

# ***New Ideas for Federal Budgeting: A Series of Working Papers for the National Budgeting Roundtable***

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**Establishing Norms and Institutions to Support a Multi-  
Year Focus for the Congressional Budgeting Process**  
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## WORKING PAPER #5

### Establishing Norms and Institutions to Support a Multi-Year Focus for the Congressional Budget Process

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#### I. Introduction

The federal budget process in recent years has been limping along from one budget deadline to another. Some of the debates around these deadlines, such as the ones involving the debt ceiling in 2011 and 2015, and the “fiscal cliff” in 2011, have been focused on overall fiscal policy. Many others have been focused more at a micro-level—the best example being the continued difficulty in passing appropriation bills prior the beginning of the fiscal year. Other deadlines related to individual policies—such as the need to replenish the Highway Trust Fund and the expiration of various tax provisions—would also fall into the latter category. In each case, we have witnessed a familiar pattern—a deadline approaches (or passes) and Congress and the President respond, often by doing the minimum necessary to avert a short-term crisis, and by punting any long-term policy or solution down the road. Recent partisan disagreements also have created much uncertainty prior to high stakes, last-minute agreements to avert either government shutdown or debt default (Joyce, 2012). This kind of *ad hoc* budget process gives *annual* budgeting a bad name; it goes without saying that it does not promote responsible *multi-year* budget decision making.

Such crisis budgeting is at odds with principles of effective budget practice, and with standards that have been developed both internationally and at the state and local levels in the United States. This episodic and crisis-driven budget process inhibits effective budget planning for federal agencies and programs, and undermines confidence in the ability of the U.S. to manage its finances. The dysfunctional manner in which U.S. fiscal policy is made also threatens the creditworthiness of U.S. debt, and thus the long-term health of the U.S. economy.

Apart from being bad budgeting practice and bad economic policy, however, failure to enact policies with multi-year implications in mind has real world consequences. The increasing publicly held federal debt, and the failure to come up with any plan to deal with it, means that the federal government is crowding out private investment, which negatively impacts national productivity and economic growth. That means, among other things, the possibility of fewer jobs and higher interest rates. Further, the chronic uncertainty created by the failure to enact appropriation bills on time has real consequences not only for the effectiveness of federal agencies, but also for planning by recipients of federal funds, including state and local governments and federal contractors. Moreover, the dissatisfaction of the 2016 electorate with the performance of the federal government (and Congress in particular) has its roots in no small part in the clear failure of the government to get things done. In this context, any change that would result in more stability and predictability (not to mention competence) would pay real dividends.

Those involved in reforming the Congressional budget process in the 1970s did not mean for it to focus only on the short term. In fact, establishing comprehensive, multi-year budgeting was precisely what the Congressional Budget and Impoundment Control Act of 1974, which established the budget resolution, was designed to do. This new process was intended to replace the piecemeal, single year-focused process that existed previously (Meyers and Joyce, 2005). The Budget Act of 1974 attempted to address these shortcomings by establishing Budget Committees, which are responsible for the budget resolution,

a comprehensive statement by Congress of its priorities covering multiple years (initially five, and later ten). The Budget Committees were to be supported in this by the Congressional Budget Office (CBO), which would both establish a multi-year budget baseline (starting point) for budget deliberations and track the economic and fiscal effects of legislation over multiple years.

While our budget process has been focused on immediate deadlines, there is no question that the problems that we have are long-term in nature. The debt held by the public has risen from less than 40 percent of GDP in fiscal year 2008 to 74 percent the end of fiscal year 2015, and is projected to rise to 86 percent, under current policies, by fiscal year 2026 (Congressional Budget Office, 2016). Longer-term projections suggest an even greater problem over a 25-year horizon, fueled by entitlement spending, especially for health care. Under current policies, debt held by the public would rise to more than 100 percent of GDP by 2040 (Congressional Budget Office, 2015). The magnitude of the fiscal problem facing the country makes it imperative to think about budgeting—and budget enforcement—in multi-year terms. One year, or even five years, is not a long enough time frame in which to return the budget to a place where revenues match ongoing expenditures.

Even if the budget were in equilibrium, with debt projected to remain stable and sustainable over a long period, it would remain desirable to consider budgetary actions in a multi-year framework. Periodic ups and downs of the business cycle make budget policy—and budget targets—difficult to deal with annually. Merely setting annual goals—such as a balanced budget or a deficit as an annually set percentage of GDP—is inconsistent with establishing a sound, stable fiscal policy or achieving long-term targets for the debt level. An annual focus also promotes other dysfunctional actions, including offloading costs onto third parties, pushing costs forward, failing to capture full costs and benefits that spill over multiple years, and setting the nation up for future fiscal and economic surprises.

The remainder of this paper will provide further justification for, and expand on, recommended actions necessary to focus more attention on the effects of policies over the long term. It will also suggest an institutional reform—replacing the Budget Committees with Committees on National Priorities that would be made up of the Congressional leadership—that might make it more likely that Congress will consider the longer-term effects of current or proposed policies.

