

BOX 14-1 **A Budget Glossary**

Appropriations. The process by which Congress provides budget authority, usually through the enactment of twelve separate appropriations bills.

Budget authority. The authority for federal agencies to spend or otherwise obligate money, accomplished through enactment into law of appropriations bills.

Budget outlays. Money that is spent in a given fiscal year, as opposed to money that is appropriated for that year. One year's budget authority can result in outlays over several years, and the outlays in any given year result from a mix of budget authority from that year and prior years. Budget authority is similar to putting money into a checking account. Outlays occur when checks are written and cashed.

Cut-as-you-go (CUTGO) rule. This House rule requires new mandatory spending to be offset with cuts to existing entitlement programs. Tax increases cannot be used to offset new spending.

Discretionary spending. Programs that Congress can finance as it chooses through appropriations. With the exception of paying entitlement benefits to individuals (see mandatory spending below), almost everything the government does is financed by discretionary spending. Examples include all federal agencies, Congress, the White House, the courts, the military, and programs such as space exploration and child nutrition. About a third of all federal spending falls into this category.

Fiscal year. The federal government's budget year. For example, fiscal year 2016 runs from October 1, 2015, through September 30, 2016.

Mandatory spending. Made up mostly of entitlements, which are programs whose eligibility requirements are written into law. Anyone who meets those requirements is entitled to the money until Congress changes the law. Examples are Social Security, Medicare, Medicaid, unemployment benefits, food stamps, and federal pensions. Another major category of mandatory spending is the interest paid to holders of federal government bonds. Social Security and interest payments are permanently appropriated. And although budget authority for some entitlements is provided through the appropriations process, appropriators have little or no control over the money. Mandatory spending accounts for about two-thirds of all federal spending.

Pay-as-you-go (PAYGO) rule. This Senate rule requires that all tax cuts, new entitlement programs, and expansions of existing entitlement programs be budget-neutral—that is, offset either by additional taxes or by cuts in existing entitlement programs.

Reconciliation. The process by which tax laws and spending programs are changed, or reconciled, to reach outlay and revenue targets set in the congressional budget resolution. Established by the 1974 Congressional Budget Act (P.L. 93-344), it was first used in 1980.

Rescission. The cancellation of previously appropriated budget authority. This is a common way to save money that already has been appropriated. A rescissions bill must be passed by Congress and signed by the president (or enacted over his veto), just as an appropriations bill is.

Revenues. Taxes, customs duties, some user fees, and most other receipts paid to the federal government.

Sequester. The cancellation of spending authority as a disciplinary measure to cut off spending above preset limits. Appropriations that exceed annual spending caps can trigger a sequester that will cut all appropriations by the amount of the excess. Similarly, tax cuts and new or expanded entitlement spending programs that are not offset under the pay-as-you-go law could trigger a sequester of nonexempt entitlement programs.

Source: Adapted from Andrew Taylor, "Clinton's Strength Portends a Tough Season for GOP," *CQ Weekly*, February 6, 1999, 293.

The authorization-appropriation sequence is not required by the U.S. Constitution. The dual procedure dates from the nineteenth century and stems from inordinate delays caused by adding riders—extraneous policy amendments—to appropriations bills. "By 1835," wrote a legislator, "delays caused by injecting legislation [policy] into these [appropriations] bills had become serious and [Massachusetts representative] John Quincy Adams suggested that they be stripped of everything save appropriations."⁵² Two years later, the House required authorizations to precede appropriations. The Senate followed suit. Both chambers have rules and precedents designed "to segregate decisions about what the government should do [authorizations] from those about how much it can afford [appropriations]."⁵³ However, as discussed shortly, policy riders are often added to appropriations bills despite the dual procedure.

