Statement Before the

 Committee on the Budget

United States Senate

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Thank you, Chairman Enzi, and the members of the Committee for the opportunity to appear before you to discuss proposals to reform the president’s and congressional budgets.

I have had a long career in budgeting:

* 30 years in budgeting at the *federal level*—as the senior career official at the Office of Management and Budget (OMB); as the Deputy and Acting Director of the Congressional Budget Office (CBO); and at the General Accounting Office;
* 5 years in budgeting at the *international level*—as the Head of the Budgeting and Public Expenditures Division of the Organization for Economic Cooperation and Development in Paris;
* 5 years in budgeting at the *state level*—as the Deputy Director of the National Governors Association; and,
* 2 years in budgeting at the *supra-national level*—as a budgetary expert at the International Monetary Fund.

Over the years, I have seen budgeting from many perspectives, and believe it or not, I think the foundations of our federal budget system are sound. These foundations include: separation of powers; use of obligational (as opposed to cash or accrual) budgeting; generally transparent information on revenues (including tax expenditures), credit programs, and performance assessments; even our elaborate budgetary enforcement mechanisms such as the Anti-Deficiency Act and sequestration. That said, there is undoubtedly much room for improvement.

But my testimony today concerns only one aspect of our federal budgetary system: proposals to reform the president’s budget. I have three recommendations focused on changes that would make the president’s budget more relevant to the process of setting a federal budget:

1. **Bring back the Citizen’s Guide to the Federal Budget.** The latest president’s budget—the FY2017 Budget—has seven different documents totaling over 2,600 pages. “Spin”—or the political promotion of the president’s proposals—is everywhere. Perhaps that is to be expected—it is, after all, *the president’s* budget proposals—but for many years previous presidents also submitted a short (30 pages, give or take), easy-to-read, fundamentally factual description of the federal government’s fiscal status that was originally called “The Budget in Brief” but in the 1990’s was renamed “A Citizen’s Guide to the Federal Budget”. Sure it contained a summary of the president’s proposals, but the summary was only a few pages, not several hundred. By making the increasingly-complex budget easier to understand, the Citizen’s Guide helped the public, the press, and politicians frame their views on the difficult budgetary decisions that must be made every year: in other words, it made the president’s budget more relevant to the larger budgetary process.

The acceptance of a budget’s proposals varies from president to president and from year to year, but whatever the reaction to the president’s budget the Citizen’s Guide in the past has helped both the opponents and proponents of the president’s proposals understand the country’s current and projected fiscal status, and by so doing the reasons behind the president’s proposals, whether they agreed with them or not. Bringing back the Citizen’s Guide is in no way a solution to the fundamental political differences that currently divide our country, but a factual presentation that helps the public, the press, and politicians understand the president’s proposals as well as the country’s underlying fiscal status can surely help bridge our differences and make the president’s budget more relevant.

1. **Emphasize long-term budget projections.** The current fiscal status of the United States Government isn’t the fiscal problem of greatest concern: *projections* of our fiscal status over the long-term is. Capital markets, both domestic and international, are currently providing the money we need to finance our ever-growing debt at low interest rates, and despite near-universal recognition that out deficits and debt will be continue to grow, the difficult status of other international borrowers and the level of savings looking for “safe” investments as the world ages mean that we can probably continue to finance our growing debt at relatively low rates in the near future.

But our population is also aging rapidly, and baby boomers like myself are retiring in the thousands every month. These demographic pressures coupled with generous programs for the elderly, infrastructure needs, man-made and natural disaster risks, and the public’s natural reluctance to support tax increases result in a very grim fiscal future indeed. Yet despite the wide spread recognition of this grim forecast, and despite the wide spread recognition that certain actions taken today can significantly improve our long-term fiscal future, the FY2017 Budget doesn’t provide a discussion of the long-term budget outlook until well into the 418-page Analytical Perspectives document.

The importance and impact of today’s policies over the long term demands that long-term projections be made an integral part of the president’s budget. Long-term projections under current policies and how those projections might change under the president’s proposals should be displayed and discussed along with short- and medium-term projections under current policies and how they might change under the president’s proposals, not relegated to just the technical Analytical Perspectives document.