## II. A Suggested Approach to Multi-Year Budgeting

Multi-year budgeting is, in a sense, already a budgeting “best practice.” Both the International Monetary Fund (IMF) and the World Bank have embraced multi-year budgeting. Specifically, countries often accomplish this through the establishment of a medium-term budget framework (MTBF) which considers the effects of spending and revenue actions over a three- to five-year period. The MTBF approach has two main attributes. First, the budget is enacted covering multiple years, rather than one year at a time. Second, budget policy in years subsequent to the initial year automatically constrains other legislation unless a subsequently enacted budget overturns it. More background on international experiences with the MTBF is provided in Box 1.

The MTBF approach is consistent with the original goals of the 1974 Budget Act; and there are clearly elements of the current process that do, at least on paper, focus on multiple years. The CBO baseline now covers ten years, as do CBO cost estimates of proposed legislation. The budget resolution and the President’s budget provide cost estimates for at least five years, and sometimes as many as ten.

Further, the statutory pay-as-you-go process requires that policies be paid for not just in one year, but for multiple years. On the other hand, discretionary budgeting tends to have an annual focus, although the existence of caps in the outyears does create longer-term constraints. In a sense, giving the budget more of a multi-year focus is not a radical departure from current law; but it is clearly a significant departure

### BEST PRACTICE

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from current practice. The main difference between a typical MTBF and the current federal budget process is the assumption that a comprehensive prior set of budget decisions would remain binding and in place until or unless changed. While this is true with respect to mandatory spending and tax policy in the current federal budget process, it is not true in a comprehensive sense.

General attention is already being paid to the multi-year effects of policies during the budget process—in the President’s budget, in CBO baseline projections, in the budget resolution, and in cost estimates of legislation. The process, however, is more multi-year in theory than in practice. In many years, the only number that matters in the budget resolution—in years when a resolution is even adopted—is the one that sets the next year’s envelope for discretionary appropriations, which constitute only a third of all spending. For other spending, the budget resolution usually just ratifies the status quo. Further, the appropriations process itself is an annual process, with little attention paid to the outyear effects of decisions made. The budget process does not include any kind of fiscal rule that would provide a future guidepost for Congress and the President; and there are no sanctions for failing to adopt a fiscally sustainable budget, or a timely budget, or even any budget at all.

### **Box 1: The Medium-Term Budget Framework**

According to the International Monetary Fund (IMF), there are three objectives in looking beyond the current fiscal year. First (and most relevant to the current discussion in the U.S.), “the principal motivation for adopting an MTBF in most advanced economies has been the desire to strengthen multiyear fiscal discipline” (Harris, Hughes, Ljungman, and Sateriale, p. 139). In addition to this macro-level objective, a MTBF facilitates a more strategic prioritization of expenditures because it creates some distance between prioritization and short-term political concerns, and encourages more effective budget execution, in particular because it creates more certainty for government ministries/agencies and recipients of government funds.

The IMF describes three distinct models that countries have used, based on the manner in which the MTBF intends to bind expenditures. The *fixed aggregate ceiling* approach (used in Austria, Finland, the Netherlands and Sweden) places a “binding limit on all or most central government expenditures for two or more years, and is not revised during that period.” (Harris, et. al., p. 144). Binding multiyear limits are not set for expenditure categories below the aggregate level; those allocations are left to the annual budget process. The *fixed ministerial ceiling* approach, employed by France and the United Kingdom, fixes multiyear limits at the ministry level; the ceilings tend to be revised more frequently. The *forward estimates* approach, used by Australia, sets multiyear estimates for each of the 217 programs in the budget. These can be revised twice a year, but only to account for changes in external parameters (such as inflation) or to reflect policy changes approved by the cabinet. These seven countries were in the minority within the OECD in terms of having some form of an MTBF; the IMF analysis found that 18 other countries did not employ an MTBF.

The success of an MTBF is dependent in large part on how predictable and credible the annual budget is. If the short term is not predictable, the outyear estimates will be so prone to error that they will be meaningless as a multi-year planning tool. This implies accurate revenue estimating and thorough understanding of the drivers of expenditures. It is also critical that the allocations approved by the legislature be respected in budget execution.

In most cases MTBFs came about because a country encountered fiscal adversity, but was not part of the initial remedy for solving a fiscal problem. Rather, MTBFs assisted countries in maintaining discipline after they “had turned the corner.” Multi-year budgeting is not the solution to fiscal instability, but it is an approach consistent with sound budgetary practice once a path to fiscal stability has been forged. The IMF analysis suggested that countries with a binding MTBF have more credibility with markets during the global financial crisis.

One “bottom line” observation from international practice is that an MTBF “cannot make up for basic weaknesses or lack of political discipline and policy coherence” (Schiavo-Campo, 2008, p. 15). This has

two implications for the U.S. concerning the possible adoption of such a framework. First, a multi-year budget enforcement framework is more likely to work subsequent to an agreement on a plan for debt reduction, to encourage the adoption of policies over multiple years consistent with that agreement. Second, the size of the current imbalance in the U.S. suggests a necessity to consider such a framework for more than just a single three-to-five-year increment.

