to be terminated. Costs incurred through 30 January 1986 indicate adequate resources are not available to meet payroll, utility, fuel and contractual services obligations for the full year. Within current resources, if in addition to the hiring freeze, all travel, education, procurement of supplies and equipment, etc. were terminated, a request for authority to conduct a twelve to fifteen day furlough of all 8,000 civilian personnel would still be required. A reprograming of $20.0 million is required to meet the minimum essential pay and non-pay requirements and thus avoid further disruptions to on-going programs.

| LINE ITEM | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|
| TOTAL REPROGRAMING INCREASE | | | | | | +20,000 | | |

UNCLASSIFIED

* * * * *

REPROGRAMING DECREASES

Budget Activity 3: Strategic Programs

| LINE ITEM | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|
| 1. 63311F Advanced Strategic Missile Systems | | 154,909 | | 153,294 | | -1,206 | | 152,088 |

* * * * *

| LINE ITEM | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|
| TOTAL REPROGRAMING DECREASES | | | | | | -20,000 | | |

Approved (Signature and Date) William H Taft

William H. Taft IV
Deputy Secretary of Defense

## OBLIGATIONS

(1) Obligations are the key point of budget decision and financial control in the budget process. Through appropriations and other measures, Congress provides budget authority which authorizes agencies to incur obligations. Once an obligation has been incurred, Congress and the agency normally have little control over the ensuing outlay.

(2) Obligations can be incurred in a number of ways: awarding contracts; placing orders; accepting goods and services; and other commitments except those arising out of unfunded contingent liabilities.

(3) Federal law requires agencies to have documentary evidence of obligations. These documents may include requisitions, contracts, employment records, grant notifications, and other evidence of the Government's commitment. A unilateral action (such as a memo for the files expressing an intent to set aside funds for a particular purpose) which does not entail any liability would not constitute an obligation.

**DOCUMENT:** OMB Circular A-34, August 26, 1985, page II-8; and 31 U.S.C. 1501.

### OMB CIRCULAR A-34

**Concept of Obligations**

**22.1 General concept.**

1 Obligations incurred are defined in section 21 to include amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period.

In addition to orders and contracts for future performance, obligations incurred include: (a) the value of goods and services accepted and other liabilities arising against the appropriation or fund without a formal order 2 and (b) outlays made for which obligations were not previously reported. Except as specifically provided herein, the concept of obligations excludes unfunded contingent liabilities.

### 31 U.S.C. 1501

3 **§ 1501. Documentary evidence requirement for Government obligations**

(a) An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of—

(1) a binding agreement between an agency and another person (including an agency) that is—

(A) in writing, in a way and form, and for a purpose authorized by law; and

(B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided;

(2) a loan agreement showing the amount and terms of repayment;

(3) an order required by law to be placed with an agency;

(4) an order issued under a law authorizing purchases without advertising—

(A) when necessary because of a public exigency;

(B) for perishable subsistence supplies; or

(C) within specific monetary limits;

* * * * *

(b) A statement of obligations provided to Congress or a committee of Congress by an agency shall include only those amounts that are obligations consistent with subsection (a) of this section.

## MONTHLY TREASURY STATEMENT (MTS)

(1) The Monthly Treasury Statement (MTS) reports on the receipts, outlays, and surplus or deficit for the most recent month and for the current fiscal year. The MTS is used in analyzing budget trends during the fiscal year and in comparing them to projected levels. Because receipts and outlays do not occur in uniform monthly increments, simple extrapolations may not be reliable in projecting the amounts for the remainder of the fiscal year.

(2) The MTS reports receipts and outlays for each account maintained by the Treasury Department. In addition to MTS, the Treasury Department issues a Treasury Combined Statement after the close of each fiscal year showing the status and transactions of each account.

(3) The term "applicable receipts" refers to offsetting receipts which reduce the outlays in the relevant account. Undistributed offsetting receipts are netted against total outlays.

**DOCUMENT:** Department of the Treasury. Monthly Treasury Statement of Receipts and Outlays of the United States Government, Fiscal Year 1987. November 30, 1986, page 15.

1

**Table 5. Outlays of the U.S. Government, November 1986 and Other Periods (in millions)**

2

| Classification | This Month | | | Current Fiscal Year to Date | | | Prior Fiscal Year to Date | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays | Gross Outlays | Applicable Receipts | Outlays |
| **Department of Transportation:—Continued** | | | | | | | | | |
| Federal Railroad Administration: | | | | | | | | | |
| Public enterprise funds | (*) | (*) | (*) | $4 | (**) | $4 | (**) | $1 | -$1 |
| Northeast corridor improvement program | $10 | ...... | $10 | 19 | ...... | 19 | $27 | ...... | 27 |
| Grants to National Railroad Passenger Corporation | 158 | ...... | 158 | 158 | ...... | 158 | 136 | ...... | 136 |
| FFB direct loans | ...... | $2 | -2 | ...... | $2 | -2 | ...... | 4 | -4 |
| Other | 7 | ...... | 7 | 13 | ...... | 13 | 17 | ...... | 17 |
| Total—Federal Railroad Administration | 175 | 2 | 173 | 195 | 2 | 192 | 181 | 4 | 178 |
| Urban Mass Transportation Administration: | | | | | | | | | |
| Formula grants | 110 | ...... | 110 | 209 | ...... | 209 | 169 | ...... | 169 |
| Discretionary grants | 57 | ...... | 57 | 100 | ...... | 100 | 160 | ...... | 160 |
| Other | 82 | ...... | 82 | 168 | ...... | 168 | 166 | ...... | 166 |
| Federal Aviation Administration: | | | | | | | | | |
| Operations | 265 | ...... | 265 | 490 | ...... | 490 | 478 | ...... | 478 |
| Other | 4 | ...... | 4 | 6 | ...... | 6 | 7 | ...... | 7 |
| Airport and airway trust fund: | | | | | | | | | |
| Grants-in-aid for airports | 87 | ...... | 87 | 200 | ...... | 200 | 151 | ...... | 151 |
| Facilities and equipment | 53 | ...... | 53 | 104 | ...... | 104 | 89 | ...... | 89 |
| Research, engineering and development | 23 | ...... | 23 | 43 | ...... | 43 | 50 | ...... | 50 |
| Operations | ...... | ...... | ...... | ...... | ...... | ...... | (**) | ...... | (**) |
| Total—Airport and airway trust fund | 163 | ...... | 163 | 347 | ...... | 347 | 290 | ...... | 290 |
| Total—Federal Aviation Administration | 431 | ...... | 431 | 843 | ...... | 843 | 776 | ...... | 776 |

3

**FINANCIAL INTEGRITY ACT**

**(1)** The Federal Managers' Financial Integrity Act of 1982 established procedures for evaluating and reporting on the adequacy of the internal accounting and administrative control systems of Federal agencies.

**(2)** The term "internal control" refers to the procedures used by agencies to ensure that their policies and requirements are adhered to. The Comptroller General has defined internal control systems as "the plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, lose and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports."

**(3)** GAO assessments of internal control systems generally review the following financial management operations: financial management and accounting systems; procurement; property management; cash management; grant, loan, and debt collection management; automated data processing; personnel and organizational management; and eligibility and entitlement determinations.

**(4)** GAO has issued a series of reports on implementation of the Financial Integrity Act.

**(5)** The concept of "material weakness" is a fundamental aspect of financial management. GAO has set forth a number of criteria for determining what constitutes material weakness. (These include: magnitude and sensitivity of the resources involved; conflicts of interest; violations of statutory requirements; and adverse publicity that would diminish an agency's credibility.)

**DOCUMENT:** Public Law 97-255, Federal Managers' Financial Integrity Act of 1982 (96 Stat. 814).

1 "(d)(1)(A) To ensure compliance with the requirements of subsection (a)(3) of this section, internal accounting and administrative controls of each executive agency shall be established in accordance with standards prescribed by the Comptroller General, and shall provide reasonable assurances that— 2

"(i) obligations and costs are in compliance with applicable law;

"(ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

3 "(iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

"(B) The standards prescribed by the Comptroller General under this paragraph shall include standards to ensure the prompt resolution of all audit findings. 4

"(2) By December 31, 1982, the Director of the Office of Management and Budget, in consultation with the Comptroller General, shall establish guidelines for the evaluation by agencies of their systems of internal accounting and administrative control to determine such systems' compliance with the requirements of paragraph (1) of this subsection. The Director, in consultation with the Comptroller General, may modify such guidelines from time to time as deemed necessary.

"(3) By December 31, 1983, and by December 31 of each succeeding year, the head of each executive agency shall, on the basis of an evaluation conducted in accordance with guidelines prescribed under paragraph (2) of this subsection, prepare a statement—

"(A) that the agency's systems of internal accounting and administrative control fully comply with the requirements of paragraph (1); or

"(B) that such systems do not fully comply with such requirements.

5 "(4) In the event that the head of an agency prepares a statement described in paragraph (3)(B), the head of such agency shall include with such statement a report in which any material weaknesses in the agency's systems of internal accounting and administrative control are identified and the plans and schedule for correcting any such weakness are described.