The Constitution provides that "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law" (Article I, section 9). As a result, appropriations have priority over authorizations. An appropriations measure may be approved even if the authorization bill has not been enacted. Some programs have not been authorized for years, but they still continue to operate. Why? If money is sprinkled on programs or agencies, they continue to exist and function even if their authorization has lapsed. As one House Appropriations subcommittee chair said about the "must-pass" appropriations bills, "It's not the end of the world if we postpone the Clean Air Act or a tax measure. But the entire government will shut down if . . . appropriations [are not enacted annually]."⁵⁴

Authorizations can be annual, multiyear, or permanent. Through the end of World War II, most federal agencies and programs were permanently authorized. They were reviewed annually by the House and Senate Appropriations Committees, but not by the authorizing committees (such as Agriculture or Commerce). Since the 1970s, the trend has been toward short-term authorizations, giving the authorizing committees more chances to control agency operations.⁵⁵ Generally, authorizing committees are eager to enact their bills on a timely basis, because otherwise they cede their lawmaking power to the appropriating panels. As Sen. Dianne Feinstein, D-Calif., a senior member of

the Intelligence Committee, exclaimed, "If this committee can't pass authorization bills . . . which give scope and force of law to what we do, we are in fact a paper tiger."⁵⁶ But authorizers also try from time to time to hitch a ride on an appropriations bill heading to the White House. "Ideally, it's not great to use [appropriations] bills," remarked former representative Barney Frank, D-Mass. "But they may be the only vehicles we can use [for] some [authorization measures] where we're facing a veto or we have problems in the Senate."⁵⁷

In practice, it is hard to keep the two stages distinct. Authorization bills sometimes carry appropriations, and appropriations bills sometimes contain legislation (or policy provisions). Chamber rules that forbid these maneuvers can be waived. In the House, so-called limitation riders make policy under the guise of restricting agency use of funds. Phrased negatively ("None of the funds may be used for a specified purpose . . ."), such limitation riders bolster congressional control of the bureaucracy.⁵⁸ A well-known limitation amendment—barring the use of federal funds for abortions except under limited circumstances—was first adopted in 1976 and has been readopted ever since in appropriations bills. The Senate, too, is not reluctant to add extraneous policy proposals to appropriations bills. Policy riders can provoke bicameral, party, and legislative-executive disputes.

Committee Roles and Continuing Resolutions. Among the authorizing committees, House Ways and Means and Senate Finance have especially powerful roles in the budget process. These tax panels have access to the staff experts of the Joint Taxation Committee. Because the House under the Constitution initiates revenue measures, it usually determines whether Congress will act on legislation to raise, lower, or redistribute the tax burden. The House jealously guards its constitutional authority to originate tax measures and typically will return to the Senate any bill that violates the origination clause.⁵⁹ Occasionally, however, the Senate takes the lead. The Senate technically complies with the Constitution by appending a major tax measure to a minor House-passed revenue bill. In 1981 the Republican-controlled Senate used this tactic to act on President Ronald Reagan's sweeping tax cut plan. It used the same ploy the next year on the president's tax increase package.

Whenever Congress cannot complete action on one or more of the twelve regular appropriations bills (generally one for each subcommittee) by the beginning of the fiscal year (October 1), it provides temporary, stopgap funding for the affected federal agencies through a joint resolution known as a continuing resolution. In the past, continuing resolutions were usually employed to keep a few government agencies in operation for short periods (usually one to three months). In some years, Congress has packaged all the regular appropriations bills into one massive continuing resolution. As polarization and the increased use of the Senate filibuster have made passage of even routine spending bills difficult, it has become more common for Congress to rely on continuing resolutions to fund much or all of the government.⁶⁰ Each year, Congress also passes one or more supplemental appropriations bills to meet unforeseen contingencies. To sum up, there are

three basic types of appropriations: *regular* (made annually), *supplemental* (furnishing funds for unexpected contingencies), or *continuing* (providing funds when one or more annual appropriations bills have not been enacted by the start of the fiscal year).