The key initial precondition for effective multi-year budgeting is consensus on some fiscal goal or fiscal rule. Indeed, while there are substantial limitations to, for example, a rule that says the budget needs to be balanced on an annual basis, that approach does have the virtue of presenting a relatively transparent and understandable goal. Many countries have followed the path of developing a fiscal rule, while the specifics of the rule differ from place to place. An International Monetary Fund working paper (Schaechter, Kinda, Budina, and Weber, 2012) examined the use of fiscal rules across 81 countries and noted that the prevalence of such rules has increased since the global economic downturn. These rules, when adhered to, ensure (p. 5) that “boundaries are set for fiscal policy which cannot be frequently changed and some operational guidance is provided by specifying a numerical target that limits a particular budgetary aggregate”. While it is important that the fiscal goal be agreed to, and be stable, this does not imply that the implementing legislation needs to cover the same period as the rule. Many countries have found that flexibility is essential to making such a rule work in practice, suggesting that implementing legislation may need to be enacted every few years, as new circumstances warrant.

Thus, if the U.S. is to deal with the current budget imbalance through a multi-year approach, a crucial first step will be agreement on a fiscal goal for the country, to be attained over multiple years. For example The Peterson-Pew Commission on Budget Reform, in its *Getting Back in the Black* report (Peterson-Pew Commission, 2010), recommended enacting legislation specifying medium- and long-term debt targets and a future debt path. It could include a multi-year debt target (for example, we might seek to stabilize the debt to GDP ratio at no more than 60 percent of GDP by 2026), with a commitment to reduce it further by 2040. This would inscribe a “glide path” of year-by-year debt-to-GDP targets. Second, it would include annual savings targets relative to the baseline, at least for the medium term, necessary to meet the multi-year debt targets. The savings numbers would be the guiding and enforceable targets that would need to be met through subsequent legislation.<sup>1</sup>

All of this would be meaningless if the medium-term targets were not enforceable. Therefore, the Peterson-Pew Commission also assumed that automatic tax increases and spending cuts would be enacted if the targets for a given year were not reached. Enforcement would focus on deviations not from the current law baseline but from the path agreed to in the target-setting law, which Peterson-Pew called the Sustainable Debt Act (SDA). A sequestration would kick in if, in any year, the deficit were large enough to result in exceeding the debt targets. For example, consider a case where, under the SDA, the debt target for fiscal 2020 was 70 percent of GDP and this would require deficit reduction that year of \$200 billion to meet the debt target. If the projected savings fell short of that level by \$100 billion in 2020, this would trigger a sequester of \$100 billion in that year.

In practice, Congress could use the budget resolution to force the specific policy changes assumed in the law setting these targets, using the Congressional Budget Act’s reconciliation procedures to enact a ten-year deficit reduction agreement. This ten-year deficit reduction legislation itself would include the following elements:

1. *Policy changes affecting mandatory spending and revenues.* These could be permanent changes, but would presumably need to cover at least the ten years covered by the reconciliation bill.

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<sup>1</sup> The SDA would provide for annual reestimation of the annual deficit reduction required to stay on the debt reduction path, taking into account both policy and technical/economic changes occurring in the preceding 12 months.

2. *Extending or lowering the caps on discretionary spending.* These caps would be set at a level that would not permit discretionary spending to grow with inflation, reducing the deficit relative to the baseline. The caps could initially be those enacted in the Budget Control Act (BCA) of 2011 as amended in 2013 and 2015, but could be made stricter and/or be extended in this deficit reduction law. These could be either overall caps, or perhaps caps on separate categories of discretionary spending—such as defense and nondefense. If budget authority or outlays exceeded the capped levels, a sequestration of discretionary spending would occur.
3. *Strengthening budget enforcement procedures.* The existing statutory PAYGO system would be strengthened by broadening the sequestration base to include all spending and revenue changes, including tax expenditures, and by basing the scorecard not on the current law baseline but on the path to debt stability set in law. If legislative actions in a given year added to deficits in any year covered by the deficit reduction legislation, this would trigger a PAYGO sequester to bring the budget back in line with the path envisioned by the SDA.

Because this deficit reduction legislation would have the force of law, it would remain in place until and unless subsequent deficit reduction legislation was enacted. It is likely that the initial implementing legislation would not last for the full ten years. Rather, political and/or economic developments would probably require changes to be made at some point before the ten-year period expired. For example, during the 1990s, even though the first two enacted reconciliation bills covered five years, the Omnibus Budget Reconciliation Act (OBRA) of 1990 was replaced by another in 1993, and the OBRA 1993 legislation was replaced by the Balanced Budget Act of 1997. The important point is that enactment of an enforceable ten-year agreement, consistent with savings targets included in the SDA, creates the presumption that any policy changes would continue until and unless they are changed. A change would result in a new multi-year agreement being enacted that would itself remain in place until a subsequent new agreement was reached.

Thus, a key assumption underlying this proposal is one of required flexibility. We should not expect any Congress to be able to enact legislation with specific rules, or reflecting specific policies, that could remain in place for a full 10 or 20 years. Rather the key to effective multi-year budgeting is agreement on the initial goal or trajectory, and then committing to enact policies to achieve that goal. Internationally, where fiscal rules have worked, it has been because of a political consensus on the desired fiscal target or outcome. Given the magnitude of the fiscal imbalance facing the United States, coupled with the need for flexibility, it will be necessary to enact multiple specific sets of policy changes in order to achieve the desired result.

