congressional budge process. The House conferees agreed to recede based on their understanding that inclusion of that material would make the entire conference report subject to a point of order in the Senate under section 306 of the Congressional Budget Act of 1974 and thereby endanger final enactment of the reconciliation bill. Therefore, the conferees' decisions should not be considered as necessarily judging the relative merits of the Senate and House positions.

DISCRETIONARY SPENDING LIMITS, THE PAY-AS-YOU-GO REQUIREMENT, AND RELATED PROCEDURES

Summary

Subtitles A and B of Title XV (Budget Process) of the House-passed bill amend the Balanced Budget and Emergency Deficit Control Act of 1985, more commonly known as the Gramm-Rudman-Hollings (GRH) Act, and the Congressional Budget Act (CBA) of 1974. The purpose of the amendments is to extend the discretionary spending limits and pay-as-you-go (PAYGO) requirement, both enforced by sequestration, through fiscal year 1998, and to make other changes in the budget process. Subtitle A, called the Budget Enforcement Act (BEA) of 1993, revises the procedures under the Gramm-Rudman-Hollings Act for enforcement of the discretionary spending limits and the pay-as-you-go requirement. Subtitle B revises and extends the discretionary spending limits in the Congressional Budget Act of 1974 (and makes other changes in the congressional budget process, which this joint statement discusses below).

Title XIV (Enforcement Procedures) of the Senate amendment extends the discretionary spending limits and the pay-as-you-go requirement through fiscal year 1998, and makes minor modifications in the procedures for enforcing them, by amending the Congressional Budget Act and the Gramm-Rudman-Hollings Act

In conference, the House recedes to the Senate. As noted, both the House and the Senate extend the discretionary caps and the pay-as-you-go requirement through 1998. Both chambers consider this extension to be important for enforcing the overall budget and economic plan. Thus, the conference disposition of title XV, subtitle A, of the House bill and title XIV of the Senate bill is consistent with the intent of both chambers.

Background

Congress enacted the Gramm-Rudman-Hollings Act (Pub. L. No. 99-177, tit. II, 99 Stat. 1037, 1038-1101 (1985)) in late 1985, following a period of prolonged deadlock over budgetary policies, to provide a strong incentive for the President and Congress to reduce the deficit each year through the regular legislative process. The Gramm-Rudman-Hollings Act established a declining series of deficit targets (referred to as "maximum deficit amounts") leading to a balanced budget in fiscal year 1991. The Act enforced the deficit targets by the sequestration process, under which automatic, across-the-board spending reductions would occur if the projected deficit exceeded the deficit targets.

Two years later, after the Supreme Court ruled the sequestration triggering mechanism in the Gramm-Rudman-Hollings Act unconstitutional in Synar v. Bowsher, 478 U.S. 714 (1986), Congress amended the Act (by the Balanced Budget and Emergency Deficit Control Act of 1987, Pub. L. No. 100-119, tit. I, 101 Stat. 754, 754-784 (1987)), extending the goal of a balanced budget to fiscal year 1993 and placing responsibility for the automatic triggering of sequestration in the hands of the Director of the Office of Management and Budget (OMB).

Congress fundamentally revised the sequestration process with the Budget Enforcement Act (BEA) of 1990 (title XIII of the Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, tit. XIII, 104 Stat. 1388, 1388-573 to -630 (Nov. 5, 1990) (codified as amended in scattered sections of 2 U.S.C. and at 15 U.S.C. §1022 (Supp. II 1990)). First, the Act extended the process through fiscal year 1995 (although the budget was not required, nor expected, to be balanced by that time). Second, the Act made the deficit targets adjustable for changes in economic conditions and other factors. Third, the Act established adjustable discretionary spending limits to control the growth of annual appropriations and instituted a pay-as-you-go (PAYGO) requirement to ensure that legislative changes in mandatory spending and revenue levels do not increase the deficit in the net. The act also made these latter two procedures (in effect through fiscal year 1995) enforceable by sequestration. Congress intended that the appropriations caps and the pay-as-you-go requirement would control subsequent legislation, so that Congress and the President would not undo the deficit reduction that the 1990 budget summit agreement accomplished. Congress has the same purpose for extending the appropriations caps and the pay-as-you-go requirement in this Act—to prevent future legislation from undoing the spending cuts and revenue increases agreed to in the budget resolution and the other titles of this Act, the Omnibus Budget Reconciliation Act (OBRA) of 1993.

