



U.S. SENATE COMMITTEE ON THE BUDGET

2015

CHAIRMAN'S REPORT

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INTRODUCTION - CHAIRMAN MIKE ENZI

The American people continue to struggle to make ends meet in a persistently bad economy, with stagnating wages and lost household income, and rightly question the wasteful, big-government spending that was supposed to speed the nation's recovery from the Great Recession of 2007 to 2009. Instead, they see that runaway federal spending has delivered a nearly \$19 trillion debt, a crawling economy with few good job opportunities, and diminishing prospects for millions. They have lost faith in the government's ability to manage their tax money wisely, and for good results.

Make no mistake: American lives are being disrupted by the millions, in large part because of the federal government's failed tax-and-spend policies. As the first accountant to serve as chairman of the Senate Budget Committee, my top priority this past year has been to make government more accountable to the American people. That is no easy task. But the committee has made a concerted effort to begin restoring order to the nation's fiscal books.

Most notably, the Budget Committee led the way for Congress to pass its first 10-year balanced budget resolution since 2001. The 2016 balanced budget responded to American taxpayers' desire for an efficient, effective federal government that sets spending priorities in order to live within its means. Unfortunately, while a start, the budget process could not be completed, as the minority blocked most of the bipartisan spending bills from receiving floor consideration: no debates, no amendments, no votes to sort through the American people's priorities by all their elected representatives. The underlying process remains broken, resulting in government's taking more of the economic potential away from job creators, investors, and business people large and small throughout the private sector who hire workers, raise their salaries, and take the risks that create more wealth.

In addition to producing a balanced budget, I promised to follow the numbers and present an honest picture of the nation's finances to hard-working taxpayers. And so the committee spent the past year presenting the facts about the budget, spiraling public sector debt, and runaway government spending.

During 17 committee hearings, members listened to expert witnesses explain the daunting fiscal and economic challenges the nation faces and offer solutions. This *2015 Chairman's Report* underscores my commitment to continue prioritizing five public issues: the need for a balanced budget, dangerous federal debt and overspending, legislative oversight and government reform, costly overregulation, and budget process reform.

A BALANCED BUDGET

With continual deficits creating a federal debt of nearly \$19 trillion and rising, the nation desperately needs the fiscal discipline of balanced budgets. Balanced budgets will support a return to robust economic growth in the private sector, which in turn will enhance revenues without tax hikes and help bring down the debt. The 10-year balanced budget resolution reported this year by the Budget Committee, passed by the Senate, conferenced with the House, and adopted by both chambers, is a first step toward achieving this goal.

The fiscal year 2016 concurrent budget resolution, S. Con. Res. 11, which Congress adopted on May 5, 2015, balances the federal budget in 10 years solely by limiting government spending, not by raising taxes. In fact, following this budget path yields a surplus of \$32 billion in fiscal 2024 and \$24 billion in fiscal 2025. This groundbreaking conference agreement—the first concurrent resolution in six years and the first since 2001 to achieve balance over 10 years—offers a sensible blueprint for reducing the nation's ballooning debt burden and expanding economic opportunity for all Americans.

The 2016 balanced budget is a statement of good faith to the American people that Congress can govern responsibly and effectively, as it achieves five important objectives:

- Balancing the budget in 10 years to address government overspending and rising debt.
- Starting a return to regular order in Congress, allowing all committees to act fully and Appropriations Committees to report their annual spending bills on time.
- Providing a path through reconciliation to repeal the president's health care law, with its burdensome mandates and restrictions, a first step toward introducing real, patient-centered health care reform.
- Prioritizing national defense by providing for the maximum allowable defense funding under current law, with a fiscally responsible path for further spending increases.
- Balancing the budget solely by limiting government spending, not by raising taxes, thereby boosting the private sector economy and job creation.

The nonpartisan Congressional Budget Office (CBO) has concluded that implementing this balanced budget resolution would increase economic growth per person by 1.4 percent in fiscal 2025, a \$400 billion boost overall. At the same time, following this fiscal blueprint, the federal debt would decrease by \$5.8 billion relative to the CBO baseline, with publicly held debt as a share of gross domestic product declining dramatically, to 56 percent of the overall economy.

