The Better Budget Process Initiative: Strengthening the Budget Resolution

April 14, 2016
One of the key elements of the Congressional Budget Control and Impoundment Act of 1974 (Budget Act) was the provision to adopt a budget resolution, which sets out Congressional priorities on the budget and provides a framework for legislation affecting spending and revenues. The budget resolution is a concurrent resolution, which means it is adopted by the House and Senate but not signed by the President. It establishes internal rules and procedures for legislation that impacts spending and revenues. But currently, the budget resolution mechanism has not been an effective tool in providing a framework for legislative action or imposing fiscal discipline. Congress has repeatedly failed to pass budget resolutions in recent years, and when it does adopt a budget resolution it fails to follow through and enforce the budget.

As part of our Better Budget Process Initiative, we have identified several potential changes to the budget resolution mechanism to make it a more meaningful and effective tool. Our proposed options include:

**Change the process for adopting a budget resolution**
1. Make the Budget Committee a leadership committee
2. Change to a joint budget resolution signed by the President
3. Divide the budget resolution into two parts: fiscal goals and an enforceable legislative framework
4. Implement a biennial budget with off-year amendments
5. Provide for more informed consideration of amendments to the budget resolution

**Strengthen enforcement of the budget resolution**
6. Enforce deficit reduction assumptions in the budget resolution through reconciliation
7. Make it harder to consider legislation violating spending or revenue levels in the budget resolution

**Modify the contents of the budget resolution**
8. Include enforcement provisions in the text of the budget resolution
9. Reinforce pay-as-you-go rules
10. Link the debt limit to the budget resolution
11. Include Social Security in the budget resolution
12. Provide for long-term savings targets
13. Limit the use of reserve funds
14. Show all budgetary resources in budget functions and committee allocations
The Case for Strengthening the Budget Resolution

An effective budget process should provide policymakers with a method to set fiscal goals and a set of mechanisms that allow for enforcement and implementation of those goals. The Budget Act of 1974 created such a system by requiring Congress to adopt a budget resolution each year before considering any tax or spending legislation. The Budget Act was enacted in part to provide an overall framework for the consideration of tax and spending decisions instead of considering legislation on an ad hoc basis without regard to the impact on aggregate spending, revenue, and deficit levels. The adoption of a budget resolution sets such levels, which are enforced through points of order against legislation in violation. A budget resolution may also provide reconciliation instructions for expedited consideration of legislation that would enact policy changes affecting the deficit called for in the budget resolution. In short, the current budget process provides for a robust mechanism for setting and enforcing fiscal goals centered on adoption of a budget resolution.

However, Congress has repeatedly failed to pass a budget resolution, falling short of this goal six times in the last decade. It also appears unlikely that a budget resolution will be adopted this year. Even when Congress does pass a budget resolution, it often fails to implement or enforce the resolution. Budget resolutions are increasingly viewed as “aspirational” documents that are disconnected from the rest of the legislative process, with no expectation that the policies assumed in the resolution will be implemented or the tax and spending levels will be enforced. For example, the Fiscal Year 2016 resolution adopted last year assumed savings of $6 trillion over ten years to balance the budget, but there was only action on a small portion of the savings, and the effect of legislation enacted in 2015 actually increased the deficit by about $1 trillion over ten years.

In addition, the executive branch has no formal role in adoption of the budget resolution. As a result, in times of divided government Congress often proceeds with tax and spending legislation based on priorities that are at odds with the administration and therefore are unlikely to be signed into law. This increasingly has resulted in ad-hoc negotiations at the end of the year and budget-busting omnibus legislation that is put together without the discipline of an overall budgetary framework.

Adopting a budget resolution that does not result in action on the resolution’s deficit reduction provisions and is routinely waived to pass legislation that violates the budget is arguably worse than not passing a resolution at all, as it undermines credibility of the budget process. Members of Congress are understandably frustrated with the amount of time and political pain devoted to a budget resolution when it appears to have little bearing on final decisions and outcomes on fiscal policy.