The Congressional Budget Act of 1974 is linked to the procedures under the Gramm-Rudman-Hollings Act in various ways. In particular, the Congress Budget Act of 1974 sets forth the deficit targets and discretionary spending limits used for purposes of sequestration.

1. DEFINITIONS (SECTION 250 OF GRAMM-RUDMAN-HOLLINGS)

Current Law

Section 250 of the Gramm-Rudman-Hollings Act provides 21 definitions and treatments that underlie the other sections of the Act. Included are "budget authority," "outlays," "deficit," "sequester," "beach," "baseline," "discretionary appropriation," and "deposit insurance," among others.

House Bill

The House bill includes many wording changes. (In the following description, all references are to the paragraph numbers in the House bill unless noted.)

In section 250(b)(1), the bill deletes a provision that includes the Health Insurance (HI) Trust Fund (Medicare Part A) in the budget for purposes of Gramm-Rudman-Hollings. That provision is also deleted in the existing section 257(b)(3). Instead, a single provision treating HI as on-budget for all purposes of Gramm-Rudman-Hollings is included in the new section 250(b)(20). A similar general rule is incorporated into the Congressional Budget Act by an amendment made in subtitle B to section 403 of that Act.

In section 250(b)(2) and many places throughout the bill, any reference to "budgetary resources" is changed to a reference to "budget authority." This simplification is made possible by a change in the definition of budget authority, in the Congressional Budget Act, made by subtitle B.

In section 250(b)(3) the term "breach" is modified by deleting obsolete references to "categories." The bill also codifies existing practice, that the measurement of enacted appropriations follows rules specified in section 257, the baseline. (Those rules themselves are also clarified, especially regarding part-year appropriations.)

The existing section 250(b)(4), defining "category," is deleted as obsolete.

In section 250(b)(6), defining "discretionary," and in section 250(b)(7), defining "direct spending," scorekeeping rule #3 is codified. This scorekeeping rule has been Gramm-Rudman-Hollings practice since 1990 and congressional practice since the Congressional Budget Act was enacted, if not before. Under scorekeeping rule #3, if the Appropriations Committee writes substantive legislation that would otherwise be considered direct spending, the effect is charged against the discretionary caps. Vice versa if an authorizing committee writes provisions that would otherwise be considered discretionary appropriations. The purpose is to maximize Committee accountability.

When this scorekeeping rule is invoked, OMB later reclassifies the amount of "otherwise direct spending" placed on the discretionary scorecard (or the amount of discretionary spending placed on the pay-as-you-go scorecard), using the authority to reclassify under section 251(b)(1). Thus, for example, if an appropriations Act includes a direct spending increase, initially the Appropriations Committee is held accountable by having the increase entered on the discretionary scorecard, but ultimately it is held accountable by having the discretionary caps lowered by the amount of the increase.

In section 250(b)(8) which replaces (b)(18), the bill envisions a new list of mandatory and discretionary appropriations to be included in the Statement of Managers. It should be noted that even with no changes in definitions or interpretations, the existing list needs updating (and can be updated without a change in statute) simply to reflect the many new accounts, changes in account names, or changes in account numbers made since 1990, especially as a result of the reform of credit accounting.

In section 250(b)(9), which defines "current" economic and technical assumptions to be those consistent with the President's budget submission, the bill allows correction of pure errors in the statement of economic and technical assumptions, if the corrections are submitted in the mid-session review. It should be noted that the existing interpretation of Gramm-Rudman-Hollings is that pure errors can and should be corrected.

In section 250(b)(10), which defines "real economic growth," the bill changes the measurement from Gross National product (GNP) to Gross Domestic Product (GDP), a similar concept of annual economic activity that is now the standard used by the government and economics profession.

In section 250(b)(14), which defines "outyear," the bill defines that term to mean each fiscal year after the budget year through 1998 for purposes of enforcing discretionary funding. But the term is defined to cover fiscal years through 2002 for pay-as-you-go purposes. This is explained more fully in the discussion of 5-year rolling enforcement under the House provisions for section 252.

The existing section 250(b)(17), dealing with pay-as-you-go scoring of legislation at the end of the 101st Congress, is deleted as obsolete.

In section 250(b)(18), defining and setting forth composite outlay rates, the definition is simplified by dropping as obsolete the separate rates for the international and domestic categories. Previously outlay rates were