

SECTION 15 -- BASIC BUDGET LAWS

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15.1 What laws regulate the budget process?

This Circular's requirements stem mainly from these four laws, which we summarize in separate subsections below:

- Budget and Accounting Act,
- Budget Enforcement Act,
- Government Performance and Results Act, and
- Federal Credit Reform Act.

In addition, section 15.6 describes other laws that play an important part in the budget process.

15.2 Why is the Budget and Accounting Act important?

Before this law, Government agencies usually sent budget requests independently to congressional committees with no coordination of the various requests. The Budget and Accounting Act required the President to coordinate the budget requests for all Government agencies and to send a comprehensive budget to Congress. It created the Bureau of the Budget, now the Office of Management and Budget, to help the President implement these requirements. It also required the President to include certain information in the budget. Congress has amended the requirements many times since 1921 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 What does the Budget Enforcement Act of 1990 enforce?

First enacted in 1990, Congress and the President designed the Budget Enforcement Act (BEA) to enforce the budget levels they agreed to for the fiscal years 1991 through 1995. The Act was extended in 1993 and 1997 to reflect budget agreements in those years. The current version of the Act applies to any law enacted through 2002 that would increase spending or decrease receipts. It applies to appropriations acts and other laws, so it affects almost every aspect of budgeting.

The BEA significantly amended existing laws pertaining to the budget process, including the Congressional Budget Act of 1974, the Balanced Budget and Emergency Deficit Control Act of 1985, and Chapter 11, Title 31, U.S. Code. Most of the BEA’s enforcement provisions are included in the Balanced Budget and Emergency Deficit Control Act of 1985 (described in section 15.6).

The BEA divides spending into two types:

- *Discretionary spending*, which means the budget authority controlled by annual appropriations acts and the outlays that result from the budget authority, and
- *Mandatory spending*, which means budget authority and outlays resulting from permanent laws.

The BEA applies one set of rules to discretionary spending and another to mandatory spending and receipts. It includes receipts under the same rules that apply to mandatory spending, because receipts are generally controlled by permanent laws. Section 20.9 explains these rules and BEA reporting requirements in detail.

15.4 What does the Government Performance and Results Act of 1993 require?

This law emphasizes managing for results – emphasizing what a program accomplishes and how well the accomplishments match with the program’s purpose and objectives. It requires agencies to prepare strategic plans, annual performance plans, and annual performance reports. Part 2 of this Circular addresses the requirements of this law.

15.5 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 85 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.

15.6 What other laws should I know about?

Although they don't directly affect the requirements of this Circular, these basic laws regulate the budget process in important ways:

- *U.S. Constitution.* Two provisions of the U.S. Constitution provide the underpinning for the budget process. Article 1, section 8, clause 1 empowers the Congress to collect taxes. Article 1, section 9, clause 7 requires appropriations in law before money may be spent from the Treasury. The term appropriation applies broadly to any law that permits a Government employee to spend money, not just the regular annual appropriations bills.
- *Congressional Budget Act of 1974 (Public Law 93-344), as amended.* This law governs the congressional budget process. It defines some key budget terms, such as budget authority, that are used in all phases of the budget process. It established the House and Senate Budget Committees and the Congressional Budget Office (CBO).
- *Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), as amended.* This law prescribes rules and procedures (including "sequestration") designed to constrain spending and receipts legislation. When originally enacted, the Act was commonly known as the Gramm-Rudman-Hollings Act. The Budget Enforcement Act (BEA) (described above) significantly amended this act, and many people refer to its requirements as the BEA requirements.
- *Chapters 13 and 15, Title 31, United States Code.* These chapters prescribe rules and procedures for budget execution. Many of the specific provisions were previously enacted as section 3679 of the Revised Statutes, also known as the "Antideficiency Act." OMB Circular No. A-34, "Instructions on Budget Execution," addresses the requirements of this law.
- *Impoundment Control Act of 1974 (Public Law 93-344), as amended.* Contained in the same act as the Congressional Budget Act, this law prescribes rules and procedures under which the President may withhold appropriated amounts from obligation. Circular No. A-34 addresses the requirements of this law. Circular No. A-11's requirements related to rescissions (cancellations) and deferrals of budget authority stem from this law.