

Hearing Before the Senate Budget Committee – Reforming the Federal Budget Process:
A Biennial Approach to Better Budgeting

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Good morning Mr. Chairman and members of the committee. Thank you for inviting me here today to discuss ways to reform our broken budget process.

I am the executive director of The Concord Coalition, a nationwide, nonpartisan grassroots organization dedicated to helping citizens better understand the federal budget and promoting fiscal responsibility. Since 1992, our staff and grassroots volunteers around the country have encouraged elected officials to pursue a sustainable fiscal policy.

With the most recent budget agreement between the White House and Congress, some small steps have been taken to address our long-term fiscal challenges. While the agreement does contain some budget gimmicks, it also contains reforms to Social Security and Medicare that may serve as the foundation for later, larger reforms. This is important, as both programs are projected to grow significantly in the coming decades.

In short, the budget deal allows Congress to turn to laying the groundwork for significant fiscal reform once the next president takes office. While it is far from perfect, it is acceptable and efforts to expand upon it should be encouraged.

In spite of the marginal progress made, significant challenges remain for our long-term fiscal future. Congress will have to address the impact of the demographic tidal wave that will add significantly to the cost of retirement and health care programs in the years to come. There is also much that can be done to improve our inefficient tax code.

Our problems are worsened by a budget process that exists in name only. Concurrent Budget Resolutions, the key framework of the process, have become increasingly rare. This year was the first year since 2009 in which one was adopted.

The appropriations process has become equally dysfunctional. In the 41 years since the current budget process was created, Congress has only completed consideration of all 12 appropriations bills in four of those years.

Budget process reform is not a substitute for a serious plan to address the significant fiscal challenges facing the nation. However, common-sense reforms to the budget process *can* turn lawmakers' attention to the kinds of long-term planning and strategic discussion that may yield true fiscal reform.

The Concord Coalition has long favored a biennial budgeting cycle, which we believe would help get us to a more rational budgeting process. Historically, Congresses have been twice as successful at budgeting during their first session than during their second.

Over the last 18 Congresses, 10 have passed more appropriations bills on time in the first year compared to five in the second year. Indeed, the chances of an appropriations bill's passage can almost be predicted by the year in which the bill is considered: one in three appropriations bills passed on time in odd years compared to one in seven during even years. Budget resolutions show a similar pattern: up until 2011, every single year Congress failed to pass a budget resolution was an even year.

Given these facts, it is hard to defend the idea of repeating the entire federal budget and appropriations process in the second year of each Congress. The Budget Resolution is a statement of political values as well as a management tool and the individuals expressing those values through the Budget Resolution are elected on a two-year cycle.

It is logical, therefore, that Congress should adopt one statement of priorities for the full cycle. Such a shift would not preclude the possibility of supplemental appropriations measures in the event of major economic events or national security crises. However, the two-year cycle should be altered only in dramatic cases such as these.

Under a biennial system, the budget and appropriations process for the first year of each Congress would function similarly to how it does now. The only difference is that budget resolution and appropriations bills would cover both fiscal years in the biennium. Without the obligation of repeating this process again in the second year, Congress would be free to conduct careful oversight and provide more targeted scrutiny of federal programs than it otherwise would.

A key advantage of a biennial budgeting cycle is that it would allow lawmakers to concentrate energy on the twin challenges of oversight and reform. Greater oversight would certainly help to further the cause of a more efficient government in which programs are evaluated on their merits and extended strategically, not simply extended by default because no one has the time to ask whether or not they are still needed. CBO estimates that roughly \$300 billion per year was appropriated for programs with expired authorizations in fiscal years 2014 and 2015.

With a second year to evaluate the success or failure of a given program, Congress could target reforms to particularly outdated or inefficient programs, potentially generating greater and smarter savings. It is best to eliminate programs we can no longer afford, are no longer needed, don't work, or represent giveaways to narrow interests at the expense of the broader public good.

As The Concord Coalition has often stressed in our interactive budget exercises with Americans throughout the country, the most significant fiscal policy choices we face involve the programs in our budget that are growing on automatic pilot -- primarily our mandatory spending programs.

It would be particularly useful for Congress to devote enhanced scrutiny to mandatory spending, which is not reviewed under the annual appropriations process. It has been an alarming trait of the past 40 years that Congress has spent an ever-growing amount of

time on an ever-shrinking fraction of the federal budget. In the mid-1970s, the amount of federal spending devoted to "discretionary" spending, or spending subject to the normal appropriations process, was roughly even with mandatory spending. Today, that figure has fallen to about one-third and will likely reach under one-quarter by 2025.