Finally, the text of the budget resolution voted on by Congress focuses on functional totals for categories of spending that are not enforced and do not fully reflect the cost of all policies within that budget function.

Making the budget resolution more meaningful and relevant would be an important step towards strengthening accountability and discipline in the budget process. Reforms should create a greater incentive for Congress to adopt a budget resolution, encourage key actors to buy-in, and strengthen procedures to implement and enforce the budget resolution.

1 A point of order is a parliamentary tool to enforce rules in the House of Representatives and the Senate. Any Member of the House or Senate can raise a point of order against legislation (or amendments to legislation) for violating a procedural rule. Some points of order apply to consideration of the entire bill, while others apply to specific provisions in legislation that violates rules (surgical point of order). If a point of order is sustained against legislation or an amendment, consideration of the legislation or amendment is blocked. If a surgical point of order is upheld, the specific provision in violation is struck.
In this paper, we put forward fourteen options that could improve the current budget resolution mechanism. Among them include options to change the process for adopting a budget resolution, strengthen enforcement of the budget resolution, and modify the contents of the budget resolution. Many of them could be enacted together, though they could also be enacted separately. Most of these proposals envision amendment to the Budget Act, though some could be achieved through changes in House and Senate rules as well. While we do not endorse any of these options as the right choice, we believe they should all be on the table for consideration.

Change the process for adopting a budget resolution

1. Make the Budget Committee a leadership committee

Current process: Membership of the House and Senate Budget Committees is composed of rank-and-file members, often more junior members because the committees are considered less prestigious than committees with legislative authority. Although there are seats on the House Budget Committee reserved for representatives of leadership and the Ways and Means and Appropriations Committees, 22 of the 36 members on the House Budget Committee are in their first three terms in Congress.

Problem: Although the budget resolution is intended to be the framework to guide legislation on tax and spending policies, it is developed with little formal input or buy-in from the Committee Chairs who are responsible for tax and spending legislation. The seats reserved for the Appropriations and Ways and Means Committee tend to go to more junior members of those committees because it is considered a less prestigious assignment than appointment to an Appropriations or Ways and Means subcommittee.

Proposal: Include representatives of leadership and Chairs and Ranking Minority Members of all committees with significant spending or tax legislation within their jurisdiction on the Budget Committees.

The budget resolution is intended in part to set priorities among the various committees. By including representatives from the most relevant committees on the Budget Committee — at a minimum the Chairs and Ranking Members of Appropriations, Ways and Means, and Finance — these members would directly participate in the decisions regarding relative priorities among committees. Membership could also be extended to include Chairs of Agriculture, Education and Workforce/Health, Education, Labor and Pensions, and Energy and Commerce Committees as well as other major committees in years when major fiscal policy legislation is being considered for reauthorization.

Including key committee Chairs on the Budget Committee will give them a role in setting committee allocations and potential reconciliation instructions that are realistic and consistent with committee plans and give them greater buy-in to the decisions in the budget resolution. Likewise, including a senior representative of leadership on the Budget Committee will give leadership more buy-in to the budget resolution, which is critical to passage and enforcement of a budget resolution. Finally, including a senior representative of leadership and chairs of key committees on the Budget Committee will increase the committee’s stature and send a message that the budget produced by the Budget Committee is a serious document that will be used to guide legislative actions on tax and spending policies.

2. Change to a joint budget resolution signed by the President

Current practice: The budget resolution is a concurrent resolution, which means it is adopted by the House and Senate but not signed by the President. Although it sets Congressional rules and procedures, it does not have the force of law.

Problem: Currently, the President’s involvement in the budget-writing process is advisory at best. The White House proposes its own budget (which is of a very different nature than the budget resolution) at the beginning of the year, but this budget functions more as a set of suggestions than anything else. The President has absolutely no input when it comes to...
the allocation or levels of spending and revenue in the budget resolution.

Indeed, the first time the President has any formal role in the budget process is when legislation following up on the budget resolution – typically appropriations bills but sometimes legislation that results from reconciliation instructions – comes to the President’s desk for a signature or veto late in the year.

