Federal Budget Primer

2025

COLORADO Fiscal Institute

Table of Contents

The Federal Budget

In 2024, the United States federal government allocated $6.75 trillion. This amounts to approximately $18,400 for each adult and child in the country, representing around 24% of the entire U.S. economy.

However, the government serves more than just as a collector and spender of bills. Ideally, every dollar spent can enhance the common good and improve the quality of life for Americans through public investments in critical infrastructure, systems, and initiatives that only the government can undertake. These include funding for court systems, clean water, transportation, income security, energy, defense, and education.

It is essential for all of us to ensure that our tax dollars are raised and utilized in ways that align with our priorities. To achieve this, we must be informed about where the money goes and how budgetary decisions are made.

The Colorado Fiscal Institute (CFI) has relied on insights from our national partners, the Center on Budget and Policy Priorities (CBPP) in Washington, D.C., which are extensively referenced in this overview.

The Budget Process[1]

Congress employs various mechanisms for tax and budget decisions that have developed over time. Some tax and spending laws are permanent (though they can be amended), while others span multiple years but eventually expire, requiring renewal. Additionally, some decisions are made each year through annual **appropriations bills**. These mechanisms are subject to change and have evolved significantly even over the past decade. In 1974, the Congressional Budget Act established an internal process known as the congressional **budget resolution**, which serves as a roadmap for Congress to create and enforce a budget legislation plan each year.

It's important to note that the norms, processes, and deadlines outlined in the Act have largely deteriorated in the last ten years; however, its guidelines continue to shape fiscal policy discussions. The Act also introduced the optional reconciliation process, which has become the primary method for enacting significant budget legislation in recent years.

Federal spending generally falls into two main categories: mandatory and **discretionary spending**, each with distinct budgeting processes.

- **Mandatory spending** is required by law, and doesn't need annual approval. Mandatory spending includes programs like Social Security, Medicare, Medicaid, SNAP, veteran's disability compensation, federal military and civilian retirement, and TANF. Mandatory spending program law determines its eligibility and parameters and also its funding levels. Changing mandatory programs requires that Congress amend the relevant law, to modify benefits, eligibility, or adjust funding levels.

- **Discretionary spending** must be approved by Congress every year. The programs that fall under discretionary spending have authorizing law, but that law doesn't determine funding levels; instead, funding levels are set up in annual appropriations bills. Congress can change discretionary spending program funding levels without changing the underlying relevant law — it just has to increase or decrease a line item in appropriations legislation. Defense, education, transportation, income security, and homeland security are examples of discretionary spending. Since defense makes up a large chunk of it, discretionary spending is often broken up into "non-defense discretionary" and "defense discretionary" spending.

For **mandatory spending** programs, the laws are written or amended by the committees of jurisdiction over a given program (e.g., SNAP, by the House and Senate Committees on Agriculture, Nutrition, and Forestry). For discretionary spending programs, the House and Senate **Appropriations Committees** work to produce 12 appropriations bills annually, though some or all are often combined into "**omnibus**" packages.

The Budget Timeline

- **Early February: President's Budget Request**

The annual federal budget process typically starts when the president submits a detailed **budget request** for the upcoming fiscal year. The president is supposed to submit by the first Monday in February, but occasionally this is delayed if there's a new administration taking office. The budget request tells Congress the president's fiscal priorities, whether it should run a **deficit** or a **surplus**, the administration's priorities for federal programs, and any amendments to mandatory programs the administration would like to make. Spending from now on is defined in two ways: the total amount of funding or **revenues** ("**budget authority**") and estimated level of expenditures ("**outlays**").

Outlays: These refer to the funds disbursed by the U.S. Treasury. They take place when obligations are settled, mainly through the issuance of checks or electronic fund transfers.

The president's budget request is just a proposal. Congress can accept or reject anything in the proposal and pass its own appropriations bills; only after the president signs these bills does the country have a budget for the new fiscal year, which starts on Oct 1.

- **February to April 15: Passing the Congressional Budget Resolution**

After the president’s request is submitted, Congress generally holds hearings to question administration officials about their requests and then develops its own budget plan, called a “budget resolution.” This work is done by the House and Senate Budget Committees, whose primary function is to draft and enforce the budget resolution. Once the Budget Committees pass their budget resolutions, the bills go to the House and Senate floors, where they can be amended by a majority vote. The budget resolution for the year is adopted when both chambers pass identical measures, either after a House-Senate conference resolves any differences, or after one chamber passes the resolution adopted by the other.

