

## MEMO #4: STRENGTHENING THE CONGRESSIONAL BUDGET PROCESS

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**Abstract:** *The current Congressional budget process, far from encouraging fiscal discipline, works against a responsible approach to budgeting. The Budget Committees should be made instruments of House and Senate leadership and be given authority sufficient to shape annual budget legislation. The currently optional reconciliation process should be mandated annually until the publicly held federal debt is stabilized at 60 percent of GDP. To streamline Congress's work, the authorizing and appropriations committees should be combined. To break the pattern of serial continuing resolutions that hamper effective administration, any appropriations bill should be required to provide at least a full year of appropriated funding in order to be considered on the floor of the House or Senate.*

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Congress has been a strong player in the budget process since the founding of the republic. Historically (that is, prior to 1974) that role was mainly manifested, at least on an annual basis, in the consideration and passage of appropriations legislation. Since 1974, with the passage of the Congressional Budget and Impoundment Control Act, the Congress has been empowered to play a more substantial role in establishing overall fiscal policy. At this point, both the annual appropriations process and the larger budget process have become increasingly dysfunctional. Much of this dysfunction relates to the increasingly partisan nature of the budget process, but there are various reforms that can be considered that may encourage a more effective Congressional budget process.

To that end, this memorandum lays out the nature of the problem, and proposes some specific solutions, many of which would require legislative action that might be considered as a part of a first year agenda for the next Congress and administration.

We see three main problems with the Congressional budget process as it now operates.

- First, appropriations legislation, necessary to fund 40 percent of the government on an annual basis, is chronically late.
- Second, and related, the budget resolution, designed to promote the setting of overall fiscal policy, has become an “optional” device, seemingly only enacted when broad consensus already exists on a path for the budget.
- Third, the budget process, far from encouraging fiscal discipline, detracts from a responsible approach to budgeting.

Below we give a brief description of each of these problems and the difficulties they create:

**Late Appropriations**—The appropriations process consists of (at this writing) the enactment of twelve appropriations bills that together fund the discretionary portion of the government. Only THREE TIMES in the past 37 years has the federal government enacted all of these bills prior to the beginning of the fiscal year. Instead, in most years a series of “continuing resolutions” (short-term appropriations) fund the government, until all the bills can be enacted. In some years, there have even been full year continuing resolutions. This is such a routine occurrence that the Capitol has become somewhat numb to its effects. Far from just a story of political disagreement, chronically delayed appropriations have real negative effects, reducing government’s effectiveness. The effects include increased contracting costs, uncertainty for recipients of federal funds, cutbacks in training and development for staff, and delays in hiring personnel.

**“Optional” Budget Resolutions**— The device that was created to give the Congress an equal voice in setting overall fiscal policy is increasingly just a hit and miss proposition. From the advent of the budget resolution in fiscal year 1977 through fiscal 1998 (that is, the first 22 years), there was *always* a budget resolution, although these resolutions were frequently late. Since fiscal year 1999 through fiscal 2013, however (a span of 15 years), Congress failed to adopt a budget resolution at all on *seven* separate occasions. This represents not only a failure of Congress to follow its legislative mandate; it also suggests that the budget committees may lack enough power to make adoption of the budget resolution the imperative it was intended to be.

**Erosion of Fiscal Discipline**—Aside from (but related to) these two problems, is a third. There was a time when the appropriations committees were viewed as “guardians” of the public purse and the budget resolution was viewed as a means of promoting fiscal discipline. As of 2012, neither of these is true. The appropriations process has largely become an elaborate, time-consuming mechanism for distributing particularistic benefits (pork). Moreover, while the budget resolution was used to impose or promote fiscal discipline in a few notable cases, especially during the 1990s, it has since 2001 been used to make deficits larger. The Bush tax cuts of 2001 and 2003, for example were enacted using the budget resolution’s reconciliation procedures. Even when the budget resolution imposed fiscal discipline on other committees using the reconciliation process, this has not resulted from a collaborative process between the Budget Committees and these other committees, but a more adversarial one. Deficit-reducing actions in one year have sometimes been followed by attempts to undo this deficit reduction in subsequent years. Perhaps the best example of this is the so-called “doc fix”, which annually reverses reductions in Medicare payments to physicians that were initially enacted through reconciliation.

### **Towards a More Functional, Disciplined Congressional Budget Process**

Solving these problems will not be easy. Many of them, at their base, are related to the larger dysfunctional, partisan nature of the budget process. Certain changes in the budget process, however, can assist the process to become timelier and fiscally responsible. Many of these involve creating the incentives necessary to spur the Congress to effective action.

A key to giving the Congressional process greater focus and discipline is strengthening the budget committees, giving them both the power and the status that would enable them to accomplish the tasks they were given in the 1974 Congressional Budget Act. In fact, the Budget Act intentionally made them weak, relative to other committees, both by their membership and by the power granted to them. Particularly given the magnitude of the fiscal problem facing the country, it is imperative that the Budget Committees—as the only committees in the Congress with an overall perspective on the budget—be made an effective instrument that House and Senate leaders can use to discipline other committees.