Because the President has veto power over individual tax and spending bills but no veto power over the aggregate levels outlined in the budget resolution, a Congress that follows through with its budget resolution is likely to pass policies the President opposes, requiring ad hoc negotiations revising spending and revenue levels at the end of the year. These end-of-year budget deals rarely look at the impact of legislation on the entire budget outlook as the budget resolution does, often leading to deficits much higher than called for in the budget resolution.

In addition, the concurrent resolution can only be enforced through points of order prohibiting consideration of legislation that violates the budget resolution and other internal procedures and cannot establish statutory enforcement mechanisms. It is therefore often viewed as “non-binding” and not taken as seriously as a law.

Proposal: Rather than a concurrent resolution agreed to by both chambers of Congress, there could be a joint budget resolution agreed to by both Congress and the President.

A joint budget resolution requiring a presidential signature would bring the President into decisions about discretionary spending levels, other tax and spending levels, and deficit reduction targets early in the process. This would lead to a more desirable outcome where negotiations occur at the beginning of the year before Congress moves forward with the legislative process, rather than at the end of the year after legislation has already been written.

Having these negotiations early in the process will allow discussions regarding the top line for discretionary appropriations and other legislation to occur within the context of an overall framework that considers the impact of individual decisions on the overall bottom-line. Resolving disagreements over the aggregate levels of spending and revenue before filling in the details would be more efficient.

Agreement on a joint budget resolution would allow the appropriations process to move forward with an agreement on the top line for spending, providing more opportunity for consideration of individual issues in the appropriations bills through the regular process.

Requiring that the President sign a budget resolution could delay adoption of a budget resolution by requiring additional time for negotiations with the administration. The process could be expedited by the creation of a joint budget committee that produces a single budget resolution for consideration by the House and Senate. In addition, there may be a need for a fallback mechanism setting spending and revenue levels based on the joint resolution for purposes of internal enforcement to allow appropriations and other budget-related legislation to move forward if the President vetoes the joint budget resolution.

Changing the budget resolution to a joint resolution signed by the President would also make it possible for the budget resolution to establish statutory changes, including adjusting discretionary spending caps, increasing the statutory debt limit, and setting up an enforcement mechanism such as sequestration that would take effect if Congress fails to meet the specified deficit reduction targets. This improvement will cause lawmakers to take the budget resolution more seriously and consider whether they are prepared to abide by the limits in the budget, especially if they were accompanied by statutory enforcement mechanisms.

3. Divide the budget resolution into two parts: fiscal goals and an enforceable legislative framework

Current practice: The budget resolution sets out goals for fiscal policy over the next ten years along with spending and revenue levels necessary to achieve those goals. The spending and revenue levels in the budget resolution are enforced by points of order that prohibit consideration of legislation that would cause those levels to be breeched. The resolution may also include reconciliation instructions providing for action on legislation that changes laws regarding mandatory spending and revenues.

Problem: Recent budget resolutions have become viewed as “aspirational” documents expressing support for achieving a balanced budget within the ten-year window while relying on large, mostly unspecified, spending cuts that Congress has no
intention of enacting to achieve that goal. This leads to a disconnect between the spending and revenue levels in the budget that are supposed to be enforced and the reality of the legislative agenda. As a result, the budget resolution is not taken seriously and the Budget Act is routinely waived for tax and spending legislation. If the spending and revenue levels in the budget resolution are viewed as aspirational goals unrelated to the actual legislative agenda, the budget resolution will not provide meaningful budget discipline.

Proposal: Divide the budget resolution into two separate pieces for goals and a budgetary framework. This way, Congress can continue to lay out its fiscal and budgetary goals while also putting forward an enforceable framework for legislation that will be considered during the rest of the year. The “goals” component would set out the roadmap for the budget over the 10-year window and possibly beyond while the “budgetary framework” would provide for concrete steps toward achieving fiscal goals. The two components could be combined in a single resolution or considered as two separate resolutions. If the budget resolution is changed to be a joint resolution as suggested above, Congress could pass a concurrent resolution outlining broad goals to stake out the Congressional position on fiscal policy as a counter to the President’s budget and a joint resolution signed by the President to govern actual legislative actions.

