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**Committee on the Budget  
United States Senate**

Thank you, Mr. Chairman, for the opportunity to testify this morning about improving the budget process. Third Way is a think tank that creates and advances moderate policy and political ideas. We applaud your efforts, Mr. Chairman, and all the members of this committee, to bring the federal deficit and debt under control. We also welcome this hearing on how to improve the budget process and very much appreciate the opportunity to testify.

The father of the modern industrial quality movement, Edwards Deming, once said: "A bad system will beat a good person every time."

Members of both parties despite their differences want to put our fiscal house in order and give taxpayers good value for their tax dollars. The budgeting process itself often gets in the way of that common goal.

A biennial budget can give good people more opportunities to be good stewards of tax dollars. Every year Congress faces annual battles over how to spend taxpayers' money, but under the current system these fights leave little time to contemplate how to save it and use it more effectively. Unlike the annual budget process, which Congress rarely completes on time, Congress would be able to devote the second year of a two-year budget cycle to planning, oversight, and streamlining government programs and services.

A biennial budget has had many champions over the years. In this Congress, Senators Johnny Isakson and Jeanne Shaheen have introduced bipartisan legislation, "The Biennial Budget Appropriations Act," S. 211. A similar bill with bipartisan support has been introduced in the House of Representatives by Representative David Dreier. This is an idea whose time has come.

I would like to address three questions about a biennial budget:

1. How would it work?
2. How can it help?
3. What needs to be done to implement it?

### **How would a biennial budget work?**

Under biennial budgeting, the first session of each Congress would be devoted to enacting a two-year budget. The second session would focus on oversight of federal programs, authorizing legislation, and legislation needed to adjust budget laws for changing conditions or unforeseen events.

A two-year budget would give Congress and executive agencies a chance to develop and implement policy with more predictability and accountability. A shift to a longer-term plan would bring government in line with well-established business practices that have been used in the private sector for decades. A biennial budget would also increase predictability and stability for state and local governments, which rely on federal funding and regularly enter into joint ventures with the federal government.

Some may argue that a biennial budget would leave Congress unable to react to the difference between projections and performance. It's true that a budget is only as good as its underlying predictions, but that holds for both annual and biennial budgets—and prediction errors are fairly minimal two years out compared to just one. According to a Harvard Law School analysis, the Congressional Budget Office's baseline predictions were off by an average of 4.23% of total outlays for one year out and 8.84% for two years out during the period from 1995 to 2006. If second year budget adjustments were necessary, they could be made with far less difficulty than a repetition of the entire budget process.

Any adjustments for a major crisis like the Great Recession could be done by allowing the President greater latitude for making budgetary adjustments in off-years or by engaging in mid-cycle corrections. It is critical to have a formal structure agreed upon and in place to ensure that any needed adjustments do not turn into completely new appropriations bills.

For example, the Oregon state legislature has recently modified its biennial budget to include a plan for significant revisions in the second year if necessary. Legislatures with biennial budgets sometimes delegate limited authority to the executive branch, but they do not relinquish control over spending in general just because the budgets are set every two years.

## **How can a biennial budget help?**

By any number of measures the budget process isn't working:

- From 1975 to 2000, Congress met its statutory deadline for passing its annual budget resolution only five times.
- Over the last decade, Congress has failed two-thirds of the time to pass budget resolutions in both years of its two-year term.
- For appropriations, since 1996, Congress has been late an average of 86 days after the start of the fiscal year according the Congressional Research Service.
- In the fiscal year that just ended, Congress used eight continuing resolutions as the Committee for a Responsible Federal Budget recently pointed out.

The same budget process that was used for a \$500 billion budget in 1979 is still used for today's \$3.7 trillion dollar budget. Each year, the budget gets more complicated and the process for passage seems more arcane. In the absence of

transparency, political fights over spending have dominated the budget debate. Budgets are passed by cutting last minute back room deals—the exact type of horse-trading strongly opposed by the public.

The complicated, highly politicized budget process has also produced the threat of indiscriminate, across-the-board-cuts. Without the opportunity for members of Congress to deal with the budget in bite-sized pieces, broad-stroke cuts have become a leading way to achieve fiscal restraints. The Budget Control Act of 2011 subjects discretionary spending to across-the-board cuts if the Joint Select Committee on Deficit Reduction fails to achieve the minimum \$1.2 trillion in deficit reduction.

A two-year budget cycle would give more time to air out complicated issues, improve programs, and crack down on waste. With an annual budget, oversight is rarely a priority in part because there's barely enough time for authorizing and appropriating. Each year, valuable space on the cramped Congressional calendar is absorbed by the annual appropriations process, commanding significant attention, time, and resources from Members of Congress and their staffs. The authorizing committees are similarly oriented toward renewing, expanding and modifying existing programs.

The current budgetary process requires immense time and staff-power. These resources are strained every year as Congress debates anew issues that had seemingly limitless attention just a year prior. The same is true of executive agencies; preparing annual budgets is time not spent actually fulfilling the mission of the organization. All of this time and energy is spent focusing on the next fiscal year without incorporating longer-term financing and strategic planning. The reality is that vast resources, both in terms of human and financial capital, are wasted on repeating the budgetary process each year, a process that is needlessly short-sighted at that.

Additionally, a biennial budget would reduce the number of opportunities for inserting pet-projects into appropriation bills, while increasing the scrutiny of the way money is actually being spent. For now, the tide of earmarking for pet projects has receded, and a biennial budget would help ensure it does not rise again.

Biennial budgeting is not a cure-all for the problems in the budget process, but making the budget process consistently transparent and accountable will reduce the risk of political breakdowns.

## **How would a biennial budget be implemented?**

The Isakson-Shaheen bill is a good place to start for implementing legislation. It sets a new calendar for each year of the two-year budget cycle, makes necessary changes to the 1974 Budget Act, and adapts the Administration's budgeting and Congress' appropriations and authorization process to the two-year cycle.

In addition, each committee will have to establish a new pattern of hearings and activities during the second year of the budget cycle. No committee's pattern would change more than the appropriations committees. Annual budgeting is a full-year job. It leaves the appropriations committees with no time for making sure the money they appropriate is well spent – a task for which they are uniquely well-suited because

they know where the money is going. Their new activities could include hearings about programs results, site visits to federal programs and offices, and reports on findings. These activities would also prepare them for making new decisions about the best use of federal funds in the upcoming year.

Authorizing committees should and would continue to conduct vigorous oversight. Under a biennial budget, they would have more time for their traditional oversight activities as well as more time on the legislative calendar for authorizing legislation.

The budget committees will also have to define a new role for themselves during the second year. They could increase transparency and accountability in budgeting by devoting time and attention to several areas: the construction and use of budget baselines, the differing budget assumptions between the Congressional Budget Office and the Office of Management and Budget, the effect of the federal budget on the nation's economy, and the disclosure of budgetary information to the public through a taxpayer receipt or other techniques. Some of these tasks could be defined in statute to ensure they are addressed.

## **Conclusion**

Another famous American, General George S. Patton, Jr. once said: "You're never beaten until you admit it." Too often we hear the budget process is broken, and too little about fixing it. Congress now has an opportunity to fight for and win a better budget process. Third Way urges the Senate Budget Committee to propose a biennial budget as one way to help prevent the problems that the Joint Select Committee on Deficit Reduction is now addressing.