A Shift in Thinking. Congress has witnessed shifts in the role and culture of the two Appropriations Committees over time. Once known as guardians of the federal Treasury, the two panels gradually developed an affinity for spending as they evaluated and compared the budgetary requests of federal agencies and departments. Some lobbyists even referred to the committees as “favor factories” where taxpayer dollars could be won for their clients. Several committee members won the appellation the “King of Pork” or the “Prince of Pork” for the hundreds of millions of dollars they earmarked for projects in their states or districts.

Recently, a House appropriator called the panel “the Dis-Appropriations Committee.”⁶¹ Subtraction, not addition, now characterizes budgeting by the two panels. As Harold Rogers, R-Ky., the chair of House Appropriations, said, “The atmosphere in the country is that government has to get serious about cutting spending. . . . And the place where the spending is controlled is the Appropriations Committee.”⁶² To what extent and for how long the “atmosphere in the country” will support program-funding reductions is unclear. Government programs have constituencies—which is often why they were created in the first place—likely to oppose severe funding cuts or outright program terminations. As scholars and others have long known, people favor spending cuts in the abstract but not for programs they support and from which they benefit. For example, senior citizens often tell lawmakers, “Keep your hands off my Social Security!” A key question, then, is, are Americans ready and willing to shrink the size and scope of government and roll back federal spending?⁶³

Backdoor Spending Techniques

To sidestep appropriators’ abilities to slash their recommended funding levels, authorizing committees evolved backdoor funding provisions to bypass the front door of the two-step authorization-appropriation sequence. Backdoors are authorization laws that mandate, rather than simply recommend, the expenditure of federal funds. This type of spending legislation, which is reported solely by the authorizing committees, is called direct (or mandatory) spending, as opposed to the discretionary spending under the House and Senate Appropriations Committees. There are three types of backdoor or direct spending provisions: (1) contract authority permits agencies to enter into contracts that subsequently must be covered by appropriations; (2) borrowing authority allows agencies to spend money they have borrowed from the public or the Treasury; and (3) entitlement programs grant eligible individuals and governments the right to receive payments from the national government.

The fastest-growing of the three types is entitlements, which establish legally enforceable rights for eligible beneficiaries. Spending for entitlement

Separates. The calculation of spending authority as a discretionary measure to cut or increase a given agency's funds. Appropriations that exceed annual spending caps are "labeled" as separate. But not all expenditures are the result of this process. Separately set caps and new or expanded entitlement spending programs that are not affected under the caps are put in the so-called "major" category of nonseparated entitlement programs.

Source: Adapted from William Miller, "Clinton's Struggle to Reach a Budget Deal for 1995," *CQ Weekly*, February 6, 1995, 728.

Congress's power of the purse. That congressional budgeting is usually controversial should come as no surprise, considering the high political and policy stakes associated with fiscal decision making (see Box 14-1 for some of the controversy tied to budgeting).

Authorizations and Appropriations

Congress's budget procedures are shaped by two legislative and legislative process issues: **authorization** and **appropriation**. Generally, legislatures "authorize" programs and then appropriate program funds to them. Congress would then pass authorization laws that do three fundamental things: (1) establish or continue (authorize) federal agencies and programs; (2) define the purposes, functions, and operations of programs or agencies; and (3) recommend (that is, authorize) the appropriation of funds for programs and agencies. As House Democratic leader Harry Reid explained, "authorizations allow programs to be created or funded. When you're authorizing [it], we keep the authorization law with us. It's like an appropriation certificate, and I feel as a longtime member. But we realize there are competing priorities, and I feel funding doesn't come very often." So for example, the defense authorization bill might authorize the construction of three new submarines and recommend \$12 billion for this purpose. Does that mean the Pentagon has the money to build the submarines? No, Congress must enact the defense appropriations bill that would grant the Pentagon legal authority to spend a specific amount of money for the submarines. In short, an authorization can be viewed as "setting the scene" for an appropriation, a law that actually supplies programs and agencies with public funds (budget authority).