## GAO PERFORMANCE REVIEWS

**(1)** The General Accounting Office has broad authority to review the performance and expenditures of Federal agencies. Over the years, the scope of these reviews has been broadened to cover not only the propriety of expenditure, but the management practices of agencies as well.

**(2)** This GAO review analyzes the factors accounting for cost escalation in certain Transportation Department projects. GAO attributes cost escalation principally to three factors: (1) failure to include inflation adjustments in the initial estimates; (2) exclusion of certain costs from the estimates; and (3) changes made in the project after the initial estimates were formulated.

**DOCUMENT:** General Accounting Office. Cost Escalation on DOT Projects. Report No. GAO/AFMD-86-31. July 17, 1986, page 28.

1

**Table II.4: Reasons for Cost Growth on the ASR Replacement Program**

Dollars in millions

2

| | Initial estimate | Cost growth: Program change | Cost growth: Unanticipated inflation | Latest estimate for project completion |
|---|---|---|---|---|
| Replacement of 96 ASR's | $154.3 | | $146.2 | $300.5 |
| Inclusion of costs (1) omitted from initial estimate and (2) for additional features, requirements, and technical changes | 0 | $88.4 | 83.8 | 172.2 |
| Leapfrog added to ASR program | 0 | 65.0 | 22.9 | 87.9 |
| **Total** | **$154.3** | **$153.4** | **$252.9** | **$560.6** |

### Unanticipated Inflation

The first cost estimate of $154.3 million presented to the Congress as the cost of the ASR replacement program did not include inflation. The estimate was stated in constant dollars (base year prices) rather than current year prices (anticipated price levels that will exist in the years when expenditures will be made). The exclusion of inflation understated the cost of the ASR replacement program. Economic changes over the period of a system's development and acquisition can have a significant effect on the cost to acquire a major system. It is important, therefore, that inflation be recognized and realistically provided for if estimates for total program costs are to be valid and the Congress is to be informed of the projected total cost of the program.

### Costs Omitted From Initial Estimate

Certain major components, such as remote maintenance monitoring and single weather channel receivers, were included in the ASR replacement program when the initial estimate was made, but the costs of these components were omitted from the $154.3 million estimate. FAA omitted these costs from the initial estimate because it lacked detailed specifications and cost data at that time. It is important that all costs associated with the project be identified and included in the estimate. In addition, cost estimates should be based on current and reliable cost data for the estimate of project cost to be valid.

### Requirements and Technical Changes

Requirements and technical changes contributed to the increased costs on this project. For example, the initial estimate included costs for an older version of the moving target detector rather than a technically improved detector that was being developed. FAA officials estimated that

## APPENDICES

## MILESTONES IN THE DEVELOPMENT OF THE FEDERAL BUDGET PROCESS

| Year(s) | Milestone | Objective |
|---|---|---|
| 1789 | U.S. Constitution, Article I, Section 7 | Requires revenue bills to originate in the House. (By custom, appropriations measures also are first considered in the House.) |
| | U.S. Constitution, Article I, Section 9 | Requires the enactment of appropriations before expenditure, and a public statement of receipts and expenditures. |
| 1802-1867 | House and Senate Rules | House Ways and Means Committee established as a standing committee in 1802; House Appropriations Committee established in 1865. Senate Finance Committee established in 1816; Senate Appropriations Committee established in 1867. |
| 1837 | House Rule XXI | Bar against unauthorized appropriations and bar against appropriations in legislation. |
| 1850 | Senate Rule XVI | Bar against unauthorized appropriations. |
| 1870, 1905-1906 | Antideficiency Act (31 U.S.C. 1511 et seq.) | Requires apportionment of funds to prevent over-expenditure. Amended in 1950 to permit budgetary reserves and in 1974 to restrict such reserves. |
| 1921 | Budget and Accounting Act of 1921 (Public Law 67-13) | Provides for an executive budget system; established the Bureau of the Budget and the General Accounting Office. |
| 1939 | Reorganization Plan No. 1 (Executive Order 8248) | Transferred the Bureau of the Budget from the Treasury Department to the Executive Office of the President and expanded the Bureau´s role. |
| 1946 | Employment Act of 1946 (Public Law 79-304) | Requires the President to submit an annual economic report to Congress; established the Council of Economic Advisers. |
| 1946 | Legislative Reorganization Act of 1946 (Public Law 79-601) | Provided for a legislative budget, which was abandoned after several years. |
| 1950 | Budget and Accounting Procedures Act of 1950 (Public Law 81-784) | Established requirements for budgeting, accounting, financial reporting, and auditing. |

(continued)

APPENDIX A
—continued

**MILESTONES IN THE DEVELOPMENT OF THE FEDERAL BUDGET PROCESS**

| Year(s) | Milestone | Objective |
|---|---|---|
| 1967 | President's Commission on Budget Concepts | Adoption of the unified budget. |
| 1970 | Legislative Reorganization Act of 1970 (Public Law 91-510) | Provided for 5-year budget projections and expanded the role of GAO in program evaluation. |
| 1970 | Reorganization Plan No. 2 (Executive Order 11541) | The Bureau of the Budget was renamed the Office of Management and Budget. |
| 1974 | Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) | Established the congressional budget process, House and Senate Budget Committees, and the Congressional Budget Office. Also, established procedures for legislative review of proposed rescissions and deferrals. |
| 1980 | Reconciliation Process | Reconciliation process used for the first time as part of the first budget resolution. |
| 1985 | Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), commonly referred to as the Gramm-Rudman-Hollings Act. | Established deficit-reduction goals and procedures (sequestration) aimed at balancing the budget by fiscal year 1991. Also, made extensive amendments in the Congressional Budget Act of 1974. |

## GLOSSARY OF BUDGETARY TERMS

**ACCRUED EXPENDITURES.** Charges that reflect liabilities incurred for: (a) services performed by employees, contractors, and others; (b) goods and other property received; and (c) amounts becoming owed under programs for which no current service or performance is required, such as annuities and other payments. Expenditures accrue regardless of when cash payments are made.

**ADVANCE APPROPRIATION.** Budget authority provided in an appropriations act to become available in a fiscal year beyond the fiscal year for which the appropriations act is enacted. The amount is included in the budget totals for the fiscal year in which the amount will become available for obligation.

**ALLOTMENT.** An authorization by the head (or other authorized official) of an agency to subordinates to incur obligations within a specified amount. The amount allotted by an agency cannot exceed the amount apportioned by the Office of Management and Budget.

**ALLOWANCES.** Amounts included in the budget to cover possible additional expenditures for statutory pay increases, contingencies, and other requirements.

**ANNUAL AUTHORIZATION.** An authorization of appropriations for a single fiscal year, usually for a definite amount of money. Programs with annual authorizations must be reauthorized each year.

**APPORTIONMENT.** A distribution made by the Office of Management and Budget of amounts available for obligation. Apportionments divide these amounts by specific time periods (usually quarters), activities, projects, objects, or a combination thereof. The amounts apportioned limit the amount of obligations that may be incurred. In apportioning an account, some funds may be reserved to provide for contingencies to effect savings, pursuant to the Antideficiency Act; or may be proposed for deferral or rescission pursuant to the Impoundment Control Act. The apportionment process is intended to prevent obligation of available funds in a manner that would require deficiency or supplemental appropriations.

**APPROPRIATED ENTITLEMENT.** An entitlement whose budget authority is provided in annual appropriations acts rather than in authorizing legislation. These entitlements are included in the definition of entitlement authority.

**APPROPRIATION.** A provision of law providing budget authority that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriations act; they represent the amounts that agencies may obligate during the period of time specified in the act. Annual appropriations are provided in appropriations acts; most permanent appropriations are provided in substantive law.

**APPROPRIATION LIMITATION.** A provision in an appropriations act that establishes the maximum amount that may be obligated or used for specified purposes. These limitations may be applied to the amount of direct loan obligations, guaranteed loan commitments, administrative expenses financed out of trust funds, or other purposes.

**APPROPRIATIONS ACT.** Legislation providing annual appropriations to Federal agencies and programs. The three major types of annual appropriations acts are regular, supplemental, and continuing. Appropriations acts usually are considered after authorizing legislation.

**ASSET SALE.** The sale of a physical or financial asset by the Federal Government. Revenue from the sale of assets is accounted for in the budget as offsetting receipts (or collections).

## GLOSSARY OF BUDGETARY TERMS

**AUTHORIZATION.** A provision in an authorizations act that authorizes appropriations for a program or an agency, and specifies the purposes for which appropriations may be made. An authorization may be effective for one year, a fixed number of years, or permanently.

**AUTHORIZATIONS ACT.** Legislation that establishes or continues one or more Federal agencies or programs, sets policy guidelines or restrictions, and authorizes appropriations. Authorizations acts are classified by the duration of the authorizations--annual, multiyear, or permanent. Authorizations acts sometimes provide backdoor spending or permanent appropriations.

**BACKDOOR SPENDING.** Budget authority provided in legislation outside the normal appropriations process. The most common forms of backdoor spending are entitlement authority, borrowing authority, and contract authority. Section 401 of the Congressional Budget Act of 1974 limits the use of backdoor spending.