To successfully implement meaningful multi-year budgeting, it is necessary to reach initial agreement on targets for debt reduction, and on a multi-year plan (or plans) to reduce the debt, and to follow that with the establishment of enforcement procedures that would increase the likelihood these actions would be sustained. The role of the budget process then would be to provide a framework for adopting legislation annually consistent with enacted deficit reduction legislation. Each year, the President would be required to submit a budget that met the fiscal targets and complied with the path laid out in the deficit reduction legislation in effect at that point. The budget resolution each year would not only establish aggregates that met the targets, but also allocations to committees consistent with the provisions of this same legislation. CBO would be required to assess whether the President's budget, and the budget resolution, met the overall savings targets, as specified in the deficit reduction legislation.

The regime, then, implies two levels of enforcement once the initial debt targets are agreed to. First, triggers would encourage the development of deficit reduction legislation: absent the passage of specific deficit reduction legislation that met the targets of the Sustainable Debt Act, a sequestration of all spending AND an automatic tax increase could take effect. A second level of enforcement, given enactment of deficit reduction legislation, would be a more traditional discretionary cap and PAYGO process. This sequestration would be unnecessary as long as the deficit reduction legislation included enough spending cuts and tax increases to allow the debt targets to be achieved, and the deficit reductions included in the legislation were not undone by subsequent legislation. Congress, of course, could avoid either of these enforcement mechanisms by repealing the Sustainable Debt Act, changing its

targets, or changing or repealing the enforcement procedures. In this case, as in the case of all previous efforts aimed at deficit reduction, nothing will force action absent political will and/or potential for political embarrassment.

The Congressional committees responsible for developing the budget resolution (whether the current Budget Committees or the kind of new committees recommended in the second half of this paper) would continue to enforce the resolution, including applying points of order, as occurs at present. The budget resolution would be used to annually reaffirm congressional commitment to implementing the deficit reduction law, and points of order would enforce compliance with budget strictures already enacted. Any budget resolution that did not comply with the law would be subject to points of order.

Of course, this enforcement would focus on the legislative process, and creating impediments (points of order) to enacting legislation that would cause the targets in the SDA to be exceeded. This would need to be backed up by a sequestration at the end of each legislative session. OMB would be authorized to order either PAYGO or discretionary sequestrations at this point, focused on the budget year (in the case of discretionary spending) and on multiple years (in the case of taxes and mandatory spending). While the budget resolution could theoretically follow a different path than that laid out in the deficit reduction legislation (by, for example, providing 302(a) allocations to committees that exceeded the level permitted under the caps or caused PAYGO to be violated), this would result in a larger sequestration ordered by OMB.

Any effective, multi-year budget regime would need to have a statutory underpinning to avoid the tendency to degenerate into a budget process focused only on the short term. Even after the debt is stabilized, Congress should continue to enact multi-year reconciliation bills that would remain in force until and unless new reconciliation bills are enacted. The magnitude of the country's debt problem is such that it may take the full 20 years covered by a Sustainable Debt Act to stabilize the debt and then achieve the desired level of debt reduction. This would necessitate separate multi-year reconciliation bills changing baseline levels of spending and/or revenues during this period. It seems most desirable for these bills to be enacted at least every two years (in the first term of a Congress, for example) and to cover at least five fiscal years. If Congress adopted a budget resolution including reconciliation at the beginning of each session, it would have the effect of establishing a fiscal path for each Congress to follow.<sup>2</sup>

### **III. What About Emergencies and Unforeseen Events?**

A clear challenge in any multi-year regime is what to do about emergency spending and unforeseen circumstances, such as recessions or national security emergencies. In terms of what might be called "routine emergencies" Congress could budget explicitly for them as part of the regular budget process, thus creating an emergency "contingency". This would counteract the historical tendency to use the emergency designation as a loophole that compromises fiscally responsible budgeting. Too often, emergency spending has been underfunded in the regular budget process, and then natural disasters and other emergencies are funded as additions to the deficit. While some unanticipated increases in spending because of emergencies may be unavoidable, budgeting for them at a higher level in the budget process will lessen the tendency for emergency supplemental appropriations to be routine, annual events (Peterson-Pew Commission, 2011).

While this approach can prevent the funding of routine disaster assistance from becoming extra-budgetary events, there is probably no way to anticipate, and budget for in advance, responses to larger unanticipated emergencies such as national security events or recessions. In this case, the budget process may simply need to build in some kind of an after-the-fact "look back" provision to offset the effects of these budgetary changes.

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<sup>2</sup> While this is not intended as a specific proposal for biennial budgeting, it is worth noting that having a budget resolution enacted in odd-numbered years, to set binding limitations covering that Congress, is fully consistent with most biennial budgeting proposals.

In all likelihood, permitting an appropriate response to this kind of unanticipated event will necessitate adjustments to targets as a result of economic and technical changes. One approach would be to allow the legislated target to be turned off by a vote of both chambers. Alternatively, the target might be turned off if CBO certified a situation where there were—or were projected to be—two or more consecutive quarters of negative economic growth. If the target is turned off, an additional look back addition to savings targets in the future might be needed. For example, provision might be made for adding deficit reductions foregone during a recession to deficit reduction targets over a three-year period directly after the recession.

#### **IV. Institutional Reform to Promote Effective Multi-Year Budgeting: Replacing the Budget Committees with Leadership Committees**

Beyond the 20-year process of stabilizing the debt, what should the budget process look like going forward if it were to continue to have a multi-year emphasis? That is, how could the budget process itself be reformed to provide an increased probability, and incentive, for the budget resolution to represent a successful vehicle for multi-year budgeting? The question of interest is whether there are alternative institutional arrangements that might make it more likely that the budget resolution would live up to its original promise.