By contrast, the House defines appropriations bills. The House Appropriations Committee usually one of its subcommittees would recommend how much money the Pentagon should receive for the submarines. The amount is called budget authority (BA), and it is equivalent to depositing money in a checking account. The budget outlay (BO) is the check written by

Appropriations bills remarked former representative Barney Frank, D-Mass. "But they may be the only vehicles we can use that won't have jurisdiction imposed, where we're being victimized and have problems in the Senate."

In practice, it is hard to keep the two major divisions. Appropriations bills sometimes carry appropriations, and appropriations bills sometimes contain legislative (or policy provisions). Characteristic of the bill-writing process, members can be misled. In the House, so-called limitation riders make policy under the guise of controlling agency use of funds. Pluridest agencies? (None of the funds may be used for a specified purpose. . . .), such limitation riders hinder congressional control of the bureaucracy.¹⁴ As well-known limitations amendments, limiting the use of federal funds for abortion except under limited circumstances—one first adopted in 1995 and has been readopted ever since in appropriations bills. The current Republican Congress renewed a vote during the nineteenth century—called the Hyde Amendment—that allows any member to propose a limitation amendment. It is a spending bill to cut a specific federal program or the jobs of specific federal workers.¹⁵ The Senate, too, is not often to propose a limitation amendment. It is a spending bill to cut a specific federal program or the jobs of specific federal workers.¹⁶ The Senate, too, is not often to propose a limitation amendment. It is a spending bill to cut a specific federal program or the jobs of specific federal workers.¹⁷

Committee Rules and Continuing Resolutions. Among the authorizing committees, House, House and Senate Finance have especially powerful roles in the budget process. These tax panels have access to the staff reports of the Joint Taxation Committee. Because the House, under the Constitution, initiates revenue measures, it usually determines whether Congress will act on legislation to raise, lower, or redistribute the tax burden. The House Judiciary Committee is constitutionally authorized to originate tax measures and typically will return to the Senate any bill that violates the original rule. Usually, however, the Senate takes the lead. The House technically complies with the Constitution by agreeing to a single tax measure in a single House-passed revenue bill. In 1995, the Republican-controlled Senate used this tactic to act on President Ronald Reagan's emergency tax cut plan. It used the same plan for the next year as the president's tax increase package.

Whether Congress cannot complete action on one or more of the twelve major appropriations bills generally sets off an alternative by the beginning of the fiscal year (October 1), a provision temporary, temporary funding for the affected federal agencies through a year resolution known as a continuing resolution. In the past, continuing resolutions were usually employed to keep a few government agencies in operation for short periods (usually one to three months). In some years, Congress has packaged all the regular appropriations bills into one continuing resolution. In practice, however, and the recurrent use of the Senate filibuster have made passage of even routine spending bills difficult. It has become more common for Congress to act on continuing resolutions to fund much or all of the government.¹⁸ Each year, Congress also passes one or more supplemental appropriations bills to meet unforeseen contingencies. To some degree, there are three

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A DRAFT IS THINKING. Congress has witnessed death in the role and culture of the **House Appropriations Committee** over time. One known signpost of the federal Treasury the two panels gradually developed an affinity for spending as they reviewed and composed the budgetary requests of federal agencies and departments. Some lobbyists even referred to the committee as "Tomb Account" where requests often could be sent for their clients. Several committee members were the appellations the "King of Rock" or the "Prince of Pork" for the hundreds of millions of dollars they controlled for projects in their states or districts.

Recently, a House appropriator called the panel "the **Dis Appropriations Committee**."¹⁶ "In fact, we're not adding new discretionary budgeting to the two panels. As Harold Rogers, R-R, the former chair of House Appropriations, said, "The atmosphere in the committee is that government has to get serious about cutting spending. . . . And the place where the spending is controlled is the Appropriations Committee." In what came out of how how the "Tomb" spent in the committee's will support program making decisions a national Government programs have **controversies**—which is often who they were considered the first place they began to spend funding cuts or outright program terminations. As scholars and others have long known, people favor spending cuts in the distant but not for programs they support and from which they benefit.

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