**BASELINE.** The baseline is a projection of the revenues, outlays, and other budget amounts that would ensue in the future under assumed economic conditions and participation rates, without any change in existing policy. The baseline can be computed for one or more years, for the budget totals or for particular accounts and programs, and for different assumptions about future conditions. Baseline projections are used in preparing the budget resolution and in estimating deficit reductions in reconciliation bills and other legislation.

**BIENNIAL BUDGET.** A budget for a period of two years. The Federal Government has an annual budget, but proposals have been made that it use a biennial budget. The two-year period can apply to the budget presented to Congress by the President, to the budget resolution adopted by Congress, or to appropriations measures. (Recently, the Defense Department has been required to submit a biennial budget, but Congress still appropriates for it annually.)

**BORROWING AUTHORITY.** Statutory authority that permits a Federal agency to incur obligations and to make payments for specified purposes out of funds borrowed from the Treasury or the public. Except for trust funds and certain other exceptions, borrowing authority is effective only to the extent provided in appropriations acts.

**BUDGET AMENDMENT.** A revision to a pending budget request, submitted to Congress by the President before Congress completes appropriations action.

**BUDGET AUTHORITY.** Authority provided by law to enter into obligations that will result in outlays of Federal Government funds. Budget authority does not include authority to guarantee the repayment of indebtedness incurred by another person or government (loan guarantees). The basic forms of budget authority are appropriations, borrowing authority, and contract authority. Budget authority may be classified by the period of availability (one-year, multiyear, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite).

**BUDGET RECEIPTS.** Collections from the public and from payments by participants in certain social insurance programs. These collections consist primarily of tax receipts and social insurance premiums, but also include receipts from court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Budget receipts do not include various offsetting receipts which are

## GLOSSARY OF BUDGETARY TERMS

accounted for as "negative outlays," not as revenues. Budget receipts are compared with total outlays in calculating the budget surplus or deficit.

**BUDGET RESOLUTION.** A concurrent resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth or revising the congressional budget for each of three fiscal years. The budget resolution sets forth various budget totals and functional allocations, and may include reconciliation instructions to designated House or Senate committees.

**BUDGET SURPLUS OR DEFICIT.** The difference between budget receipts and outlays (i.e., the deficit is the excess of outlays over budget receipts).

**BUDGETARY RESOURCES.** Budgetary resources are the legal authority for agencies to incur financial obligations. The Gramm-Rudman-Hollings Act defines "budgetary resources" for purposes of sequestration. For defense programs, budgetary resources are new budget authority and unobligated balances. For nondefense programs, budgetary resources are new budget authority, new direct loan obligations, new loan guarantee commitments, spending authority, and obligation limitations.

**CAPITAL BUDGET.** A capital budget segregates capital or investment expenditures from current or operating expenditures. Investment in capital assets would be excluded from calculations of the surplus or deficit, but the operating budget would be charged for depreciation and/or debt service. The Federal Government does not have a capital budget in the sense of financing or accounting for capital or investment-type programs separately from current expenditures. However, investment-type expenditures are discussed in the President's Special Analyses.

**CASH BASIS.** The basis of accounting whereby revenues are recorded when received in cash and expenditures (outlays) are recorded when paid, without regard to the accounting period to which the transactions apply.

**CONCURRENT RESOLUTION ON THE BUDGET/CONGRESSIONAL BUDGET.** See BUDGET RESOLUTION.

**CONSTANT DOLLARS.** A dollar value adjusted for changes in prices. Constant dollars are derived by dividing current dollar amounts by an appropriate index, a process known as deflating. The result is a constant dollar series as it would presumably exist if prices and transactions were the same in all subsequent years as in the base year. Any changes in such a series would reflect only changes in the real volume of goods and services.

**CONSUMER PRICE INDEX (CPI).** A measure of the price change of a fixed "market basket" of goods and services customarily purchased by consumers. The level of the CPI shows the relative cost of purchasing the specified market basket compared to the cost in a designated base year, while the rate of change in the CPI measures how fast prices are rising or falling.

**CONTINGENT LIABILITY.** For the purpose of Federal credit programs, a contingent liability is a conditional commitment that may become an actual liability in the future because of an event beyond the control of the Government. Contingent liabilities include such items as loan guarantees and bank deposit insurance.

**CONTINUING RESOLUTION/CONTINUING APPROPRIATIONS.** A joint resolution enacted by Congress (when the new fiscal year is about to begin or has begun) to provide budget authority for Federal agencies and programs to continue in operation until the regular appropriations acts are enacted (or, in some instances, for the entire fiscal year). The continuing resolution may specify the rate at which obligations may be

## GLOSSARY OF BUDGETARY TERMS

incurred (such as the prior year's rate, the President's budget request, or the amount passed by either or both Houses of Congress), or it may provide definite appropriations in the same form as a regular appropriations act.

**CONTRACT AUTHORITY.** Statutory authority that permits obligations to be incurred in advance of appropriations. With certain exceptions, contract authority is effective only to the extent provided in appropriations acts. Contract authority is subsequently funded by appropriations to liquidate (pay off) obligations incurred pursuant to it.

**CONTROLLABLE SPENDING.** The capacity of Congress to increase or decrease budget authority or outlays by means of appropriations or other financial decisions. The term "relatively uncontrollable under existing law" refers to spending mandated under existing law or obligations. Outlays in a particular fiscal year are considered to be relatively uncontrollable when the level is determined by statute (such as an entitlement law), by prior-year contracts, or by other pre-existing obligations.

**COST ESTIMATE.** An estimate of the costs of legislation reported by congressional committees. A five-year cost estimate is prepared by the Congressional Budget Office as required by Section 403 of the Congressional Budget Act of 1974 and is published in the report accompanying the measure.

**CREDIT AUTHORITY.** Authority to incur direct loan obligations or to make loan guarantee commitments. Section 402 of the Congressional Budget Act of 1974 bars Congress from considering credit authority legislation unless such authority is effective only to the extent provided in appropriations acts.

**CREDIT BUDGET.** The appropriate levels of total new direct loan obligations, total new primary loan guarantee commitments, and total new secondary loan guarantee commitments set forth in a budget resolution. These levels form the basis for limitations on direct and guaranteed loans in appropriations acts.

**CROSSWALK.** This term often is used in reference to allocations of spending made pursuant to Section 302 of the Congressional Budget Act of 1974. These allocations distribute the budget authority, outlays, and credit authority in the adopted budget resolution among House and Senate committees, which then subdivide their amounts among their own programs or subcommittees. The term "crosswalk" also can refer to any conversion of budgetary amounts from one classification to another.

**CURRENT DOLLARS.** The dollar value of a good or service in terms of prices current at the time the good or service was sold. This is in contrast to the value of the good or service in constant dollars.

**CURRENT LAW PROJECTIONS.** Projections of the levels of budget authority and outlays that would be required in the next and future fiscal years to continue existing programs without statutory change. Current law projections include inflation adjustments for programs only when such adjustments are required by law.

**CURRENT POLICY PROJECTIONS.** Projections of the levels of budget authority and outlays that would be required in the next and future fiscal years to continue existing programs without policy change. Current policy projections include inflation adjustments except for programs whose spending is fixed in law.

**CURRENT SERVICES ESTIMATES.** Presidential estimates of the levels of budget authority and outlays that would be required in the next and future fiscal years to continue existing services. These estimates reflect the anticipated costs of continuing Federal programs without policy changes

**GLOSSARY OF BUDGETARY TERMS**

and are transmitted to Congress in the President's budget as part of the Special Analyses.

**DEBT.** Debt consists of amounts borrowed by the Treasury Department or the Federal Financing Bank (public debt), or by any other agency of the Federal Government (agency debt). Most agency debt is excluded from the statutory limit on the public debt.

**DEFERRAL.** Any action or inaction by an officer or employee of the Federal Government that temporarily withholds, delays, or effectively precludes the obligation or expenditure of budget authority, including authority to obligate by contract in advance of appropriations as specifically authorized by law. Deferrals may not extend beyond the end of the fiscal year in which the funds are withheld.

**DEFICIENCY APPORTIONMENT.** A distribution by the Office of Management and Budget of available budgetary resources for the fiscal year that anticipates the need for supplemental budget authority. Deficiency apportionments may only be made under certain conditions provided for in the Antideficiency Act. In such instances, the need for additional budget authority is usually reflected by making the amount apportioned for the fourth quarter less than the amount that will be required. A deficiency apportionment does not authorize agencies to exceed available resources.

**DEOBLIGATION.** The cancellation or downward adjustment of previously-recorded obligations. When one-year funds are obligated in one year and deobligated the next, they remain available and can be reobligated for a new purpose.

**DIRECT LOANS.** A direct loan is a disbursement of funds (not in exchange for goods or services) that is contracted to be repaid, with or without interest. Direct loans, unlike loan guarantees, are included (net of repayments) as outlays in the budget.

**DIRECT SPENDING.** The term for four types of spending that are, in effect, mandatory under existing law: permanent appropriations and trust funds; appropriated entitlements; permanent revolving funds; and offsetting receipts. In most cases, Congress must change substantive law in order to affect direct spending. Direct spending does not include discretionary appropriations.