The budget resolution is not an ordinary bill, but a “concurrent resolution,” and doesn’t go to the President to be signed or vetoed. It also only requires a majority vote to pass, and its consideration is one of the few actions that cannot be filibustered in the Senate. It doesn't enact tax or spending law; it sets targets for other Congressional committees that can propose legislation directly providing or changing spending and taxes. Its job is to provide a framework for Congress for making budget decisions and set spending limits and the revenue floor. It is not as detailed as the President’s budget, and is mainly a set of numbers determining increases or decreases in mandatory spending, and how much Congress should spend in 20 spending categories, also known as “**budget functions**.”[2] The committees with jurisdiction over these budget functions must stay within these amounts, which are called “**302(a) allocations.**” Tax or mandatory spending bills must fit within the budget resolution's spending limit for the relevant committee or within the revenue floor, both in the first year and over the total multiyear period covered by the budget resolution. The cost of a tax or mandatory spending bill is determined by the Budget Committees, nearly always by relying on the nonpartisan **Congressional Budget Office (CBO)**.

The budget resolution is not an ordinary bill, but a “concurrent resolution”, and doesn’t go to the President to be signed or vetoed.

Congress is supposed to pass the budget resolution by April 15, five and a half months before the Oct. 1 start of the fiscal year, but it seldom has since 1999. Though it has special rules to encourage a quick passage (simple majority, no Senate filibuster, limited debate time), it does require the House and Senate to agree on spending targets. In recent years it has been common for Congress not to pass a budget resolution at all. When that happens, the spending limits and revenue floor of the prior budget resolution automatically continue. House and Senate Appropriations Committees will also create "**deeming resolutions**," which are simply separate budget targets for budget functions that they "deem" to be a substitute for the budget resolution.

The budget resolution can also include temporary or permanent changes to the congressional budget process.

- **April 15 to Oct. 1: Passing Budget Legislation**

After the budget resolution is adopted, or past year budget resolutions are continued, Congress gets to work passing annual appropriations bills, which fund discretionary programs for the upcoming fiscal year. They may also consider legislation that amends mandatory spending or revenue levels within the limits and floor outlined in the budget resolution and **302(a) allocations**, as well as the committee-determined **p** for the coming fiscal year. The Appropriations Committees in both the House and the Senate are responsible for determining the precise levels of budget authority, or allowed spending, for all discretionary programs. The Appropriations Committees in both the House and Senate are broken down into smaller appropriations subcommittees. Subcommittees cover different areas of the federal government: for example, there is a subcommittee for defense spending, and another one for energy and water. Each subcommittee conducts hearings in which they pose questions to leaders of the relevant federal agencies about each agency's requested budget. Based on all of this information, the chair of each subcommittee writes a first draft of the subcommittee's appropriations bill, abiding by the spending limits set out in the budget resolution.

All subcommittee members then consider, amend, and finally vote on the bill. Once it has passed the subcommittee, the bill goes to the full Appropriations Committee. The full committee reviews it, and then sends it to the full House or Senate.

Most of the time, Congress does not pass appropriations bills before Oct. 1. In fact, they only have done so in three of the last 45 years. When it fails to pass appropriations bills before the new fiscal year begins, Congress must approve, and the president must sign, a "**continuing resolution**" or CR to provide stopgap funding for affected agencies and programs. If Congress doesn't pass a CR or the president doesn't sign it, the agencies and programs that require annual appropriations and haven't received them shut down.

There have been four major shutdowns in the last 40 years, the most recent of which was a 35-day shutdown of federal agencies within nine different departments starting Dec. 22, 2018 as a result of a dispute between President Trump and congressional Democrats over border wall funding.

Congress can also pass **supplemental appropriations**, which provide additional funding support during a budget year, usually for urgent issues like disaster response.

Budget Reconciliation Process[3]

Budget reconciliation is a unique legislative procedure designed to expedite fiscal legislation and prevent delays in the Senate, which requires a 60-vote majority to bypass a filibuster. Established by the 1974 Congressional Budget Act, this process allows reconciliation legislation to modify spending, revenues, and/or the **federal debt** ceiling. It can be utilized to address most mandatory spending, with one significant exception: it cannot alter the **Social Security** program. Notably, reconciliation has never been applied to amend discretionary funding.

When is budget reconciliation used?

