

Glossary from Senate Budget Committee (December 1998)

The Congressional Budget Process: An Explanation Committee on the Budget of the U.S. Senate (S. Prt. 105-67)

Appendix J

GLOSSARY

Appropriations Act: A statute, under the jurisdiction of the House and Senate Appropriations Committees, that generally provides authority for Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation act is the most common means of providing budget authority. Currently, there are 13 regular appropriations acts for each fiscal year. From time to time, Congress also enacts supplemental appropriations acts. (See Appropriations under Budget Authority; Continuing Resolution; Supplemental Appropriation.)

Authorizing Committee: A committee of the House or Senate with legislative jurisdiction over laws that set up or continue the operations of Federal programs and provide the legal basis for making appropriations for those programs. Authorizing committees also have direct control over spending for mandatory programs since the Government's obligation to make payments for such program is contained in the authorizing legislation (See Entitlement.)

Authorizing Legislation: Legislation enacted by Congress that sets up or continues the operation of a Federal program or agency indefinitely or for a specific period of time. Authorizing legislation may limit the amount of budget authority which can be appropriated for a program or may authorize the appropriation of "such sums as are necessary." (See Budget Authority; Entitlement.)

Backdoor Spending: (See Direct Spending or Mandatory Spending.)

Budget Authority: The authority Congress gives to Government agencies, permitting them to enter into obligations which will result in immediate or future outlays.

Budget authority may be classified in several ways. It may be classified by the form it takes: appropriations, borrowing authority, or contract authority. Budget authority may also be classified by the determination of amount: definite authority or indefinite authority. Finally budget authority may be classified by the period of availability: 1-year authority, multi-year authority, or no-year authority (available until used).

Forms of Budget Authority

Appropriations.—An act of Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriations act is the most common means of providing budget authority.

Borrowing Authority.—Statutory authority that permits a Federal agency to incur obligations and to make payments for specified purposes out of money borrowed from the Treasury, the Federal Financing Bank, or the public. The Budget Act in most cases requires that new authority to borrow must be approved in advance in an appropriation act.

Contract Authority.—Statutory authority that permits a Federal agency to enter into contracts in advance of appropriations. Under the Budget Act, most new authority to contract must be approved in advance in an appropriation act.

Offsetting collections and receipts.—Income from the public which is displayed in the budget as negative budget authority. (See Offsetting Collections and Offsetting Receipts.)

Budget Baseline: Projected Federal spending, revenue and deficit levels based on the assumption that current policies will continue unchanged for the upcoming fiscal year.

In determining the budget baseline under Gramm-Rudman-Hollings, the Directors of OMB and CBO estimate revenue levels and spending levels for entitlement pro-

grams based on continuation of current laws. For estimating discretionary spending amounts (both defense and non-defense), the Directors assume an adjustment for inflation (GNP deflator) added to the previous year's discretionary spending levels. The baseline also includes sufficient appropriations to cover a Federal pay comparability raise (without absorption).

Budget Deficit: The amount by which the Government's total outlays exceed its total revenues for a given fiscal year. (*See* Outlays; Revenues.)

Budget Resolution: A concurrent resolution passed by both Houses of Congress setting forth, reaffirming, or revising the congressional budget for the U.S. Government for a fiscal year. A budget resolution is a concurrent resolution of Congress. Concurrent resolutions do not require a presidential signature because they are not laws. Budget resolutions do not need to be laws because they are a legislative device for the Congress to regulate itself as it works on spending and revenue bills.

Budget Surplus: The amount by which the Government's revenues exceed its outlays for a given fiscal year. (*See* Outlays; Revenues.)

Capital Budget: A budget that segregates capital spending from all other spending, what is usually considered the "operating budget." In a capital budget, spending and receipts in the capital budget are excluded from the operating budget and are not included in the operating budget's deficit or surplus calculations. A capital budget would include spending only for capital assets. Capital assets are usually defined to be limited to land, structures, equipment, and intellectual property that are owned and used by the Federal government and have a useful life of more than 2 years. However, some proponents of capital budgeting have suggested that capital should be defined to include Federal "investment" spending that yields long-term benefits. President Clinton established a Commission to Study Capital Budgeting by issuing Executive Order 13037 on March 3, 1997. The Commission is required to issue its report by December 17, 1998.

Congressional Budget: (*See* Budget Resolution.)

Continuing Resolution: Appropriations legislation enacted by Congress to provide temporary budget authority for Federal agencies to keep them in operation when their regular appropriation bill has not been enacted by the start of the fiscal year. A continuing resolution is a joint resolution, which has the same legal status as a bill.

A continuing resolution frequently specifies a maximum rate at which obligations may be incurred, based on the rate of the prior year, the President's budget request, or an appropriation bill passed by either or both chambers of Congress. However, there have been instances when Congress has used a continuing resolution as an omnibus measure to enact a number of appropriation bills.

