

# **Glossary**

## **Appropriation**

An appropriation is an act of Congress that enables Federal agencies to spend money for specific purposes.

## **Authorization**

An authorization is an act of Congress that establishes or continues a Federal program or agency, and sets forth the guidelines to which it must adhere.

## **Balanced Budget**

A balanced budget occurs when total revenues equal total outlays for a fiscal year.

## **Budget Authority (BA)**

Budget authority is what the law authorizes, or allows, the Federal Government to spend for programs, projects, or activities.

## **Budget Enforcement Act (BEA) of 1990**

The BEA is the law that was designed to limit discretionary spending while ensuring that any new entitlement program or tax cuts did not make the deficit worse. It set annual limits on total discretionary spending and created "pay-as-you-go" rules for any changes in entitlements and taxes (see "pay-as-you-go").

## **Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings, or GRH)**

The Balanced Budget and Emergency Deficit Control Act of 1985 was designed to end deficit spending. It set annual deficit targets for five years, declining to a balanced budget in 1991. If necessary, it required across-the-board cuts in programs to comply with the deficit targets. It was never fully implemented.

## **Budget Resolution**

The budget resolution is the annual framework within which Congress makes its decisions about spending and taxes. This framework includes targets for total spending, total revenues, and the deficit, as well as allocations, within the spending target, for discretionary and mandatory spending.

## **"Cap"**

A "cap" is a legal limit on annual discretionary spending.

## **Deficit**

The deficit is the difference produced when spending exceeds revenues in a fiscal year.

## **Discretionary Spending**

Discretionary spending is what the President and Congress must decide to spend for the next fiscal year through 13 annual appropriations bills. Examples include money for such activities as the FBI and the Coast Guard, housing and education, space exploration and highway construction, and defense and foreign aid.

## **Entitlement**

An entitlement is a program that legally obligates the Federal Government to make payments to any person who meets the legal criteria for eligibility. Examples include Social Security, Medicare, and Medicaid.

### **Excise Taxes**

Excise taxes apply to various products, including alcohol, tobacco, transportation fuels, and telephone service.

### **Federal Debt**

The gross Federal debt is divided into two categories: debt held by the public, and debt the Government owes itself. Another category is debt subject to legal limit.

#### *Debt Held by the Public*

Debt held by the public is the total of all Federal deficits, minus surplus, over the years. This is the cumulative amount of money the Federal Government has borrowed from the public, through the sale of notes and bonds of varying sizes and time periods until maturity.

#### *Debt the Government Owes Itself*

Debt the Government owes itself is the total of all trust fund surpluses over the years, like the Social Security surplus, that the law says must be invested in Federal securities.

#### *Debt Subject to Legal Limit*

Debt subject to legal limit, which is roughly the same as gross Federal debt, is the maximum amount of Federal securities that may be legally outstanding at any time. When the limit is reached, the President and Congress must enact a law to increase it.

### **Fiscal Year**

The fiscal year is the Government's accounting period. It begins October 1 and ends on September 30. For example, fiscal 2001 ends September 30, 2001.

### **Gramm-Rudman-Hollings**

See Balanced Budget and Emergency Deficit Control Act of 1985.

### **Gross Domestic Product (GDP)**

GDP is the standard measurement of the size of the economy. It is the total production of goods and services within the United States.

### **Mandatory Spending**

Mandatory spending is authorized by permanent law. An example is Social Security. The President and Congress can change the law to change the level of spending on mandatory programs—but they don't have to.

### **"Off-Budget"**

By law, the Government must distinguish "off-budget" programs separate from the budget totals. Social Security and the Postal Service are "off-budget."

### **"On-Budget"**

Those programs not legally designated as off-budget.

### **Outlays**

Outlays are the amount of money the Government actually spends in a given fiscal year.

**"Pay-As-You-Go"**

Set forth by the BEA, "pay-as-you-go" refers to requirements that new spending proposals on entitlements or tax cuts must be offset by cuts in other entitlements or by other tax increases, to ensure that the deficit does not rise (see BEA).

**Receipt**

This is another word for revenue.

**Revenue**

This is another word for receipt. Revenues include the collections that result from Government activity, such as taxes. They do not include collections that result from the Government's business-like activities, such as the entrance fees at national parks. Business-like collections are subtracted from total spending to calculate outlays for the year.

**Social Insurance Payroll Taxes**

This tax category includes Social Security taxes, Medicare taxes, unemployment insurance taxes, and Federal employee retirement payments.

**Surplus**

A surplus is the amount by which revenues exceed outlays.

**Trust Funds**

Trust funds are Government accounts, set forth by law as trust funds, for revenues and spending designated for specific purposes.

**Unified Federal Budget**

The unified budget, the most comprehensive display of the Government's finances, is the presentation of the Federal budget in which revenues from all sources and outlays to all activities are consolidated.