Budget reconciliation is primarily employed when Congress aims to implement significant spending reductions or increases in mandatory programs such as Medicaid, Medicare, the Supplemental Nutrition Assistance Program (SNAP), the Children's Health Insurance Program (CHIP), and Affordable Care Act Marketplaces. It's often used to adjust the deficit or to introduce tax cuts or increases. Notable instances of reconciliation include the passage of the Tax Cuts and Jobs Act in 2017 (TCJA), the American Rescue Plan Act in 2021 (ARPA), and the Inflation Reduction Act in 2022.

Over the past decade, Congress has primarily engaged in the budget resolution process when opting to create a reconciliation bill.

What is the timeline for budget reconciliation?

The reconciliation process commences once a budget resolution has been established.

This resolution outlines what can be included in the reconciliation legislation through specific "**reconciliation directives**" for designated committees. Reconciliation directives instruct specific House and Senate committees to prepare and report legislation that: increases or decreases outlays (spending) by specified amounts over a specified period, increases or decreases revenues by specified amounts over a specified period, or modifies the public **debt limit**. Typically, a budget resolution will accommodate the intended reconciliation measures it is directing.

Reconciliation legislation then generally goes through the normal committee process. If multiple committees receive reconciliation instructions, they send their recommendations to the House and Senate Budget Committees, who assemble them into an omnibus bill. There are generally only two reconciliation bills: a tax-and-spending bill, and a debt limit bill. The Budget Committee bills then go to the floor for an up-or-down vote, with limited opportunity for amendment. After the House and Senate resolve the differences between their competing bills, a final conference report is considered on the floor of each house and then goes to the President for his signature or veto.

Instructions on what can be included in a reconciliation package must be submitted by April 15, in the budget resolution. Congress then has two months to complete any reconciliation legislation, for a deadline of June 15. Like with most pieces of the budget process, Congress rarely meets the June 15 deadline, and on average takes five months to complete the reconciliation process.

Reconciliation Limitations

Enforcing the Terms of the Budget Resolution

The reconciliation bill must stay within the directives laid out in the budget resolution for what it can address. "**Points of Order**" prevent Congress from passing legislation that violates the terms of the budget resolution. Any single member of the House or the Senate can raise a budget point of order on the floor to block such legislation. This is less important in the House, where a point of order can be waived by a simple majority.

In the Senate, if there are provisions of a reconciliation bill that senators deem extraneous or not pertinent to the directives laid out in the budget resolution, senators can use the "**Byrd Rule**" to block individual provisions of a reconciliation bill. This is an important enforcement mechanism for ensuring that the only policy changes in a reconciliation bill have direct fiscal implications.

Under this rule, changes in the authorization of discretionary appropriations are not allowed, nor, for example, are changes to civil rights or employment law or even the budget process.

Byrd Rule: a budget procedure rule in the Senate, whereby if there are provisions of a reconciliation bill that senators deem extraneous or not pertinent to the directives laid out in the budget resolution, senators can block individual provisions of a reconciliation bill.

Other Budget Limitations

In addition to the limits established under the Congressional Budget Act, Congress has approved other statutory budget-control mechanisms that either prevent tax and mandatory spending legislation from increasing the deficit, or constrain discretionary spending.

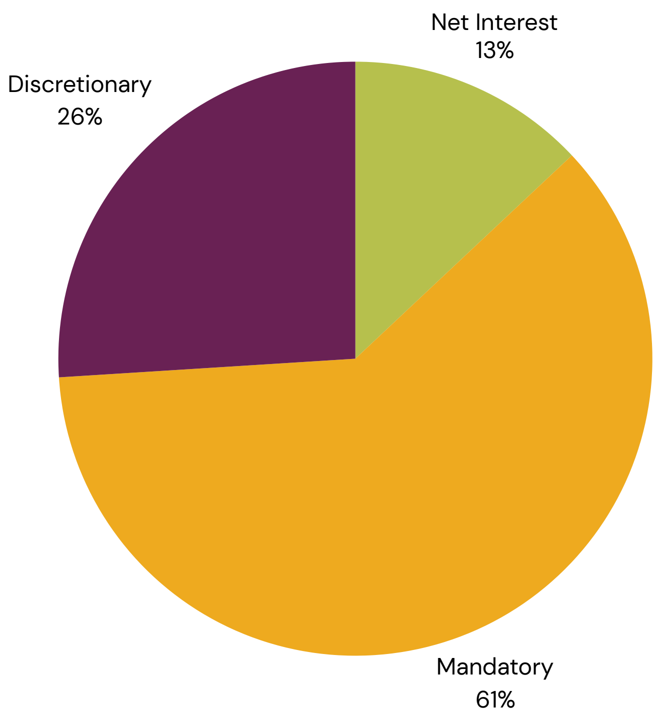
- **Pay-As-You-Go Act ("PAYGO"):** Under the 2010 Statutory Pay-As-You Go (PAYGO) Act, any legislative changes to taxes or mandatory spending that increase multi-year deficits must be offset (paid for) by other changes to taxes or mandatory spending that reduce deficits by an equivalent amount. Violation of PAYGO triggers across-the-board cuts ("**sequestration**") in selected mandatory programs to restore the balance between budget costs and savings. Congress can and has frequently waived the rules of PAYGO. There has never been sequestration as a result of violating PAYGO.
- **Discretionary Spending Caps**: The 1990 Budget Enforcement Act (BEA) and the 2011 Budget Control Act (BCA) each imposed temporary, legally enforceable limits or "caps" on the level of discretionary appropriations. In each case, the limits were amended from time to time to make them less restrictive. The BEA limits expired after 2002 and the BCA limits expired after 2021. New caps were put into effect for 2024 and 2025 with the Fiscal Responsibility Act of 2023. There has only been one instance of sequestration as a result of violating discretionary spending caps, in 2013. The 2013 sequestration led to $85.3 billion in automatic reductions.[5]

