The Joint Select Committee on Budget and Appropriations Process Reform (JSC) has the opportunity to make important improvements to the budget process, particularly given the number of problems with the use of the current process. These issues include:

- The budget resolution does not sufficiently involve national priority setting, incorporate strategic thinking, or grapple with basic tradeoffs.
- There is a lack of consistency, accountability, and transparency.
- Deadlines are routinely missed, which can lead to crisis-driven budgeting.
- The budget is largely unenforced and in some ways unenforceable.
- The budget focuses on the short term at the expense of the long term.
- The process has become a political or aspirational exercise, rather than the start of serious budgeting.
- Few effective budget constraints are part of the process.
- The budget regularly leads to poor fiscal outcomes.

Through the budget and appropriations process, lawmakers should set national priorities that reflect their needs and values. Budgets should be taken seriously; they are an integral part of governing. Lawmakers should adhere to their budgets as closely as possible. No successful business would consider operating without a thoughtfully-designed budget. Neither should our country.

As the Joint Select Committee on Budget and Appropriations Process Reform deliberates, it should agree to proposals that:

1. Encourage timely budgeting and avoid crisis-driven budgets
2. Strengthen budget enforcement and prevent gimmicks
3. Budget comprehensively and reform budget baselines
4. Expand focus on the long term
5. Improve fiscal outcomes

The recommendations below are not exhaustive, nor do we expect the JSC to adopt them all. Rather, they are meant to offer a menu of ideas to improve the overall budget process. (For further ideas and details, see our Better Budget Process Initiative.)
1. Encourage Timely Budgeting and Avoid Crisis-Driven Budgets

Currently, the budget process rarely results in a budget resolution passing before the statutory deadline. This failure then delays the appropriations process and contributes to a reliance on continuing resolutions (CRs) and omnibuses, as well as the occasional government shutdown.

- **Streamline the budget process by conforming the federal fiscal year to the calendar year, adopting biennial budget resolutions, and considering biennial appropriations.** Using the calendar year as the fiscal year would help avoid CRs by giving more time for lawmakers to complete the budget process after taking office. Biennial budgeting would allow the budget timeline to match the election cycle. Each new Congress could create a budget without having the same fiscal battles twice, although a “mini resolution” could make adjustments in the second year if necessary. In addition to or alternatively, a process could establish two-year 302(a) allocations for discretionary spending early in the year after elections.

- **Prohibit consideration of legislation with a fiscal impact unless a budget resolution is in place.** Congress should not make policy affecting the budget without first writing one. The Senate should establish a super-majority point of order against legislation with a fiscal impact considered during a fiscal year for which no budget has been passed. Additionally, lawmakers should not be allowed to leave for a Congressional recess if a budget resolution is overdue. Senators Ernst (R-IA), Lankford (R-OK), and Perdue (R-GA) have introduced legislation to this effect. Other consequences for failure to enact a budget could also be implemented.

- **Allow enhanced discharge petitions for bipartisan deficit-reducing bills if a budget resolution has not passed a chamber by a reasonable deadline.** This would allow bipartisan groups to offer fiscally responsible policy alternatives if the April 15 budget resolution deadline is missed or after an additional grace period.

- **Require automatic CRs or expedited procedures to avoid government shutdowns.** Automatic or expedited (no filibuster) CRs should be very short-term and funded at the prior year’s level with no anomalies. Additional consequences for failure to enact appropriations could also be implemented.

- **Reform the debt ceiling to reduce the risk of default while linking it to tax and spending decisions.** This could be accomplished through Presidential authority to lift the debt ceiling if Congress does not act, complemented by enforcement triggers. In addition, there should be a mechanism that requires a corresponding increase in the debt limit whenever a budget resolution or legislation is passed that adds to the deficit/debt, which will give policymakers more pause when enacting new costs. Removing the threat of financial default is essential to diminishing the crisis mentality that dominates the current budget process.
2. Strengthen Budget Enforcement and Prevent Gimmicks

The breakdown in the federal budget process and erosion of budget discipline have led to the increasingly pervasive reliance on budget gimmicks. Gimmicks provide legal workarounds to the existing rules and norms meant to enforce fiscal discipline.

