Research

The Congressional Budget Process: What a Budget Resolution Is, and What it is Not

GORDON GRAY | DECEMBER 10, 2014

In the wake of the most recent mid-term elections, a great deal of attention has been paid to the Congressional budget process, and its most conspicuous product: a budget resolution. This primer seeks to describe the role of the budget resolution in federal policy-making, as well as the process by which Congress formulates and considers a budget resolution.

Role of a Budget Resolution

A budget resolution is a strictly Congressional measure that sets forth total levels of federal spending, tax revenue, deficits, and debt. It establishes these levels and puts in place certain enforcement mechanisms to ensure that these levels are adhered to. It is a guideline for Congress to consider as it takes up future legislation. In this sense, it is both limiting and enabling. In setting forth budgetary levels, it restricts (to the extent Congress does not subsequently override these limits) Congress's ability to consider legislation that would increase spending, or the deficit, or reduce revenues beyond the limits previously agreed-upon in the budget resolution.

A budget resolution can enable policymaking insofar as the budgetary levels contained in the budget resolution are established to provide "room" to adopt future policies that would change spending, revenue, debt or deficits levels. As such, a budget resolution can be an important precursor to passing future legislation. A budget resolution can also provide a unique legislative pathway, known as reconciliation, which limits Congressional debate on certain types of policy changes. This pathway makes certain types of legislation easier to pass through Congress than would otherwise occur under the normal rules of the House and Senate.

In understanding what role the budget resolution plays in policymaking, it is also important to understand what a budget resolution is *not*.

A Budget Resolution Is Not a Law

The president does not sign a congressional budget resolution. Beyond mere symbolism, this is important as it underscores how a budget resolution shapes federal policy. A budget resolution (if adopted) is a bicameral Congressional agreement on aggregate levels of federal spending, revenue, deficits, and debt. An important distinction is that it is a *Congressional* device – it does not represent an agreement between the legislative and executive branches. Wide disparities therefore often exist between the budget formulated by the executive branch (also without statutory force) and a budget resolution. These disparities are resolved (or not) in subsequent legislation.

A Budget Resolution Does Not Change Federal Programs

Since a budget resolution is not a law, a budget resolution cannot change existing laws. Thus despite claims to the contrary, it makes no changes to tax rates, Medicare programs, Social Security or any other federal program. Rather, it provides a framework on spending, tax revenue and other fiscal indicators that shape and constrain future policies. A budget resolution may assume those policies are in put into place when setting forth total spending, tax revenue, debt and deficit levels, but it alone cannot make those policy changes.

Content of a Budget Resolution

Mandatory Content

By law (sec 301(a) of the Congressional Budget Act), a budget resolution **must** include budget totals for the next 5 fiscal years. These budget levels must include:[1]

Totals of new budget authority and outlays

The budget resolution must provide levels of new funding (budget authority) across most federal spending programs and the amount of spending (outlays) that will result from these funding levels. Budget authority versus outlays is an important distinction because not all federal funding is expended in one year. Budget authority represents the amount that Congress allows a program to spend. Outlays represent actual expenditures in a given fiscal year. These totals do *not* include spending associated with the Social Security (OASDI) or the U.S. Postal Service (USPS), as these programs have been designated as "off-budget."[2]

Total federal revenues and amount of changes to this level in the budget resolution

The budget resolution must specify on-budget (i.e. exclusive of OASDI and USPS) federal revenues. This serves as the federal revenue baseline. The budget resolution must also specify the amount by which the resolution proposes increasing or decreasing, if at all, relative to the revenue baseline.

The surplus or deficit in the budget

The budget resolution must include a specification of the difference between on-budget outlays and on-budget revenues. If on-budget revenues exceed outlays, the budget resolution will reflect surpluses. If outlays exceed revenues, as has been the recent experience, the budget will reflect deficits.

New budget authority and outlays for each major functional category

The budget resolution allocates the levels of new funding (budget authority) and new spending (outlays) to broad categories of spending characterized by the nature of the programs in each functional category such as defense (function 050) or energy (270). A complete list of budget functions can be found here.

The Public Debt

The budget resolution must set forth levels of the Public Debt. In this instance, the Public Debt is debt issued by the Treasury subject to statutory limit.[3] Note, that while not required by law, levels of debt held by the public have been included in budget resolutions since 2003.[4]

Social Security Revenues and Outlays (Senate Only)

Owing to budget enforcement measures specific to the Senate, budget resolutions produced in the Senate must set forth levels for Social Security revenues and outlays.

Optional Content and Reconciliation

A budget resolution may contain additional material beyond that required by law. Section 301(b) of the Congressional Budget Act details a range of content that may also be included, such as levels of debt held by the public, levels of direct loan obligation, and trust fund balances.[5] Section 301(b) gives fairly wide latitude as to what may be included, with a blanket declaration that a budget resolution may "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." However, in the absence of additional enforcement mechanisms these are essentially for informational purposes only.

There is a category of optional content that can have significant implications for future policy: reconciliation instructions. In brief, reconciliation is an optional legislative process that allows for the filibuster-proof consideration of legislation that achieves budget outcomes specified by the budget resolution.[6] The formulation of reconciliation legislation begins with the inclusion of an optional reconciliation instruction in the budget resolution. A reconciliation instruction directs an authorizing committee (such as Senate Finance, Ways and Means, etc) to report legislation that achieves a change in direct spending, revenue, or a change in the public debt limit. To the extent changes in deficits reflect the difference between spending and revenue, reconciliation instructions can also direct committees to achieve specific deficit outcomes. The dollar amount of these changes is included in the instruction. Once a budget resolution containing reconciliation instructions is adopted, Committees may report reconciliation measures, which would then be subject to expedited consideration. This is a very powerful legislative tool that has been used for a number of significant, albeit partisan, legislative accomplishments – including both of the major tax relief measures during the Bush administration as well as key portions of the Affordable Care Act under the Obama administration.