These programs already comprise 60 cents of every dollar spent by the government, and are projected to grow more quickly than the economy and at a faster rate than the resources allotted to pay for them. This is not sustainable in the long term, and we should focus our attention on it.

Congress could also use biennial budgeting as an opportunity to give lawmakers more time to conduct needed oversight of the special provisions, loopholes, exclusions and preferences in the tax code -- which are often referred to as "tax expenditures" because economically they function similarly to direct spending programs. These tax provisions add up to over one trillion dollars a year and like mandatory spending, they avoid the scrutiny of the appropriations process and grow on autopilot.

Formally converting the annual appropriations process to a two-year cycle would be a significant change, but perhaps not as large as it might seem. Along with a shrinking discretionary budget, the historical trend has been towards a gradual lengthening of the budget cycle. When the congressional budget process was launched the process began with two budget resolutions for fiscal year 1976. By 1982, the second budget resolution was becoming a formality that essentially reaffirmed the figures contained in the first resolution. However, not until Gramm-Rudman was enacted in 1985 was the requirement for a second budget resolution officially abolished.

With enactment of the bipartisan budget acts of 2013 and 2015, Congress has effectively taken another step toward a formal biennial cycle. Both agreements set top-line appropriation numbers for two separate fiscal years.

Today, I am pleased to see that there are a number of legislative proposals under consideration that would take further steps to modernize the budgeting system. While each of these proposals would reorient the budget process in slightly different ways, the enhanced attention on biennial budgeting surely bodes well for the prospect of real reforms that may reduce wasteful brinkmanship over the federal budget. Actual shutdowns may be infrequent, but the haphazard stopgap bills used to avoid them are not -- and these bills have serious consequences for federal agencies.

It is difficult to plan and predict as a government manager when an agency is almost totally unaware of what its funding levels will be in the months and years ahead. With each agency starting with a two-year figure to produce longer-term budgets, waste and inefficiency can be lowered throughout the federal government.

Critics of biennial budgeting simultaneously argue that it would become both a fiscal straightjacket and an excuse for uncontrollable supplemental appropriations. It would in fact be neither. While you could still enact a "correction" bill in the second year, such

changes, barring major events like a war or economic recession, are likely to be modest and would not necessarily require extensive review.

A biennial cycle will work as long as realistic discretionary spending assumptions are used in the congressional budget resolution, rosy economic assumptions are avoided, and a mechanism is in place to consider second session updates.

One potential solution would be to withhold a small portion of the 2-year total Appropriations Committee allocation until the second year. This specific reserve fund could accommodate new and unexpected demands. Another useful practice would be to limit the adjustment of second-year spending levels to one piece of legislation rather than a handful of smaller and less-scrutinized bills.

Congress should also be planning ahead and thinking strategically about longer-term goals during the initial budgeting period. For instance, regular appropriations bills should be enacted for emergency relief programs that reflect their long-term average levels. Natural disasters such as floods, droughts, fires, hurricanes, tornadoes, and earthquakes occur frequently. This would provide budgetary resources within the discretionary caps in advance of emergency needs and would eliminate the need for most supplemental emergency appropriations. Expenditures in response to these disasters tend to fall within a predictable range. To budget in anticipation that there will be no disasters is disingenuous.

In conclusion, I ask whether you are satisfied with the budget process as it stands? Do you believe that the results we get today are the best we can do? If not, biennial budgeting holds promise as an alternative to foster the kinds of serious, long-term thinking and discussion necessary to confront our fiscal challenges.

As I noted earlier, process reform cannot serve as a substitute for real and challenging budget choices, but it can create the space for those choices to be made. The realities our nation faces are far different today than they were 30 years ago, but neither the budget itself nor the process to create it reflects these changes. I strongly encourage you to consider this reality.

Thank you again for inviting me here to testify on this important issue, and I look forward to taking your questions.

History of Budget Resolutions

	1975	1985	1995	2005	2015
	1976	1986	1996	2006	
	1977	1987	1997	2007	
Passed on Time (6)	1978	1988	1998	2008	
Passed Late (26)	1979	1989	1999	2009	
No Budget Passed (9)	1980	1990	2000	2010	
	1981	1991	2001	2011	
	1982	1992	2002	2012	
	1983	1993	2003	2013	
	1984	1994	2004	2014	



History of Appropriations Bills

