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Budgetary Decision-Making in Congress

The Congressional Budget Process

The Constitution grants Congress enormous power and freedom to engage in what is now referred to as budgeting. First, the Constitution grants Congress the power of the purse, but does not prescribe or require specific budgetary legislation or budgetary outcomes. Further, the Constitution allows the House and Senate to determine the rules of their internal proceedings, but does not prescribe or establish budgetary rules or restrictions. Congress has therefore developed certain types of budgetary legislation as well as rules and practices that govern the content and consideration of that budgetary legislation. This collection of budgetary legislation, rules, and practices is often referred to as the congressional budget and appropriations process.

> The congressional budget process may be better understood as an array of legislative opportunities for affecting the federal budget rather than a linear set of events.

Types of budgetary legislation vary greatly. For example, some types of legislation may design a new program, while other legislation provides the program's funding. Further, some legislation does not spend or collect money at all, but instead reflects a budgetary plan to be implemented through subsequent legislation.

When Congress uses such legislative opportunities, varying requirements and restrictions may shape their actions. These requirements and restrictions are derived from a continually growing patchwork of rules, laws, constitutional requirements, and customs that have developed over the past two centuries. Adding complexity to the process is the fact that different requirements and restrictions apply to different types of budgetary legislation.

Such variation—both in the type of budgetary measure and the particular rules and requirements specific to them—can sometimes cause confusion. Adding to this confusion is the fact that Congress seldom considers budgetary measures each year in a predictable pattern. Such dissimilarity can be the result of countless factors, such as political dynamics, competing budgetary priorities, the economy, natural disasters, and military engagements. These factors not only shape congressional priorities, but can also create complications, obstacles, and interruptions within the policymaking process.

> Anticipating what may occur within an upcoming annual congressional budget cycle requires consideration of the varying types of legislative opportunities and their specific constraints, as well as the ever-changing practical and political influences inherent in budgetary decision-making.

Primary Types of Legislation Used by Congress to Affect the Budget

Below is a summary of the types of budgetary legislation generally used by Congress.

The Budget Resolution

The Congressional Budget Act of 1974 (Budget Act) directs Congress to adopt a budget resolution each spring, establishing an agreement between the House and Senate on a budgetary plan for the upcoming fiscal year. The budget resolution does not become law, however; therefore, no money is spent or collected as a result of its adoption. Instead, the budget resolution includes certain spending and revenue levels that become enforceable through points of order once both chambers have adopted the resolution. It is privileged for fast-track consideration in the Senate and therefore requires the support of only a simple majority of Senators for adoption. The budget resolution can trigger the budget reconciliation process, which provides fast-track procedures in the Senate for consideration of certain mandatory spending, tax, and debt limit legislation. While the Budget Act directs Congress to adopt a budget resolution each year, Congress does not always do so. Over the period of the past 20 fiscal years (FY2006-FY2025), Congress has adopted a budget resolution nine times. The budget resolution is under the jurisdiction of the House and Senate Budget Committees, and its content, consideration, and implementation are shaped primarily by the Budget Act.

Direct Spending Legislation

Direct spending programs are generally federal programs that provide payments to beneficiaries that meet certain requirements established by law. Such programs—also referred to as mandatory spending programs or entitlement programs—generally do not require annual congressional action. Direct spending in FY2025 is projected to comprise roughly 75% of federal spending (including interest on the debt) and includes programs such as Social Security, Medicare, Medicaid, income security programs, and federal and military retirement. Although these programs generally continue without further congressional action, Congress may consider legislation that affects direct spending at its discretion. Most legislative committees have jurisdiction over some type of direct spending program, and the content and consideration of direct spending legislation are shaped primarily by House and Senate rules, the budget resolution, and the Budget Act.