- **Raise the Senate vote threshold above 60 votes to waive Pay-As-You-Go (PAYGO) rules and all Budget Act points of order.** The current 60-vote threshold to bypass the Senate filibuster effectively renders a 60-vote point of order meaningless. A threshold above 60 for fiscally irresponsible legislation would create a meaningful hurdle.

- **Require a separate roll call vote whenever PAYGO or a Budget Act point of order is waived in either the House or the Senate.** It should be clear to the public when lawmakers waive budget rules so constituents can hold them accountable. Waiving a budget point of order should require lawmakers to go on record.

- **Require reconciliation be used for deficit reduction by restoring and codifying the “Conrad rule.”** Too often, reconciliation has been used simply to avoid the Senate filibuster for legislation that would dramatically expand the budget deficit. The “Conrad Rule” in place from 2007 to 2015 stopped this practice by establishing a 60-vote point of order against reconciliation legislation that increased deficits inside the budget resolution’s window.

- **Minimize “rosy scenario” and “magic asterisk” gimmicks.** Often, budget resolutions use overly optimistic economic assumptions (“rosy scenarios”) or unspecified, and perhaps unachievable, budgetary savings assumptions to obscure large deficits that would result from the budget. These gimmicks could be limited by requiring budget resolutions to use CBO’s baseline and economic assumptions and to include reconciliation instructions for all changes to mandatory spending and revenue assumed in the budget.

- **Budget resolutions should incorporate rules to limit the use of budget gimmicks to evade discretionary caps, PAYGO, and other enforcement measures.** Budget enforcement rules ideally should be put into law, but short of that, the budget resolution could limit scoring of budget gimmicks or establish points of order.

- **Establish clear guidelines and requirements for discretionary spending outside the caps, such as Overseas Contingency Operations/Global War on Terror (OCO/GWOT), disaster, or emergency spending.** Exceptions to the discretionary spending caps should be limited and clearly defined to maintain fiscal discipline and transparency. Instead, these designations are often used indiscriminately to get around discretionary spending caps.
• **Prevent timing shifts from counting as savings under budget enforcement rules.** Congress should disallow offsets that change dates for tax and entitlement payments from one fiscal year to another; disallow the use of mandatory or revenue ten-year offsets without long-term savings unless they are used for truly temporary policies; and disallow the use of Changes In Mandatory Programs (CHIMPs) that shift current-year Budget Authority (BA) to future years.

• **Prohibit the use of cuts in “empty BA” to comply with discretionary spending caps.** Savings from discretionary rescissions or mandatory CHIMPs that do not result in outlay savings should not count as a cut in BA.

• **Promote trust fund integrity and prevent trust fund “double counting.”** Either all trust fund spending should be assumed to be limited by trust fund resources or none should. In addition, policymakers should require transfers into trust funds to be counted as a cost for enforcement purposes and allow trust fund savings to be used as an offset only if savings are transferred to the general fund.

### 3. Budget Comprehensively and Reform Budget Baselines

The current budget process often only focuses on annual discretionary spending, which is 31 percent of total spending. In addition, tax expenditures are often ignored. These inconsistencies make it difficult for policymakers to focus on the budget in its entirety.

• **Establish a single set of baseline conventions constructed by CBO and OMB and used by both the President and Congress for their budget development and legislative proposals.** Having consistent conventions and assumptions should streamline budget development and lead to more efficient and transparent policymaking.

• **Reform and codify treatment of discretionary spending in the baseline.** Specifically, the baseline should assume emergency funding is temporary, capped funding is actually constrained by caps, and other appropriations are extrapolated forward.

• **Use parallel treatment of spending and revenues for any future legislation.** Unless specifically designated otherwise, either all future temporary tax and spending provisions should be scored and assumed temporary or all should be scored and assumed permanent. This should apply *prospectively* and not to legislation already in effect (until/unless it is extended).