- **Sequestration:** Sequestration is used to enforce PAYGO and discretionary funding caps. Sequestration is the automatic cancellation of previously enacted spending, making largely across-the-board reductions to selected mandatory programs to restore the balance between the costs and savings of previously enacted spending and revenue changes.

Federal Spending

There are three groups of spending in the $6.75 trillion federal budget: mandatory programs, discretionary programs, and **interest paid on debt**. Mandatory and discretionary spending make up the majority of all federal spending and pay for all the public services and programs on which we rely. In 2024, about 61% of the federal budget is mandatory spending, 26% is discretionary spending, and the rest (about 13%) is interest payments on debt. The **Government Accountability Office (GAO)** is an independent agency that acts as a spending watchdog, ensuring that our spending is meeting Constitutional requirements and examining government efficiency.

Components of Federal Spending, Fiscal Year 2024



Source: Congressional Budget Office with effect of certain timing anomalies removed, June 2024
Center on Budget and Policy Priorities | CBPP.org

Mandatory Spending

Mandatory spending, often referred to as "entitlement spending," consists of expenditures that are enacted outside the annual appropriations process. This category encompasses crucial **entitlement programs** such as Social Security, Medicare, Medicaid, SNAP, veterans' disability compensation, federal military and civilian retirement, and Temporary Assistance for Needy Families (TANF). It also includes significant funding for transportation, education, and defense.

The president's budget does not have to propose recommendations to maintain ongoing mandatory programs and revenues, but it usually presents suggestions for modifications to certain mandatory programs and revenue laws.

Typically, recommendations for mandatory programs outline changes to eligibility requirements and individual benefit levels, without detailing overall funding amounts. Instead, the funding levels are effectively determined by the eligibility and benefits regulations established in law.

