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Testimony of Maya MacGuineas Committee for a Responsible Federal Budget Hearing before the Joint Select Committee on Budget and Appropriation Process Reform:

The Budget Resolution—Content, Timeliness, and Enforcement May 24, 2018

Co-Chair Womack, Co-Chair Lowey, and Members of the Joint Select Committee, thank you so much for inviting me here today to discuss the Congressional budget resolution and possible changes. Improving the content, timeliness, and enforcement associated with the budget resolution should be considered a major component of overall budget process reform. The current budget process is clearly broken, and I am pleased your committee is working to fix it.

I am Maya MacGuineas, president of the Committee for a Responsible Federal Budget. The Committee for a Responsible Federal Budget is a nonpartisan organization dedicated to educating the public about and working with policymakers on fiscal policy issues. Our co-chairs are Purdue University President and former Governor and OMB Director Mitch Daniels; former Secretary of Defense, OMB Director, Chief of Staff to the President, and Chairman of the House Budget Committee Leon Panetta; and former Congressman Tim Penny. Our board includes past directors and chairs of the Office of Management and Budget, the Congressional Budget Office, the Federal Reserve System, the Treasury Department, and the Budget Committees. Our partner organization, Fix the Debt, is a nonpartisan coalition that supports a “grand bargain” to help deal with the debt. That group is chaired by Senator Judd Gregg and Governor Ed Rendell.

In this testimony, I will:

1. Describe the problems and challenges of the current budget resolution,
2. Propose ideas for budget resolution reform,
3. Cover other concerns and reforms that have been proposed for the budget resolution, and
4. Discuss additional budget process reform ideas we have been developing.



The problems and challenges of the current budget resolution

There is growing consensus the budget process must be changed to help restore Congress' ability to make efficient and timely budget and appropriations policy. Though the modern budget process functioned relatively well early on, Congress has increasingly moved to dealing with budget issues on an ad hoc basis – often by passing debt-financed legislation that was never budgeted for and two-year discretionary spending deals that fail to put appropriated spending in a broader context.

The budget resolution has evolved from a tool for lawmakers to set a serious fiscal goal and outline a plan to get there, to a political messaging document that sometimes contains a mechanism for a most-often partisan reconciliation process. Recent budget resolutions have relied on gimmicks to meet a specific fiscal goal that would otherwise be politically and/or programmatically unattainable.

Too often, Congress does not even complete a budget resolution. That is a true abdication of responsibility and it should not be acceptable to any of us for our country to be running without a thoughtfully crafted budget.

The main problems with the budget resolution process are:

- The budget doesn't sufficiently involve national priority setting, strategic thinking, or grappling with basic tradeoffs.
- There is a lack of consistency, accountability, and transparency.
- Deadlines are routinely missed, which can lead to crisis-driven deals and appropriating.
- 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 more of a political or aspirational exercise than the start of serious budgeting.
- Few budget constraints are built into the process.
- The budget regularly leads to poor fiscal outcomes through failure to follow through or deficit-increasing reconciliation.

In an ideal world, the budget resolution would reflect our values, our priorities, and our game plan. The budget process should be the opportunity to agree to national goals, contemplate and evaluate the policies to achieve them, and lay out responsible means of financing them. Deadlines would be taken seriously, the budget plan would be adhered to, and the entire process would inject purpose and stability into the process of governing.

At the most basic level, no smart business would consider operating without a thoughtfully designed budget. Neither should our country.



Recommendations for budget resolution process reforms

Through our [Better Budget Process Initiative](#), the Committee for a Responsible Federal Budget has developed dozens of budget process reform ideas and recommendations. With regard to your committee, we've put together a set of recommendations to:

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**

1. Encourage timely budgeting and avoid crisis-driven budgets:

- **Streamline the budget process by conforming the federal fiscal year to a calendar basis, adopting biennial budget resolutions, and consider biennial appropriations.** A process could also be set up to establish two-year 302(a)s in law early in the year after Congressional elections.
- **Prohibit consideration of any legislation with a fiscal impact until a budget resolution is in place.** Establish a super-majority point of order against legislation with a cost in any fiscal year for which no budget has been passed. Consider additional consequences for failure to enact a budget.
- **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.
- **Reform the debt ceiling to reduce the risk of default while linking it to tax and spending decisions included in the budget resolution.** Removing the threat of a financial default would be helpful in diminishing the crisis environment that dominates the current budget process; however, it would be imprudent to simply eliminate one of the only remaining fiscal constraints in the process. Instead, the debt ceiling could be reformed by requiring an increase in the debt limit when legislation adds to the deficit—creating greater accountability, and/or giving the President authority to lift the debt ceiling if Congress does not act – along with a requirement that he or she submit a plan to set and meet fiscal targets that reduce projected debt.

