

# #aBetterBudget

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## FIXING AMERICA'S BROKEN BUDGET PROCESS

### Agenda for the 115th Congress

The last time Congress comprehensively reformed the budget process was in 1974. Times have changed, and the 40-year-old process has only grown more dysfunctional and antiquated. It is time for Congress to fix America's broken budget process. The following proposals are targeted, common-sense solutions that emerged from a bipartisan, year-long inquiry by the Senate Budget Committee. They will be introduced in the 115th Congress, and should be considered and passed as soon as possible.

#### Fixing Congressional Budgeting

- Share the budget resolution and amendments in advance of committee consideration
- Prohibit meaningless reserve fund amendments in committee and on the floor
- Reform "demeaning" vote-a-rama that follows consideration of the budget on the Senate floor
- Make the budget matter by requiring 67 votes in the Senate to pass budget-busting legislation
- New subcommittees conduct comprehensive, portfolio review of resources in a policy area
- Create a commission of experts to review outdated government accounting rules

#### Fixing the Annual Spending Process

- Require mandatory floor time for appropriations in the Senate until all are completed
- Make appropriations easier to complete on time by moving to a two-year cycle
- End government shutdowns by providing for automatic continuing resolutions

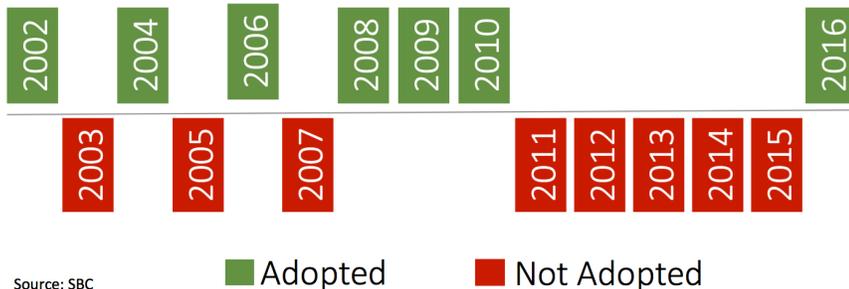
#### Fixing America's Automatic Spending and Long-term Debt Crisis

- Reorient the budget process so that spending is determined based on incoming revenues
- Manage long-term debt with fiscal targets
- Show unsustainable automatic spending in the budget resolution report
- Create a bipartisan, BRAC-style task force to recommend a sustainable fiscal course

## FIXING CONGRESSIONAL BUDGETING

The spending and revenue policies that determine the overwhelming majority of the federal government's fiscal policy are set on autopilot and not regularly reviewed. The budget resolution is the only vehicle that forces Congress to regularly examine and review the spending and revenue policies it has previously enacted, and the future fiscal course of the country.

### *Congress Adopted Only 7 Budgets in Previous 15 Fiscal Years*



And yet congressional 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 7 of the last 15 fiscal years. Setting out the long-term trajectory of the entire federal budget is a difficult proposition for many reasons, but congressional rules and procedures have made it a near-impossible feat in an era of increasing partisanship.

The following reforms would reorient the federal budget process toward the substance of federal fiscal policy and away from the “demeaning” and overtly political process it has become. These reforms would increase transparency, decrease the opportunity for political maneuvering, and make it harder to increase already unsustainable federal deficits.

### **Add Transparency to Committee Budget Consideration.**

The first step in the Senate's consideration of a budget resolution occurs in the Budget Committee, where the Chairman lays down the committee mark of the resolution. From the beginning, committee rules governing consideration of the resolution discourage constructive, meaningful consideration of the budget and encourage gamesmanship and “gotcha” politics.

For example, the majority is not required to share the text of the budget before consideration begins. This means that senators give an opening statement about the budget before they even have a chance to read it. Thus they are forced to fall back on generic, partisan talking points, rather than constructively discuss the text before them. Similarly, senators may withhold the amendments they are offering until the last minute, forcing votes on amendments that members and staff may not fully understand.

