

A Reform Agenda for the Federal Budget Process

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Thank you to the Brookings Institution for hosting today's event and thank you to the Committee for a Responsible Federal Budget for agreeing to co-sponsor as well. Scholars at Brookings and CRFB, as well as the National Budgeting Roundtable, have been part of a driving force behind an effort to reform the Congressional budget process. I want to thank you for lending your time, your expertise, and your passion to this issue.

We meet today less than a month after one of the most momentous presidential election outcomes likely any of us have seen in our lifetimes. A lot was said during the campaign and a lot has been said about the campaign, but one of the biggest takeaways I see is this: Americans want real change. The American people are fully aware that government as we know it is not working well and they want to shake up the system. There are many reasons why and no one person or party is responsible for the good, the bad, or the ugly we see coming out of Washington.

Let me submit, however, that a large portion of the gridlock we see in Congress – between the legislative and executive branches of government – comes squarely from a broken budget process. The work is not getting done, not on time, and not in anything approaching an orderly, efficient, and accountable manner.

In the last five years, only one out of sixty appropriations bills has been passed on time, before the end of the fiscal year. The government has been fully funded on time only once in the past twenty years. To keep funding the government in eighteen of the past twenty years, we have relied upon either a year-long continuing resolution – basically a stopgap measure – or Congress has adopted and the president has signed omnibus bills. This is when Washington throws all of government spending into a giant package that is, by design, incredibly dense, challenging to comprehend in any expedient manner, and generally devoid of the level of transparency the American people desire or expect.

In short, this is no way to run a government – and it has occurred under Republican control, Democrat control, and divided government. It does not matter who controls the levers of power when the system itself is flawed.

Two years ago, when I sought the chairmanship of the House Budget Committee, I made it known to my colleagues that an overhaul of the 1974 Congressional Budget Act was an absolute priority. To that end, over these past two years, our committee has held as many as nine hearings on this issue. We have received testimony from over 30 witnesses and have produced numerous working papers that document the challenges we face and potential solutions. As members have become familiar with the process as it stands today – through the development of two budget resolutions and the on-going appropriations process – there's been a near universal recognition that something has to change.

At the core of our efforts have been six principles which speak to not only the failures of the current system we aim to fix but also to the additional successes we aim to achieve under a new and improved budget process. Our principles are:

- Enhance Constitutional Authority
- Strengthen Budget Enforcement

- Reverse the Bias Toward Higher Spending
- Control Automatic Spending
- Increase Transparency; and
- Ensure Fiscal Sustainability

Today, I'm excited to provide an update on the progress made toward achieving a substantial overhaul of the budget process, and to ask all of my colleagues in congress, our friends in the policy realm who have thought long and hard on these issues and the American people at large to review the work we've done and provide your feedback and ideas.



ENHANCE CONSTITUTIONAL AUTHORITY

Fittingly, we must begin any discussion on budget process reform where it all began – our Constitution. Article I of the Constitution gives Congress the power of the purse – the authority to determine the federal government's level of taxation and spending.

Over the course of many years and many congresses, the Legislative Branch has ceded too much of its budgetary authority to the Executive Branch. We have given the president and his regime of regulators too much power which has weakened the representative framework of our democracy.

This has to stop. First and foremost, when it comes to the budget of the United States, congress should go first with its proposal. Under the budget process reforms we envision, lawmakers will consider a Congressional budget resolution with information gained from a current-services account estimate from the executive branch prior to the president submitting his budget. Timing may seem like a small distinction but the current scenario – where Congress is essentially responding to the President's budget – is completely backward and antithetical to the Constitution's goal and framework.

Speaking of timing, we ought to align the fiscal year with the calendar year – meaning January 1st is when it all will begin. That will better reflect the schedule of Congress and provide policymakers with more time to get their work done.

Further, we propose putting in place a plan to reduce spending on unauthorized programs. A substantial portion of federal spending goes to programs and agencies that Congress has failed to authorize for years – sometimes decades. That's a fundamental failure of oversight. If Congress wants to spend money on an idea, an agency or program, it ought to explicitly and in a timely manner declare and justify its intention to do so.

Within this same framework falls the annual appropriations process and changes to the timing and design of how we keep the government regularly funded. Passing twelve individual appropriations bills all the way through Congress has – as stated earlier – failed to occur rather consistently for quite some time. One solution that has garnered rather popular acclaim is the idea of biennial budgeting – dropping the goal of approving twelve appropriations bills each year and instead spending the first year of a Congress dealing with budget matters and authorizing spending over two years so that Congress can spend more time on oversight in the latter half of the two year cycle.