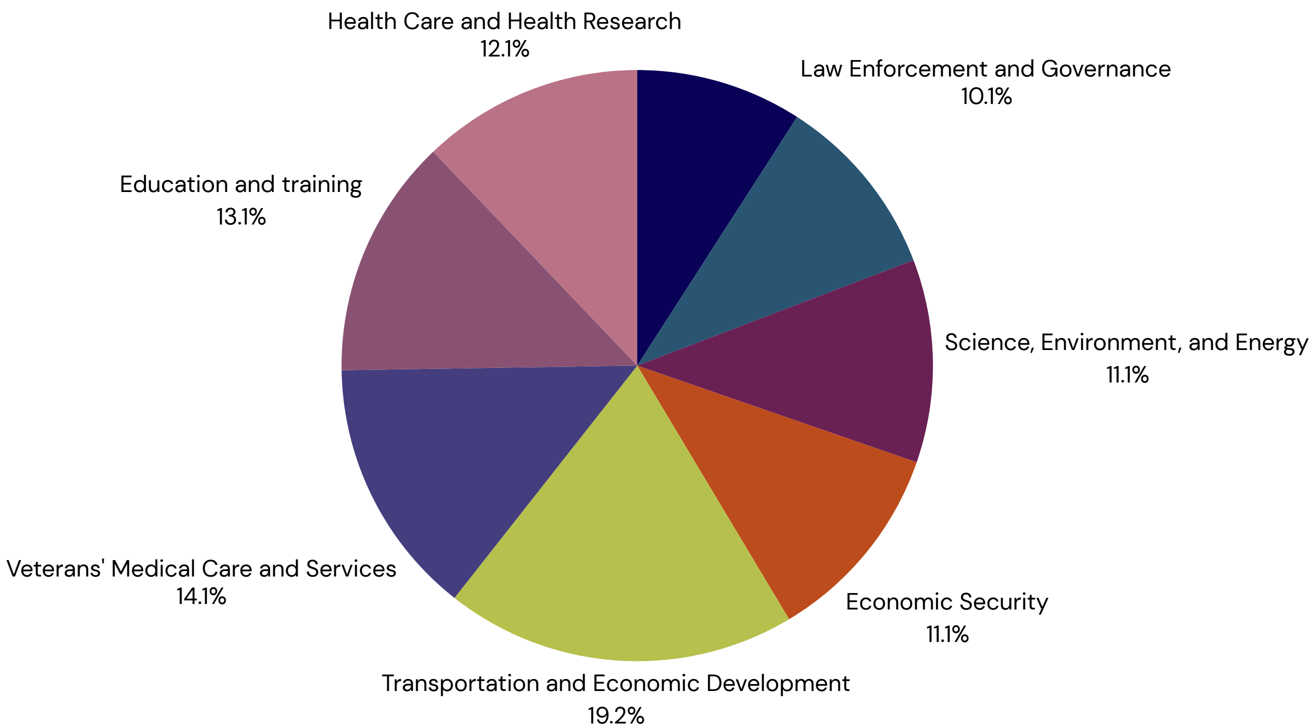
Discretionary Spending

These programs fall under the jurisdiction of the House and Senate Appropriations Committees. Funding for these programs is known as "discretionary" because the laws that establish them leave Congress with the discretion to set the funding levels each year. That doesn't mean the programs are optional or unimportant, however. For example, almost all defense spending is discretionary, as are the budgets for a broad set of public services, including environmental protection, education, job training, border security, veterans' health care, scientific research, transportation, economic development, some low-income assistance, law enforcement, and international assistance. Discretionary programs make up about one third of all federal spending and the President's budget spells out how much funding they recommend for each discretionary program. About half of discretionary spending is defense, and the other half is non-defense discretionary programs.

Non-Defense Discretionary Programs

Non-defense discretionary (NDD) programs comprise domestic and international programs outside of national defense that Congress funds on an annual basis. In 2024, NDD spending totaled $758 billion, or 11% of federal spending. These programs are the federal dollars we see most in our communities — they are funding for schools, healthcare, roads, public safety, and physical and social infrastructure.

Non-Defense Discretionary Spending, Fiscal year 2023



Note: Does not add to 100% due to rounding.
Source: CBPP calculations using data from the Congressional Budget Office

The Fiscal Responsibility Act of 2023 continued longstanding caps that limit overall appropriations for most defense and non-defense discretionary programs in each year through 2025. Some appropriations are exempt from the caps, including those for overseas military and anti-terrorism operations, disaster relief, other emergencies, and certain activities to fight fraud and abuse. In addition, spending from the highway and other transportation trust funds are counted as NDD spending but are not subject to the Budget Control Act caps.

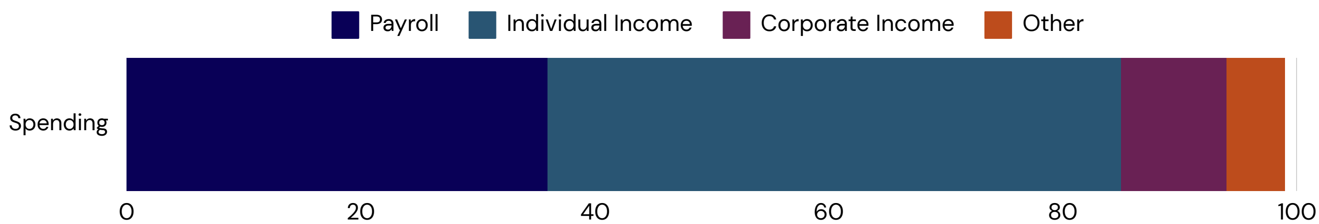
NDD Spending Supports Key Public Services in States

Of total NDD spending in 2023, 34% went to grants to states and localities, such as for K-12 education and highway projects, while 23% went to low-income programs, such as Head Start and rental assistance. These categories are not mutually exclusive; a sizable share of NDD grants to states and localities support low-income programs.

The Federal Revenues

In 2023, the federal government raised $4.4 trillion to finance $6.1 trillion of spending. The remaining amount was financed by borrowing.