The appropriations process must be made to work better. It is simply not acceptable for the Congress to fail to discharge its most basic of responsibilities on an almost annual basis. Moreover, the appropriations process should be focused on the big decisions about the effectiveness of federal programs, not act mainly as a means of distributing a very small percentage of federal funds to the districts of influential members of Congress.

Creating a more effective budget process involves reform of the committee structure and responsibilities. First, the Budget Committees should be given more clout by reforming their membership. In addition, it would bring more substantive expertise to spending decisions and consolidate decision-making to combine authorizing and appropriating responsibilities. This also would reduce the number of separate committee assignments, giving individual members more time to develop specialized policy expertise. Advocates of jurisdictional consolidation have pointed to the repetitive nature of budget decisions, particularly for discretionary programs. Every year, for example, there is *both* a defense authorization bill *and* a defense appropriations bill. Combining committees might promote fiscal discipline if this reduced the number of members of Congress who routinely are in competition with each other for the distribution of funds (which occurs, for example, when both authorization and appropriations committees attempt to dole out money for highway projects).

The budget resolution should include targets for the deficit and debt going forward. Combined with the strengthened and expanded powers of the budget committees, this will help ensure that the nation's leaders can establish meaningful targets for broad fiscal policy prospectively, as a guide for subsequent appropriations, mandatory program authorizations, and revenue

decisions. In contrast, the current debt ceiling sets a limit on paying for the bills already incurred by previous decisions in each of these arenas. This is akin to having a separate vote on whether or not to pay the nation's credit card bill after the spending has occurred. The debt ceiling is anachronistic. It may have made sense in 1918 to help Congress retreat from its prior role in pre-approving each Treasury debt issuance. But, in a modern global economy, the debt ceiling serves no purpose and merely invites fiscal hostage taking. We have seen how such fiscal brinkmanship has affected the nation's bond rating; according to the GAO, it may contribute in the future to increasing the interest rates that Treasury must pay to more skeptical markets, according to a GAO study. The requirement for a separate vote to raise the debt ceiling should be eliminated.

The recommendations that follow are designed, in total, to improve the prospects for the Congress to engage in forward thinking, fiscally disciplined budgeting both by enhancing the status of the budget committees and by creating incentives designed to encourage action, as opposed to inaction.

### **Recommended Actions**

1. **Make the Budget Committees leadership committees.** The Peterson-Pew Commission on Budget Reform explicitly advocated a legislative change providing that the budget committees include “House and Senate leaders and the chairs and ranking members of both the appropriations and revenue committees and other major authorizing committees.” This recommendation is aimed at making it more likely that the budget committees would be invested in fiscal goals that had been agreed to prior to the year’s budget process and would be committed to carrying out those goals in the subsequent legislation. Such a change might aid in the passage, content, and adherence to the budget resolution. In another memo we describe how the budget resolution can be reformulated to provide a multi-year framework based on established fiscal goals, such as stabilizing the debt.
2. **If the budget resolution is not reported out by the Budget Committee in either house by May 15<sup>th</sup> in any year, permit any member to propose a budget resolution on the floor of the House or the Senate.** Both the House and the Senate could then take up a budget resolution without the Budget Committees having any role in the process. This would create incentives for the Budget Committees to act, since otherwise they would cede power to other actors in the Congress.
3. **Require the reconciliation process to be used annually until the public debt is stabilized at 60 percent of GDP.** Currently, the reconciliation process is optional. This means that the Congress does not have to confront mandatory spending and revenue decisions unless they desire to do so. Instead of permitting them to duck responsibility,

reconciliation should be a required part of the budget process. If a reconciliation bill is not considered by the House and Senate in a given year, a sequestration process involving automatic spending cuts and tax increases should take effect.

4. **No longer require a separate vote to increase debt limit.** Rather than require separate legislation to raise the debt limit, separate from other fiscal decision-making, debt ceiling adjustments should either be automatic or be made as part of the annual budget process, ensuring that the government will meet its financial obligations. One option is to include a debt ceiling adjustment consistent with budget estimates in an annual joint budget resolution (see memo #3).
5. **Combine the authorizing and appropriations committees.** Currently the federal budget process has three stages: Consideration of the budget resolution (including reconciliation), authorization of federal programs and, for programs requiring annual spending authority, the appropriations process. Proposals to combine the latter two stages usually would restructure committee jurisdictions along functional lines (defense or health or education), with committees having jurisdiction over both mandatory and discretionary programs, and over authorization and appropriations. These committees could take general responsibility for performance in a mission or functional area, including review of related tax expenditures and effective program implementation.
6. **Prohibit continuing resolutions.** Specifically, this would require any appropriation bill to provide at least a full year of appropriated funding in order to be able to be considered on the floor of the House or Senate. One practical way (but not the only way) to enforce this would be to prohibit any bill that does not provide a full twelve months of funding to be passed unless 75 percent of each house voted for the bill. This is a radical idea. It would possibly make it more likely that government shutdowns of the type not seen since 1995 and 1996 would occur. On the other hand, that fact might make it less likely that we would continue the process of enacting serial continuing resolutions that create numerous problems for federal agencies and recipients of government funds. The argument here is that the routine practice of serial CRs creates more problems than brief periodic government shutdowns.