**Fix:** In committee, new rules would require that the budget resolution be made publicly available three days prior to the commencement of consideration, giving members and staff three days to review the contents of the budget. In addition, amendments must be filed the day before the committee begins marking up the resolution, so members on both sides have an opportunity to review and analyze the amendments on which they will vote.

## Prohibit Meaningless Amendments

The budget resolution establishes enforceable revenue and spending levels. It also can provide the Chairman of the Budget Committee with the authority to adjust those levels to accommodate future legislation. These "reserve funds" serve a narrow purpose in the budget process, but in recent years they have increasingly been used to score political points rather than affect budget policy.

Often these reserve-fund amendments are offered even though the authority they claim to be adding is already included in the text of the resolution. And senators rarely know what exactly they're voting on, because the legislative text of the amendments are overly vague and do not spell out the policy changes envisioned by the offering senator. This leads to political cheap shots that distract from the budget resolution's goal of forcing substantive debate on fiscal policy.

**Fix:** Prohibit meaningless reserve fund amendments in committee and on the Senate floor.

*The Senate has used only 3 percent of FY2016 reserve funds*



Source: Senate Budget Committee staff

## Reform "Vote-A-Rama" on the Senate Floor

On the Senate floor, the budget resolution is subject to special, expedited procedures. This is meant to ensure that the budget is considered and adopted in a deliberate but efficient manner. For example, there are rules that restrict the total time for debate and types of amendments that may be offered. However, arcane floor procedures and a quirk of the original 1974 Budget Act have undermined this intent by allowing an overnight marathon of non-stop votes once debate on the budget has ended.

These "vote-a-ramas" force consecutive votes without time for debate or analysis of what is being proposed. It is therefore useless as a device for substantive consideration of fiscal policy, but perfect for catching senators in politically precarious positions by forcing votes on almost any issue imaginable other than federal fiscal policy. Instead of encouraging consideration of budget resolutions, as the original Budget Act intended, vote-a-rama is now a major reason not to do a budget every year.

The average number of votes in a typical vote-a-rama has increased over the past 15 years under both Democratic and Republican control. The budget resolutions for fiscal years 2014 and 2016 set new records, with 42 amendment roll call votes during each vote-a-rama.

**Fix:** Remove a major impediment to passing budgets in the Senate by establishing a more orderly process for debate and amendment. New procedures would impose amendment-filing deadlines, so members have a chance to read the amendments on which they will vote. Also, the number of roll call votes after debate expires on the budget would be limited to 10 amendments for the majority party and 10 amendments for the minority party.

## Strengthen Budget Enforcement to Stop Deficit Spending

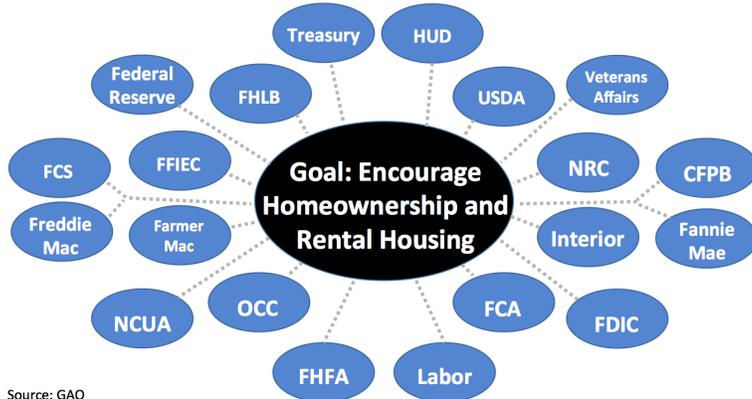
Congressional budgets are enforced by points of order raised on the floor when legislation breaches the budget's spending or revenue levels. They are supposed to create a meaningful obstacle to violating the budget. But in recent years, budget points of order have been routinely ignored or waived. Points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

**Fix:** Make budget points of order matter. The number of votes needed to waive a point of order should be tied to the budget impact of the bill. Legislation with de minimis budget impact would not apply. On the other hand, waiving a point of order against legislation with a budget impact of over \$1 billion would be subject to a two-thirds-vote threshold in the Senate, or 67 votes.