In 2023, almost half of all federal revenue (49%) came from individual income taxes. The income tax is generally **progressive**: higher income households pay a larger share of their income in income taxes than lower-income households do. (Some kinds of taxes, like sales taxes, are **regressive**, meaning that lower income households pay a larger share of their income in those types of taxes.) Another 36% of revenue came from payroll taxes, which are assessed on the wage or salary paychecks of almost all workers and used to fund Social Security, Medicare, and unemployment insurance.



In 2023, corporate income taxes accounted for approximately 9% of federal revenue, while the remaining 5% was derived from **excise taxes**, **estate taxes**, and various other taxes. After the introduction of the 2017 Tax Cuts and Jobs Act (TCJA), corporate tax revenues experienced a significant decline but saw a slight recovery during the COVID-19 pandemic.[7] Nonetheless, corporate tax revenues as a share of GDP have been on a downward trend since the 1960s.[8]

The estate tax is imposed on assets such as cash, real estate, or stocks that are passed down from deceased individuals to their heirs. Collections from the estate tax are relatively modest and have further decreased since the TCJA increased the exemption threshold for qualifying estates from $5.5 million to $11.4 million, and from $11.1 million to $22.8 million for married couples.[9]

In recent decades, the proportion of federal revenues generated from individual income and payroll taxes has risen, while the contributions from corporate taxes, wealth taxes, and other sources have diminished. The TCJA, the most significant reform of the tax code since 1986, drastically lowered tax collections for both individuals and corporations; however, only the changes related to corporate taxes are expected to remain permanent after the legislation expires in 2025, unless a new law is enacted to extend them.

Surplus, Deficit, Debt, and Interest[10]

Surplus and Deficit

For any given year, the federal budget deficit represents the difference between the federal government's expenditures (known as outlays) and its revenues (the income it receives). If the government collects more than it spends in a given year, this results in a surplus instead of a deficit. In 2024, the budget deficit reached $1.8 trillion, which is 6.3% of GDP, reflecting an 85% increase from the previous year.[11]

During periods of economic weakness, individuals' incomes tend to decrease, leading to reduced tax revenue for the government. At the same time, spending on economic security programs, such as unemployment insurance and food assistance, typically rises to alleviate the effects of the downturn. This is one reason why deficits often expand (or surpluses diminish) during recessions. Conversely, in a robust economy, deficits usually decrease (or surpluses increase).

However, recessions are not the only factors contributing to deficits. A government may also experience a structural deficit, which occurs even when the economy is functioning at full capacity and employment levels are high.

Economists widely agree that increases in the deficit during economic downturns serve a useful automatic stabilizing function, helping to lessen the severity of the downturn by softening the overall decline in demand. In contrast, when the government incurs structural deficits and borrows heavily even during prosperous economic times, such borrowing can negatively impact private credit markets and hinder long-term economic growth.

Debt

Unlike the deficit, which drives the amount of money the government has to borrow in any single year, the national debt is the cumulative amount of money the government has had to borrow throughout our nation's history. When the government runs a deficit, it increases the national debt; when the government runs a surplus, it shrinks the debt. There are three main ways to measure the federal debt:

- **Debt held by the public:** measures the government's borrowing from the private sector and foreign governments. In 2024, debt held by the public was $28.2 trillion.
- **Debt net of financial assets (or "net debt"):** measures the debt held by the public minus offsetting financial assets held by the government, such as cash, gold, and the value. In 2024, net debt was $25.9 trillion.

- **Gross debt:** debt held by the public plus the money that one part of the government lends to another. In 2024, gross debt was $35.1 trillion.

Debt held by the public and net debt, as opposed to gross debt, are better measures of debt's effect on the economy than gross debt because it reflects the demands that the government is placing on private credit markets and includes its assets.

Debt held by the public was 79% of GDP at the end of 2019 — a ratio more than double what it was in 2007, with the jump largely due to the Great Recession and efforts to mitigate its impact. And the debt ratio jumped again, to 99% of GDP by the end of 2020, because of the sudden and steep recession caused by the pandemic and the very significant efforts to fight its effects.

The debt ratio is projected to grow to 122% by 2034, primarily as a result of two factors. First, program spending is growing because of an aging population and rising health costs; and second, interest costs are projected to rise.

Researchers have not found any threshold above which debt dramatically slows economic growth. But with a debt ratio that is high by historical standards, some policymakers and analysts have called for deficit reduction to lower it.

