

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

