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Testimony of The Honorable Kent Conrad Hearing before the Senate Budget Committee:

Fixing a Broken Budget and Spending Process: Perspectives of Two Former Chairmen May 14, 2019

Introduction

Thank you, Chairman Enzi and Ranking Member Sanders for inviting me here today. And thank you members for being here to listen. First, I would like to take a moment to observe that Chairman Enzi will be missed in this body when he retires. Lucy and I traveled with Mike and Diana to Africa to visit AIDS clinics and orphanages to see how American funds were being spent. I learned a great deal about Chairman Enzi on that trip. He is a person of rare character and decency, and we need more of that in this country. When I announced my retirement, one of the most moving letters I received was from Chairman Enzi.

And Senator Sanders, I have long admired your unswerving attention to the income inequality that challenges our country. When 40% of our fellow Americans say in a [Federal Reserve study](#) that they would have a hard time coming up with \$400 for an emergency car repair, we have a problem that is undeniable.

I appear before you as a Director of the Board of the Committee for a Responsible Federal Budget. I also appear before you as a former Chairman and Ranking Member of this Committee, on which I proudly served for 26 years. When I first came to the Senate, I was the most junior member in the body and on this committee. I ultimately served as Chairman several times and as Ranking Member several times. It was very different then. This committee was taken very seriously. The budget process was taken seriously. Mark-up of a budget resolution could go on for several weeks. The budget resolution always went to the floor for debate, amendment, and a final vote. Now we know that rarely happens.

Let me share a story that illustrates how things have changed. Once I had a budget resolution on the floor, and a senior Republican had an amendment pending that, if voted on, would have passed and killed any chance for my budget to pass. It was an amendment that sharply limited farm program payments to large farmers but that would especially affect cotton and rice producers. We all knew it would pass by a wide margin if voted on and that it would kill any chance to pass my budget because southern Democrats could not support a budget with that amendment attached. My best friend in the Senate, a Democrat, was the cosponsor.



When I told him he was about to kill my budget, he asked me what he could do, and I told him the only answer was to ask our Republican colleague to withdraw the amendment.

He called me later to say the Republican Senator had agreed to withdraw his amendment even knowing he could have killed my budget and even knowing he was going to win something he had been working years to accomplish. And mind you, he was a tough, partisan Republican. However, he respected the process and believed we needed a budget.

One other quick story. Judd Gregg and I were on a trip to Central and South America. Our wives and we were seated together on the plane for the entire trip. We were both deeply concerned about our burgeoning gross debt headed for over 100% of GDP – unprecedented since WWII – and the pending insolvency of Social Security and Medicare.

We came up with the idea of a Grand Compromise to cut spending, raise revenue, and reform entitlements to get our fiscal house in order and our nation back on track. It became the Simpson-Bowles Plan. While we did get more than 60% of the Commission to support the plan, we could not get the super-super majority required to bring it to the floor for a vote. My greatest regret is that it did not pass. In my judgment, it would have strengthened our country and put us on a more secure path for the future.

It is critical that America has a budget. Our gross debt is now over \$22 trillion, or above 100% of GDP, Social Security faces insolvency by 2034 (Old-Age and Survivors Insurance trust fund), and Medicare by 2026 according to the Trustees of those programs. When interest rates rise, the pressure on all other federal spending and revenue will be intense.

So Congress and the Administration need to act, and it starts here. We need a functioning budget process. But we all know what has happened. The federal budget process is little more than a charade.

The leaders know if the Budget Committee takes action, even if the budget never goes to the floor for a vote, it blocks any member from offering a resolution that would require consideration of the whole membership.

So because leaders of both parties want to shield their members from tough votes, they don't permit a budget resolution to be considered by the full Senate. And America is denied the opportunity to have a budget for the country.

Meanwhile, we will be running trillion-dollar deficits when economic times are relatively good with low unemployment, low inflation, and reasonably strong economic growth.

I know that it is now fashionable to believe for many on both sides that deficits and debt do not matter. I would say to them: ask the people of Greece, the people of Venezuela, the people of Chile, and, yes, the people of Germany before WWII, if debt matters.



Deficits and debt matter when you reach a tipping point. No one knows for sure where that is, but we are racing towards it.

So the first thing I would do is say if the Budget Committee's concurrent resolution does not come to the floor for a vote within ten legislative days of passage in the committee, any member could offer a budget resolution and it will be treated in the same way as a resolution from the committee itself.

That would put enormous pressure on any leader to bring a Budget Committee resolution to the floor for consideration. But that will not be enough. Let me quickly outline some other ideas that might make a difference.

