



BACKGROUND BRIEF:

The Budget Resolution

April 2007

Introduction

The Congressional Budget Act (CBA) of 1974 established the basic legislative elements of the contemporary congressional budget-making process, including the budget resolution, appropriations bills, reconciliation legislation, and revenue measures, and an annual calendar for their consideration. The CBA places the budget resolution at the beginning of this process.

The budget resolution is a blueprint that sets limits for spending, targets for revenue and establishes estimates for surplus or deficit for the next fiscal year, which begins on October 1, and the following four fiscal years. A budget resolution adopted by Congress serves as a marker to guide the rest of the budget process that year to its destination – legislation outlining spending for every federal agency and program, and revenue policies generating enough federal resources to make that spending possible.

We have reached the point in the current budget-making process where Congress is considering the budget resolution for fiscal year 2008. In March, the House and Senate adopted their respective budget resolutions and these will be now taken up by a conference committee and reported on during the month of April. If a compromise budget resolution is favorably reported by the committee, it will go back to both chambers for final passage. The resulting concurrent budget resolution would then serve as the congressional blueprint for the upcoming and the following four fiscal years, providing legislative guidelines for the overall budget, including:

- budget authority levels, with spending broken down by budget function
- an overall discretionary spending cap
- levels of federal revenues
- deficit/surplus target amounts and debt-level limit legislation
- any economic assumptions on which targets amounts are based
- any reconciliation instructions needed to meet these levels and amounts

What follows is a background brief covering the role of the budget resolution in the budget-making process, the rules governing its operation, and how its provisions are enforced.

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Role and Function of the Budget Resolution

The budget resolution takes the legislative form of a concurrent resolution, which is agreed to by both houses and thus binding upon them. As a congressional resolution:

- it is not forwarded to the president for signature and enactment into law
- it is not a statute and has no force of law
- its provisions govern only the legislative budget-making process
- it does not set annual spending levels for specific programs

The purpose of a budget resolution is to set forth Congress's budget priorities in broad terms. Drawn up within the budget committees of Congress, it also establishes specific benchmarks, including the total amount of discretionary spending authority, or budget authority to be made available to the appropriations committees. In addition, it includes projections for the out-years (the latter years of the five years covered) of overall spending and revenue, and deficit or surplus levels based on economic assumptions, principally relating to economic growth and inflation. (This year's proposed Senate budget resolution, for example, provides a cap of \$948 billion in budget authority and \$1,025 billion in outlays, or spending.)

The budget resolution gives the appropriations committees of Congress what is called their CBA Section 302(a) budget authority allocation, which is the total discretionary spending for the year. Section 302(b) requires the Appropriations committee of each house to fill in the details of their 302(a) allocations by subdividing that amount among its subcommittees, each of which sub-allocates budget authority for each of the agencies and programs under its jurisdiction.

The spending and revenue directives in budget resolutions can also be conveyed through:

- **Reconciliation instructions** – directions to various committees to produce legislation that meets certain spending or tax targets or establish budget process rules. Instructions are limited by statute to calling for specific changes in dollar amounts for programs within a committee's jurisdiction. They can also include policy directives. This year's House and Senate budget resolution do not include reconciliation instructions, but prior resolutions have.
- **Reserve funds** – vehicles that allow spending and revenue aggregates and committee allocations to accommodate new programs; by themselves, reserve funds do not mandate spending, but create an optional framework for specified or unspecified funding amounts. They are subject to any PAYGO rules in force (unless specifically exempted), but the pay-for details are left to the committees.
- **Advance appropriations** – an accounting device delaying budget authority not to be exercised (appropriated) until a year or more after the current fiscal year. For example, if the 2008 federal budget has no room for additional expenditures under the current spending cap and budget resolution, they can be allocated for the 2009 fiscal year. They are a form of multi-year planning that bind future Congresses to designated funding allocations for specific programs.

Occasionally, Congress does not pass a budget resolution. If that happens, the previous year's resolution, which is a multi-year plan, stays in effect and remains the default budget blueprint for the next fiscal year. Absent passage of an FY 2008 budget resolution, the budget resolution for fiscal year 2006, adopted April 28, 2005 and covering 2006-2010 would remain in force.

Legislative Procedure and Schedule

Consideration and adoption of the budget resolution is governed by special statutory procedures under the Congressional Budget Act to expedite its approval in the House and Senate. Within six weeks after the President submits a proposed budget to Congress in early February, the House and Senate Budget Committee chairs each issue draft budget resolutions, often referred to as the chairman's mark. (See [this year's Senate Budget Committee chairman's mark](#); for a comparison of the chairman's mark and the president's budget proposal, see the table below).

SBC Budget Plan Vs. President's Budget (in billions of dollars)		
	Cumulative Totals Fiscal Years 2007 – 2012	
	SBC	President
CBO baseline deficits	94	94
Proposed policy changes (increases are increases in deficits)		
Defense discretionary (non-emergency)	194	198
Nondefense discretionary (non-emergency)	21	-104
Entitlements	2	-108
Revenues	0	533
Interest costs	<u>26</u>	<u>42</u>
Total increase in deficits	244	561
Deficits (without new emergency funding)	337	655
New emergency funding (primarily Iraq and Afghanistan)	293	293
Interest costs	56	56
Total increase in deficit	<u>593</u>	<u>911</u>
Deficits (with new emergency funding)	687	1,004
Sources: Chairman's Mark, FY 2008 Budget; Congressional Budget Office's Preliminary Reestimate of the President's FY 2008 Budget; Joint Committee on Taxation's March 13, 2007 revised estimate of the effect of President's proposal regarding the taxation of health insurance premium payments.		