Interest

Interest is the fee that a lender charges a borrower for utilizing the lender's funds, representing the cost of government borrowing. The interest costs depend on two factors: the amount borrowed, referred to as the "principal," and the interest rate. Typically, when interest rates fluctuate, the costs associated with interest also change, impacting the national debt's burden on the budget. As debt continues to rise and interest rates return to more typical levels, interest costs—measured in dollar terms, as a percentage of GDP, and as a portion of the budget—are expected to increase.

According to CBO estimates, net interest payments for fiscal year 2024 are projected to reach $892 billion, which accounts for 13% of total federal expenditures and 3% of GDP. The ratio of interest costs to GDP is beginning to resemble the levels observed from the mid-1980s to the mid-1990s, rather than the patterns seen during most of the previous 70 years.

The Debt Limit

Congress wields its constitutional authority over federal borrowing by allowing the Treasury to borrow as necessary while also setting a legal cap on the borrowing amount, known as the debt limit, to finance its operations.

Once the debt limit is reached, the government must raise the debt limit, suspend the debt limit from taking effect, violate the debt limit, or default on its legal obligation to pay its bills. Raising the debt limit does not directly alter the amount of federal borrowing or spending going forward. Rather, it allows the government to pay for spending on programs and services that Congress has already approved.

Congress has raised or suspended the debt limit more than 100 times since 1940. Between 2013 and 2024, the debt limit was increased or temporarily suspended on ten occasions and was most recently suspended on June 3, 2023, through January 1, 2025.

Glossary

- **302(a) and (b) Allocations:** A collection of figures that dictate how much Congress is allowed to spend across 20 different spending categories.
- **Appropriation:** A law that permits the spending of funds for a specific purpose.
- **Appropriations Bill:** Legislation that details the amount of money allocated for a particular federal program. These bills are examined by Appropriations subcommittees in both the House and Senate and must receive approval from the full House and Senate before being signed by the president to become law.
- **Appropriations Committees:** The committees in both the House and Senate that are tasked with determining the exact levels of budget authority for all discretionary programs.
- **Budget Authority:** The federal government's legal power to allocate a specific amount of money for a defined purpose, as established by laws passed by Congress and approved by the president.
- **Budget Functions:** The 20 spending categories that Congress is authorized to allocate funds for.
- **Budget Reconciliation:** A process described in the Congressional Budget Act that streamlines the review of mandatory spending and tax legislation.
- **Budget Request:** Known as the president's budget, this annual spending proposal is released by the White House each February. It reflects the administration's priorities and the funding requests from federal agencies, serving as the starting point for the annual budget process, though it is not legally binding.
- **Budget Resolution:** A non-binding resolution passed by both chambers of Congress that outlines a framework for budget decisions. It establishes overall spending limits but does not allocate funding for specific programs.
- **Byrd Rule:** A procedural rule in the Senate that allows senators to block individual provisions of a reconciliation bill if they are considered extraneous or unrelated to the directives in the budget resolution.

- **Congressional Budget Office (CBO):** A non-partisan entity within Congress that provides analysis and documentation related to the federal budget process, along with objective assessments necessary for economic and budgetary decisions concerning programs included in the federal budget.
- **Continuing Resolution (CR):** Legislation that extends funding for federal agencies, typically at the same level as previous funding, into a new fiscal year until new appropriations bills are enacted.
- **Debt Limit:** The maximum amount of debt that the federal government is permitted to incur. Congress has the power to increase this limit.
- **Deeming Resolutions:** Specific budget targets for budget functions that both the House and Senate recognize as substitutes for the official budget resolution.
- **Deficit:** The difference between government expenditures and tax revenues within a given year, when expenditures exceed revenues.
- **Discretionary Spending:** The segment of the budget requested by the president and appropriated by Congress each year, which constitutes less than one-third of the total federal budget, while mandatory spending makes up about two-thirds.
- **Defense Discretionary Spending:** Annual discretionary funding allocated by Congress for defense purposes.
- **Entitlement Programs:** Federal programs that must provide benefits to all eligible individuals according to established legal criteria. An example is the Supplemental Nutrition Assistance Program (SNAP), or food stamps, which guarantees benefits to anyone who qualifies and applies. These programs may also be known as earned benefit or social insurance programs.
- **Estate Taxes:** Taxes imposed on inherited assets.
- **Excise Taxes:** Taxes levied on the sale of certain goods, often luxury items, as well as specific consumer products like cigarettes, alcohol, and gasoline.
- **Government Accountability Office (GAO):** An independent, nonpartisan agency that serves Congress by auditing the federal government and examining how taxpayer dollars are spent. The head of GAO is known as the Comptroller General of the United States.
- **Gross Federal Debt:** The total of all past federal budget deficits, minus any repayments made by the federal government.
- **Interest on Debt:** The interest payments made by the federal government on its outstanding debt, subtracting any interest income received from government-owned assets.
- **Mandatory Spending:** Federal expenditures that occur based on existing laws rather than through the annual budgeting process. For example, Social Security spending is determined by eligibility criteria. Mandatory spending is not included in the annual appropriations cycle.