Against the backdrop of a slow-growth economy, which is forcing America's working families to make tough decisions about their spending, this budget promotes government stewardship of their hard-earned taxpayer dollars. The budget limits the growth in discretionary spending. It also curbs mandatory spending, providing a fast-track legislative vehicle under reconciliation rules enabling repeal of the president's oppressive and unworkable health care law. Repeal accounts for \$1.7 trillion of the budget's total \$4.2 trillion in 10-year mandatory spending reductions.

Above all, the budget is an effort to restore Americans' trust in their government through a return to the democratic principles of regular process. Its adoption allowed the Senate Appropriations Committee for the first time in many years to approve all 12 annual spending bills, all adhering to the budget plan. The resolution also targets longstanding budget gimmicks, most notably placing the first restraints on Changes In Mandatory Program spending (CHIMPS) used in appropriations to boost spending over agreed-upon limits. New rules place a two-year freeze on

CHIMPS, with their use set to decline in subsequent years, along with a one-year cap on the amount of the Crime Victims Fund, making maximum funds available to victims.

Congress needs to continue down this path toward balancing the federal budget. A balanced budget ensures that government sets priorities, spends responsibly, and learns to live within its means, just as hard-working Americans do every day. The alternative is unacceptable: more wasteful government spending and borrowing, along with higher taxes and fewer job opportunities for millions of Americans already struggling to make ends meet. Now Congress has started to reverse this trend, showing that more efficient, effective, and accountable government not only is achievable but essential to America's future prosperity, and what Americans deserve from their government.

Budget Committee Hearings:

- March 11, 2015, "The Better Path: Benefits of a Balanced Budget"

DANGEROUS DEBT & OVERSPENDING

The record-high government debt, at nearly \$19 trillion and counting, is a weight on the nation and a drag on the economy. The result of government overspending, ballooning public sector debt impacts the government's ability to function, dampens private sector economic growth and job opportunities, and places a staggering burden on young people already coping with the impact of a severe recession and an anemic recovery.

Again, the root cause of the nation's massive debt is unchecked government spending, not insufficient revenues. Congress is spending more tax revenue than at any point in history.

The government responded to the 2007 recession with huge spending increases instead of much-needed reforms. Total debt held by the public almost doubled between the end of calendar years 2008 and 2012. The result of the enormous debt is a crawling economy and a lack of preparedness to meet the nation's future needs.

The aging of the population with the rapid retirement of the baby-boom generation will sharply increase the costs of Social Security, Medicare, and Medicaid in coming years. In 2014, the Congressional Budget Office (CBO) estimated that federal spending on these programs would double by 2039, to be funded mostly through debt, meaning a doubling of federal interest expenses.

Over the next decade, CBO projects continued increases in federal spending, from slightly above 20 percent of GDP this fiscal year, to a little over 22 percent in fiscal 2025. CBO expects spending for Social Security; Medicare, Medicaid, and health insurance exchange subsidies; and net interest to outpace economic growth.

In addition, inflation and interest rate increases likely will become an issue in the next several years, according to CBO, which will cause additional stress on Americans' pocketbooks.

The solution to the problem of dangerously high debt is to control the growth in federal spending and reform unsustainable government programs. Restoring order to the nation's fiscal books will ensure that government has the resources to function effectively, boost economic growth, and promote a secure future for workers, retirees, and future generations.

Budget Committee Hearings:

- February 25, 2015, "The Coming Crisis: America's Dangerous Debt"
- June 17, 2015, "The Coming Crisis: CBO's Analysis of the Federal Government's Deepening Fiscal Challenges"

LEGISLATIVE OVERSIGHT AND GOVERNMENT REFORM

It is no secret that there is a lot of wasteful spending in Washington, as evidenced by the nearly \$19 trillion federal debt. The federal government spends way too much, racks up debt at a fast

clip, and then increases taxes on working American families, which never seems to make up the difference.

American taxpayers are asking: Who in Washington is minding the store? The government is not putting a priority on ensuring that it spends taxpayer dollars wisely, even though doing so would produce savings through greater efficiency and avoid further tax increases and debt accumulation. In the midst of a budgetary crisis, Americans need their leaders to pinpoint duplicative and wasteful government programs and either consolidate or eliminate them.