Recognizing that the longer the projections, the more uncertainty is involved means that it is even more important to be fully transparent about the assumptions behind the projections as well as to display sensitivity analyses about the major factors that influence the projections. Despite these uncertainties, it is far superior to display and discuss the potential long-term fiscal impacts of the president’s budget proposals than to pretend that they don’t exist by ignoring them. In sum, the president’s Main Budget document should display and discuss the potential impacts of its policy proposals on its long-term projections in the same manner that it displays and discusses the potential impacts of the president’s policy proposals on short- and medium-term projections, not hide these potential long-term impacts in a technical document.

1. **Revise the content and presentation of the president’s budget documents.** I’ve mentioned above that bringing back the Citizen’s Guide would help increase the relevance of the president’s budget. And revising the content and presentation of the remaining budget documents could also help increase the budget’s relevance. Three of the remaining seven documents—Federal Credit Supplement, Object Class Analysis, and Balances of Budget Authority (about 250 pages in total)—are strictly technical documents, available only online, that provide valuable data and don’t need to be revised. Small revisions in each of the remaining four documents, however, could assist users and also improve the relevance of the president’s budget:
	* The Main Budget Document (about 200 pages). The president presents his budget proposals in this document and it should remain the primary place for the political arguments supporting the president’s proposals. Adding long-term projections to this document and, perhaps, some of the political chapters currently in the Analytical Perspectives document (see below) are the only changes I would recommend.
	* The Analytical Perspectives Document (about 400 pages). This used to be a technical document that included valuable information on several important topics, such as “Economic Assumptions and Interactions with the Budget”, “Federal Borrowing and Debt”, and “Tax Expenditures”. But lately political presentations that belong in the Main Budget document have been added. These include chapters on subjects such as “Strengthening the Federal Workforce” and “Federal Budget Exposure to Climate Risk”. Incorporating these political presentations into the Main Budget document—if the president deems this to be important—would cut the size of Analytical Perspectives by roughly a quarter and make both documents more focused.
	* The Historical Tables (about 400 pages). During my long career at OMB, I often heard that this was the most useful budget document—a true reference source of valuable data available nowhere else. So why is it now available only online? The printed version should be restored immediately.
	* The Appendix Document (about 1,400 pages). This document is prepared primarily for the Appropriation Committees. They need it and OMB staff needs to prepare it to make sure that the budget numbers are comprehensive and internally consistent, but there is no need to print it for anyone other than the Appropriation Committees.

With respect to implementing these changes, I recommend that a better way than putting them in legislation is to use the confirmation process for the OMB Director. Getting the agreement of the president’s nominee for OMB Director during the confirmation process can provide a personal commitment that Members can cite if the changes are not made as promised.

If I can close with one last point, it is time for a new budget concepts commission as former CBO Director Rudy Penner and I wrote last January.[[1]](#footnote-1) The basic concepts underlying the U.S. government’s budget are in disarray. Consider that there is no generally accepted practice about how to deal with such things as what the budget should include, how spending and revenues are defined, or how the budget should be displayed to show the economic impact of different forms of spending.

The 1967 Report of the President’s Commission on Budget Concepts addressed some of these issues and led to some reforms, such as the unified budget. But many issues remain unresolved. It is time to create a new Commission to address several budget concepts, including:

* **The scope of the budget.** Some programs are “on budget” while others are “off budget.” Moreover, the way the budget should treat government sponsored enterprises and other government-private partnerships needs to be clarified.
* **Defining spending and revenue.** The distinction between taxes and spending has become muddled and needs to be addressed. For example, “tax expenditures” and “offsetting collections” should to be defined more precisely and their placement in the budget reconsidered.
* **The economic impact of different types of spending.** A new Commission needs to recommend better ways of showing the impact of such things as government purchases of securities, trust funds, capital investments, and loans or guarantees.

Although the topic of budget concepts may seem dry and technical to most Americans, and even lawmakers, almost all of these issues are important economically and have an important political dimension. How the budget is organized and its components defined and represented gives a particular impression about how much money the government raises and spends, and what it does with that money. So clarifying the way the budget is arranged and defining budget items has important implications. I urge the Committee to work with the President to form a new Budget Concept Commission.

I would be happy to answer any questions members of the Committee might have.

1. “Time for a New Budget Concepts Commission” by Barry Anderson and Rudy Penner, Economic Studies at Brookings, No. 3, January 2016. See: <http://www.brookings.edu/research/papers/2016/01/11-budget-concepts-commission-anderson-penner> [↑](#footnote-ref-1)