A continuing resolution is a form of appropriation act and should not be confused with the budget resolution.

Credit Authority: Authority to incur direct loan obligations or to incur primary loan guarantee commitments. Under the Budget Act, new credit authority must be approved in advance in an appropriation act.

Crosswalk: Also known as "committee allocation" or "section 302 allocation." The means by which budget resolution spending totals are translated into binding guidelines with respect to budget authority and outlays for committee action on spending bills. The Budget Committees allocate the budget resolution totals among the committees by jurisdiction. Crosswalk allocations of budget authority and outlays to the committee appear in the joint explanatory statement accompanying a conference report on the budget resolution.

Current Services Budget: A section of the President's budget, required by the Budget Act, that sets forth the level of spending or taxes that would occur if existing programs and policies were continued unchanged through the fiscal year and beyond, with all programs adjusted for inflation so that existing levels of activity are maintained. (*See* Baseline.)

Deferral of Budget Authority: An action by the executive branch that delays the obligation of budget authority beyond the point it would normally occur. Pursuant to the Congressional Budget and Impoundment Control Act of 1974, the President must provide advanced notice to the Congress of any proposed deferrals. A deferral may not extend beyond the end of the fiscal year in which the President's message proposing the deferral is made. Congress may overturn a deferral by passing a law disapproving the deferral.

Deficit: The amount by which the government's total budget outlays exceeds its total receipts for a fiscal year.

Direct Spending: A term defined in the Budget Enforcement Act of 1990 to include entitlement authority, the food stamp program, and budget authority provided in law other than appropriations acts. From the perspective of the appropriations process, all direct spending is classified as mandatory as opposed to discretionary spending. New direct spending is subject to pay-as-you-go requirements. Direct spending is synonymous with mandatory spending. (See Mandatory Spending and Entitlement.)

Discretionary Spending: A category of spending (budget authority and outlays) subject to the annual appropriations process. (See Appropriations Acts.)

Entitlement: Programs that are governed by legislation in a way that legally obligates the Federal government to make specific payments to qualified recipients. Payments to persons under the Social Security, Medicare, and veterans' pensions programs are considered to be entitlements. (See Direct Spending and Mandatory Spending.)

Emergency Spending: As provided in the Budget Enforcement Act, a provision of legislation designated as an emergency by both the President and the Congress. As a result, this additional spending is not subject to the discretionary caps or the pay go requirements and thus will not cause a sequester. In addition, emergency legislation is effectively exempt from Budget Act points of order.

There is no specific criteria in the law for emergency spending. However, the following criteria were contained in a June 1991 report prepared by the Office of Management and Budget—as required by Pub. L. No. 102–55 for the determination of whether to designate spending as an emergency spending:

Necessary expenditure.—an essential or vital expenditure, not one that is merely useful or beneficial;

Sudden.—quickly coming into being, not building up over time;

Urgent.—pressing and compelling need requiring immediate action;

Unforeseen.—not predictable or seen beforehand as a coming need (an emergency that is part of an aggregate level of anticipated emergencies, particularly when normally estimated in advance, would not be “unforeseen”); and

Not permanent.—the need is temporary in nature.

Expenditures: (See Outlays.)

Federal Debt: Consists of all Treasury and agency debt issues outstanding. Current law places a limit or ceiling on the amount of debt. Debt subject to limit has two components: debt held by the government and debt held by the public.

Debt held by the government.—Represents the holdings of debt by federal trust funds and other special government funds. For example, when a trust fund is in surplus as is presently the case with Social Security, the law requires that this surplus be invested in government securities.

Debt held by the public.—Represents the holdings of debt by individuals, institutions, other buyers outside the federal government, and the Federal Reserve System. The change in debt held by the public in any given year closely tracks the unified budget deficit for that year.

Fiscal Policy: Federal government policies with respect to taxes, spending, and debt management intended to promote the nations' 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. The other major component of Federal macroeconomic policy is monetary policy. (See *Monetary Policy*.)

Fiscal Year: A fiscal year is a 12-month accounting period. The fiscal for the Federal Government begins October 1 and ends September 30. The fiscal year is designated by the calendar year in which it ends; for example fiscal year 1997 is the year beginning October 1, 1996, and ending September 30, 1997.

Functional Classification: A system of classifying budget resources by major purpose so that budget authority, outlays, and credit activities can be related in terms of the national needs being addressed (for example, national defense, health) regardless of the agency administering the program. There are currently 20 functions. A

function may be divided into two or more subfunctions depending upon the complexity of the national need addressed by that function. (See Budget Authority; Outlays.) (See Appendix A.)