### **Incorporate Portfolio Review into Budget Resolution Process**

Budgeting requires setting priorities. But determining the share of budgetary resources actually directed to achieve a specific national priority is difficult – and the task becomes harder as government increases in size and complexity. Duplication, overlap, and fragmentation among government programs is extensive, as the Government Accountability Office (GAO) has annually chronicled.

#### **20 Federal Agencies Oversee 160 Housing Programs**



Source: GAO

Federal programs with similar purposes are scattered -- both within individual agencies and across multiple agencies. The programs identified by GAO are partially a result of the federal government's fragmented budget process, in which decisions are made within federal agency silos and by individual congressional committees – even when their jurisdictions include overlapping priorities. Thus, decisions are often made in a vacuum, without regard to the existence of similar programs housed

elsewhere in the bureaucracy. Furthermore, program performance data is often ignored, and is rarely considered within the broader context of an array of similar federal initiatives designed to achieve a common purpose.

**Fix:** Create subcommittees in the Budget Committee to review portfolios of budgetary resources devoted to certain policy goals. Each subcommittee would review a portfolio of government spending and revenues in a broad area of the budget. The subcommittees would identify various sub-goals that their portfolio is designed to achieve, and classify individual spending and revenues into each of these sub-areas. The subcommittees would then attempt to determine how effectively (including cost-effectively) individual programs and collections of programs are achieving their goals. The subcommittees would take into account performance measures, including assessments performed by GAO, the various inspectors general, and non-governmental entities. Their work would also be informed by hearings with relevant agency heads and input from authorizing committees. Subcommittee reports would be publicly posted and would inform the levels and policies in the forthcoming budget resolution.

## **Create New Commission to Review Outdated Accounting Rules**

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.

**Fix:** 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. The legislation creating the commission would identify specific areas of budget concepts for review.

For example, most states budget separately for capital improvements, while the federal government treats capital spending equally with other types of spending. The commission would examine whether and how to incorporate capital budgeting in the federal budget process. Similarly, the beneficial economic effects of government policies are not included in the estimates used to determine the budget impact of legislation Congress considers. The commission would recommend whether and how to account for positive macroeconomic feedback in the budget information provided to Congress.

The commission would be composed of budget experts appointed by the House and Senate Budget Committee chairs and ranking members and the President. Each party receives an equal number of appointments, and the Comptroller General and the Congressional Budget Office Director would be non-voting members. The commission's recommendations would be published publicly, and the budget scorekeepers in the executive and legislative branches would determine which recommendations to adopt.