The resolution setting out fiscal goals could include overall targets for revenues, spending totals and priorities, deficits, and debt levels over the next ten and twenty years. This resolution could also call for consideration of major policy changes that may not be ready for immediate action. The enforceable budget framework would set the discretionary spending top line for the upcoming fiscal year, committee allocations for mandatory spending and revenue levels for the next five years, and reconciliation instructions that make a down payment on deficit reduction necessary to achieve long-term fiscal goals. The fiscal goals resolution could set out more ambitious long-term goals, while the budgetary framework would focus on the concrete steps that can be taken to move toward that goal. The fiscal goals resolution would address the desire of Members of Congress to show support for long-run fiscal policy goals that may be unlikely to be achieved through enacted legislation in the upcoming year, while the budget framework resolution would set realistic targets for tax and spending legislation that can be enforced.

4. Implement a biennial budget with off-year amendments

Current process: Congress is supposed to pass a new budget resolution every year, though it often fails to do so.

Problem: Requiring adoption of a budget resolution every year results in Congress having essentially the same debate twice each Congress (each Congress lasting 2 years). Since the partisan composition of Congress is unchanged between the first and second session of Congress, there is little to no reason to expect a different outcome on major macro-budget priorities such as the appropriate levels of spending, revenues, and deficits. The budget resolution in the second session of Congress is often much more difficult to pass than the first since it must be passed during an election year. Indeed, Congress has failed to pass complete budget resolutions in seven of the last nine election years. Work to develop two resolutions each Congress delays consideration of other important matters including actual legislation.

Proposal: Adopt biennial budgeting, where budgets are passed every other year.

Under this proposal, Congress would pass a comprehensive budget resolution setting all budget totals and other budget policies in the first year of the two-year Congressional cycle. There could be a formalized process for expedited consideration of amendments to the budget resolution in the second year to accommodate any new legislative priorities, achieve further deficit reduction, or otherwise address changed circumstances without having to rehash major fiscal policy issues settled in the budget resolution adopted in the prior year.

A biennial budget could be accompanied by biennial appropriations with a process for a supplemental appropriations bill in the second fiscal year, adjusting priorities consistent with the amended budget resolution. Alternatively, annual appropriations could be retained, with Congress being able to begin work on individual appropriations bills earlier in the second year of the cycle.
5. Provide for more informed consideration of amendments to the budget resolution

Current practice: The Budget Act limits debate on the budget resolution in the Senate to fifty hours. However, the Budget Act allows an unlimited number of amendments to be filed, even after the fifty hours for debate time has expired.

Problem: The ability to offer amendments after the time for debate has expired has led to a practice known as “vote-a-rama” whereby numerous amendments are offered and voted on at the end of the process without any debate or time to review the amendments. As a result, Senators vote on and often approve amendments to the budget resolution without a full understanding of the implications of the amendment.

Proposal: Institute a filing deadline requirement on amendments offered to the budget resolution and provide for a one day layover of amendments before votes. For example, former Senator Robert Byrd (D-WV) proposed requiring that first degree amendments be filed at the desk prior to the 10th hour of debate and second degree amendments be filed prior to the 20th hour of debate and that consideration of the budget resolution be set aside for one calendar day prior to the 40th hour of debate to allow amendments to be printed in the record and reviewed before they come to a vote in the Senate.

6. Strengthen enforcement of the budget resolution

6. Enforce deficit reduction assumptions in the budget resolution through reconciliation

Current practice: The budget resolution may include reconciliation instructions that require authorizing committees to report legislation changing mandatory spending or revenues within their jurisdiction by a specified amount. The intent is to “reconcile” spending and revenue levels in current law with the levels provided in the budget resolution. The budget resolution conference report also provides for authorizing committee allocations of spending and revenues for legislation reported by the committee.

Problem: Recent budget resolutions have assumed large, unspecified savings without reconciliation instructions directing committees to report legislation achieving those savings. The Fiscal Year 2016 congressional budget resolution report provided for a reduction in mandatory spending of $15 trillion that was not allocated to any committees in the Senate but rather included as “unassigned” savings.

