

## SECTION 15—BASIC BUDGET LAWS

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**15.1 What laws govern the budget cycle?**

The Federal budget cycle can be divided into three distinct phases that are generally sequential and yet intertwined. The first phase, which culminates in the transmittal of the President's budget proposals to the Congress, is called the budget formulation phase. In the next phase, the Congress acts upon laws that together constitute the enacted budget. Once the laws have been enacted, executive agencies carry out the laws in the budget execution phase. The Federal budget cycle is governed mainly by the following laws, which we describe below:

- Budget and Accounting Act.
- Congressional Budget Act.
- Balanced Budget and Emergency Deficit Control Act (BBEDCA), as amended by the Budget Control Act.
- Statutory Pay-As-You-Go Act.
- Antideficiency Act.
- Impoundment Control Act.
- GPRA Modernization Act (formerly Government Performance and Results Act).
- Federal Credit Reform Act.

**15.2 Why is the Budget and Accounting Act important?**

Before enactment of this law in 1921, there was no annual centralized budgeting in the Executive Branch. Federal Government agencies usually sent budget requests independently to congressional committees with no coordination of the various requests in formulating the Federal Government's budget. The Budget and Accounting Act required the President to coordinate the budget requests for all Government agencies and to send a comprehensive budget to the Congress. It created the Bureau of the Budget, now the Office of Management and Budget (OMB), to help the President implement these requirements. It also required the President to include certain information in the budget. The Congress has amended the requirements many times and has codified them as [Chapter 11, Title 31, U.S. Code](#). These are some of the requirements:

- "On or after the first Monday in January but not later than the first Monday in February of each year, the President shall submit a budget of the United States Government for the following fiscal year."
- "Each budget shall include a budget message and summary and supporting information. The President shall include in each budget the following...." The provision goes on to list about thirty

items, such as expenditures and receipts for the past year through the fourth year following the budget year, information on debt, financial information, and information on employment levels.

- "Under regulations prescribed by the President, each agency shall provide information required by the President in carrying out this chapter. The President has access to, and may inspect, records of an agency to obtain information."
- "Estimated expenditures and proposed appropriations for the legislative branch and the judicial branch...shall be submitted to the President before October 16 of each year and included in the budget by the President without change."

### **15.3 How does the Congress enact the budget and how is the budget enforced?**

The Congress does not enact a budget, as such. The Congress reviews the President's budget and develops its budget by approving three distinct kinds of measures:

- The Congress adopts a concurrent resolution in the spring that specifies total receipts and outlays and major categories of spending.
- Next, legislation authorizing changes in direct spending programs and in taxes are enacted consistent with the budget resolution.
- Finally, the Congress enacts discretionary appropriations in the regular appropriations bills for the upcoming fiscal year.

The current congressional budget process was established by the enactment of the Congressional Budget Act (CBA). Before the CBA, which was enacted in 1974, there was no annual centralized budgeting in the legislative branch. Each of the regular annual appropriations bills was acted on separately by the Congress and changes in taxes were authorized in another process. In addition, there was no established process to add up the total receipts and total spending in all the bills to reach the Federal Government's bottom line, whether it was a surplus or a deficit.

The CBA established the concurrent resolution on the budget, also known as the budget resolution, the House and Senate Budget Committees, the Congressional Budget Office, and procedures for relating individual appropriation actions to the budget totals. Also, the CBA defines some key budget terms, such as budget authority, that are used in all phases of the President's budget formulation process and the congressional budget process.

The CBA was amended extensively by a series of laws. The Balanced Budget and Emergency Deficit Control Act (BBEDCA), one of these amendments, had as its central feature a series of declining deficit targets. BBEDCA was amended by the Budget Enforcement Act, which applied a statutory pay-as-you-go (PAYGO) process to direct spending and revenue legislation and discretionary spending limits to annual appropriations acts. The statutory PAYGO process and discretionary spending limits expired in 2002.