• **Budget regularly for mandatory spending and tax expenditures, similar to discretionary programs.** Congress should establish multi-year budgets and/or caps for mandatory spending programs and tax expenditures and require regular review of both (for example, requiring reauthorization every five years). This would curtail “autopilot” budgetary decisions that current policymakers never explicitly approved.
4. Expand Focus on the Long Term

America’s greatest fiscal threats will emerge over the next quarter century and require early action to remedy. Yet the budget process focusses largely on current-year discretionary spending – and occasionally on ten-year mandatory and revenue changes. Policymakers cannot afford to treat the long term as an afterthought.

- **Require the President and Congress to incorporate second-decade estimates in their budgets.** Policymakers need to understand the fiscal impact of major spending and tax proposals not just within the current ten-year budget window, but also over a longer budget horizon. Such proposals often have dramatic budgetary effects in the second decade and beyond.

- **Require CBO to include interest cost estimates for all scores of legislation.** This change will ensure the full fiscal impact of legislation is measured and understood. Often, a bill may falsely appear to be paid-for because of the timing of costs and offsets.

- **Allow reconciliation instructions to cover the second decade.** Second-decade instructions would offer a way for budgets to ensure savings continue beyond the current ten-year budget window.

- **Create a long-term budget alignment rule that requires promises of future spending not exceed current taxes as a share of GDP.** Congress should not make promises of future spending in excess of what current taxpayers are willing to pay, thereby shifting the costs to future taxpayers. A new rule should disallow long-term spending commitments above current revenue levels as a share of GDP, and require existing imbalances to be remedied by increasing revenue and/or slowing the growth of spending.

- **Create a Fiscal State of the Nation address presented by the Comptroller General.** This would highlight the immediate fiscal challenges that demand policymakers’ attention, as well as increase the American people’s awareness that our current long-term fiscal path is unsustainable. Representatives Renacci (R-OH) and Kilmer (D-WA) have introduced the Fiscal State of the Nation resolution to do this.

5. Improve Fiscal Outcomes

The current process has led to outcomes that have only worsened the fiscal challenges faced by the United States. Recent legislation, an aging population, growing health costs, and rising interest rates will drive the national debt up to 96 percent of GDP in a decade under current law and to 105 percent if many current policies are continued.

- **Require Congress to adopt multi-year debt-to-GDP targets designed to reduce debt as a share of GDP.** Policymakers should further establish expedited procedures, possibly
through the Budget Committees, to help meet the targets along with budgetary triggers for enforcement. This recommendation is based on the Peterson-Pew Commission on Budget Reform’s Getting Back in the Black report.

- **Extend discretionary spending caps through 2028.** Our unsustainable fiscal outlook requires discipline throughout the budget, even after the 2021 expiration of the discretionary spending caps. Caps should be extended at least through the next ten years at a level that is both responsible and achievable. Any increases relative to CBO’s current baseline should be offset with changes to mandatory spending or revenue.

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Reforming the federal budget process is not a substitute for the political willpower needed to make difficult but fiscally responsible choices. Any budget process will only be truly successful and fiscally disciplined if policymakers abide by the procedures and rules that they have established.

Nonetheless, an effective budget process can promote fiscal discipline and bring greater transparency and accountability to budgetary decisions. Moreover, reforms to update and improve the budget process could help strengthen its credibility among policymakers, leading to greater compliance with the new framework. Fewer ignored deadlines and crisis-driven decisions would restore Americans’ faith in their leaders’ ability to do one of their most basic jobs.

Lawmakers should also recognize that perceiving the current budget process as broken or unworkable is not an excuse to disregard the current process as reforms are offered, debated, and hopefully approved.

Our nation needs a budget process that helps, not worsens, the fiscal challenges facing current and future generations. In the 44 years since passage of the Congressional Budget Act of 1974, it is now more important than ever to ensure both the executive and legislative branches of government move forward and address trillion-dollar deficits and rapidly rising national debt.

Hopefully the process reforms provided here will assist the Joint Select Committee in this vital effort.