Proposal: Amend the Budget Act to require reconciliation instructions for any changes in mandatory spending or revenues assumed in the resolution and prohibit “unassigned” spending reductions.

Providing for action on legislation that implements specific policy changes necessary to achieve all of the deficit reduction assumed in the budget resolution would increase the credibility of the deficit reduction assumptions in the budget resolution. Requiring all spending cuts assumed in the budget resolution to be assigned to committees, backed up by reconciliation instructions, would also discourage the reliance on assumptions of large unspecified or unrealistic savings. If the budget resolution were divided into separate fiscal goals and legislative framework, the legislative framework would have reconciliation instructions to provide for legislative action to implement savings assumed in the framework while the fiscal goals would not include reconciliation instructions.

7. Make it harder to consider legislation violating spending or revenue levels in the budget resolution

Current practice: The Budget Act establishes points of order against legislation that increases spending above a committee’s allocation under the budget resolution or reduces revenues below the revenue level in the budget resolution. Budget resolutions often include “reserve funds” allowing committee spending and revenue allocations to be adjusted prior to consideration of legislation meeting certain criteria, generally including deficit neutrality, to protect that legislation from being subject to a point of order for violating budget allocations. These points of order can be waived in the rule for floor consideration in the House. Major Budget Act points of order can be waived by 60 votes in the Senate; other points of order established in law and through rulemaking can be waived by a simple majority vote.

Problem: The House routinely waives budget points of order as part of the rules under which legislation is considered on the floor. These rules often waive all points of order against legislation without much debate or even awareness that budget points of order are waived. According to the House
Rules Committee Survey of Activities, the Budget Act was waived a total of 60 times during the 113th Congress. Seventeen of the waivers were to provide new budget authority in excess of a committee’s spending allocation. Another 14 waivers were to allow total spending to be above the level in the resolution or reduce revenues below the level in the resolution.

In the Senate, Budget Act waivers are often included in global waivers of all points of order, which avoid debate on the merits of any Budget Act waivers. The sixty vote threshold to waive the Budget Act in the Senate is currently less significant because the need for 60 votes to obtain cloture to proceed to any legislation is common. Waiving the Budget Act is viewed as yet another 60-vote procedural hurdle and not a substantive vote on whether legislation violating the budget should be considered. Often, Budget Act points of order are not raised because legislation has already received 60 votes on cloture, and it is assumed that there would be the same number of votes to waive the Budget Act.

Proposal: Make it harder to waive Budget Act points of order for violating spending or revenue levels in the budget resolution.

This would involve a number of specific changes. First, it would mean amending the Budget Act and/or House and Senate rules to require the Budget Committees to publish a report in the Congressional Record at least one day prior to floor consideration of the legislation certifying whether or not legislation affecting spending or revenues violates budget allocations so Members are aware of Budget Act violations. The Budget Committees already perform this review of legislation and provide information to the parliamentarian to rule on points of order, but publishing a statement about Budget Act violations in the Congressional Record would bring greater transparency to the process and make Members of Congress aware of Budget Act violations before consideration of legislation.

In addition, it would mean requiring a separate vote to waive a budget point of order for violating budget resolution allocations. This could operate similarly to the unfunded mandates rule or emergency spending rule in Statutory PAYGO, which provide for a separate vote on whether to proceed with legislation notwithstanding the point of order. Alternatively, it could be accomplished by providing for privileged amendments striking Budget Act waivers in the rule for consideration of legislation.

Strengthening enforcement of Budget Act points of order in the Senate would entail providing for an automatic vote on waiving Budget Act points of order identified by the Senate Budget Committee and prohibiting global waivers of Budget Act violations. An even stronger step to strengthen enforcement of the budget resolution would be to require 67 votes in the Senate to waive a Budget Act point of order for violating spending or revenue levels in the budget resolution.