**ECONOMIC INDICATORS.** A set of statistical series that have had a systematic relationship to the business cycle. Each indicator is classified as leading, coincident, or lagging, depending on whether the indicator generally changes direction in advance of, coincident with, or subsequent to changes in the overall economy.

**ENTITLEMENT AUTHORITY.** Authority that requires payments to any person or unit of government that meets the eligibility criteria established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients have legal recourse if the obligation is not fulfilled. Entitlement authority requires annual appropriations unless the appropriation is permanent. Social Security and veterans' compensation and pensions are examples of entitlement programs.

**FEDERAL DEBT.** The total amount of public debt and agency debt. Public debt occurs when the Treasury Department or the Federal Financing Bank borrows funds from the public or from another fund or account. Agency debt is incurred when a Federal agency other than the Treasury Department or the Federal Financing Bank is authorized by law to borrow funds from the public or from another fund or account.

**FISCAL POLICY.** Federal Government policies with respect to taxes, spending, and debt intended to promote the Nation's macroeconomic goals, particularly with respect to employment, gross national product, price level stability, and equilibrium in balance of payments. The budget process is a major vehicle for determining and implementing Federal fiscal policy.

**FISCAL YEAR.** The fiscal year for the Federal Government begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends; for example, fiscal year 1988 begins on October 1, 1987 and ends on September 30, 1988.

**FORWARD FUNDING.** Budget authority made available in one fiscal year for the financing of programs (usually grant programs) during the succeeding fiscal year. The budget authority is scored in the year for which the appropriation is made.

**FUNCTIONAL CLASSIFICATION.** A system of classifying budgetary resources by function so that budget authority, outlays, direct loans, loan guarantees, and tax expenditures can be grouped in terms of the national needs being addressed. Budget accounts generally are placed in the single budget function (e.g., national defense, transportation) that best reflects their major purpose. A function may be divided into two or more subfunctions.

**GOVERNMENT-SPONSORED ENTERPRISES.** Enterprises established by the Federal Government, but privately owned. Because they are private corporations, these enterprises are excluded from the budget totals. Information concerning their finances is annexed to the President's Budget Appendix. The government-sponsored enterprises include the Farm Credit Banks and the Federal Home Loan Mortgage Corporation.

**GROSS NATIONAL PRODUCT (GNP).** The market value of all final goods and services produced in a given period of time. GNP comprises the purchases of final goods and services by persons and governments, gross private domestic investment, and net exports (less imports). The GNP can be expressed in current or constant dollars.

**GUARANTEED LOAN.** A commitment by the Federal Government to pay part or all of the loan principal and interest to a lender or holder of a security in the event of default by the borrower. If it becomes necessary for the Federal Government to pay part or all of the loan principal or interest, the payment is a budget outlay.

**IDENTIFICATION CODE.** The 11-digit code assigned to each appropriation or fund account that identifies: (a) the agency, (b) the account, (c) the timing of the transmittal to Congress, (d) the type of fund, and (e) the account's functional classification.

**IMPOUNDMENT RESOLUTION.** A resolution by either the House or the Senate that disapproves a deferral of budget authority proposed by the President. If an impoundment resolution is passed, the deferred funds must be made available for obligation or expenditure. However, because the Supreme Court has ruled that the legislative veto violates the Constitution, Congress does not presently use impoundment resolutions. Instead, it disapproves deferrals in appropriations acts or through other statutory means.

**INTERNAL CONTROL.** The methods and practices within an agency to safeguard its assets, check the accuracy and reliability of its accounting data, and foster compliance with prescribed financial management policies.

**ITEM VETO.** Authority to veto part rather than all of an appropriations act. The President does not now have item veto authority. He must sign or veto the entire appropriations act.

**LINE ITEM.** In executive budgeting, the term usually refers to a particular item of expenditure such as travel costs or equipment. In congressional budgeting, it usually refers to

## GLOSSARY OF BUDGETARY TERMS

assumptions about particular programs or accounts made--but not included--in the budget resolution; in appropriations measures, it usually refers to individual accounts or parts of accounts.

**LIQUIDATING APPROPRIATION.** An appropriation to pay obligations incurred pursuant to substantive legislation, usually contract authority. A liquidating appropriation is not regarded as budget authority.

**LOAN ASSETS.** The portfolio of direct loans owed to the Federal Government. The market value of these assets is often less than their face value. Revenue from the sale of loan assets is accounted for as offsetting receipts.

**MONTHLY TREASURY STATEMENT (MTS).** A summary statement prepared from agency accounting reports and issued by the Treasury Department. The MTS presents data on the receipts, outlays, and resulting surplus or deficit for the month and fiscal year to date (compared to the same period in the previous year).

**MULTIYEAR APPROPRIATION.** Budget authority provided in an appropriations act that is available for a specified period of time in excess of one fiscal year. Multiyear appropriations may cover periods that do not coincide with the start or end of a fiscal year.

**MULTIYEAR AUTHORIZATION.** An authorization of appropriations for a specified period of time in excess of one fiscal year. Programs with multiyear authorizations must be reauthorized periodically.

**MULTIYEAR PROJECTIONS.** A process designed to take into account the future consequences of current budget decisions. Currently, multiyear projections in the executive branch encompass a review for a three-year period. This process provides a structure for the review and analysis of medium-term program and tax choices.

**NATIONAL INCOME ACCOUNTS.** Accounts prepared and published quarterly and annually by the Commerce Department providing detailed statistics on aggregate economic activity in the economy of the United States. These accounts depict in dollar terms the composition and use of the Nation's output and the distribution of national income to different recipients. The accounts make it possible to analyze trends and fluctuations in economic activity.

**NO-YEAR APPROPRIATION.** Budget authority provided in an appropriations act that remains available for obligation for an indefinite period of time. No-year funds do not lapse if they are not obligated by the end of the fiscal year.

**OBJECT CLASSIFICATION.** A uniform classification identifying the transactions of the Federal Government by the goods or services purchased (such as personnel compensation, supplies and materials, and equipment). An object classification schedule is included for each budget account in the <u>Budget Appendix</u>.

**OBLIGATED BALANCE.** The amount of obligations incurred for which payment has not yet been made. This balance usually is carried forward until the obligations are paid.

**OBLIGATION.** An order placed, contract awarded, service received, or similar transaction during a given period that will require payments during the same or a future period.

**OFF-BUDGET ENTITIES.** The budget authority, outlays, and receipts of certain Federal entities that have been excluded from budget totals under provisions of law. Although the fiscal activities of these entities are not reflected in budget totals, they are included in calculations of the deficit made under the Gramm-Rudman-Hollings Act.

## GLOSSARY OF BUDGETARY TERMS

**OFFSETTING RECEIPTS.** These receipts are not counted as revenues but are deducted from budget authority and outlays, and are classified as follows:

Proprietary Receipts from the Public. Collections from business-type or market-oriented activities (e.g., interest, sale of property and products, and rents and royalties). Such collections are not counted as budget receipts, and, with one exception, are offset against total budget authority and outlays by agency and by function. The receipts from rents and royalties from Outer Continental Shelf lands are deducted from total budget authority and outlays rather than from any single agency or function.

Intragovernmental Transactions. These may be intrabudgetary (both the payment and receipt occur within the budget) or they may result from the payment by an off-budget entity excluded from the budget totals. Normally, intragovernmental transactions are deducted both from the budget authority and the outlays of the agency receiving the payment. However, agencies' payments into employee retirement trust funds and the payment of interest to nonrevolving trust funds are offset in computing total budget authority and outlays of the Government.

**ONE-YEAR APPROPRIATION.** Budget authority provided in an appropriations act that is available for obligation only during a specified fiscal year and expires at the end of that time.

**OUTLAY RATE.** See SPENDOUT RATE.

**OUTLAYS.** Outlays are payments made (generally through the issuance of checks or disbursement of cash) to liquidate obligations. Outlays during a fiscal year may be for payment of obligations incurred in prior years or in the same year.

**OUTYEAR.** A year (or years) beyond the budget year for which projections are made.

**PERMANENT AUTHORIZATION.** An authorization of appropriations without limit of time and, usually, without limit of money. A permanent authorization continues in effect unless changed or terminated by Congress.

**PERMANENT APPROPRIATION.** Budget authority that becomes available as the result of previously-enacted legislation (substantive legislation or prior appropriations act) and does not require current action by Congress. Budget authority is considered to be "current" if provided in the current session of Congress and "permanent" if provided in prior sessions.

**PROGRAM AND FINANCING SCHEDULE.** A schedule, published in the President's Budget Appendix, presenting detailed budget data. The schedule consists of three sections: (1) Program by Activities; (2) Financing; and (3) Relation of Obligations to Outlays.

**PROGRAM, PROJECT, OR ACTIVITY (PPA).** An element within a budget account. If budgetary resources are sequestered pursuant to the Gramm-Rudman-Hollings Act, equal percentages must be taken from each PPA. The PPAs are defined, for annually appropriated accounts, by the appropriations acts and accompanying reports and documentation; for accounts not funded by annual appropriations, PPAs are defined by the program listings provided in the Budget Appendix.

**PUBLIC ENTERPRISE REVOLVING FUND ACCOUNTS.** Expenditure accounts authorized by Congress to be credited with collections, primarily from the public, that are generated by, and earmarked to finance, a continuing cycle of business-type operations.

