FIXING AMERICA'S BROKEN BUDGET PROCESS

The last time Congress reformed the budget process was in 1974. Times have changed and the 40-year-old process has only grown more dysfunctional and antiquated. Recent years have shown that budget dysfunction creates crippling uncertainty and leads to bad federal fiscal policy.

It is time for Congress to fix America's broken budget process. The following proposals, explained in more detail in the following pages, are bipartisan, common-sense solutions that will place our country on a better, more sustainable fiscal path:

- **Bipartisan Improvements to Budget Procedures.** Make congressional budgets easier to pass and harder to ignore. Encourage regular order in the normal funding process. Improve congressional oversight of previously enacted taxes and spending.

- **Modernize Government's Outdated Accounting Concepts.** Update and improve the rules that determine the accuracy and quality of the budget information Congress receives.

- **Address America's Long-Term Debt Crisis.** Create long-term, enforceable fiscal targets with guideposts along the way that ensure revenues and spending are moving in the right direction. Create a BRAC-style commission to recommend to Congress policy options that will achieve those targets.

- **Add Predictability to Appropriations**. Move to a biennial spending cycle to provide federal agencies, businesses, and the American people with certainty and predictability.

U.S. SENATE COMMITTEE ON THE BUDGET
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BIPARTISAN IMPROVEMENTS TO BUDGET PROCEDURES

Problem: Budgets are increasingly rare. Between 1975, when the current budget process took effect, and 1998, Congress never failed to pass a budget. Since then, Congress has failed to pass a budget in 9 of the last 18 fiscal years.

The Senate imposes overly burdensome rules for consideration of a budget resolution. Committee rules encourage a secretive and partisan markup. Furthermore, arcane floor procedures lead to "vote-a-rama," a marathon of votes on meaningless political amendments. Establishing a more orderly process will remove a major impediment to passing budgets in the Senate.

> **Solution: Make it easier to consider and pass the budget.** In committee, new rules should require that the budget resolution be made publicly available prior to the first day of markup. In addition, amendments should be filed before the committee begins marking up the resolution, so senators have time to read them. On the Senate floor, new procedures also should impose amendment-filing deadlines and limit the total number of votes permitted on amendments, to be divided equally among the majority and minority.

Problem: Budgets are increasingly ignored. During the fiscal year 2016 budget cycle, Congress enacted legislation that violated the budget by $150 billion in new spending and $478 billion less revenue. Most of these tax-and-spending policies were enacted as part of the end-of-year omnibus spending bill, drafted behind closed doors and passed under the threat of a government shutdown, completely outside of regular order.

Congressional budgets are enforced by points of order raised on the floor when legislation breaches the budget's spending or revenue levels. They are supposed to create a meaningful obstacle to violating the budget. But in recent years, budget points of order have been routinely ignored or waived. Points of order lying against the budget-busting fiscal year 2016 omnibus required only 60 votes to waive, the same number of votes required to invoke cloture.

> **Solution: Make budget points of order matter.** The number of votes needed to waive a point of order should be tied to the size of the budget violation. Legislation with de minimis amounts of new spending or revenue losses should be automatically waived. On the other hand, waiving a point of order against legislation with large amounts of

new spending or revenue losses should be subject to a two-thirds-vote threshold in the Senate.

Problem: Appropriations bills are enacted outside of regular order. Congress has completed appropriations before the start of the fiscal year only 4 times in the past 40 years. The last time Congress completed all bills on time was 20 years ago in 1996.

Instead of a functioning appropriations process, Congress has resorted to massive omnibus appropriations bills and continuing resolutions that carry over spending from the previous year. The federal government spent half of the last 40 years operating under 173 different short-term funding bills. This new norm of crisis budgeting reduces transparency, accountability, and fiscal discipline.

Solution: Require floor time for appropriations bills. Regular order allows the Senate to thoroughly review and debate individual line items in appropriations bills, and all 100 senators have an opportunity to amend them. The Senate should be required to consider appropriations measures under regular order once the annual budget resolution is agreed to. The Senate would need two-thirds of senators voting in the affirmative to consider a bill that is not one of the 12 regular appropriations bills until it adjourns for the August recess.

Problem: Poor oversight of government resources. Each year, the Government Accountability Office (GAO) identifies a growing number of duplicative, overlapping, and fragmented government programs. The programs identified by GAO are partially a result of the federal government's fragmented budget process, which makes it nearly impossible to know how much of the government's resources are devoted to a particular policy goal. Budget decisions are made within silos by federal agencies and congressional committees whose jurisdictions overlap. In addition, these decisions are not informed by performance data showing whether federal funding accomplished what it was supposed to accomplish.

Solution: Create subcommittees to review the portfolio of resources devoted to certain policy goals. The Budget Committee should be given explicit authority to create subcommittees to review an entire portfolio of government spending and tax policy meant to accomplish an identified policy goal. The subcommittees should focus on performance measures to identify both effective and ineffective programs within a portfolio, reducing wasteful spending and focusing attention on measurable results. Their work would be informed by hearings with relevant agency heads; by GAO, JCT, and CBO reports; and by input from authorizing committees.