Recently enacted laws have reinstated the statutory budget enforcement mechanisms for mandatory spending and revenues and discretionary spending. The Statutory Pay-As-You-Go Act established a statutory procedure to enforce a rule of deficit neutrality on new revenue and mandatory spending legislation. The law requires that new legislation changing revenues or mandatory expenditures, taken cumulatively, must not increase projected deficits. If such legislation does increase projected deficits, the law requires automatic across-the-board cuts in non-exempt mandatory programs. The Budget Control Act, which amended the BBEDCA, established limits ("caps") on the amount of discretionary budget authority that can be provided through the annual appropriations process for 2012 through 2013. If the

amount of appropriations provided in appropriations acts for a given year exceeds the caps, the law requires the President to cancel budgetary resources in non-exempt discretionary accounts by the excess amount.

Section [20.9](#) provides more information on the Statutory Pay-As-You-Go Act and the BBEDCA and their enforcement mechanisms.

#### 15.4 What laws govern the budget execution process when funds are actually spent?

Chapters 13, 15, and 33 of Title 31, United States Code, govern the process of budget execution. Among these, the major laws are the Antideficiency Act, the Impoundment Control Act, the provisions known as the Economy Act which are found in section 1535, the provisions that govern the closing of accounts which are found in sections 1551 through 1555, and provisions of the "Miscellaneous Receipts Act," which is found in section 3302.

The Antideficiency Act requires OMB to apportion the accounts and to monitor spending; prohibits agencies from spending more than the amounts appropriated or apportioned, whichever is lower; requires that agencies control their spending; and provides penalties for overspending.

Specifically, agencies may not:

- Purchase services and merchandise *before* appropriations are enacted and accounts are apportioned;
- Enter into contracts that *exceed* the appropriation for the year or the amount apportioned by OMB, whichever is lower; or
- Pay bills when there is *no cash* in the appropriation or fund account.

The head of each agency is required to establish, by regulation, a system of administrative control of funds that:

- Restricts *obligation* and expenditure (outlays or disbursements) from each account to the *lower of* the amount apportioned by OMB or the amount available for obligation and/or expenditure.
- Enables the head of the agency to identify the person(s) responsible for violating the Act.

There are administrative and criminal *penalties* for violating the Antideficiency Act. Also, the agency head is required to report any violations to the President, through the OMB Director; to the Congress; and to the Comptroller General. See section [145](#) for instructions on reporting violations.

The Impoundment Control Act, which was enacted in 1974, requires that the President notify Congress whenever an official of the Executive Branch impounds (i.e. withholds) budget authority. There are two types of impoundments: the temporary *deferral* of funds and *rescission proposals* to permanently reduce spending. The Act also prescribes the rules that must be followed whenever the executive branch impounds funds. See section [112](#) for instructions on reporting deferrals and rescission proposals and the rules that must be followed.

#### 15.5 What does the GPRA Modernization Act of 2010 require?

The GPRA Modernization Act of 2010 updates the Federal Government's performance management framework, retaining and amplifying some aspects of the Government Performance and Results Act of 1993 (GPRA) while also addressing some of its weaknesses. The GPRA in 1993 had established strategic

planning, performance planning, and reporting as a framework for agencies to communicate progress in achieving their missions. The GPRA Modernization Act establishes some important changes to existing requirements that move toward a more useful approach to performance planning and reporting on a central website. The GPRA Modernization Act serves as a foundation for helping agencies to focus on their highest priorities and creating a culture where data and empirical evidence play a greater role in policy, budget, and management decisions. A central program inventory, also required by the Act, has the potential to facilitate coordination across programs by making it easier to find programs that can contribute to a shared goal, as well as improve public understanding about what Federal programs do and how programs link to budget, performance, and other information.

#### **15.6 What do I need to know about the Federal Credit Reform Act of 1990?**

This law governs Federal credit programs—ones that make direct loans and loan guarantees. The Act prescribes a special budget treatment for direct loans and loan guarantees that measures their subsidy cost, rather than their cash flows. For most credit programs, Congress must provide budget authority equal to the subsidy cost in annual appropriations acts before the program can make direct loans or loan guarantees. Section [185](#) of this Circular addresses the requirements of this law, which was enacted as an amendment of Title V of the Congressional Budget Act of 1974.