One way would be to replace the Budget Committees with new committees, with more power and influence, that more clearly reflected the views of Congressional leadership. The argument here is essentially that in order for a strong budget process focused on multiple years to work, it must be accompanied by an effort to provide appropriate power to the committees that are responsible for developing the budget. The Budget Committees are at present the only committees that explicitly have the responsibility to focus on long-term fiscal outcomes. The Budget Committees were made intentionally weak in the initial 1974 budget reform legislation, so that they would not threaten the power structure of the Congress (especially the tax and appropriations committees). This institutional weakness, however, has compromised their ability to focus the attention of Congress on the long term.

Before getting to the specific reform suggestion, a little history is in order. After some early growing pains, the budget resolution established itself by the early 1980s as the means by which Congress enacted overall fiscal policy. Moreover, it represented an important vehicle through which Congress, when it wanted to (or was encouraged by the President) enacted legislation to enhance fiscal responsibility, mainly through use of the budget resolution's reconciliation procedures. Reconciliation was front and center when important deficit-reducing legislation was passed and signed into law in 1990, 1993, and 1997. More recently, however, the budget resolution process has become dysfunctional. Three problems stand out:

- Congress has fallen into a pattern where the budget resolution is viewed as “optional”. This is a striking departure from past practice. From the advent of the budget resolution in fiscal year 1977 through fiscal year 1998 (that is, the first 22 years), there was *always* a budget resolution, although these resolutions were frequently late. Since fiscal year 1999, however (a span of 19 years, through the fiscal year 2017 Congressional process), there have been *ten* separate occasions when Congress failed to adopt a budget resolution at all. This not only represents a failure of Congress generally, but suggests that the budget committees may not possess enough power to make adoption of the budget resolution the imperative that it should be.
- While the budget resolution was used to impose or promote fiscal discipline in a few notable cases, especially during the 1990s, it mainly has since 2001 been used to make deficits larger. For example, the Bush tax cuts of 2001 and 2003, and the expansion of Medicare to provide

prescription drug coverage in 2003, were all enacted using the budget resolution's reconciliation procedures.<sup>3</sup>

- Even when the budget resolution was used to impose fiscal discipline on other committees in Congress through the reconciliation process, this was done without enthusiastic support from these other committees. Deficit-reducing actions in one year might have been followed by attempts to undo this deficit reduction in subsequent years.

It is vitally important for Congress to have a budget process—and budget institutions—that can foster the kind of decisions that will enable the country to meet its long-run challenges. The budget committees, in

## BUDGET COMMITTEE

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their current incarnation, seem not up to this task. This seems (at least in the House, and in many years in the Senate as well) not for their lack of trying, but rather because they lack the political clout necessary to ensure other committees take actions that will certainly result in raising taxes or cutting spending, contrary to the immediate political interests of committee members and their constituents.

It is important to analyze current problems with the budget resolution prior to discussing various alternatives that have been suggested for changing institutional arrangements in ways that might make the budget process function better. Particular attention will be given to the possibility of replacing the Budget Committees with leadership committees that would include the chairs and ranking members of the key committees in each house, with the goal of making the budget resolution more likely to gain the support of those key committees. This might, in turn, permit the Congressional Budget Act to better satisfy its original purpose--promoting fiscal responsibility by enabling Congress to take and enforce a comprehensive view of the budget.

As we have seen, a congressional budget process originally designed to assist Congress in engaging in multi-year, fiscally responsible budgeting, is much more likely to be short-sighted, and is not inclined to promote fiscally responsible budgeting. The budget resolution, far from promoting a coordinated view of the budget process emphasizing fiscal discipline that its proponents envisioned, has become ineffective. It is difficult for the budget committees, operating from a position of institutional weakness, to exercise any independent power over the rest of Congress. Rather, the budget resolution is more likely to represent political theater, filled with meaningless "sense of the Congress" exhortations which have no teeth. The failings of the budget resolution and budget committees are just a reflection of the budgetary irresponsibility that has characterized both ends of Pennsylvania Avenue, at least since 2001.

Absent the passage of a budget resolution, there are no consistent (across the two chambers) and enforceable committee allocations covering multiple years.<sup>4</sup> It is necessary to create the specific presumption that a prior agreement on levels of taxes and spending will remain in place, and must conform to legal restrictions on the debt, deficit, taxes or spending. That is, unless a new budget resolution is enacted, the presumption needs to be that the prior budget resolution would be enforced both in the House and in the Senate.

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<sup>3</sup> Of course, when the 2001 Bush tax cuts were enacted, both CBO and OMB were projecting large outyear surpluses; there were, however, concerns that these surpluses might be optimistic, but the Congress declined the opportunity to include "triggers" that would have required revisiting the tax cuts if the surpluses failed to materialize.

<sup>4</sup> The Senate continues to enforce committee allocations based on the most recent budget resolution, but the window during which those allocations are enforced grows shorter with each year. There is also now a statutory PAYGO regime that is enforced, but much spending is exempt from PAYGO enforcement.