In the intervening weeks, Budget Committees hold hearings to receive testimony from Administration officials, experts from academic and business communities, representatives of national advocacy organizations, members of Congress, and the general public. Meanwhile, other congressional committees review the President's budget submission relating to programs within their jurisdictions. Committee chairs often submit any thoughts on tax and spending policies in the president's proposed budget to their respective budget committee chairs. These documents are called views and estimates letters. These letters may or may not influence the budget committee chair, who produces a draft budget resolution which then goes through the same mark-up process as any other legislation. During mark-up, members of the budget committee may offer their own budget plans or amendments to the chairman's version.

In the Senate, a budget resolution must, by law, be reported to the Senate floor no later than April 1. The rules limit the total amount of time for debate to 50 hours and prohibit certain amendments and motions. Debate on amendments is limited to two hours each, equally divided between the amendment sponsor and the budget resolution floor manager. The Budget Act requires that amendments to a budget resolution be germane. An amendment is generally germane if it:

- only strikes language from the resolution;
- changes a dollar amount or date in the resolution;
- adds language expressing the “Sense of the Senate” or “Sense of the Congress.”

After the 50 hours of debate has been reached or waived, consideration of amendments, motions, appeals, etc., may continue, but without debate in a process known as a “vote-a-rama,” where votes are held in rapid sequence with only one minute each for background statements in support or opposition. Thereafter, a final vote is held on the budget resolution – a vote which may not be filibustered on the Senate floor.

In the House, there is no deadline for the House Budget Committee to report a budget resolution to the floor. The House Rules Committee sets a general debate limit, usually about five hours. Generally the House permits consideration only of amendments that are wholesale substitutions to the budget resolution being debated, known as “alternatives.” (For example, this year, the House debated and voted on alternative budget resolutions from the Progressive Caucus, Congressional Black Caucus, and from the Republican conference.) Debate and all alternative budget resolutions as well as on the conference report is usually limited to not more than 10 hours.

Final action on the budget resolution is supposed to be completed by April 15, but Congress usually completes action on a budget resolution in May or June. (For the budget resolution process timetable, see Appendix A).

Budget Resolution Enforcement Mechanisms

What happens if Congress seeks to violate the terms of a budget resolution, for example, by considering legislation that exceeds a budget authority limit or another provision of the resolution? The resolution has a self-enforcing mechanism that permits any member, in such a circumstance, to raise a budget point of order – to object to the amendment or bill in question on the ground that it violates a provision of the budget resolution adopted earlier in the session or still operative from prior sessions.

In the House, such a point of order is easily waived by a simple majority vote on a resolution proposed by the Rules Committee. The budget point of order is a more meaningful enforcement mechanism in the Senate. There, any legislation that breaches the terms a budget resolution in force is subject to a budget point of order that requires 60 votes to waive. Furthermore, any budget reconciliation instructions may be enforced by a budget committee chair, who has the right to offer floor amendments that vitiate any efforts to circumvent a budget resolution’s terms and thereby require compliance with it.

Post-Resolution Budget Process

Following the adoption of the budget resolution, the appropriations committees then draft individual spending bills for annually funded programs in conformity with the outline of the resolution. Each of these bills is then conferenced between the two chambers and the compromise bill is passed again in each the House and the Senate. Each final appropriations bill is then sent to the president to be signed into law, or vetoed.

If the resolution calls for reconciliation instructions, the various authorizing committees that receive instructions in the budget resolution construct and pass spending cuts or tax increases. The budget committees then combine all of the budget reconciliation pieces together into one bill that goes to the floor for an up-or-down vote, with only limited opportunity for amendment and filibuster protection in the Senate. After the House and Senate resolve the differences between their competing bills, a final conference report is considered on the floor of each house and then goes to the President for signature or veto.

In the event that Congress fails to adopt a budget resolution, the House and the Senate may pass separate simplified deeming resolutions. Such resolutions are not bound by the usual rules regarding the form or content of budget resolutions and frequently contain only rudimentary budget provisions. They are not protected from filibuster under the Senate rules. Deeming resolutions may set all or part of the funding levels or revenue provisions usually included in a budget resolution.

Conclusion

In the long and winding road that is the budget-making process, the budget resolution plays an unusual but vital role, giving Congress the opportunity to pause and make a non-binding statement of general fiscal targets and policy principles for the fiscal year ahead and several years down the road. Passage of a budget resolution is no guarantee that the statutory budget-making process will be completed for a given fiscal year – nor must a final budget be passed at all: three of the last five years, Congress has not produced a budget, leaving the federal government to operate on continuing resolutions and omnibus budget bills. But without a budget resolution, Congress is unable to pursue the CBA-prescribed statutory budget-making route.

Budget resolutions are non-binding, non-statutory statements – in essence only “Fiscal Sense of Congress” resolutions in and of themselves. But they provide the framework and roadmap for the route budget road ahead, conveying an outline of the policy dimensions and priorities envisioned for the annual stops toward the end of that road, with particular sanctions against deviation from the plan for that first stop, the fiscal year immediately ahead.

APPENDIX A

<u>STATUTORY BUDGET PROCESS TIMETABLE</u> (Budget resolution process in bold)	
ACTION TO BE COMPLETED:	ON OR BEFORE:
President submits his budget	First Monday in February
Congressional Budget Office submits report to Budget Committees	February 15
Committees submit views and estimates to Budget Committees	Not later than 6 weeks after after the President submits budget
Senate Budget Committee reports concurrent resolution on the budget	April 1
Congress completes action on the concurrent resolution on the budget	April 15
Annual appropriation bills may be considered in House	May 15
House Appropriations Committee reports last annual appropriation bill	June 10
Congress completes action on reconciliation legislation	June 15
House completes action on annual appropriation bills	June 30