Impoundment: A generic term referring to any action or inaction by an officer or employee of the U.S. Government that precludes the obligation or expenditure of budget authority in the manner intended by Congress. (See Deferral of budget Authority; Rescission of Budget Authority.)

Joint Committee on Taxation (JCT.): Section 8001 of the Internal Revenue Code authorized the creation of the Joint Committee on Taxation. By statute, it is composed of five members from the Committee on Finance (three majority, two minority) chosen by such Committee and five members from the Committee on Ways and Means (three majority, two minority) chosen by such Committee. In practice, the Chairmanship and Vice Chairmanship of the Joint Committee on Taxation has rotated between the Chairman of the Committee on Finance and the Chairman of the Committee on Ways and Means with each new Congress. Among other things, the JCT's duties are to investigate the operation and effects of the federal tax system.

Mandatory Spending: Refers to spending for programs the level of which is governed by formulas or criteria set forth in authorizing legislation rather than by appropriations. Examples of mandatory spending include: Social Security, Medicare, veterans' pensions, rehabilitation services, Members' pay, judges pay and the payment of interest of the public debt. Many of these programs are considered *entitlement*. (See Direct Spending.)

Mark-Up: Meetings where congressional committees work on language of bills or resolutions. At Budget Committee mark-ups, the House and Senate Budget Committees work on the language and numbers contained in budget resolutions and legislation affecting the congressional budget process.

Monetary Policy: Management of the money supply, under the direction of the Board of Governors of the Federal Reserve system, with the aim of achieving price stability and full employment. Government actions in guiding monetary policy, include currency revaluation, credit contraction or expansion, rediscount policy, regulation of bank reserves and the purchase and sale of Government securities. (See Fiscal Policy.)

Net Deficit Reduction: Savings below the defined budget baseline achieved for the upcoming fiscal year because of laws enacted or final regulations promulgated since January 1. CBO and OMB independently estimate these savings in their initial and final sequester reports.

Offsetting Collections: Income from the public that results from the government engaging in "business-like" activities with the public, such as the sale of products or the rendering of a service. Examples include proceeds funds derived from the sale of postage stamps. Offsetting collections are credited against the level of budget authority or outlays associated with a specific program or account. (See offsetting receipts.)

Offsetting Receipts: Income from the public that results from the government engaging in "business-like" activities with the public such as the sale of products or the rendering of services. Examples include proceeds from the sale of timber from Federal lands or entrance fees paid at national parks. Rather than being credited against the spending of a particular program or account, (as in the case with offsetting collections) offsetting receipts are deducted from *total* budget authority and outlays rather than added to Federal revenues even though they are deposited in the Treasury as miscellaneous receipts. Generally offsetting receipts are associated with mandatory spending. (See offsetting collections.)

Off-budget Federal Entity: Any Federal fund or trust fund whose transactions are required by law to be excluded from the totals of President's budget submission and Congress' budget resolution, despite the fact that these are part of the government's total transactions. Current law requires that the Social Security trust funds (the Federal Old Age, Survivors, and Disability trust fund) and the Postal Service be off-budget. However, these entities are reflected in the budget in that they are included in calculating the deficit in order to derive the total government deficit that must be financed by borrowing from the public or by other means. All other federal funds and trust funds are on budget. (See Unified Budget.)

Outlays: Outlays are disbursements by the Federal Treasury in the form of checks or cash. Outlays flow in part from budget authority granted in prior years and in part from budget authority provided for the year in which the disbursements occur.

Outlay Rates: The ratio of outlays (actual government disbursements) in a fiscal year relative to new budgetary resources in that fiscal year. In estimating the budget baseline and baseline deficit for their sequestration reports, CBO and OMB use outlay rates for projecting levels of spending resulting from available budget authority.

Pay-as-you-go: Arises in two separate contexts: a point of order in the Senate and a sequester order from OMB.

Pay-as-you-go in the Senate.—Since fiscal year 1994, the budget resolution has included a pay-as-you-go rule in the Senate. The rule provides a 3/5ths vote point of order in the Senate against consideration of legislation that would cause a net increase in the deficit over a ten year period. It applies to all legislation except appropriations legislation. To determine a violation, CBO measures the budget impact of a direct spending or revenue bill combined with the budget impact of all direct spending and revenue legislation enacted since the latest budget resolution's adoption to see if the legislation would result in a net deficit increase for any one of three time periods (the first year, the sum of years 1 through 5, and the sum of years 6 through 10.) The pay-go rule sunsets at the end of fiscal year 2002.