## **FIXING THE ANNUAL SPENDING PROCESS**

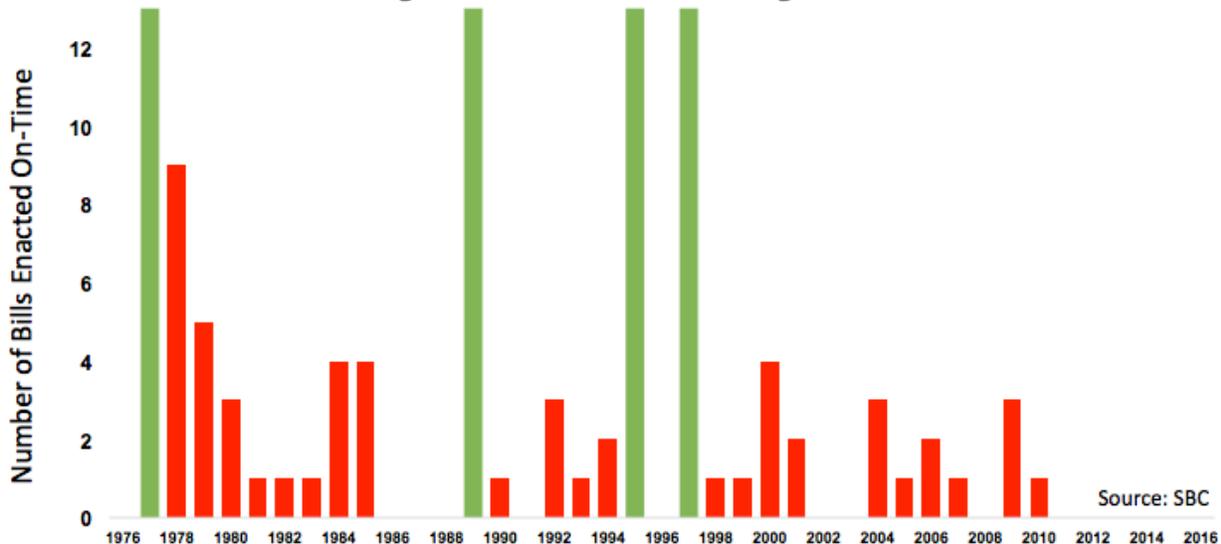
Congress has completed appropriations before the start of the fiscal year only 4 times in the past 40 years. The last time Congress completed all bills on time was 20 years ago, in 1996. Instead of a functioning appropriations process, Congress has resorted to massive omnibus appropriations bills and continuing resolutions that carry over spending from the previous year. The federal government spent half of the last 40 years operating under 175 different short-term funding bills. This new norm of crisis budgeting reduces transparency, accountability, and certainty.

The following proposals would improve the appropriation process by requiring the Senate to follow regular order, making appropriations bills easier to pass, and taking away the threat of government shutdown that leads to crisis-driven budgeting.

## Mandatory Floor Time for Appropriations

Under regular order, the full Senate has the ability to thoroughly review and debate individual line items in appropriations bills, and all 100 senators have an opportunity to amend them. In recent years, however, the Senate has rarely considered appropriations bills under regular order. Instead, floor time is spent on bills unrelated to the annual appropriations process until the next shutdown crisis produces a budget-busting omnibus agreement.

### Congress Completed Appropriations On-Time Only 4 Times in 40 years

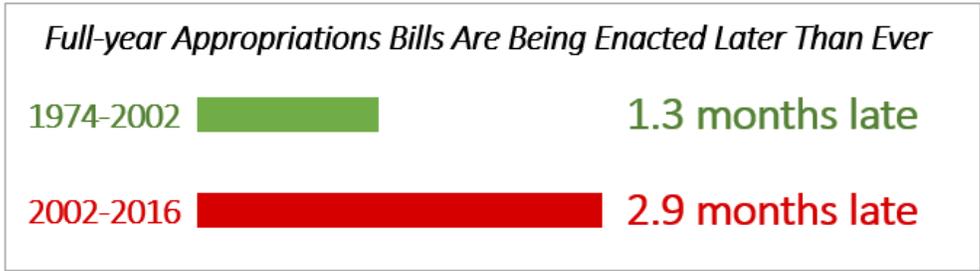


**Fix:** Require floor time for appropriations bills. The Wyoming state legislature sets aside specific months of its budget cycle to consider spending bills. In order for the legislature to consider a non-budget bill during the budget session, at least two-thirds of members of either house must vote in favor of proceeding to the non-budget bill. This ensures that the budget bills are given thorough consideration and completed on time.

Just like the Wyoming legislature, the Senate should require two-thirds of senators voting in the affirmative to consider a bill that is not one of the 12 regular appropriations bills. This mandatory floor time for appropriations would begin two weeks after the budget resolution is approved and end once the annual funding process has been completed. There would be limited exceptions to the 67-vote threshold, including privileged measures and nominations.