Biennial budgeting – while a popular concept – will not solve, in and of itself, our budgetary woes. However, the concept has received broad bipartisan support. What we propose is dividing the twelve appropriations bills into two tranches of six each in the first and second year of a Congress – each funding government functions in their areas on a biennial basis.

We should see how it works and reevaluate at a later date. That review process should include a requirement that the Government Accountability Office prepare a report on the effectiveness of the biennial budget process.

Meanwhile, a prohibition on long-term continuing resolutions is a must. Congress should never forfeit its budget responsibilities by passing a stop-gap measure that covers more than a year of government activity.

At the same time, Congress should expand the use of its budget authority by allowing for multiple reconciliation bills to be considered under a single budget resolution – increasing the opportunity for policymakers to pursue multiple major reforms within each of the three reconciliation categories of spending, revenue, and debt.

STRENGTHEN BUDGET ENFORCEMENT



Of course, a budget that is not enforced is worth less than the paper it is printed on. Right now, budget rules and restrictions are easily circumvented – often through gimmicks or the outright waiving of enforcement measures. We should empower policymakers to prohibit such actions. There should be unequivocal opposition to any efforts by Congress to use gimmicks to declare it has offset spending when in fact it has done little more than clever accounting.

We have to eliminate the opportunity for Congress to pursue spending and tax legislation when there is no budget in place. This not only makes sense from a budget enforcement perspective, it also helps ensure Congress is exercising its responsibility to establish broad fiscal policy in line with priorities.

However, there can be no real budget enforcement if too much of the spending is outside the purview of budgeting. Congress needs to look at the whole picture, so it has a complete understanding of the government's spending and obligations. At the same time, we must broaden the base of programs that are subject to automatic budget enforcement procedures. And funding for an emergency should be truly for that emergency – for a defined, relatively short amount of time and not become a long-term line item in the budget.

REVERSE THE BIAS TOWARD HIGHER SPENDING



One of the more fundamental challenges we face under the current budget process is the inherent bias in the system for ever higher spending. The baseline Congress uses for its budget projections – the amount of spending against which any change is compared or measured – assumes that government programs which are scheduled to expire and automatic spending programs like Medicare which are headed for insolvency are simply a part of permanent spending obligations and therefore do not have to be accounted for or subject to the same level of scrutiny as other federal spending measures. Meanwhile, programs funded annually through the regular appropriations process are automatically assumed to be given a pay raise because of inflation.

This assumed automatic plus-up is unnecessary, and the baseline shouldn't prejudge Congressional decision making on spending increases.

What is necessary for all lawmakers to consider is the cost of not just implementing a given program but the cost of borrowing, if need be, to fund that program. Right now, interest payments on the government's debt is completely missing in CBO cost estimates of new legislation. We want to change that.

Additionally, committees considering legislation that will have an impact on the nation's fiscal outlook ought to have an estimate of that impact on hand before they go to mark-up and approve or disapprove a piece of legislation. Quite often, members are not informed of the costs of potential legislation until too late in the process.

CONTROL AUTOMATIC SPENDING

For all the time and attention they receive, the appropriations bills that Congress is supposed to pass each year represent only a fraction – an increasingly smaller fraction – of the government's annual spending. Two-thirds of current expenditures are dedicated to a relatively small number of automatic spending programs like Medicare, Medicaid, and Social Security which are not subject to annual appropriations and therefore operate largely outside the control of Congress.

In a few short years, over 75% of the annual budget will be consumed by automatic spending – meaning Congress will have less and less control. That means the American people will have less control over how their hard-earned tax dollars are being allocated.

This is unwise, irresponsible and unsustainable.

To establish control over this spending, first and foremost we should prohibit Congress from creating new automatic spending programs that are not included as part of the annual budget resolution. This does not preclude Congress from at some point agreeing to create a new automatic spending program. But, it ensures that conversation begins within the context of a budget and the nation's fiscal health.

Right now, there exists no reputable process in place to establish enforceable spending limits.

Sure we have statutory caps on discretionary spending. But they are not part of any long-term strategy for economic growth or national security.

Meanwhile, we have uncontrolled automatic spending programs that are eating up an ever-increasing percentage of yearly tax revenues. It's an unsustainable trajectory.