Appropriations Legislation

Appropriations legislation provides discretionary spending to agencies on an annual basis. Appropriations in some form must be enacted by the beginning of a new fiscal year (October 1) or a funding lapse may cause a government shutdown to occur. Discretionary spending is projected to comprise roughly 25% of the federal budget in FY2025. Statutory limits on annual discretionary spending are currently in effect for FY2025 for each of defense discretionary and nondefense discretionary spending. In most years, Congress will consider three different types of appropriations legislation. First, the appropriations process assumes annual enactment of 12 *regular appropriations bills* providing funding for various categories of federal programs. Typically, one or more of the 12 regular appropriations are not enacted by October 1. Congress, therefore, regularly employs a second type of appropriations legislation—*continuing resolutions*—that provide funding in the absence of regular appropriations measures. Congress also typically provides a third type of appropriations legislation—*supplemental appropriations*—which are often provided in response to an unforeseen event. Appropriations are under the jurisdiction of the House and Senate Appropriations Committees, and their content and consideration are shaped primarily by House and Senate rules, levels established in the budget resolution (or other legislation), and the Budget Act.

Authorizations of Appropriations Legislation

Authorization legislation establishes, continues, or alters a federal program and creates the legal foundation for an agency to administer the program, but it does not provide the program's funding. Funding is provided separately by appropriations measures, described above. Each year Congress considers a large volume of legislation creating or altering some federal programs in varying degrees, and its content and consideration are shaped largely by House and Senate rules as well as House leadership protocols. Most legislative committees have jurisdiction over authorizations.

Revenue Legislation

Revenue legislation provides authority for the collection of taxes and tariffs to fund the federal government. Most revenue is collected by the federal government as a result of previously enacted laws that continues in effect without any need for congressional action. Congress, however, routinely considers revenue legislation that repeals existing provisions, extends expiring provisions, or creates new provisions. The Constitution requires that revenue legislation originate in the House, although the Senate may amend revenue legislation as it chooses. Generally, revenue is under the jurisdiction of the House Ways and Means Committee and the Senate Finance Committee. The content and consideration of revenue measures is shaped primarily by House and Senate rules and the budget resolution.

Budget Reconciliation Legislation

The budget reconciliation process was developed to assist Congress in implementing its budget plan as articulated in the budget resolution. The underlying budget resolution includes reconciliation directives to specified committees instructing them to report legislation within their jurisdictions accomplishing specific budgetary goals. Reconciliation legislation is privileged for fast-track consideration in the Senate and therefore requires the support of a simple majority of Senators (as opposed to three three-fifths typically required) for passage. Reconciliation legislation may include legislative language concerning direct spending and/or revenue, as well as changes to the level of the statutory limit on the debt limit. The content and consideration of budget reconciliation legislation is shaped primarily by the budget resolution and the Budget Act.

Budget Enforcement Legislation

Congress may consider legislation designed to create new methods of budget enforcement or alter existing budget enforcement mechanisms. Such budgetary restrictions can take many forms. If they are to be enforced internally by the House or Senate, they may be added to the House and Senate rules or included in a rule-making statute that becomes law. Congress has typically adopted some type of internal budget enforcement in each recent Congress. Congress has also passed legislation that creates budgetary requirements that are enforced outside of the House and Senate. For example, in 2010 Congress passed legislation establishing a statutory PAYGO procedure, and in 2011 and 2023, Congress passed legislation establishing caps on discretionary spending. Such budget enforcement legislation is primarily within the jurisdiction of the House and Senate Budget Committees and often the Rules Committees as well. Consideration of such legislation is shaped primarily by House and Senate rules as well as the Budget Act.

Debt Limit Legislation

When total federal spending exceeds total federal revenue, it produces a budget deficit. When faced with a deficit, the Department of the Treasury typically acquires debt in order to obtain the funds necessary to meet current federal obligations. The amount of money that Treasury may borrow is limited by a statutory limit on the debt. Once the limit is reached, Congress typically responds to such a situation by either (1) increasing the debt limit or (2) suspending the debt limit for a specified period of time. When considering debt limit legislation, Congress has sometimes included other budget-related provisions, such as new budget enforcement mechanisms. Congress has approved 21 distinct changes to the debt limit since 2001. Consideration of debt limit legislation is shaped largely by House and Senate rules as well as the budget resolution and the Budget Act. The House Ways and Means Committee and the Senate Finance Committee have jurisdiction over debt limit legislation generally.

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