**REAPPROPRIATION.** Congressional action to continue the availability, whether for the same or different purposes,

GLOSSARY OF BUDGETARY TERMS

of all or part of the unobligated portion of budget authority that has expired or would otherwise expire. Reappropriations are counted as budget authority in the year for which the availability is extended.

**RECONCILIATION BILL.** A bill containing recommendations made pursuant to reconciliation instructions in a budget resolution. If the instructions pertain to only one committee in a chamber, that committee reports the reconciliation bill; if the instructions pertain to more than one committee, the Budget Committee reports an omnibus reconciliation bill, but it may not make substantive changes in the recommendations of the other committees.

**RECONCILIATION INSTRUCTION.** A provision in a budget resolution directing one or more committees to report (or submit to the Budget Committee) legislation changing existing law or pending legislation in order to bring spending, revenues, or the debt-limit into conformity with the budget resolution. The instructions specify the committees to which they apply, indicate the appropriate dollar changes to be achieved, and usually provide a deadline by which the legislation is to be reported or submitted.

**RECONCILIATION PROCESS.** A process established in the Congressional Budget Act of 1974 by which Congress conforms tax and spending legislation to the levels set in a budget resolution. Changes recommended by committees pursuant to a reconciliation instruction are incorporated into a reconciliation bill or resolution.

**REESTIMATES.** Changes made in executive or congressional budget estimates due to changes in economic conditions, spendout rates, workload, and other factors, but not to changes in policy. From time to time, the reestimates are entered into scorekeeping reports.

**REFUNDABLE TAX CREDITS.** These tax credits are fully refundable to the taxpayer. The amount of the credit in excess of tax liability is paid to the taxpayer. An example is the Earned Income Tax Credit. Nonrefundable tax credits are limited to amount of the tax liability.

**REPROGRAMMING.** The shift of funds from one purpose to another within the same appropriation account. Reprogramming is often preceded by consultation between the Federal agencies and the appropriate congressional committees. It sometimes involves formal notification and, in some instances, requires approval by congressional committees.

**RESCISSION.** The cancellation of budget authority previously provided by Congress. The Impoundment Control Act of 1974 specifies that the President may propose to Congress that funds be rescinded. If both Houses have not approved a rescission proposal (by passing legislation) within 45 days of continuous session, any funds being withheld must be made available for obligation.

**RESCISSION BILL.** A bill that cancels, in whole or in part, budget authority previously granted by Congress.

**RESERVES.** Budgetary resources set aside (withheld from apportionment) by the Office of Management and Budget under authority of the Antideficiency Act to: (a) provide for contingencies, or (b) effect savings made possible by greater efficiency of operations or through changes in requirements. Budgetary resources may also be set aside as specified by particular appropriations acts or other laws. Reserves are reported to Congress in accordance with the Impoundment Control Act of 1974.

**REVOLVING FUND.** An account or fund in which all income derived from its operations is available in its entirety to finance the fund's continuing operations without fiscal year limitation.

## GLOSSARY OF BUDGETARY TERMS

**SCOREKEEPING.** Procedures for tracking and reporting on the status of congressional budgetary actions, including up-to-date tabulations and reports on congressional actions affecting budget authority, receipts, outlays, the surplus or deficit, and the public debt limit.

**SEQUESTRATION.** The cancellation (or withholding) of budgetary resources pursuant to the Gramm-Rudman-Hollings Act. Once cancelled, sequestered funds are no longer available for obligation or expenditure.

**SPECIAL FUNDS.** Funds earmarked by law for specific purposes. There usually is little practical difference between a special fund and a trust fund.

**SPENDING AUTHORITY.** The term designated in the Congressional Budget Act of 1974 for borrowing authority, contract authority, and entitlement authority for which the budget authority is not provided in advance by appropriations acts. These are commonly referred to as "backdoor spending."

**SPENDOUT RATE.** The rate at which the budget authority provided by Congress is spent by Federal agencies; hence, the rate at which outlays occur (and sometimes referred to as the "outlay rate").

**STATUTORY LIMIT ON THE PUBLIC DEBT.** The maximum amount, established in law, of public debt that can be outstanding. The limit covers virtually all debt incurred by the Federal Government (primarily the Treasury Department), including intragovernmental borrowing from trust funds and debt of off-budget entities, but excludes some debt incurred by agencies.

**SUPPLEMENTAL APPROPRIATION.** Budget authority provided in an appropriations act in addition to regular or continuing appropriations already provided. Supplemental appropriations are made to cover annual pay increases and needs deemed too urgent to be postponed until the enactment of next year's regular appropriations act. Supplemental appropriations acts sometimes include items not included in regular appropriations acts for lack of timely authorization.

**TAX EXPENDITURES.** Revenue losses attributable to provisions of Federal tax law that allow a special exclusion or deduction from income, or that provide a special credit, preferential tax rate, or deferral of tax liability. Tax expenditures may be considered subsidies provided through the tax system to encourage certain activities or to assist certain groups. Tax expenditures involve no payment of funds from the Federal Government to the private sector. Rather, the Treasury Department forgoes some of the receipts that it otherwise would have collected, and the taxpayers who benefit pay lower taxes than they otherwise would have had to pay.

**TRANSFER OF FUNDS.** The shift of budgetary resources from one appropriation account or fund to another. Funds may be transferred only when expressly authorized by law.

**TRANSFER PAYMENTS.** Payments made by the Federal Government to individuals or organizations for which no current or future goods or services are provided in return. Transfer payments include Social Security benefits, unemployment insurance benefits, Government retirement and veterans' benefits, and welfare payments.

**TREASURY COMBINED STATEMENT.** An annual statement issued by the Treasury Department on financial transactions and the status (on a cash basis) of each receipt and appropriation account at the beginning and end of the fiscal year.

**TRUST FUNDS.** Funds collected and used by the Federal Government for carrying out specific purposes and programs according to terms of a trust agreement or statute, such as the Social Security trust funds. Trust funds are not available for the general purposes of the Government.

## GLOSSARY OF BUDGETARY TERMS

**UNDISTRIBUTED OFFSETTING RECEIPTS.** These receipts, which are offset against total spending, are composed of: (a) payments to trust funds by Government agencies for their employees´ retirement; (b) interest paid to trust funds on their investments in Government securities; and (c) proprietary receipts from rents and royalties on the Outer Continental Shelf lands. Undistributed offsetting receipts are included as a separate function in the budget.

**UNIFIED BUDGET.** The form of the budget of the Federal Government in which receipts and outlays from both federal funds and trust funds are consolidated. Budget authority, outlays, and receipts of off-budget entities are excluded from the unified budget.

**UNOBLIGATED BALANCE.** The portion of budget authority that has not been obligated. In one-year accounts, the unobligated balance expires at the end of the fiscal year. In multiyear accounts, the unobligated balance may be carried forward and remain available for obligation for the period specified. In no-year accounts, the unobligated balance is carried forward indefinitely until: (1) rescinded by law; (2) the purposes for which it was provided have been accomplished; or (3) disbursements have not been made against the appropriation for two full consecutive years.

**USER FEES.** Fees charged to users of goods or services provided by the Federal Government. In levying or authorizing these fees, Congress determines whether the revenue should go into the Treasury or should be available to the agency providing the goods or services.

**VIEWS AND ESTIMATES REPORT.** A report issued (under the Congressional Budget Act of 1974) by February 25 of each year by each House and Senate committee with jurisdiction over Federal programs. Each "views and estimates" report contains a committee´s comments or recommendations on budgetary matters within its jurisdiction.

**WARRANTS.** The official documents issued by the Secretary of the Treasury that establish the amount of money (by account) authorized to be withdrawn from the Treasury.

**WORKING FUND ACCOUNTS.** These are special working funds established to receive advance payments from other agencies or accounts. Consolidated working funds are not used to finance the work directly, but only to reimburse the appropriation or fund account that will finance the work to be performed. The resources in consolidated working fund accounts are available for the same periods as those of the accounts advancing the funds.