It is important to remember that these procedures would only apply to legislation that violates the tax and spending levels in the budget resolution, making such legislation more difficult to pass than legislation that complies with the budget. Hopefully, this would help to make the budget resolution more meaningful and create an incentive to rely on more realistic assumptions in the budget resolution to accommodate likely legislation in the budget framework so as to avoid the need to waive the Budget Act.

Modify the contents of the budget resolution

8. Include enforcement provisions in the text of the budget resolution

Current Practice: The text of the budget resolution sets recommended spending levels divided among 19 budget functions (for example, function 050 for defense and function 400 for transportation). These functional levels are non-binding and have no connection to budget enforcement. The budget is enforced through committee allocations for spending and revenues that are set out in the joint statement of managers accompanying the budget resolution. The spending allocations for committees are known as the 302(a) allocations. The Appropriations Committee establishes separate sub-allocations for Appropriations subcommittees that are known as 302(b) allocations.

Problem: The focus on functional totals in the budget resolution creates a misleading impression about how spending would be divided as a result of the budget resolution. While the spending totals in the budget resolution appear to show how spending is divided among various national priorities, it is the committee allocations that actually determine where spending will be increased or decreased as
a result of the budget resolution. The committee allocations, which are the aspect of the budget that is actually enforced, are not included in the text of the resolution subject to a debate and vote. As a result, the debate and decisions regarding budget priorities reflected in consideration of the budget resolution often have little bearing on how spending is actually divided in the legislative process.

Proposal: The spending and revenue allocations for all committees should be included in the text of the budget resolution voted on by the House and Senate instead of including them in a joint statement of managers or the conference report. Ideally, the budget resolution would include the 302(b) allocations for Appropriations Subcommittees, but even including just the 302(a) allocations for all committees in the resolution would be a positive step. This would increase transparency of the budget resolution and focus more attention on the budget limits that will be enforced as a result of adoption of the budget resolution.

9. Reinforce pay-as-you-go rules

Current Practice: The Statutory Pay-As-You-Go Act requires the net effect of all legislation enacted during a session of Congress affecting mandatory spending or revenues to not increase the deficit over the five- and ten-year budget window. There is a similar provision in Senate rules (established by a budget resolution) prohibiting consideration of legislation affecting mandatory spending or revenues that increases the deficit over the five- and ten-year budget window. The Budget Act provides that a budget resolution may set out procedures to effectuate pay-as-you-go in the House and also provides that legislation which complies with pay-as-you-go requirements is not subject to points of order for violating spending or revenue allocations in the budget resolution.

Problem: The pay-as-you-go principle does not apply to the budget resolution, so it is possible for a budget resolution to provide for legislation increasing mandatory spending or reducing revenues without providing for corresponding offsets. Congress also routinely evades the existing pay-as-you-go requirements by including language in legislation excluding the costs from the PAYGO scorecard.

Proposal: Apply pay-as-you-go requirements to the budget resolution by prohibiting a budget resolution from providing for consideration of legislation increasing mandatory spending or reducing revenues without corresponding offsets or assuming a net increase in mandatory spending or reduction in revenues that is not offset. Require a budget resolution to include provisions enforcing compliance with pay-as-you-go requirements, including a prohibition against excluding costs from the PAYGO scorecard.

10. Link the debt limit to the budget resolution

Current Practice: The budget resolution sets forth recommended levels of debt subject to limit, but those recommendations do not affect the actual statutory limit on debt.

Problem: There is no connection between the spending and revenue decisions made in the budget resolution that result in debt and the statutory limit on debt. Members may vote for a budget that increases debt or policies that increase the debt beyond the budget resolution and vote against legislation increasing the debt limit necessary to cover debts incurred as a result of those prior policy decisions.

Proposal: Amend the Budget Act to provide for a separate bill increasing the debt limit by the amount of increased debt assumed in the budget resolution for the upcoming fiscal year either as a spin-off bill deemed to pass the House and Senate upon adoption of a budget resolution or a separate bill automatically voted on upon passage of the budget resolution conference report. Also amend the Budget Act or House and Senate rules to require any legislation that violates allocations in budget resolution to include an increase in the debt limit equal to the amount of the violation.