2. Strengthen budget enforcement and prevent gimmicks:

- **Restore and codify the Conrad rule.** This would prohibit any reconciliation legislation from increasing deficits within the ten-year budget window.



- **Minimize “rosy scenario” and “magic asterisk’ gimmicks** by requiring budget resolutions to use the CBO baseline and reconcile all mandatory spending and revenue changes.
- **Budget resolutions should incorporate rules to limit the use of budget gimmicks to evade discretionary caps, PAYGO, and other enforcement measures.**

3. **Budget comprehensively and reform budget baselines:**

- **Require Congress and the President to use the same baseline.** Establish a single set of rules for baseline construction for CBO and OMB. This would be used by both the President and Congress for their budget development and legislative proposals, and make the process much more transparent and less vulnerable to gimmicks.
- **Reform and codify treatment of emergency discretionary spending.** The baseline should assume emergency funding is temporary, capped funding is 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 they should be scored and assumed permanent. This would apply prospectively and not to legislation already in effect (until it is extended).
- **Budget regularly for mandatory spending and tax expenditures, similar to discretionary programs.** Establishing multi-year budgets and/or caps for mandatory spending programs and tax expenditures, and requiring regular review of both, (for example, requiring reauthorization every five years) would reduce “autopilot” policies that current policymakers never explicitly approved.

4. **Expand focus on the long term:**

- **Allow reconciliation instructions to cover the second decade,** which would help the Budget Committees ensure budget savings continue beyond the current ten-year budget window.
- **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 the entire budget horizon as such proposals often have dramatic budgetary effects in the second decade and beyond.



5. Improve fiscal outcomes:

- **Require Congress to adopt multi-year debt-to-GDP targets designed to reduce debt as a share of GDP.** Establish expedited procedures, possibly through the Budget Committees, to help meet targets along with budgetary triggers. This recommendation is based on the Peterson-Pew Commission on Budget Reform's [Getting Back in the Black report](#).
- **Mandatory and revenue savings assumed in the budget resolution should have matching reconciliation instructions.** The reconciliation process in the budget resolution is both under and inappropriately utilized. Reconciling the budget's goals with real legislation should be done regularly for the purpose of deficit reduction.

Additional thoughts on reforming the budget resolution

I want to comment further on a few key ideas regarding budget resolution reform that are often part of the discussion.

Joint Budget Resolution

The budget resolution is only a concurrent resolution between the chambers, thus it has no force of law. A joint budget resolution would bring the President into decisions about discretionary spending levels, mandatory spending reform, tax policy, and deficit reduction targets early in the process. This would encourage negotiations at the beginning of the budget cycle, providing certainty for the appropriations process.

However it is worth noting, the President's involvement could delay adoption by requiring additional time for negotiations. One could create a fallback mechanism that would set enforceable spending and revenue levels based on the joint resolution to allow the budget process to move forward if the President should veto the joint budget resolution.

A budget with the force of law would allow it to set policy in more concrete ways: legislate statutory spending caps, increase the statutory debt limit, or set up enforcement mechanisms that would take effect if Congress fails to meet specified deficit or debt targets. Policymakers would take the budget more seriously and consider whether they are prepared to abide by its limits.

Social Security

Social Security is the largest mandatory program, making up a quarter of spending. It exists outside the budget resolution process, and it makes no sense to leave it outside of a process that is built to evaluate national priorities, their tradeoffs, and their funding. Social Security deserves a place in the budget process.



The Convergence Recommendations

As a participant in the Convergence Center for Policy Resolution's *Building a Better Budget Process*, I was encouraged to see stakeholders from across the political spectrum meet over a period of months to work toward [consensus budget process reform recommendations](#).