## HISTORICAL BUDGET DATA

TABLE F-1. REVENUES, OUTLAYS, DEFICITS, AND DEBT HELD BY THE PUBLIC, FISCAL YEARS 1962-1986
(In billions of dollars)

| | Revenues | | | Outlays | | | Deficit (-) | Debt Held |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | On-Budget | Off-Budget | Total | On-Budget | Off-Budget | Total | or Surplus | by the Public |
| 1962 | 87.4 | 12.3 | 99.7 | 93.3 | 13.5 | 106.8 | -7.1 | 248.4 |
| 1963 | 92.4 | 14.2 | 106.6 | 96.4 | 15.0 | 111.3 | -4.8 | 254.5 |
| 1964 | 96.2 | 16.4 | 112.6 | 102.8 | 15.7 | 118.5 | -5.9 | 257.6 |
| 1965 | 100.1 | 16.7 | 116.8 | 101.7 | 16.5 | 118.2 | -1.4 | 261.6 |
| 1966 | 111.7 | 19.1 | 130.8 | 114.8 | 19.7 | 134.5 | -3.7 | 264.7 |
| 1967 | 124.4 | 24.4 | 148.8 | 137.0 | 20.4 | 157.5 | -8.6 | 267.5 |
| 1968 | 128.1 | 24.9 | 153.0 | 155.8 | 22.3 | 178.1 | -25.2 | 290.6 |
| 1969 | 157.9 | 29.0 | 186.9 | 158.4 | 25.2 | 183.6 | 3.2 | 279.5 |
| 1970 | 159.3 | 33.5 | 192.8 | 168.0 | 27.6 | 195.6 | -2.8 | 284.9 |
| 1971 | 151.3 | 35.8 | 187.1 | 177.3 | 32.8 | 210.2 | -23.0 | 304.3 |
| 1972 | 167.4 | 39.9 | 207.3 | 193.8 | 36.9 | 230.7 | -23.4 | 323.8 |
| 1973 | 184.7 | 46.1 | 230.8 | 200.1 | 45.6 | 245.7 | -14.9 | 343.0 |
| 1974 | 209.3 | 53.9 | 263.2 | 217.3 | 52.1 | 269.4 | -6.1 | 346.1 |
| 1975 | 216.6 | 62.5 | 279.1 | 271.9 | 60.4 | 332.3 | -53.2 | 396.9 |
| 1976 | 231.7 | 66.4 | 298.1 | 302.2 | 69.6 | 371.8 | -73.7 | 480.3 |
| 1977 | 278.7 | 76.8 | 355.6 | 328.5 | 80.7 | 409.2 | -53.6 | 551.8 |
| 1978 | 314.2 | 85.4 | 399.6 | 369.1 | 89.7 | 458.7 | -59.2 | 610.9 |
| 1979 | 365.3 | 98.0 | 463.3 | 403.5 | 100.0 | 503.5 | -40.2 | 644.6 |
| 1980 | 403.9 | 113.2 | 517.1 | 476.6 | 114.3 | 590.9 | -73.8 | 715.1 |
| 1981 | 469.1 | 130.2 | 599.3 | 543.0 | 135.2 | 678.2 | -78.9 | 794.4 |
| 1982 | 474.3 | 143.5 | 617.8 | 594.3 | 151.4 | 745.7 | -127.9 | 929.4 |
| 1983 | 453.2 | 147.3 | 600.6 | 661.2 | 147.1 | 808.3 | -207.8 | 1,141.8 |
| 1984 | 500.4 | 166.1 | 666.5 | 686.0 | 165.8 | 851.8 | -185.3 | 1,312.6 |
| 1985 | 547.9 | 186.2 | 734.1 | 769.5 | 176.8 | 946.3 | -212.3 | 1,509.9 |
| 1986 | 568.9 | 200.2 | 769.1 | 806.3 | 183.5 | 989.8 | -220.7 | 1,745.6 |

**SOURCE:** Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 1988-1992. January 1987, Table F-1, page 155.

**HISTORICAL BUDGET DATA**

TABLE F-2. REVENUES, OUTLAYS, DEFICITS, AND DEBT HELD BY THE PUBLIC, FISCAL YEARS 1962-1986
(As a percent of GNP)

| Fiscal Year | Revenues On-Budget | Revenues Off-Budget | Revenues Total | Outlays On-Budget | Outlays Off-Budget | Outlays Total | Deficit (-) or Surplus | Debt Held by the Public |
|---|---|---|---|---|---|---|---|---|
| 1962 | 15.7 | 2.2 | 17.9 | 16.8 | 2.4 | 19.2 | -1.3 | 44.6 |
| 1963 | 15.7 | 2.4 | 18.1 | 16.4 | 2.5 | 18.9 | -0.8 | 43.2 |
| 1964 | 15.3 | 2.6 | 17.9 | 16.3 | 2.5 | 18.8 | -0.9 | 40.9 |
| 1965 | 14.9 | 2.5 | 17.3 | 15.1 | 2.5 | 17.6 | -0.2 | 38.8 |
| 1966 | 15.1 | 2.6 | 17.7 | 15.5 | 2.7 | 18.2 | -0.5 | 35.7 |
| 1967 | 15.7 | 3.1 | 18.8 | 17.3 | 2.6 | 19.8 | -1.1 | 33.7 |
| 1968 | 15.0 | 2.9 | 17.9 | 18.3 | 2.6 | 20.9 | -3.0 | 34.1 |
| 1969 | 17.0 | 3.1 | 20.1 | 17.0 | 2.7 | 19.8 | 0.3 | 30.1 |
| 1970 | 16.1 | 3.4 | 19.5 | 17.0 | 2.8 | 19.8 | -0.3 | 28.8 |
| 1971 | 14.3 | 3.4 | 17.7 | 16.8 | 3.1 | 19.9 | -2.2 | 28.8 |
| 1972 | 14.5 | 3.5 | 18.0 | 16.8 | 3.2 | 20.0 | -2.0 | 28.1 |
| 1973 | 14.4 | 3.6 | 18.0 | 15.6 | 3.5 | 19.1 | -1.2 | 26.7 |
| 1974 | 14.8 | 3.8 | 18.6 | 15.3 | 3.7 | 19.0 | -0.4 | 24.4 |
| 1975 | 14.2 | 4.1 | 18.3 | 17.8 | 4.0 | 21.8 | -3.5 | 26.1 |
| 1976 | 13.6 | 3.9 | 17.5 | 17.8 | 4.1 | 21.9 | -4.3 | 28.3 |
| 1977 | 14.4 | 4.0 | 18.4 | 17.0 | 4.2 | 21.1 | -2.8 | 28.5 |
| 1978 | 14.5 | 3.9 | 18.4 | 17.0 | 4.1 | 21.1 | -2.7 | 28.1 |
| 1979 | 14.9 | 4.0 | 18.9 | 16.5 | 4.1 | 20.5 | -1.6 | 26.3 |
| 1980 | 15.1 | 4.2 | 19.4 | 17.9 | 4.3 | 22.2 | -2.8 | 26.8 |
| 1981 | 15.7 | 4.4 | 20.1 | 18.2 | 4.5 | 22.7 | -2.6 | 26.6 |
| 1982 | 15.1 | 4.6 | 19.7 | 18.9 | 4.8 | 23.7 | -4.1 | 29.6 |
| 1983 | 13.6 | 4.4 | 18.1 | 19.9 | 4.4 | 24.3 | -6.3 | 34.4 |
| 1984 | 13.5 | 4.5 | 18.0 | 18.6 | 4.5 | 23.1 | -5.0 | 35.5 |
| 1985 | 13.9 | 4.7 | 18.6 | 19.5 | 4.5 | 24.0 | -5.4 | 38.4 |
| 1986 | 13.7 | 4.8 | 18.5 | 19.4 | 4.4 | 23.8 | -5.3 | 41.9 |

**SOURCE:** Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 1988-1992. January 1987, Table F-2, page 156.

## HISTORICAL BUDGET DATA

TABLE F-3. REVENUES BY MAJOR SOURCE, FISCAL YEARS 1962-1986
(In billions of dollars)

| Fiscal Year | Individual Income Taxes | Corporate Income Taxes | Social Insurance Taxes and Contributions | Excise Taxes | Estate and Gift Taxes | Customs Duties | Miscellaneous Receipts | Total Revenues |
|---|---|---|---|---|---|---|---|---|
| 1962 | 45.6 | 20.5 | 17.0 | 12.5 | 2.0 | 1.1 | 0.8 | 99.7 |
| 1963 | 47.6 | 21.6 | 19.8 | 13.2 | 2.2 | 1.2 | 1.0 | 106.6 |
| 1964 | 48.7 | 23.5 | 22.0 | 13.7 | 2.4 | 1.3 | 1.1 | 112.6 |
| 1965 | 48.8 | 25.5 | 22.2 | 14.6 | 2.7 | 1.4 | 1.6 | 116.8 |
| 1966 | 55.4 | 30.1 | 25.5 | 13.1 | 3.1 | 1.8 | 1.9 | 130.8 |
| 1967 | 61.5 | 34.0 | 32.6 | 13.7 | 3.0 | 1.9 | 2.1 | 148.8 |
| 1968 | 68.7 | 28.7 | 33.9 | 14.1 | 3.1 | 2.0 | 2.5 | 153.0 |
| 1969 | 87.2 | 36.7 | 39.0 | 15.2 | 3.5 | 2.3 | 2.9 | 186.9 |
| 1970 | 90.4 | 32.8 | 44.4 | 15.7 | 3.6 | 2.4 | 3.4 | 192.8 |
| 1971 | 86.2 | 26.8 | 47.3 | 16.6 | 3.7 | 2.6 | 3.9 | 187.1 |
| 1972 | 94.7 | 32.2 | 52.6 | 15.5 | 5.4 | 3.3 | 3.6 | 207.3 |
| 1973 | 103.2 | 36.2 | 63.1 | 16.3 | 4.9 | 3.2 | 3.9 | 230.8 |
| 1974 | 119.0 | 38.6 | 75.1 | 16.8 | 5.0 | 3.3 | 5.4 | 263.2 |
| 1975 | 122.4 | 40.6 | 84.5 | 16.6 | 4.6 | 3.7 | 6.7 | 279.1 |
| 1976 | 131.6 | 41.4 | 90.8 | 17.0 | 5.2 | 4.1 | 8.0 | 298.1 |
| 1977 | 157.6 | 54.9 | 106.5 | 17.5 | 7.3 | 5.2 | 6.5 | 355.6 |
| 1978 | 181.0 | 60.0 | 121.0 | 18.4 | 5.3 | 6.6 | 7.4 | 399.6 |
| 1979 | 217.8 | 65.7 | 138.9 | 18.7 | 5.4 | 7.4 | 9.3 | 463.3 |
| 1980 | 244.1 | 64.6 | 157.8 | 24.3 | 6.4 | 7.2 | 12.7 | 517.1 |
| 1981 | 285.9 | 61.1 | 182.7 | 40.8 | 6.8 | 8.1 | 13.8 | 599.3 |
| 1982 | 297.7 | 49.2 | 201.5 | 36.3 | 8.0 | 8.9 | 16.2 | 617.8 |
| 1983 | 288.9 | 37.0 | 209.0 | 35.3 | 6.1 | 8.7 | 15.6 | 600.6 |
| 1984 | 298.4 | 56.9 | 239.4 | 37.4 | 6.0 | 11.4 | 17.0 | 666.5 |
| 1985 | 334.5 | 61.3 | 265.2 | 36.0 | 6.4 | 12.1 | 18.5 | 734.1 |
| 1986 | 349.0 | 63.1 | 283.9 | 32.9 | 7.0 | 13.3 | 19.9 | 769.1 |