## Make Appropriations Easier to Complete

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. Passing each bill individually requires an enormous amount of work and, in practice, all 12 bills are rarely enacted on time. Instead, continuing resolutions are used to buy more time, and an omnibus appropriations bill is negotiated behind closed doors and presented to the Congress months late, on the eve of a government shutdown.



**Fix:** 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.

There are two bipartisan proposals currently introduced in the Senate to implement a two-year spending cycle. Budget Chairman Mike Enzi’s legislation would move appropriations to a biennial cycle while still passing a budget resolution annually in order to maintain Congress’s ability to use fast-track budget procedures each year. Consideration of appropriations bills would be split between the two years of a budget cycle, with the more politically contentious bills to be completed in non-election years, so that Congress is still considering spending bills every year. Defense appropriations would remain annually appropriated, and the Appropriations committees would be able to utilize fast-track procedures to make limited, budget-neutral adjustments to previously appropriated amounts during the off-years.

Another proposal, offered by Senator Johnny Isakson, would move the budget resolution and all 12 appropriations bills to a biennial cycle, to be enacted in non-election years. During election years, congressional authorizers and appropriators would conduct oversight hearings to determine whether taxpayer dollars are being spent effectively and efficiently. Similar legislation has also been introduced in the House of Representatives.

**End Government Shutdowns**

In recent years, most appropriations bills have been bundled into a year-end omnibus bill that is passed days, and sometimes hours, before prior funding is set to expire. This creates a crisis atmosphere and a take-it-or-leave-it approach to over \$1 trillion of spending. Senator Rob Portman has introduced legislation that would remove the threat of government shutdowns from the annual funding process.

**Fix:** Senator Portman’s End Government Shutdowns Act would automatically continue funding, at previously enacted levels, for discretionary programs whose spending has not yet been enacted by the beginning of the fiscal year. If an appropriations bill remains unfinished 120 days past the October 1 deadline, the spending level for each program, project, and activity under the jurisdiction of the unfinished bill would be reduced by one percentage point. Spending levels would be reduced by an additional percentage point at the end of each subsequent 90-day period.

**FIXING AMERICA’S LONG-TERM SPENDING AND DEBT CRISIS**

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.

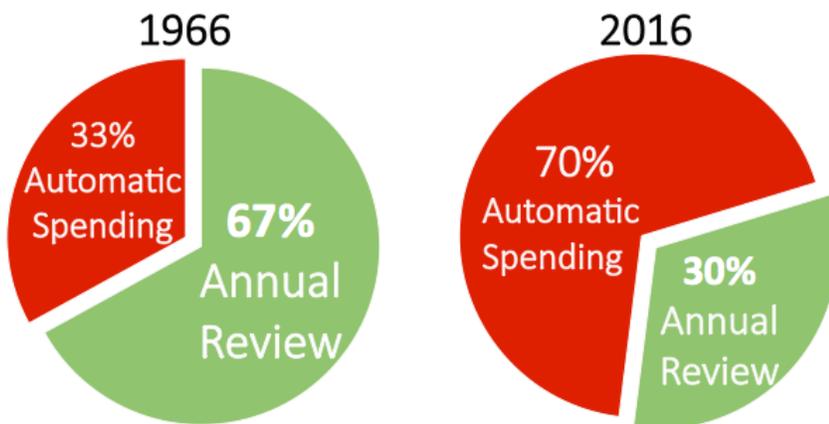
Congress has lost control of spending. Fifty years ago, automatic spending accounted for just one-third of total spending, and annual spending equaled two-thirds. This meant that Congress reviewed and amended two-thirds of the federal budget each year. Now, automatic spending consumes 70 percent of the budget and is growing rapidly, 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.

### Spend What We Can Afford

Businesses and households plan their spending based on current and expected future income. The federal government should do the same. This reform would reorient the federal budget process so that it starts with a recognition of incoming federal resources, not a wish list of spending items.

The Senate Finance Committee would begin the congressional budget process by providing a revenue-to-GDP estimate to the Senate Budget Committee. The revenue projections would show the levels of revenue the Finance Committee expects to collect over the budget window. The Budget Committee would then establish spending levels in its budget resolution based upon these anticipated revenues.