We need a system that gives Congress the opportunity to establish spending limits and put those in law – and to do so within the construct of the annual budget resolution. When Congress adopts a budget resolution to govern its appropriations process, there ought to also be the opportunity to send to the president for signature a joint resolution that would put in law limits on spending based on the parameters established in the approved budget.

One way to lessen the burden automatic spending is placing on our budget is to bring more programs back under the umbrella of the annual appropriations process. This could be done by establishing a commission

– similar to the military’s Base Realignment and Closure or BRAC commission – that would evaluate which automatic spending programs ought to be transitioned over to the discretionary side of the ledger. Congress would then have the opportunity to vote for or against the commission’s recommendations.

In each of these instances, Congress – the people’s representatives – would have a say in the treatment of our automatic spending programs. That is key since many of these programs are critically important to the health and economic security of the American people.

INCREASE TRANSPARENCY

Nothing says good government like transparency. A representative democracy must be open and accountable to the people, and that is why in our budget process reform efforts we put a premium on transparency. The American people should know where their taxpayer dollars are being spent and they should not have to be a budget analyst to figure that out. The Congress and the Executive Branch should provide a description of their budget to the general public that is easy to understand and scrutinize.

We also believe in bringing the facts to Congress so it acknowledges the reality of where our nation stands from a fiscal standpoint. That’s why the reforms we are proposing would require the Comptroller General of the United States to deliver an annual “Fiscal State of the Union” address to the Congress and the country so we are all provided regular updates on the significant challenges facing our nation.

Transparency should also flow to those that are developing and implementing regulations. Every administration relies on regulations to implement its agenda and support the legislative work of Congress. Moving forward, however, we ought to account for the impact of those regulations. That’s why we are calling for a regulatory budget to catalogue the cost of proposed regulations and the aggregate impact of the regulatory state on the health and well-being of our country.

ENSURE FISCAL SUSTAINABILITY

While the budget process is on the surface about the year-to-year funding of the federal government’s operations and agencies, the ultimate goal of any budget ought to be long-term sustainability – putting our nation on a financial trajectory that will ensure future generations inherit a country that is fiscally sound, economically confident, and globally competitive. Short-sighted thinking or short-term solutions will, by definition, fail to get us there.

That is why a new budget process ought to ensure the relative long-term fiscal health of the country by focusing on the nation’s debt obligations over the coming decades. Specifically, we ought to adopt a series of long-term, declining debt targets – enforceable by enhanced reconciliation. Should that fail, there must be an automatic enforcement mechanism – so we are putting ourselves on a path to ensure that we leave our kids and grandkids a brighter future.

The changes that are needed can be as simple as implementing a rule in law against increasing long-term spending; to the more complex reforms, like requiring risk-based discount rates when evaluating the government’s credit and insurance programs; to the revolutionary idea of changing the debt limit calculation to be not a dollar value as it is today but rather a level of debt as a percentage of our economy, a percentage of GDP.

Short-sighted thinking in Washington is one of the biggest threats to ensuring a sustainable, healthy fiscal outlook. Anything and everything we can do within the budget process to force policymakers to consider the long-term consequences of their actions and their decisions will go a long-way toward ensuring America has a vibrant economy and secure future.

CONCLUSION

For all our efforts to incorporate the input of members and policy experts from outside Congress, we recognize that there will be other solutions that could contribute greatly to improving the nation's fiscal outlook. That is why we propose establishing a special commission tasked with reviewing different budget concepts so that we are incorporating an outsider perspective into the conversation. Specifically, such a commission would examine and report to Congress on how portfolio budgeting and capital budgeting systems could be implemented at the Federal level and how they might help ultimately foster balancing the budget.

The ideas I've discussed here and others are included in a discussion draft for budget process reform our committee is releasing today. We invite anyone and everyone to share their insights and input and to take part in this important initiative. There are items within our proposal that may be controversial or may elicit serious concerns. That's fine. That's healthy. We welcome any and all feedback.

At the end of the day, our motivation is not the process but the product. How do we create a system of checks and balances that will ensure we are producing solutions that make our government more efficient, effective, and accountable to the American people? The Congressional budget process is really just a means to an end. The end is a nation that is fiscally sound, economically healthy, safe and secure, and full of opportunity.

Today's budget process is failing America and its people. We can and we must turn the page.

Hopefully, this proposal provides the impetus to get moving in a better direction.

Thank you to Brookings and CRFB for hosting today's event.