The Government Accountability Office (GAO) in its annual report has outlined tens of billions of dollars in potential savings from eliminating duplication across federal agencies. Streamlining federal programs assures needs are addressed while taxpayer wallets are protected. One major point of concern: The bureaucracy is so bloated that nobody, not even the executive branch, knows how many federal programs exist. Each agency uses its own separate definition of “program” for purposes of inventory reporting, as GAO has discovered, making it impossible to take stock of all programs.

Still, it is easy to see the upward trend from the number of programs in the more limited Catalogue of Federal Domestic Assistance (CFDA), which lists programs that provide assistance and benefits to the American public, and the CFDA number has skyrocketed, from 459 programs at CFDA’s inception in 1967, to 2,292 programs today—a five-fold increase over a half century.

This oversight problem is made more intractable by the current practice of agencies creating and continuing their own programs absent congressional authorization. Congress needs to periodically review and reauthorize the federal programs and activities it initiates to ensure that programs are addressing real needs and achieving results, without a lot of wasteful duplication. But increasingly, that is not happening. Most big-ticket federal entitlement programs like Medicare and Medicaid have permanent mandatory payments. And on the discretionary side, while Congress reauthorizes defense spending each year, the majority of non-defense discretionary spending now is expired.

Spending on expired programs has been increasing over the past three decades. In fiscal 2015, \$293 billion of the \$493 billion in non-defense spending went to expired programs and activities. And most of the current \$293 billion in expired spending is funding programs whose authorization has elapsed for a decade or more. In fact, some of the authorizations of funded programs expired more than 30 years ago.

Review of discretionary programs is itself becoming discretionary, despite rules in place in both houses of Congress requiring reauthorization to precede appropriation. So instead of a bilateral system of authorization and appropriation, Congress is moving to an appropriation-only process. Duplicative programs are on the rise as Congress relinquishes its authorization duty. Thus, Congress now funds 158 STEM education programs and nearly 700 renewable energy initiatives, according to the non-partisan Government Accountability Office (GAO).

Congress must renew its oversight efforts, restore the broken connection between authorization and appropriation, and root out wasteful, duplicative federal agency programs. Only then can government balance its budget, curb runaway spending, and control the dangerous federal debt. By spending taxpayer dollars only where they are truly needed, government can begin to restore order to the nation's fiscal books.

Budget Committee Hearings:

- March 4, 2015, "Wasteful Duplication in the Federal Government"

COSTLY OVERREGULATION

The expanding federal regulatory burden is having a harmful impact on job creation and economic growth, hurting working Americans' opportunity for advancement and prosperity. According to the Congressional Budget Office (CBO), the potential growth rate of the U.S. economy averaged 3.3 percent for the 1950-2014 period. Now CBO expects that annual rate to fall to 2.1 percent for the 2015-2025 period—a 36 percent reduction in the potential economic growth rate. That means fewer jobs for workers and continued stagnating wages and incomes.

This matters because according to the Office of Management and Budget, a 1 percent increase in the economy's growth rate would yield more than \$400 billion in new revenues to the government. When that rate falls, however, and the nation fails to meet its full potential, government revenues also fail to keep pace with budget projections. That means more borrowing, runaway spending, and debt.

Senators from Western states know all too well the economic effects of regulations coming from federal agencies like the Environmental Protection Agency (EPA). The state of Wyoming is the largest coal-producing state in the nation. Coal represents almost 40 percent of the share of electricity generation across the United States. This energy source has the potential to power the country for hundreds of years, supports jobs for hundreds of thousands of Americans, and permits reduced reliance on unstable foreign regimes. Yet the administration is producing regulations that threaten to put the coal industry out of existence and its employees out of work.

Since 2012, two EPA rules, the mercury and air toxic standards rule and the ozone rule, are estimated to cost in the tens of billions of dollars, and that excludes the billions lost due to many more EPA and other agency rules every year. If all these rules weighing on economic activity weren't enough, in August, the EPA doubled down on its war on coal, releasing the final rule of its Clean Power Plan. With an estimated price tag of at least \$366 billion, this rule not only will devastate the coal industry by mandating unrealistic carbon reductions, but also distress American families by causing double-digit electricity rate increases in more than 40 states, according to the National Mining Association.

The coal industry and businesses that rely on it are facing higher regulatory costs at the same time as energy producers are experiencing a tougher market than they have in years, a bad combination for job creation. At the end of July, Wyoming had 15 percent fewer energy industry jobs than a year earlier, according to the Bureau of Labor Statistics. Most of those lost jobs are in coal, oil, and gas, and businesses that rely on them.