Starting in 1987, Senator Nancy Landon Kassebaum, a moderate Republican from Kansas who cared deeply about Congress as an institution, first introduced a resolution (applying to the Senate only) that would have created leadership committees in the Senate to replace the budget committees. The 1993 version of that resolution (S. Res. 13) would have made this change in the context of a much broader reform of Senate committee jurisdictions that included combining appropriations and authorization committees. These two reforms are separable (that is, it would be possible to reform budget committee membership without the authorization/appropriations merger) but for Senator Kassebaum, it made most sense to link these two reforms.

The Kassebaum proposal would have created a Senate Committee on National Priorities, with responsibility for drafting the annual budget resolution, which would then still need to be passed by the whole Senate. Kassebaum proposed that this committee consist of the chairs and ranking members of all Senate committees, except that the majority leader of the Senate would have had the authority to appoint up to five additional senators to serve on this committee in order to make its membership mirror the relative balance between the majority and minority parties in the Senate. This proposed legislation also would have abolished the appropriations committees by combining authorizations and appropriations into single committees organized by substantive focus (Senate Resolution 13, 1993).

The idea of formally involving congressional leaders (but not necessarily committee chairs) in setting budget priorities had some precedent, at least in the House. During the Reagan era, Speakers Tip O'Neill (D-MA) and Jim Wright (D-TX) became more active participants in setting budget policy, largely to better position themselves to challenge the administration's priorities (Palazzolo, 1992). LeLoup argued that leadership support was particularly important for the budget committees since they purport to set overall budget policy for Congress (LeLoup, 1980).

Further, efforts to reduce budget deficits and otherwise remake the federal budget in the 1990s had the clear stamp of the leadership. Specifically, the 1990 budget summit, which led to the Omnibus Budget Reconciliation Act of 1990, represented an explicitly leader-driven model. The reconciliation bill produced by the Republicans in 1995, when they took over the majority, was explicitly focused on the Contract with America, which was a 1994 mid-term election statement of the future agenda of House Republicans.

House Speaker Newt Gingrich was able to get rank-and-file members to adhere to a remarkable degree of party discipline in getting not only the initial resolution, but the eventual reconciliation bill, through the House. Since 1999, budget resolutions have been hit-and-miss propositions. If Congress felt no urgency to pass them, they simply did not pass. The leadership, in exercising control over the budget committees, needed to be freer to appoint members for strategic reasons because they were trying to achieve so many objectives and satisfy many constituencies.

The second report of the Peterson-Pew Commission on Budget Reform, *Getting Back in the Black* (Peterson-Pew Commission, 2010) explicitly embraced a change in budget committee membership as a part of a broader set of reforms designed to develop a multi-year plan to achieve budget targets. This process would begin with the President and Congress agreeing to multi-year deficit and budget targets that would be reflected in the budget resolution. While not explicitly arguing for a joint budget resolution (which would require the President's signature), the Peterson-Pew Commission's plan clearly could be consistent with such a joint resolution. Ultimately, the budget committees would include "House and Senate leaders and the chairs and ranking members of both the appropriations and revenue committees and other major authorizing committees (Peterson-Pew Commission, 2010, p. 13)." This recommendation was clearly aimed at making it more likely that the budget committees would be invested in whatever fiscal goals had been agreed to and would be committed to carrying out those goals in the subsequent legislation that would be crafted consistent with their direction to other committees.

This paper, following the Peterson-Pew recommendations, explicitly embraces the basic argument inherent in the 1993 Kassebaum proposal, by arguing for the creation (in each house) of Committees on National Priorities, which would have responsibility for the development and enforcement of the annual budget resolution. Some specific details follow:

- These committees would include the chairs and ranking members of the appropriations and tax-writing committees in each respective house, in addition to representatives of the congressional leadership from each party, and the chairs and ranking members of other major authorizing committees. The phrase “major authorizing committees” describes the committees with jurisdiction over major areas of spending (such as those with jurisdiction over defense, banking or health), or those in a given year that have significant legislation to consider (such as committees with jurisdiction over agriculture programs during years in which there is a farm bill).
- Members who serve on the Committee on National Priorities in each house would not have that membership count against any committee service limitations. This would be important in both the House (where members who serve on the Appropriations Committee cannot serve on any other committee) and the Senate (where committees are designated as “A” committees or “B” committees, with each Senator currently permitted to sit on only two “A” committees).
- If the membership were drawn from the leadership (minority and majority leaders), the chairs and ranking members, the new committees would, by definition, include an identical number of Democrats and Republicans. This would mean that the budget resolution could not pass on a purely party-line vote. This would represent a substantial departure from budget resolutions of the past 20 years, which have normally been reported by the budget committees and adopted on the floor by party-line votes. Committees with equal numbers of Democrats and Republicans might, in practice, be a recipe for even more gridlock than at present. For this reason, it is likely that the reform would only be workable were the leadership committees to reflect, in some way, the party makeup of each House of Congress. This could be done by letting one more member of the majority party (designated by the majority leader) serve on the committee, or by having additional majority members appointed so that the partisan distribution of the committee matched that of the House or Senate.

This proposal does not envision a Joint Budget Committee (as has been suggested from time to time), but such a joint committee represents a logical extension of the “leadership committee” argument. A joint committee would be making decisions that reflected a consensus among the leadership of Congress as a whole rather than each separate body. It would require resolution of any issues between the two houses in the context of the development of the budget resolution in committee, rather than later on in conference between the houses. On the other hand, if the two houses were controlled by different political parties, establishing such a joint committee might just complicate the process and make it likely the budget resolution would stall in committee.