Report Content and Committee Allocations

Accompanying a budget resolution is a committee report, which contains additional content, some of which is required by law, while other content, much like that allowed under Section 301(b) is optional. Required content includes comparisons with levels in the President's Budget, additional spending total information, and information related to the economic assumptions underlying the budget resolution.[7]

The most important required content in the report accompanying a budget resolution, however, are spending allocations to congressional committees, which are governed by sec. 302(a) of the Congressional Budget Act. 302(a) allocations apportion new budget authority, both discretionary and mandatory, to the relevant committees of jurisdiction. Discretionary spending levels in the budget are allocated to the Appropriations committees, while mandatory spending levels are allocated among the relevant authorizing committees. The 302(a) allocation is to the appropriations committee is further subdivided into 302(b) allocation to the relevant appropriations subcommittees.

The determination and adoption of the 302(a) allocations are functionally among the most important elements of the Congressional budgeting process for several reasons. First, the 302(a) allocation to the appropriations committee represents agreed-upon cap for appropriations bills to fund federal activities. Without these guidelines, appropriations committees do not have the assurance that the spending levels to which appropriations bill conform reflect the consensus of the Houses of Congress. Further, there is point of order against considering appropriations legislation prior to the adoption of a budget resolution, though it may be waived by simple majority. Further underscoring the importance of the 302(a) allocation for the appropriations committee is the need to approve federal funding measures on an annual (customarily) basis – the absence of which would precipitate a partial government shutdown.

These allocations, both to the appropriations committee as well as the authorizing committees, are also essential for budget enforcement – the disciplining characteristic of budgeting. For each committee, the 302(a) allocations act as caps on spending. If legislation proposes spending above a committee's allocation, it is subject to a point of order. In the Senate, these points of order require 60 votes to waive.[8]

Adoption of a Budget Resolution and "Vote-a-Rama"

The process of adopting a budget resolution shares certain features of the regular legislative process, but is distinguished because of several unique elements. The adoption of a Congressional budget resolution is but one step in the overall federal budgeting process that involves the administration, the Congressional Budget Office, as well as Congress.[9] Formal legislative consideration of a budget resolution begins with a mark-up in the Budget Committees of the respective Houses of Congress. These are one or two-day hearings wherein the Chairman's draft for the budget resolution is released, presented, and debated. Members of the Committee are afforded the opportunity to offer amendments to the resolution, and ultimately to vote on its discharge from the Committee.

Once the budget resolution is discharged from committee, it is placed on the calendar and can be brought to the floors of the separate Houses of Congress for debate. The rules differ slightly between the House and the Senate.

Floor Consideration in the Senate

In the Senate, debate on the budget resolution is limited to 50 hours. The time is evenly divided between the majority and minority parties. This is a crucial feature of the process, because it precludes unlimited debate, which requires 60 vote thresholds to overcome. Accordingly, budget resolutions, unlike many other pieces of legislation can be passed with simple majorities. This dynamic assures passage of the budget resolution, but also virtually guarantees support and opposition along partisan lines, giving rise to a unique phenomenon in the Senate colloquially referred to as vote-a-rama.

During debate of the budget resolution, amendments are also considered during this time, with supporters of the amendment allotted up to one hour to speak in favor of the amendment, and detractors allowed up to one hour to voice opposition. Time spent debating amendments counts against the total 50 hours. Once the 50 hours has elapsed, *debate* is concluded. However, until *all* allowable amendment have been disposed of, a final vote cannot occur. As a result, prior to a final vote, Senators take dozens of recorded votes on amendments. Since this process can guarantee a recorded vote, these amendments are often politically motivated and of a particularly partisan nature. In 2013, over 400 amendments to the budget resolution had been filed, though most were dispensed with by negotiated agreement.[10] The votes occurring after the expiration of the 50 hours run back to back, with minimal introductory remarks by the sponsor and the designated opposition – hence the term vote-a-rama. In general it takes about an hour to dispense with 4 amendments during vote-a-rama. A total 48 roll-call votes were taken over 3 days during initial Senate consideration of the FY2014 budget resolution, with Senators voting continuously from 11:04 am on March 22 until 4:38 am on March 23, including the vote on final passage.[11]

Floor Consideration in the House

Once a budget resolution is reported from the House Budget Committee, it can be considered at any time thereafter subject to some restriction. While the Congressional Budget Act also limits debate to 50 hours in the House, the majority can dramatically curtail the time for debate and the scope of amendments through the House rules process.[12] As a result, House consideration of the budget resolution is typically far shorter and lacks the “vote-a-rama” phenomenon that characterizes Senate consideration.

Conference Reports

To enter into force (though not law), both chambers must pass identical resolutions. To the extent that each chamber passes different material, these changes can be reconciled through the passage of a conference report. The Budget Act limits debate of a budget resolution conference in the House and Senate to 10 hours, though again, debate is typically truncated in the House. For example, debate in the House on the last budget resolution conference report was limited to one hour. Conference reports are not-amendable, thus there is no vote-a-rama repeat in the Senate. In additional to identical text of the budget resolution itself, the conference report includes a “joint explanatory statement” that essentially serves as a committee report to the conference report. The final 302(a) allocations for committees are included in the joint explanatory statement. Once both chambers adopt the conference report, its enforcement provisions enter into force, and any reconciliation instructions to committees may be taken up.

[1] http://www.gpo.gov/fdsys/pkg/CPRT-112HPRT75001/pdf/CPRT-112HPRT75001.pdf