Despite the significant economic consequences of over-regulation for all Americans, there is a troubling lack of public information about regulatory costs. Congress does not have access to cost information used by federal agencies or accessible to the Office of Management and Budget, and when the executive branch does release information, it is often incomplete. And OMB cannot compel federal agencies to provide this information for congressional review.

To begin to remedy the situation, Congress continues to consider proposals to improve access to quality regulatory analysis, including establishing its own regulatory analysis office and expanding the Congressional Budget Office or Government Accountability Office. Suggested responsibilities for a new office include independent cost-benefit estimates of major rules, annual estimates of the cost of major regulations, and agency pilot projects of regulatory budgets.

All proposals stem from the growing frustration over the increasing cost of regulation to the economy, employers, and working and job-seeking Americans. Congress needs a way to independently elicit information to curb runaway federal regulatory costs in order to help balance the budget and unleash the full job- and wealth-creating potential of the U.S. economy.

Budget Committee Hearings:

- December 9, 2015, “Moving to a Stronger Economy Through Regulatory Budgeting”

BUDGET PROCESS REFORM

The “power of the purse” is one of the most important constitutional roles of Congress. Its authority to tax and spend must be exercised by the representatives of the people so Americans can hold government accountable. The founders knew that without legislative oversight, the bureaucracy would run amok. Congress has a constitutional duty to use its regular, deliberative process to fund the government and provide effective oversight of government agencies, not cede its authority to the executive branch.

Yet today the budget process is broken. It has failed on three important fronts: to encourage regular process and predictability, to require active legislative scrutiny, and to provide transparency and accurate information for lawmakers and the public.

First and foremost, Congress must be able to do its job and enact its budget and spending legislation on time and in a deliberative manner. Earlier this year, Congress took the first step by passing a balanced budget that would serve as a fiscal blueprint for lawmakers to authorize and appropriate funding. But the process has ground to a halt. The budget resolution is only the first step of the process, yet Congress passed budget resolutions in less than half of the last 15 fiscal years.

After the resolution comes the most visible part of the process: enacting 12 annual spending bills before the start of the next fiscal year. In the last 40 years, since the Congressional Budget Act established the process, only in 4 of those fiscal years have those bills been completed on time. In 15 of those years, not even one spending bill was enacted on time. Instead, since 1977 Congress missed 173 spending deadlines, and the government operated under short-term spending bills for an average of 186 days per year—over half the year.

Second, Congress is failing to effectively oversee government budgets, which is apparent in the nation's unsustainable overspending and explosive debt. Since the Budget Act's passage 40 years ago, the federal government has run a budget deficit about 90 percent of the time, and the national debt has more than tripled.

Duplication, waste, fraud, and abuse are also rampant across federal government programs. Program authority limits, which allow congressional committees to provide legislative review of annually appropriated programs, are often ignored. Last year, the government spent \$293 billion on expired programs created by 260 expired statutes, according to CBO.

The underlying problem is the composition of federal spending has changed dramatically, and the budget process has not kept pace. The share of federal spending that falls under the annual appropriations process accounted for 60 percent of spending in 1974, but now it accounts for just

one-third of all spending. The funds not subject to annual review and forced to be spent, called mandatory spending, now account for two-thirds of the budget.

Third, outdated budget rules mean Congress does not have the accurate information it needs to conduct oversight and make rational budget decisions. The last government commission to conduct a comprehensive review of federal budget concepts concluded its work in 1967, nearly 50 years ago. As such, many of the rules governing the federal budget today are outdated and have not kept pace with advances in finance, economics, or accounting. Nor have they provided the best tools for controlling spending.

The nation faces a challenging fiscal future. According to CBO, federal spending is set to rise rapidly in coming decades based solely on the growth in a few of the largest federal programs and the interest payments on our surging debt. This is an unsustainable course, which threatens the solvency of critical programs serving our most vulnerable citizens. The fiscal 2016 balanced budget resolution met this fiscal challenge head on, but the existing budget process failed to maintain this progress. That is why budget process reform is top priority for the next session of the 114th Congress.

Budget Committee Hearings:

- October 21, 2015, “Reforming the Federal Budget Process: The Need for Action”
- November 4, 2015, “A Biennial Approach to Better Budgeting”