The federal budget comprises three primary components: revenues, discretionary spending, and direct spending.

CBO prepares cost estimates for legislative proposals to measure the difference between what will happen to federal revenues and spending under current law and what would happen if the legislation were enacted and implemented.

Revenues

REVENUES are collections that result primarily from the federal government's sovereign power to compel payments. Largely governed by provisions of the Internal Revenue Code.

A cost estimate for a proposal to modify revenues reflects incremental changes (relative to current law) that would occur as a direct result of enacting the proposal.

DISCRETIONARY SPENDING stems from spending authority provided in annual appropriations acts.

When legislation (other than an annual appropriation act) calls for a change in a discretionary program (or creates a new discretionary program or activity) CBO cost estimates reflect the "authorization levels" necessary to subsequently fund and carry out the activity.

Discretionary Spending

Direct Spending

DIRECT SPENDING stems from budget authority provided in laws other than annual appropriation acts. Includes offsetting receipts (a credit against direct spending).

A cost estimate for a proposal to modify a direct spending program reflects incremental changes in spending (relative to current law) that would occur as a direct result of enacting the proposal

The bottom line for legislative scoring: Changes in revenues and direct spending are scored as having an impact on the deficit, while changes in authorizations do not, by themselves, affect the deficit because any change in discretionary spending is subject to future appropriation actions.