MODERNIZING GOVERNMENT'S OUTDATED ACCOUNTING CONCEPTS

Problem: The rules that govern budget information are outdated. The last time Congress updated its accounting rules was in 1967, when President Lyndon B. Johnson formed a budget concepts commission to modernize the federal budget and make it more understandable. Many of the commission's recommendations were adopted, providing a much-needed update to the federal government's accounting rules.

But that was 50 years ago, and it was the last time that those rules were comprehensively reviewed and amended. The size and complexity of the federal government has increased at a rapid pace since 1967. Its antiquated budget rules have not kept pace with advances in economics, accounting, and finance.

- When the concepts commission was created, government spending equaled 17 percent of GDP, and government debt was 42 percent. Today federal spending is 21 percent of GDP, and debt is 104 percent.

- A larger government means its activities will have a larger effect on the U.S. economy. But CBO and OMB do not account for economic feedback when calculating the estimated budget effects of most federal policies.

- Similarly, capital investments, e.g., building roads and bridges, have a positive effect on productivity and long-run growth. But these investments are treated the same as other current expenditures that do not provide similar benefits.

- The budget's complexity has increased. For example, government-sponsored enterprises (GSEs) have blurred the line between public and private. GSEs' activities affect the federal budget, directly and indirectly, and their budgetary treatment should be reviewed to ensure they accurately reflect these interactions.

Solution: Create a new budget concepts commission. A nonpartisan commission should comprehensively review government accounting rules and propose changes that would improve the quality of budget information used by the executive and legislative branches.

ADDRESSING AMERICA'S LONG-TERM DEBT CRISIS

Problem: The government is accumulating unsustainable levels of debt. Federal debt is at its highest level since World War II, larger than the entire U.S. economy. Total debt is projected to increase from $19 trillion to $29 trillion in 10 years, and will grow at faster rates after that, as automatic spending on entitlements and interest payments on the debt consume an even larger portion of the budget.

Congress has lost control of spending. Fifty years ago, automatic spending accounted for just one-third of total spending, and annual spending equaled two-thirds. This meant that Congress reviewed and amended two-thirds of the federal budget each year. Now, automatic spending consumes 70 percent of the budget and growing, while the portion of the budget that Congress controls continues to shrink. In 15 years, automatic spending will consume all the taxes and revenues the federal government collects.

Higher spending and debt mean higher debt-interest costs. Last year, the U.S. government spent $223 billion on interest. These costs will climb to $839 billion by 2026, crowding out spending on the functions normally associated with good government, such as national defense and border security.

Solution: Create enforceable, long-term fiscal targets. The biggest threat to American security and prosperity lies in the long-term budget outlook. Congress should set enforceable, long-term fiscal targets that require advance planning and discourage crisis budgeting. Targets would include medium-term guideposts that ensure the budget is on an appropriate guide path to reach the target.

Fiscal targets will not, by themselves, correct the government's debt problem. Congress should enact substantive reforms in the near-term. Former Budget Chairmen Judd Gregg and Kent Conrad have proposed a new, BRAC-style fiscal commission that would recommend policies to achieve congressional fiscal targets. The congressionally chartered bipartisan commission would send its recommendations to Congress for an automatic vote.

ADDING PREDICTABILITY TO APPROPRIATIONS

Problem: The current appropriations process encourages uncertainty. The current appropriations process requires Congress to consider 12 individual appropriations measures every year, between May 15 and September 30, providing over $1 trillion in funding. In practice, all 12 bills are rarely enacted on time. Instead, an omnibus appropriations bill is negotiated behind closed doors and presented to the Congress months late, on the eve of a government shutdown.

The Senate's current good-faith attempt at regular order has exposed a shortcoming of the current process. There is not enough time in the legislative calendar to thoroughly debate all 12 appropriations bills while completing other legislative business. As a result, Congress has completed appropriations before the start of the fiscal year only 4 times in the past 40 years.

This creates uncertainty that imposes direct and indirect costs. Budget dysfunction causes wasteful spending, disrupts government operations and planning, and reduces productive investment and hiring in the private sector.

Solution: Move the annual funding process to a two-year cycle. A biennial cycle would establish two years of government funding, cutting in half the potential for showdowns and shutdowns. It would create stability and predictability for federal agencies, state and local governments, and Americans who rely on federal funding.

Congress is already moving toward a two-year funding process. In the last three non-election years (2011, 2013, and 2015), Congress set topline funding levels for two years at a time. This provided some measure of predictability and avoided election-year debates over appropriations aggregates.

Support for a two-year funding process is broad and bipartisan. Presidents, legislators, and good-governance think tanks from both parties have supported the concept for decades.