### Manage Long-term Debt with Fiscal Targets



*Automatic spending is taking over the budget, crowding out funding for other programs*

Source: CBO

The budget resolution forces Congress to examine the country's fiscal course over a longer period than the annual appropriations process. Yet each of the annual budget resolutions replaces the last, so that the long-term goals set out by the resolution are never tracked to completion. The budget process should include long-term targets for specific fiscal years that remain in place and track Congress's progress toward the long-term goal.

**Fix:** At the beginning of the federal budget process, Congress should establish a long-term target for the total level of government debt as a percentage of the economy. This debt-to-GDP target could be changed only by a supermajority vote in Congress. It would be binding on the congressional and President's budgets, which would be required to achieve the same target level of debt based on their proposed policies. This would give the President and Congress a common goal to meet, providing some coherence to executive and legislative budget planning that has been sorely lacking in recent years.

Once a target is established for a specific fiscal year, OMB would track current-law debt projections and certify compliance with the targets. If baseline projections do not comply with the target, the Treasury Department would submit a detailed report to the Congress on the national debt and

potential threats to the U.S. credit rating, similar to requirements under Senator Orrin Hatch's debt-limit reform bill. The Secretary of the Treasury and Director of the Office of Management and Budget also would be required to testify before Congress about the President's plan to bring current-law projections back into compliance.

These reforms would force Congress and the President to confront the long-term fiscal consequences of the policies they enact. Further measures, including requirements that the President's budget include legislative text of his plan to meet the target, and a required up-or-down vote in Congress on the plan, are additional debt-disciplining measures to consider. The long-term targets also could be strengthened by tying enforcement to the statutory debt limit so that the ceiling on the nation's borrowing encourages long-term planning rather than short-term crises.

### **Show True Scope of Unfunded Spending Programs**

Automatic spending programs like Social Security and Medicare are not regularly reviewed by Congress and grow automatically based on programmatic and demographic factors. The federal revenue dedicated to cover the costs of these programs falls far short of what is needed. That means that our government is making promises to pay for these programs even though it has not identified a source of funds to make good on those promises. This has created unchecked, unfunded obligations that will bankrupt the country if Congress fails to act.

Congress has understated these obligations by claiming it has collected money from previous generations that will cover the future cost of these programs. But the federal government operates on a cash basis, and all of that previously collected money has already been spent on other things. Thus Congress will have to ask future taxpayers and public debt markets to cover the remaining shortfall between dedicated revenue and spending in these programs. This is the true impact of these unsustainable programs on the federal Treasury, but this plain fact is obscured by complicated trust-fund accounting.

**Fix:** Require the budget resolution report to list the largest automatic-spending programs; the revenues, offsetting collections, and offsetting receipts collected from the public that are dedicated to covering each program's spending; and the share of spending that will have to be funded with general revenue or additional government borrowing.

### **Create a Bipartisan, BRAC-Style Task Force on Long-Term Fiscal Sustainability.**

Addressing America's long-term debt crisis is a daunting challenge that cannot be left to future generations as it has been in the past. But the annual budget process is not designed to force through the serious reforms needed to put America's budget back on a sustainable trajectory. Nor should an annual, majority-driven process be empowered to do so. That's why former Senators Kent Conrad and Judd Gregg, the former Democrat and Republican Budget Committee chairs, have advocated for a bipartisan fiscal task force, operating outside the annual budget process, to solve the country's long-term fiscal crisis.

**Fix:** Create a new, BRAC-style task force that would recommend policies to eliminate the federal government's long-term fiscal imbalance and shrink the size of the federal debt. The task force would be composed of budget experts appointed by the majority and minority leaders of Congress and the President, and would be required to report legislative language accomplishing its policy recommendations to Congress. The legislation would be automatically introduced and receive an up-or-down vote under expedited procedures.