

MEMO #3: STRENGTHENING THE PRESIDENT’S ROLE IN THE FEDERAL BUDGET PROCESS

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Abstract: *To help the public hold the President and Congress jointly accountable for better budget outcomes may require granting the President a larger role in the budget process. Beginning the annual budget process with a negotiated agreement between the President and Congress enacted as a joint budget resolution, giving the President enhanced rescission authority, and other legislative reforms would help. The President could be required by legislation to address the nation each fall on fiscal sustainability. If the President takes the lead in summarizing these challenges, and the Congress weighs in with its own views, then there will be a better basis for debating different budget options and holding leaders accountable for improved budget outcomes.*

Article I of the Constitution grants “the power of the purse” to the legislative branch by requiring that all government spending be appropriated by Congress. This creates the potential for electoral accountability and responsiveness to the public on how the government spends money and on how the government finances spending through taxing and borrowing. Article II of the Constitution gives the President veto power over legislation and the responsibility to execute programs.

Because the Congress and the President share powers, they usually must compromise to enact legislation, including budgets. But sharing power also permits each branch to blame the other when they fail to compromise, a common practice in recent years. This memo discusses how granting the President slightly greater powers could increase accountability for achieving good budget outcomes.

In 1921, Congress strengthened the President’s budgetary role by passing the Budget and Accounting Act. This law gave the President the responsibility to review executive agency budget requests and to propose a budget for the whole government. One motivation for giving the President this power was that since the President represents the whole country rather than just a small portion of it, a comprehensive budget proposed by the President could make necessary tradeoffs between competing interests.

While the executive budget power has not always been exercised responsibly, on balance Presidential budget proposals have provided useful policy and technical guidance to Congress. The executive branch has many highly skilled budget and finance personnel, and by international standards the transparency of government finances is high. Most recently, the

executive branch has made significant progress in generating useful performance information and partially integrating that information with budget formulation.

Further empowering the President on the budget is a potentially attractive response to the current failures of federal budgeting to the extent that they stem from diffuse responsibility for budget outcomes. This shift of power can be approached in two very different ways.

One approach directly challenges the Madisonian design of our government by greatly reducing the power of Congress over the budget. For example, Congress could be prevented from increasing spending above the amounts requested by the President at the budget account level, which would require a constitutional amendment. Placing so much more power in the President's hands would enable the public to know whom to blame when policies were seen to fail or fall short. Some comparative research on government budgeting supports such an approach, finding that centralization of budget powers tends to reduce government debt.

We believe that this approach would not work in the U. S. It would never be acceptable to a country in which the legislature has had over two centuries of budgetary power. The system of checks and balances is widely seen as a fundamental protection against abusive or irresponsible use of power. And in fact, there is no guarantee that giving the President dominant power over the budget would prevent irresponsible behavior. We believe institutional checks on Presidential power are necessary to supplement any punishment voters might inflict on an incumbent President or that President's party.

A more transformative approach would be for the President and the administration to make a sustained effort at educating the public about the conditions faced by the nation, the goals adopted by the two branches, and the strategies carried out in hopes of meeting these goals. This is not done now in the annual State of the Union, which is just a long list of policy proposals and political claims by the President. Nor does the President's budget provide a sufficient description of conditions, goals, and strategies--in fact, even though the budget document concentrates on spending and tax proposals, its complexities make it generally incomprehensible to most Americans. It should be supplemented with a short "citizens' budget report" that communicates in plain English the budget realities facing the nation and the President's proposed responses. That report should be supported by a sustained effort to integrate, prioritize, and communicate the information already included in many valuable reports produced by government agencies. These reports, as well as the recent development of transparency websites that allow citizens to discover the details of individual government transactions, present citizens with information overload. If the budget process is to allocate prudently the government's limited resources, then citizens need a better understanding of the

policy challenges faced by the nation. If the President takes the lead in summarizing these challenges, and the Congress weighs in with its own views, then there will be a better basis for debating different budget options.

We therefore propose a different approach that would shift the balance slightly in the President's favor, in ways that would remedy problems with the existing budget process. Five options are described below, in increasing order of importance.

Recommended Actions

1. Give the President the line-item veto or expedited rescission authority. The former would require amending the Constitution and is therefore not an immediate possibility; the latter could be achieved legislatively and is therefore feasible. Expedited rescission authority would allow the President to propose cancellation of individual provisions in enacted appropriations bills and require Congress to take up-or-down votes on those proposals. This power could be used by the President to highlight unjustified spending items that were enacted only because they were included in large appropriations bills, and prod Congress to reject this spending the second time around. However, this procedure would extend a process that already fails to meet deadlines. Presidents already have the capacity through Statements of Administration Policies to identify objectionable items, especially now that the Congress has prohibited the "airdropping" of earmarks into conference reports. If the experiences of governors with the item veto provide an accurate basis for estimating what could happen at the federal level, the practical effect of that veto on the nation's fiscal sustainability may be positive, but almost certainly will be small.
2. Begin the annual budget process with negotiated agreement between the President and Congress on a joint budget resolution. This would set in law each year the budget totals that are now supposed to be passed by the Congress in the form of a concurrent budget resolution. By making this process joint, requiring the President's assent, the Congress would no longer be able to pass bills based on its totals and pretend that the President's veto is politically meaningless--until the threat of a veto becomes real at the beginning of the fiscal year. Since the joint budget resolution conforms best to the constitutional structure, early negotiations between the branches would allow them to reach compromises over the budget's major parameters, and then to move on to the many important details in appropriations, authorizations, and reconciliation bills. Should the expectation that an early negotiation produce agreement on budget totals not be realized, the Congress could still pass a concurrent resolution as a backup procedure.

3. Require the President to propose budget modifications in particularly challenging sectors of the budget. This will require legislation. While the informational effect of the President's budget request is substantial, the Congress is not required procedurally to vote on its contents. An alternative would be to create fast-track procedures for selected areas, in which Presidential proposals would be guaranteed votes, with or without amendments. It could be used to give the President the responsibility to propose significant reorganizations of federal agencies and programs. GAO reports have documented substantial duplications and overlaps between programs that if reduced could save money. A reorganized executive branch, especially if matched by a reorganized Congress, would allow the government to make policies strategically and align those policies with budget allocations.
4. Convince the Congress to limit the extensive direction it now gives agencies about how they should spend money. This approach would take advantage of the substantially increased ability of the executive branch to report on its performance in attaining program goals. Despite this information, the Congress has continued to give agencies detailed directions in authorizations and appropriations bills about how and where money should be spent on specific inputs and activities. This practice can be justified when agencies abuse the discretion they are given by the Congress. But for other agencies, giving them greater flexibility about how inputs are used and which activities they carry out, contingent on their achieving measured results, could allow managers to reduce unnecessary costs while improving performance. Presidents should be given the chance to run more agencies in ways that can give citizens a greater 'bang for their buck,' and the Congress should hold administrations accountable on this measure.
5. Expect Presidents to invest more effort in educating the public about the country's long-term fiscal outlook and the policy responses that would put the government on a fiscally sustainable path. One step in this direction is to require by legislation that the President address the nation each fall on fiscal sustainability. This high visibility forum could direct the public's attention to this issue and provide a summary of how the President's budget was received by the Congress. When combined with the other reforms we propose, it could help the public to hold Presidents and the Congress accountable for acting in a fiscally responsible way.