In considering the possible effects of reforming the process of considering and adopting the budget resolution, we return to the three problems with the current budget resolution that were identified earlier. First, Congress routinely fails to adopt budget resolutions at all. Second, even when they are adopted, they tend not to have fiscal responsibility or long-run sustainability as a major focus. More often, because reconciliation bills cannot be filibustered, they are vehicles for making it easier to enact legislation (such as the Medicare prescription drug benefit or the Bush tax cuts) that make the budget situation worse. Third, even when reconciliation bills are enacted, resulting in significant deficit reduction through tax increases and/or spending cuts, committees of jurisdiction are frequently unenthusiastic about enacting the legislation necessary to realize the savings included in the budget resolution targets. It is useful to consider the extent to which replacing the Budget Committees with leadership committees might lessen any or all of these problems.

Would replacing the Budget Committees with leadership committees make it more likely Congress would adopt a budget resolution every year?

In practice, one of the most significant early challenges that faced the first leaders of the new budget committees in 1975 was attempting to get budget committee members to see themselves as guardians of the overall budget, as opposed to senators or representatives from their states. Senator Edmund Muskie (D-ME), the first Senate Budget Committee chair, said that his notion of a budget committee was of one

that would pursue national priorities and a national agenda, rather than a narrow parochial one (Ippolito, 1981).

Given that setting fiscal policy is arguably the most important ongoing responsibility of Congress, promoting its ability to actually carry out that responsibility seems crucial. Adopting the annual budget resolution currently is a function of the ability of the House and the Senate to agree on a set of priorities. If a new committee consists of congressional leaders, including committee chairs and ranking members, a potential additional imperative for passage might occur. *That is, if the resolution were explicitly a responsibility of the leadership, the failure to adopt might be seen as an explicit failure of that same congressional leadership.* This would presumably carry greater political weight than the failure of a budget committee to pass a budget resolution does at present.

The argument that this committee change would promote the adoption of budget resolutions, and that this responsibility would be taken seriously, rests on a new model where the budget resolution is under the control of committees which are fully independent power centers, elevated in the congressional hierarchy, capable of imposing highly disciplined policies on other committees. The new Committees on National Priorities would then truly behave as the drafters of the Budget Act intended, but the probability of success is improved by the enhanced power that accompanies their role as committee leaders.

This additional pressure for adoption, however, would likely only be realized if the committee had more members from the majority than the minority party. At present, often the *only* reason that a budget resolution passes is that it can be passed on a strict party-line vote; an explicitly bipartisan budget committee would likely result in the budget resolution only passing when there is bipartisan support. This is, of course, the *intent*, but it does raise the important question: what will create the incentive for bipartisan adoption of a budget resolution if it is not simply a reflection of one party's priorities?

One other point seems worth making here. Chairs and ranking members are probably too busy to attend committee hearings or take an active role in budget deliberations unless the stakes are sufficiently high. This means that these new committees might be less able than the current budget committees to hold hearings on behalf of Congress to inform future fiscal policy and educate both Congress and the public. If it occurred, that would represent a real loss to Congress and the country, as in practice there would cease to be committees that saw their ongoing role as taking a long term view, independent of the passage of the annual budget resolution. On the other hand, given the higher profile of these new leadership committees, their hearings would seem to be likely to be able to generate more media and public interest, thus permitting the committees to focus on higher profile issues.

Would the reform make it more likely that such a budget resolution would take a fiscally responsible stance?

Historically, fiscally responsible budget resolutions—as those adopted in 1990, 1993, and 1997—occur as a result of presidential and congressional leadership, leading to cooperation between the two branches. In 1990, President George H. W. Bush and congressional Democratic leaders convened a “budget summit” where a multi-year agreement was reached. In 1993, President Clinton led what resulted in a purely partisan (but inter-branch) effort. In 1997, on the heels of the rejection of a Republican-led deficit reduction effort in 1995, and the subsequent reelection of President Clinton in 1996, the two parties worked together on a bipartisan deficit reduction bill. Further, the BCA in 2011 represented a bi-partisan, multi-year budget agreement focused on deficit reduction. There was also a bipartisan agreement in 2015, of course, but most do not view that agreement as fiscally responsible.

Fiscal responsibility usually involves inflicting pain. It involves taking away benefits from people who do not want to lose them or imposing taxes on people who do not want to pay them. It seems essential that it begin with an agreed-upon fiscal goal, such as a debt that is no greater than 60 percent of GDP by 2026. Absent agreement on a goal and the commitment of the President and congressional leaders to achieving it, it is folly to expect that the budget committees, however constituted, can force Congress and the President to adopt a fiscally responsible stance. Thus the crucial, preceding step is agreement on this goal, as is anticipated with the passage of something like a Sustainable Debt Act. Once the goal is

agreed upon, it is presumed that the President and Congress will feel politically pressured to adopt budget policies consistent with that path.

It seems appropriate to point out, however, that there is nothing in particular about this new membership model that suggests that makes the members more likely to behave in a fiscally responsible manner than the current members of the budget committees. There is some argument that committee chairs and ranking members might be *less* fiscally responsible, as they have a clearer stake in the outcome. For this reason, it seems particularly important to have explicit or implicit enforcement mechanisms that are themselves sufficiently painful (in fact, more painful than the policies that they would substitute for) in order to create incentives for members of Congress to fall in line behind a budget resolution, especially one that includes painful deficit reduction.

