



July 25, 2008

Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter responds to the questions you posed on July 17, 2008, about the impact on the federal budget from enacting legislation that authorizes future appropriations but does not affect direct spending or revenues. Consequently, this letter does not address legislation that would permit agencies to incur obligations in advance of appropriations (for example, legislation providing new contract authority).

Question #1: Does an authorization of future appropriations provide the authority for federal programs or agencies to incur obligations and make payments from the Treasury?

Answer: No. A simple authorization of appropriations does not provide an agency with the authority to incur obligations or make payments from the Treasury.

Question #2: Can an agency or program spend money without the authority from Congress to incur obligations and make payments from the Treasury?

Answer: No. An agency is not allowed to spend money without the proper authority from Congress to incur obligations. (See 31 U.S.C. §1341, which outlines limitations on expending and obligating funds by officers and employees of the United States Government.)

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Question #3: Even if legislation authorizes appropriations for a program, isn't it the case that a subsequent act of Congress is required before an agency can spend money pursuant to the authorization?

Answer: Yes. For discretionary programs created through an authorization, the authority to incur obligations is usually provided in a subsequent appropriations act. An agency must have such an appropriation before it can incur obligations. (Legislation other than appropriation acts that provides such authority is shown as increasing direct spending.)

Question #4: If no new spending can occur under the authorizing legislation, does it have the effect of increasing the federal deficit and/or reducing the federal surplus?

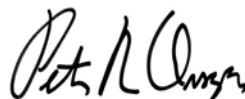
Answer: No. An authorization of appropriations, by itself, does not increase federal deficits or decrease surpluses. However, any subsequent appropriation to fund the authorized activity would affect the federal budget.

Question #5: Would CBO's projection of federal debt change as a result of enacting legislation that only authorizes future appropriations? Is it not correct that the agency's projection of future debt would be identical both before and after the enactment of such legislation?

Answer: Enacting legislation that only authorizes future appropriations would not result in an increase in CBO's projection of federal debt under its baseline assumptions.

I hope this information is useful to you.

Sincerely,



Peter R. Orszag
Director

cc: Honorable Judd Gregg
Ranking Member