**SOURCE:** Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 1988-1992. January 1987, Table F-3, page 157.

HISTORICAL BUDGET DATA

TABLE F-4. REVENUES BY MAJOR SOURCE, FISCAL YEARS 1962-1986 (As a percent of GNP)

| Fiscal Year | Individual Income Taxes | Corporate Income Taxes | Social Insurance Taxes and Contributions | Excise Taxes | Estate and Gift Taxes | Customs Duties | Miscellaneous Receipts | Total Revenues |
|---|---|---|---|---|---|---|---|---|
| 1962 | 8.2 | 3.7 | 3.1 | 2.3 | 0.4 | 0.2 | 0.2 | 17.9 |
| 1963 | 8.1 | 3.7 | 3.4 | 2.2 | 0.4 | 0.2 | 0.2 | 18.1 |
| 1964 | 7.7 | 3.7 | 3.5 | 2.2 | 0.4 | 0.2 | 0.2 | 17.9 |
| 1965 | 7.2 | 3.8 | 3.3 | 2.2 | 0.4 | 0.2 | 0.2 | 17.3 |
| 1966 | 7.5 | 4.1 | 3.4 | 1.8 | 0.4 | 0.2 | 0.3 | 17.7 |
| 1967 | 7.8 | 4.3 | 4.1 | 1.7 | 0.4 | 0.2 | 0.3 | 18.8 |
| 1968 | 8.1 | 3.4 | 4.0 | 1.7 | 0.4 | 0.2 | 0.3 | 17.9 |
| 1969 | 9.4 | 3.9 | 4.2 | 1.6 | 0.4 | 0.2 | 0.3 | 20.1 |
| 1970 | 9.1 | 3.3 | 4.5 | 1.6 | 0.4 | 0.2 | 0.3 | 19.5 |
| 1971 | 8.2 | 2.5 | 4.5 | 1.6 | 0.4 | 0.2 | 0.4 | 17.7 |
| 1972 | 8.2 | 2.8 | 4.6 | 1.3 | 0.5 | 0.3 | 0.3 | 18.0 |
| 1973 | 8.0 | 2.8 | 4.9 | 1.3 | 0.4 | 0.2 | 0.3 | 18.0 |
| 1974 | 8.4 | 2.7 | 5.3 | 1.2 | 0.4 | 0.2 | 0.4 | 18.6 |
| 1975 | 8.0 | 2.7 | 5.5 | 1.1 | 0.3 | 0.2 | 0.4 | 18.3 |
| 1976 | 7.7 | 2.4 | 5.3 | 1.0 | 0.3 | 0.2 | 0.5 | 17.5 |
| 1977 | 8.1 | 2.8 | 5.5 | 0.9 | 0.4 | 0.3 | 0.3 | 18.4 |
| 1978 | 8.3 | 2.8 | 5.6 | 0.8 | 0.2 | 0.3 | 0.3 | 18.4 |
| 1979 | 8.9 | 2.7 | 5.7 | 0.8 | 0.2 | 0.3 | 0.4 | 18.9 |
| 1980 | 9.1 | 2.4 | 5.9 | 0.9 | 0.2 | 0.3 | 0.5 | 19.4 |
| 1981 | 9.6 | 2.0 | 6.1 | 1.4 | 0.2 | 0.3 | 0.5 | 20.1 |
| 1982 | 9.5 | 1.6 | 6.4 | 1.2 | 0.3 | 0.3 | 0.5 | 19.7 |
| 1983 | 8.7 | 1.1 | 6.3 | 1.1 | 0.2 | 0.3 | 0.5 | 18.1 |
| 1984 | 8.1 | 1.5 | 6.5 | 1.0 | 0.2 | 0.3 | 0.5 | 18.0 |
| 1985 | 8.5 | 1.6 | 6.7 | 0.9 | 0.2 | 0.3 | 0.5 | 18.6 |
| 1986 | 8.4 | 1.5 | 6.8 | 0.8 | 0.2 | 0.3 | 0.5 | 18.5 |

**SOURCE:** Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 1988-1992. January 1987, Table F-4, page 158.

HISTORICAL BUDGET DATA

TABLE F-5. OUTLAYS FOR MAJOR SPENDING CATEGORIES, FISCAL YEARS 1962-1986
(In billions of dollars)

| Fiscal Year | National Defense | Entitlements and Other Mandatory Spending | Nondefense Discretionary Spending | Net Interest | Offsetting Receipts | Total Outlays |
|---|---|---|---|---|---|---|
| 1962 | 52.3 | 31.3 | 23.3 | 6.9 | -7.0 | 106.8 |
| 1963 | 53.4 | 33.7 | 24.6 | 7.7 | -8.1 | 111.3 |
| 1964 | 54.8 | 35.0 | 28.4 | 8.2 | -7.8 | 118.5 |
| 1965 | 50.6 | 35.3 | 31.8 | 8.6 | -8.0 | 118.2 |
| 1966 | 58.1 | 38.0 | 37.6 | 9.4 | -8.5 | 134.5 |
| 1967 | 71.4 | 46.0 | 40.1 | 10.3 | -10.3 | 157.5 |
| 1968 | 81.9 | 52.7 | 43.2 | 11.1 | -10.8 | 178.1 |
| 1969 | 82.5 | 59.2 | 40.3 | 12.7 | -11.1 | 183.6 |
| 1970 | 81.7 | 67.1 | 44.2 | 14.4 | -11.6 | 195.6 |
| 1971 | 78.9 | 81.7 | 49.0 | 14.8 | -14.2 | 210.2 |
| 1972 | 79.2 | 95.4 | 54.9 | 15.5 | -14.2 | 230.7 |
| 1973 | 76.7 | 111.5 | 58.3 | 17.3 | -18.1 | 245.7 |
| 1974 | 79.3 | 125.2 | 64.7 | 21.4 | -21.3 | 269.4 |
| 1975 | 86.5 | 157.2 | 83.9 | 23.2 | -18.5 | 332.3 |
| 1976 | 89.6 | 183.8 | 91.4 | 26.7 | -19.8 | 371.8 |
| 1977 | 97.2 | 199.2 | 104.5 | 29.9 | -21.6 | 409.2 |
| 1978 | 104.5 | 219.5 | 122.3 | 35.4 | -23.0 | 458.7 |
| 1979 | 116.3 | 237.9 | 132.7 | 42.6 | -26.1 | 503.5 |
| 1980 | 134.0 | 280.6 | 154.2 | 52.5 | -30.4 | 590.9 |
| 1981 | 157.5 | 323.5 | 167.7 | 68.7 | -39.3 | 678.2 |
| 1982 | 185.3 | 359.8 | 152.7 | 85.0 | -37.2 | 745.7 |
| 1983 | 209.9 | 401.2 | 153.6 | 89.8 | -46.1 | 808.3 |
| 1984 | 227.4 | 397.0 | 161.7 | 111.1 | -45.3 | 851.8 |
| 1985 | 252.7 | 440.2 | 172.0 | 129.4 | -48.0 | 946.3 |
| 1986 | 273.4 | 457.3 | 170.3 | 136.0 | -47.1 | 989.8 |