Other Recommendations to Reform the Budget Process

Reform "vote-a-rama" by establishing a filing deadline and a limit on the number of amendments. "Vote-a-rama" is a series of floor votes on amendments, some with almost no time for Senators to review, to a Senate budget resolution. It is often hours-long, lasting late into the night, and it presents a significant hurdle to passing a budget because leadership wants to shield members from politically tough amendment votes. I agree with a proposal that Chairman Enzi has made previously to limit the total number of amendments, with an even split between majority and minority, and institute a filing deadline so Senators have proper time to review amendments before voting.

Make the budget process more efficient by adjusting the federal fiscal year to match the calendar year, moving to biennial budget resolutions, and examine the tradeoffs from biennial appropriations. It is worth considering creating a process to lock in 302(a)s in law after House and Senate elections.

Amend the debt ceiling to lessen the likelihood of default and couple it to revenue and spending levels in the budget resolution. Reducing the risk of default would contribute to curtailing the crisis atmosphere that overshadows the budget process. Yet, it would be imprudent to eliminate one of the remaining fiscal constraints in the process. Instead, lawmakers should have to vote for a debt ceiling increase at the time they vote for the spending or tax legislation that would increase the debt. This reform would lead to greater accountability. A failsafe option would be to give the President the ability to lift the debt ceiling if Congress does not act. This change can be partnered with a requirement that the President submit a plan to set and meet fiscal benchmarks to reduce projected debt.

Prevent or reduce the likelihood of government shutdowns by implementing automatic Continuing Resolutions (CRs) or a fast track process for limited duration CRs. Such CRs should provide funding at the level of the previous year without anomalies. This change could be paired with incentives for lawmakers to complete appropriations on time.



Prohibit lawmakers from using reconciliation to increase the deficit within the ten-year budget window. When I was Chairman of the Senate Budget Committee, we enacted a Senate rule with this prohibition. Policymakers should take it one step further by passing this requirement in law.

Curtail gimmicks by requiring all budget resolutions to use the CBO baseline and require all mandatory spending and revenue changes to be shown. If we're going to measure the fiscal impact of potential legislation, it's imperative that we all use the same measuring stick.

Compel lawmakers to take a distinct floor vote to waive any Budget Act or PAYGO point of order. Simply put, lawmakers should be accountable to their constituents if they are going to suspend budget rules, and constituents ought to know when and how often their elected representatives willfully ignore their own rules intended to instill fiscal responsibility.

Include tax expenditures and mandatory spending within the normal budget process, creating more parity with discretionary spending. Mandatory spending programs and tax expenditures ought to be reviewed on a regular basis. Ideally, policymakers would create multi-year budgets or limits for both. Budgeting is an exercise in tradeoffs, and all budgetary resources should be on the table.

Create a requirement that presidential and congressional budgets include estimates of budgetary impacts for twenty years. Lawmakers and the public should have information about how revenue and spending changes would affect the budget beyond the current ten-year budget window because our budget challenges are not limited to ten years. Estimates for second-decade impacts need not be as detailed as the year-by-year figures provided for the first decade but should give a sense of the direction and magnitude of the change.

For all estimates of legislation by CBO, require interest to be included in the cost. Unless it's offset, every piece of legislation has an interest component to its cost. Choosing not to include that component in a cost estimate means choosing not to understand its full cost. This shift will guarantee the full fiscal impact of legislation is quantified for lawmakers and will better emphasize the benefit of paying for new legislation. Senator Daines (R-MT) has introduced legislation in the Senate to do this. At the very least, interest cost should be a memorandum line.

Implement multi-year debt-to-GDP benchmarks to shrink debt relative to GDP. Through the Budget Committees, use expedited procedures that encourage meeting the debt targets with budgetary triggers if Congress fails to do so. This recommendation is based on the Peterson-Pew Commission on Budget Reform's [Getting Back in the Black report](#).



Conclusion

A well-functioning budget process is necessary for a robust and efficient federal government. It provides the opportunity for our leaders to decide in an open forum the priorities we set as a nation. Budgeting requires hard work, negotiation, compromise, and a determination to stay the course. Reforming the budget process alone will not force lawmakers to agree or act responsibly, but more thoughtful and practical rules will help foster the environment for that through greater transparency and accountability.

With trillion-dollar deficits on course to become the norm and interest payments the fastest growing part of the budget, now is the time to set the committee on the right track with reforms that will not only help the committee itself but the nation as a whole.

Once again, thank you, Chairman Enzi, Ranking Member Sanders, and all the members of this committee. It's an honor to come back here and provide advice to you all today as you embark on this important task.

While I believe much is needed to make this committee and the budget process fully functional again, I am confident in the ability of lawmakers to work together to improve the budget process. The time is now to reform our broken budget process.