Pay-as-you-go and sequestration under the BEA.—The Budget Enforcement Act requires OMB to also enforce a “pay-as-you-go” requirement which has a similar effect as the Senate’s point of order: Congress is required to “pay for” any changes to programs which result in an increase in direct spending, or in this case risk a sequester. If OMB estimates that the sum of all direct spending and revenue legislation enacted since 1990 will result in a net increase in the deficit for the fiscal year, then the President is required to issue a sequester order reducing all non-exempt direct spending accounts by a uniform percentage in order to eliminate the net deficit increase. Most direct spending is either exempt from a sequester order or operates under special rules that minimize the reduction that can be made in direct spending. Social Security is exempt from a pay-as-you-go sequester and Medicare cannot be reduced by more than 4 percent.

President’s Budget: The document sent to Congress by the President in January or February of each year, requesting new budget authority for Federal programs and estimating Federal revenues and outlays for the upcoming fiscal year.

Revenues: Collections from the public arising from the Government’s sovereign power to tax. Revenues include individual and corporate income taxes, social insurance taxes (such as social security payroll taxes), excise taxes, estate and gift taxes, customs duties and the like.

Reconciliation Process: A process by which Congress includes in a budget resolution “reconciliation instructions” to specific committees, directing them to report legislation which changes *existing* laws, usually for the purpose of decreasing spending or increasing revenues by a specified amount by a certain date. The legislation may also contain an increase in the debt limit. The reported legislation is then considered as a single “reconciliation bill under expedited procedures.”

Reserve Fund: A provision in a budget resolution that grants the Chairman of the Budget Committee the authority to make changes in budget aggregates and committee allocations once some condition or conditions have been met. Since a budget resolution establishes a binding ceiling on aggregate budget authority and outlay levels and a binding floor on revenues, budget resolutions frequently include reserve funds for deficit-neutral legislation that would otherwise violate the budget resolution and be subject to a point of order under the Budget Act. For example, the FY 1997 budget resolution included a tax reduction reserve fund that allowed the Chairman to reduce the revenue floor and the relevant spending allocations to accommodate legislation that reduced taxes if that legislation also contained offsetting spending reductions.

Rescission of Budget Authority: Cancellation of budget authority before the time when the authority would otherwise cease to be available for obligation. The rescission process begins when the President proposes a rescission to the Congress for fiscal or policy reasons. Unlike the deferral of budget authority which occurs *unless* Congress acts to disapprove the deferral, rescission of budget authority occurs *only if* Congress enacts the rescission. (See Deferral of Budget Authority; Impoundment.)

Scoring or Scorekeeping: The process for estimating budget authority, outlay, revenue and deficit levels which result from congressional budgetary actions. Scorekeeping data prepared by the Congressional Budget Office include status reports on the effect of congressional actions and comparisons of these actions to tar-

gets and ceilings set by Congress in budget resolutions. These reports are published in the *Congressional Record* on a regular basis. OMB is responsible for scoring legislation to determine if a sequester is necessary.

Sequester: Pursuant to Gramm-Rudman-Hollings, a presidential spending reduction order that occurs by reducing spending by uniform percentages.

Sequestrable Resource: Pursuant to Gramm-Rudman-Hollings federal funding authority (budgetary resources) subject to reductions under a presidential sequester order for achieving required outlay reductions (in non-exempt programs).

Supplemental Appropriation: An act appropriating funds in addition to those in the 13 regular annual appropriations acts. Supplemental appropriations provide additional budget authority beyond the original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) in cases where the need for funds is too urgent to be postponed until enactment of the next regular appropriation bill. (*See Appropriation Act.*)

Tax Expenditures: Revenue losses attributable to a special exclusion, exemption, or deduction from gross income or to a special credit, preferential rate of tax, or deferral of tax liability.

Unfunded Mandates: A *Federal Intergovernmental Mandate* is any provision in legislation, statute, or regulation that would impose an enforceable duty upon State, local or tribal government, except as conditions of assistance or duties arising from participation in a voluntary federal program. Exceptions to this rule are: enforcing constitutional rights; statutory prohibitions against discrimination; emergency assistance requested by states; accounting/auditing for federal assistance; national security; Presidential designated emergencies; and Social Security. Provisions that increase stringency of conditions of assistance or decrease federal funding for large state entitlement programs (greater than \$500 million) *if* states lack authority to decrease their responsibilities are considered mandates as well.

A *Federal Private Sector Mandate* is any provision in legislation, statute, or regulation that would impose an enforceable duty upon the private sector. The exceptions are a condition of Federal assistance or a duty arising from participation in a voluntary Federal program.

Unified Budget: A comprehensive display of the Federal budget. This display includes all revenues and all spending for all regular Federal programs and trust funds. The 1967 President's Commission on Budget Concepts recommended the unified budget and it has been the basis for budgeting since 1968. The unified budget replaced a system of the budgets that existed before 1968 (an administrative budget, a consolidated cash budget, and a national income accounts budget).