**SOURCE:** Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 1988-1992. January 1987, Table F-5, page 159.

HISTORICAL BUDGET DATA

TABLE F-6. OUTLAYS FOR MAJOR SPENDING CATEGORIES, FISCAL YEARS 1962-1986
(As a percent of GNP)

| Fiscal Year | National Defense | Entitlements and Other Mandatory Spending | Nondefense Discretionary Spending | Net Interest | Offsetting Receipts | Total Outlays |
|---|---|---|---|---|---|---|
| 1962 | 9.4 | 5.6 | 4.2 | 1.2 | -1.3 | 19.2 |
| 1963 | 9.1 | 5.7 | 4.2 | 1.3 | -1.4 | 18.9 |
| 1964 | 8.7 | 5.6 | 4.5 | 1.3 | -1.2 | 18.8 |
| 1965 | 7.5 | 5.2 | 4.7 | 1.3 | -1.2 | 17.6 |
| 1966 | 7.8 | 5.1 | 5.1 | 1.3 | -1.2 | 18.2 |
| 1967 | 9.0 | 5.8 | 5.1 | 1.3 | -1.3 | 19.8 |
| 1968 | 9.6 | 6.2 | 5.1 | 1.3 | -1.3 | 20.9 |
| 1969 | 8.9 | 6.4 | 4.3 | 1.4 | -1.2 | 19.8 |
| 1970 | 8.2 | 6.8 | 4.5 | 1.5 | -1.2 | 19.8 |
| 1971 | 7.5 | 7.7 | 4.6 | 1.4 | -1.3 | 19.9 |
| 1972 | 6.9 | 8.3 | 4.8 | 1.3 | -1.2 | 20.0 |
| 1973 | 6.0 | 8.7 | 4.5 | 1.3 | -1.4 | 19.1 |
| 1974 | 5.6 | 8.8 | 4.6 | 1.5 | -1.5 | 19.0 |
| 1975 | 5.7 | 10.3 | 5.5 | 1.5 | -1.2 | 21.8 |
| 1976 | 5.3 | 10.8 | 5.4 | 1.6 | -1.2 | 21.9 |
| 1977 | 5.0 | 10.3 | 5.4 | 1.5 | -1.1 | 21.1 |
| 1978 | 4.8 | 10.1 | 5.6 | 1.6 | -1.1 | 21.1 |
| 1979 | 4.7 | 9.7 | 5.4 | 1.7 | -1.1 | 20.5 |
| 1980 | 5.0 | 10.5 | 5.8 | 2.0 | -1.1 | 22.2 |
| 1981 | 5.3 | 10.8 | 5.6 | 2.3 | -1.3 | 22.7 |
| 1982 | 5.9 | 11.5 | 4.9 | 2.7 | -1.2 | 23.7 |
| 1983 | 6.3 | 12.1 | 4.6 | 2.7 | -1.4 | 24.3 |
| 1984 | 6.2 | 10.7 | 4.4 | 3.0 | -1.2 | 23.1 |
| 1985 | 6.4 | 11.2 | 4.4 | 3.3 | -1.2 | 24.0 |
| 1986 | 6.6 | 11.0 | 4.1 | 3.3 | -1.1 | 23.8 |

**SOURCE:** Congressional Budget Office. The Budget and Economic Outlook: Fiscal Years 1988-1992. Janu-ry 1987, Table F-6, page 160.

APPENDIX C
--continued

## HISTORICAL BUDGET DATA

### Table H-7. HISTORICAL TREND OF FEDERAL GRANT-IN-AID OUTLAYS

(Fiscal years; dollar amounts in billions)

| | Total grants in-aid | Federal grants as a percent of | | | |
|---|---|---|---|---|---|
| | | Federal outlays [1] | | State and local expenditures [1] | Gross National Product |
| | | Total | Domestic programs [1] | | |
| Five-year intervals: | | | | | |
| 1950 | $2.3 | 5.3% | 11.6% | 10.4% | 0.8% |
| 1955 | 3.2 | 4.7 | 17.2 | 10.1 | 0.8 |
| 1960 | 7.0 | 7.6 | 20.6 | 14.6 | 1.4 |
| 1965 | 10.9 | 9.2 | 20.3 | 15.2 | 1.6 |
| 1970 | 24.1 | 12.3 | 25.3 | 19.2 | 2.4 |
| 1975 | 49.8 | 15.0 | 23.1 | 22.7 | 3.3 |
| Annually: | | | | | |
| 1980 | 91.5 | 15.5 | 23.3 | 25.8 | 3.4 |
| 1981 | 94.8 | 14.0 | 21.6 | 24.6 | 3.2 |
| 1982 | 88.2 | 11.8 | 19.0 | 21.6 | 2.8 |
| 1983 | 92.5 | 11.4 | 18.6 | 21.3 | 2.8 |
| 1984 | 97.6 | 11.5 | 19.6 | 21.1 | 2.6 |
| 1985 | 105.9 | 11.2 | 19.3 | 21.0 | 2.7 |
| 1986 | 112.4 | 11.4 | 19.8 | 20.6 | 2.7 |
| 1987 estimate | 109.9 | 10.8 | 18.9 | NA | 2.5 |
| 1988 estimate | 106.3 | 10.4 | 18.6 | NA | 2.2 |
| 1989 estimate | 106.5 | 10.0 | 17.8 | NA | 2.1 |
| 1990 estimate | 107.9 | 9.7 | 17.4 | NA | 2.0 |
| 1991 estimate | 109.2 | 9.5 | 17.0 | NA | 1.9 |
| 1992 estimate | 110.6 | 9.4 | 16.6 | NA | 1.8 |

### Table H-8. COMPOSITION OF GRANT-IN-AID OUTLAYS

(Fiscal years; dollar amounts in billions)

| | Total grants in-aid | Composition of grants in aid | | | Share of State and local capital expenditures financed by— | |
|---|---|---|---|---|---|---|
| | | Grants for payments for individuals [1] | Grants for physical capital investment [1] | Other | Grants in aid | Own source revenues |
| Five-year intervals: | | | | | | |
| 1950 | 2.3 | 1.3 | 0.5 | 0.5 | 8.4% | 91.6% |
| 1955 | 3.2 | 1.6 | 0.8 | 0.8 | 8.3 | 91.7 |
| 1960 | 7.0 | 2.5 | 3.3 | 1.2 | 23.9 | 76.1 |
| 1965 | 10.9 | 3.7 | 5.0 | 2.2 | 24.8 | 75.2 |
| 1970 | 24.1 | 8.6 | 7.0 | 8.4 | 24.6 | 75.4 |
| 1975 | 49.8 | 16.4 | 10.9 | 22.5 | 25.7 | 74.3 |
| Annually: | | | | | | |
| 1980 | 91.5 | 31.9 | 22.5 | 37.1 | 36.4 | 63.6 |
| 1981 | 94.8 | 36.9 | 22.1 | 35.7 | 35.9 | 64.1 |
| 1982 | 88.2 | 37.9 | 20.1 | 30.2 | 34.0 | 66.0 |
| 1983 | 92.5 | 41.6 | 20.5 | 30.4 | 33.7 | 66.3 |
| 1984 | 97.6 | 44.3 | 22.7 | 30.6 | 34.9 | 65.1 |
| 1985 | 105.9 | 48.1 | 24.8 | 33.0 | 33.7 | 66.3 |
| 1986 | 112.4 | 51.4 | 26.2 | 34.7 | 31.3 | 68.7 |
| 1987 estimate | 109.9 | 54.2 | 24.8 | 30.8 | NA | NA |
| 1988 estimate | 106.3 | 52.9 | 23.4 | 30.0 | NA | NA |

SOURCE: Budget of the United States Government, Fiscal Year 1988, Special Analyses (Special Analysis H: Federal Aid to State and Local Government), pages H-22 and H-23.

## HOW TO OBTAIN DOCUMENTS EXHIBITED IN THE MANUAL

Members of Congress and congressional staff may obtain the different types of documents exhibited in the manual from various sources.

Public laws cited in the manual are published in the Statutes-at-Large; a separate volume is published for each session of Congress. The Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344; 88 Stat. 297), for example, was the 344th law enacted by the 93rd Congress, and may be found in Volume 88 of the Statutes-at-Large beginning on page 297. In addition, public laws (or parts thereof) may be found in the United States Code, which is arranged by titles. Section 201(a) of the Budget and Accounting Act of 1921 (31 U.S.C. 1105), for example, is found in Title 31 ("Money and Finance") of the Code at Section 1105.

Standing rules of the House and Senate may be found in documents of the respective Houses that are issued each Congress. The standing rules of the House are included in House Document No. 98-277, Constitution, Jefferson's Manual, and Rules of the House of Representatives of the United States (99th Congress), published in 1985. The standing rules of the Senate are included in Senate Document No. 99-22, Standing Rules of the Senate and Congressional Budget and Impoundment Control Act of 1974, As Amended, published in 1986. The precedents of the House and Senate also are published periodically as documents of the respective Houses.

Public laws, legislation, and documents and reports of the current (and immediate past) Congress may be obtained from the House Document Room (225-3456) in the Capitol or the Senate Document Room (224-7860) in the Hart Senate Office Building. Hearings and prints are issued directly by committees. Historical collections of some congressional publications are available through the House Library (225-0462), the Senate Library (224-7106), and the Congressional Research Service (287-5700).

Certain budgetary publications of executive and legislative agencies are routinely distributed to congressional offices. Copies may also be obtained from the legislative affairs office or the publications office of the particular agency. For selected agencies, the appropriate telephone numbers to call regarding publications are:

CONGRESSIONAL BUDGET OFFICE....................226-2809

GENERAL ACCOUNTING OFFICE......................275-6241

OFFICE OF MANAGEMENT AND BUDGET................395-7332

DEPARTMENT OF THE TREASURY.....................566-2401