Would this committee reform make it more likely that those whose legislative assent is necessary would support reconciliation instructions to reduce the deficit?

From the beginning, the congressional budget process has been notable for the tension that it has created between the budget committees and other committees in Congress. This was initially reflected in an effort to keep the budget committees relatively weak. It extended, in some versions of budget reform considered in the early 1970s, to making the budget committees little more than extensions of the appropriations and tax-writing committees. As the membership of the budget committees expanded to include more junior members and those from committees other than Finance, Ways and Means, and Appropriations, this carried with it increased inter-committee tension.

This tension is particularly evident in reconciliation, where the budget resolution sets targets and provides instructions to authorizing committees, which need to follow these instructions in good faith to achieve a fiscally responsible path. If their response is to delay actions and use budget gimmicks to comply with the letter of the reconciliation instructions but not their spirit, it can undermine the fiscally responsible stance that the budget resolution intends to achieve.

## TIME FOR REFORM

It has been almost a quarter of a century since Congress last even considered a comprehensive reform of its committee system.

For the budget process to work as intended, the committees responsible for the budget resolution must have their eye on the big picture and the long term. They must follow up with vision and convince other committees to go along with this vision. Explicitly including the chair and ranking members of appropriate committees as members of these new leadership committees would help ensure that these members have ownership of the budget resolution, making them more likely to take seriously the necessity to go along with it. In addition, the leadership will be held accountable to a greater extent than is currently the case, since they will have a clear

responsibility for the resolution.

While a fuller discussion of budget enforcement procedures is beyond the scope of this paper, it seems important to point out that, in addition to creating incentives for committees to pass legislation consistent with the budget resolution to begin with, it is important that they be discouraged from fighting subsequent “rear guard” actions in an attempt to undo the actions enacted as a result of the budget resolution. It is assumed, once again, that their ownership of the budget resolution will create incentives for them to adhere subsequently to its strictures. In addition, however, it seems prudent to enact a set of enforcement procedures to backstop this commitment. It seems most appropriate for these reforms to follow the Budget Enforcement Act model that worked in the 1990s, with discretionary spending caps and a pay-as-you-go procedure, enforced through broad-based sequestration (Peterson-Pew Commission, 2010, p. 17).

Perhaps the most important point is this: Regardless of whether the resolution itself is more likely to be adopted under this new structure, *or* whether it is more likely to be fiscally responsible, the creation of

leadership committees is likely to smooth the translation of the budget resolution targets into legislation necessary to meet those targets, *and* to promote future adherence to the path agreed on in the budget resolution. Therefore, the most reliable positive impact of the reform would be to increase the ownership of other key congressional committees of the budget resolution and its vision for fiscal policy. This would have the greatest impact during years in which reconciliation is used to convert the budget resolution targets into legislative actions to increase taxes and cut spending.

A final point. It has been almost a quarter of a century since Congress last even considered a comprehensive reform of its committee system. The reforms suggested then, by the Joint Committee on the Organization of Congress in 1993, failed to gain traction. It is high time that Congress considered committee reform again. If it does, the reform suggested in this paper is likely only one of a number of reforms that could make Congress function more effectively. Among these other reforms would be one that combined the authorizing and appropriations process, a reform idea that was part of the 1993 Kassebaum proposal and has since been suggested elsewhere (Meyers, Joyce, Redburn, and Posner, 2012).

To be sure, these kinds of institutional changes will *not* by themselves return the budget to equilibrium. The current imbalance that exists can only be dealt with through an exercise of political will by the President and Congress, as well as through sacrifice by the American people. The reason for considering *any* reform to the budget process should be to make it more likely that a new budget equilibrium can be *sustained*, not as some magic elixir that will *cause* this equilibrium to be achieved. The purpose of considering a replacement of the budget committees is to determine whether they might, going forward, be more institutionally capable of realizing the promise envisioned by the 1974 budget reform that created them.

## V. Conclusion

The current imbalance between taxes and spending, which has led to an unsustainable level of debt, did not occur overnight. In practice, however, the budget process is focused too much on short-term effects and not enough on longer-term impacts. Since it is inevitable that any solution to the debt problem will take years to achieve, it is particularly imperative that the solution be focused not just on the next year, or the next two years, but the next ten or twenty. Particularly given the necessity of a multi-year plan to return the federal budget to anything close to a sustainable path, focusing on a year at a time seems unlikely to permit the necessary progress to be made.

Further, the federal government needs to enact multi-year budgets consistent with enforceable debt reduction targets that remain in place until and unless subsequent laws are enacted to change either the path or the means of accomplishing it. The presumption needs to be not that the budget is an annual plan put in place to respond to short-term concerns, but rather that it is a long-term plan that would move us to a sustainable fiscal path, and then would help us stay on that path going forward. Congress should seize this opportunity to put in place a set of debt and deficit reduction goals, incentives to achieve those goals, and reinforcing changes to the budget process that would encourage greater attention to the multi-year effects of budget policies. As part of the changes to the budget process, it should also strongly consider explicitly replacing the Budget Committees with more powerful leadership committees. As the committees that are tasked with developing overall fiscal policy, these are the committees most likely to take a long-term view. They should be given the power to do so, in addition to the responsibility.

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