- **Net Federal Debt:** This includes both debt and assets, making it appear smaller than the true gross debt.
- **Non-Defense Discretionary Spending (NDD):** This refers to discretionary expenditures that cover domestic and international programs outside of national defense, funded annually by Congress.
- **Obligations:** These are binding financial commitments made by the federal government, such as contracts and employment of federal workers.
- **Omnibus:** An omnibus bill combines all 12 appropriations bills into one budget, typically used when Congress and the President struggle to agree on individual spending bills.
- **Outlays:** These are funds disbursed by the U.S. Treasury, occurring when obligations are settled, primarily through checks or electronic fund transfers.
- **Pay-As-You-Go Act (PAYGO):** According to the 2010 Statutory PAYGO Act, any legislative changes to taxes or mandatory spending that result in increased multi-year deficits must be offset by equivalent reductions in other taxes or mandatory spending.
- **Points of Order:** This is a procedural strategy used by any member of the House or Senate to block the passage of legislation that violates the budget resolution's terms.
- **Progressive:** This term describes a tax system where wealthier individuals pay a higher percentage of their income in taxes compared to those with lower incomes, and it also refers to left-leaning political ideology.
- **Reconciliation Directives:** These sections of the budget resolution direct specific House and Senate committees to draft and report legislation that adjusts outlays (spending) or revenues by specified amounts over designated periods, or alters the public debt limit.
- **Regressive:** This term characterizes a tax system where individuals with lower incomes pay a higher percentage of their income in taxes than wealthier individuals.
- **Revenues:** These are the funds entering the U.S. Treasury from sources such as individual and corporate income taxes, payroll taxes, and user fees, also known as receipts.
- **Sequestration:** This term refers to automatic, across-the-board spending cuts that are enacted due to legislation that constrains discretionary spending. The most recent example is the Budget Control Act of 2011, which established budget caps that took effect in 2013 and are set to continue until 2021 unless Congress intervenes with new legislation. If Congress fails to adhere to these spending caps during the appropriations process, spending will be automatically cut through indiscriminate reductions known as sequestration.

- **Social Security:** Officially known as the Old Age, Survivors, and Disability Insurance program, Social Security is a federal initiative designed to protect elderly and disabled individuals from living in poverty. It's funded through payroll taxes.
- **Supplemental Appropriation:** This legislation allocates funding that exceeds what was initially appropriated during the standard budget process. Congress often enacts supplemental appropriations in response to emergencies, such as natural disasters.
- **Surplus:** This term describes the situation where federal revenues surpass expenditures in the budget. Over the past fifty years, the federal government has only achieved a surplus in four years, specifically from 1998 to 2001.

References

1. https://www.cbpp.org/research/federal-budget/introduction-to-the-federal-budget-process
2. https://democrats-budget.house.gov/budgets/budget-functions
3. https://www.cbpp.org/research/introduction-to-budget-reconciliation
4. https://crsreports.congress.gov/product/pdf/RL/RL30458
5. https://www.gao.gov/assets/gao-14-244.pdf
6. https://www.cbpp.org/research/federal-budget/where-do-our-federal-tax-dollars-go
7. https://www.pgpf.org/article/how-did-the-tcja-affect-corporate-tax-revenues/
8. https://crsreports.congress.gov/product/pdf/IF/IF11809#:~:text=U.S.%20corporate%20tax%20revenues%20have,to%20approximately%201.6%25%20in%202023.
9. https://bipartisanpolicy.org/explainer/the-2025-tax-debate-individual-estate-and-gift-taxes-in-tcja/
10. https://www.cbpp.org/research/federal-budget/deficits-debt-and-interest
11. https://www.cbo.gov/publication/60843#:~:text=In%20fiscal%20year%202024%2C%20which,recorded%20in%20the%20previous%20year.&text=See%20more%20editions%20of%20CBO's%20Monthly%20Budget%20Review.

COLORADO
Fiscal Institute

Contact

Colorado Fiscal Institute
110 16th St Mall Suite 1410
Denver, CO 80202

www.coloradofiscal.org
info@coloradofiscal.org