Regarding the budget resolution, we recommended revising it to be a two-year Budget Action Plan. This plan would set topline discretionary funding levels, adjust the debt limit, have the option for reconciliation instructions, and include an analysis of the plan's effect on the long-term fiscal outlook. It would be negotiated at the beginning of each Congress, approved by a majority in both chambers, and sent to the President for signature. There would be a spring deadline allowing the chambers to move forward on appropriations bills by deeming levels if the process were to gridlock. To add accountability, the Budget Committees or CBO would put forward analysis at the end of each Congress assessing enacted discretionary levels, reconciliation, and all legislation with fiscal effects compared to what was laid out in the Budget Action Plan. This would provide clear information to allow the public to hold elected officials accountable.

Other budget process reform recommendations

Below I have briefly outlined our recommendations to improve the budget process that are not directly related to the budget resolution:

Encourage timely budgeting and avoid crisis-driven budgets:

- **Require automatic Continuing Resolutions (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.

Strengthen budget enforcement and prevent gimmicks:

- **Raise the Senate vote threshold above 60 votes to waive PAYGO and all Budget Act points of order.** The current 60-vote threshold for passing non-reconciliation legislation in the Senate effectively renders 60-vote points of order meaningless. A threshold above 60 for fiscally irresponsible legislation would be a meaningful hurdle for lawmakers.
- **Require a separate roll call vote whenever PAYGO or a Budget Act point of order is waived in either chamber.** Lawmakers should go on record and make it clear to the public when they want to waive budget rules so that constituents can hold them accountable.
- **Establish clear guidelines and requirements for discretionary spending outside the caps such as OCO/GWOT, disasters, or emergencies.** Exceptions to the discretionary spending



caps should be limited and clearly defined in order to maintain fiscal discipline and transparency.

- **Prevent timing shifts from counting as savings under budget enforcement rules.** Disallow the use of temporary offsets to pay for permanent policies; disallow the use of CHIMPs that simply shift spending from one year to the next in order to make room in the current year.
- **Prohibit the use of cuts in “empty BA” to comply with discretionary spending caps.** Do not count savings from discretionary rescissions or mandatory CHIMPs not accompanied by outlay savings.
- **Promote trust fund integrity and prevent trust fund “double counting.”** Either all trust fund spending should be assumed limited by trust fund resources or none should. In addition, 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.

Expand focus on the long term:

- **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. Senator Daines (R-MT) and Representative Brat (R-VA) have [introduced legislation](#) to do so in their respective chambers.
- **Create a long-term pay-as-you-go rule that requires spending commitments not exceed current revenues.** This would not have a bias towards more or less spending, but it would be a form of intergenerational pay-as-you-go requiring that we not promise more in the future than we are willing to pay today, relative to the economy. It could be equalized by scaling back future commitments or increasing current revenues.
- **Create a Fiscal State of the Nation address presented by the Comptroller General.** This would be helpful in highlighting for policymakers the immediate fiscal challenges demanding 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](#) such a “Fiscal State of the Nation” resolution.

Improve fiscal outcomes:

- **Extend discretionary spending caps through 2028.** Our unsustainable fiscal outlook requires discipline throughout the budget. Discretionary spending increases should, at a minimum, be offset with mandatory program reforms and/or revenue increases.



Conclusion

The budget process is one of the most important documents in the legislative process. It provides the forum to consider and evaluate our national priorities and ultimately chart our national path. Passing meaningful budgets requires truthfulness, compromise, and a willingness to make tradeoffs and stick to the decisions that are made.

Reforming the budget process is not a substitute for the political willpower needed to make difficult and fiscally responsible choices. Nonetheless, smart budget rules can promote fiscal discipline and bring greater transparency and accountability to budgetary decisions. And right now, on the precipice of annual trillion-dollar deficits and interest payments growing faster than any other part of the budget, we face unprecedented fiscal challenges and need all the help we can get. In addition, fewer ignored deadlines and crisis-driven moments would enhance credibility among the public, restoring Americans' faith in their leaders' ability to do one of their most basic jobs.

The Joint Select Committee process so far has been very encouraging. Members of both chambers and both parties are coming together to try to reform the budget process.

Thank you again for the opportunity to appear before the joint committee.