While this proposal is usually discussed as a way to facilitate action on the debt limit, it also has potential benefits for the budget process in several ways. First, it creates an incentive for Congressional leaders to expend the political capital necessary to pass a budget resolution in order to avoid the need to pass separate legislation increasing the debt limit, which is considered to be a difficult vote.

Linking an increase in the debt limit to the debt levels in the budget resolution would also create an incentive for policymakers to ensure that the actual increase in debt does not exceed the increase in the debt limit approved in conjunction with the budget resolution. There will be an incentive to make realistic economic assumptions in the
budget resolution for purposes of projecting debt levels. It also provides consequences for passing laws violating the budget or failing to enact deficit reduction legislation assumed in the budget. If the budget resolution relies on overly optimistic economic assumptions or Congress fails to enforce the budget resolution, then the debt will exceed the limit set by passage of the budget resolution and require a separate vote to raise the debt limit further. It still may be necessary to pass a separate debt limit increase in response to unforeseen events, but adopting a budget with realistic assumptions and following through on enforcing the budget would significantly reduce the potential need for separate legislation increasing the debt.

11. Include Social Security in the budget resolution

Current process: Social Security revenues and outlays are excluded from the spending and revenue totals in the budget resolution. Reconciliation instructions cannot provide for changes to Social Security. The budget resolution does set out Social Security revenues and outlays for purposes of enforcing Senate rules prohibiting legislation increasing Social Security outlays or reducing Social Security revenues in a manner that harms solvency.

Problem: Social Security represents a major component of our fiscal position and budget. Social Security is the largest government program and the payroll taxes dedicated to the program are second largest revenue source. Spending and revenues for Social Security represent roughly one-quarter of total federal spending and revenues. Excluding Social Security from the budget resolution provides an incomplete picture of federal fiscal policy. Social Security was excluded from the budget when the Social Security system was running a surplus and its inclusion in the budget resolution masked the size of the deficit in the rest of the budget, but the Social Security system is currently paying more in benefits than it collects in revenues. As a result, excluding Social Security from the budget masks the true size of the unified budget deficit. In addition, excluding Social Security from the budget resolution prevents the budget resolution from providing for any Social Security changes, which means reconciliation legislation cannot include any changes increasing or decreasing Social Security revenues or benefits, including cross-cutting policies which apply to Social Security along with other parts of the budget or even increase revenue or benefits.

Proposal: Include Social Security revenues and outlays in budget resolution totals as well as functional totals and committee allocations. This will provide both a more complete presentation of the budget and apply regular budget enforcement rules to Social Security. This change should be accompanied by language clarifying that increases in Social Security revenues and reductions in Social Security outlays should not be counted as an offset for budget enforcement purposes to avoid double counting savings for solvency of Social Security trust fund and as an offset for increased spending outside of Social Security. It would also allow reconciliation instructions to assume changes in Social Security and permit changes to Social Security to be included in reconciliation.

12. Provide for long-term savings targets

Current Practice: Reconciliation instructions require committees to achieve savings over the budget window covered by the budget resolution, usually ten years.

Problem: Reconciliation is a powerful tool to put the U.S. fiscal house in order. However, it currently has limited capacity to encourage policymakers to address the county’s largest fiscal challenges, which are over the long run. By focusing reconciliation instructions on short- and medium-term savings, budget resolutions create an incentive for committees to meet instructions through policies that produce up front savings that don’t grow over time and in some cases produce no savings beyond the ten-year window.

Proposal: Amend the Budget Act to allow budget resolutions to include reconciliation instructions with a second-decade deficit reduction target. Reconciliation legislation reported with a second-decade savings target would automatically be subject to a second-decade estimate by the Congressional Budget Office. Because long-term estimates are subject to more uncertainty, the instructions could set savings targets as a percentage of Gross Domestic Product and/or ranges rather than an exact dollar amount. Allowing the budget resolution to set an aggregate savings goal in the second decade or another period of time beyond the ten-year budget window could provide an incentive for committees to enact structural reforms that produce savings that grow over time. This reform could be helpful even if the second decade instructions are only advisory and not binding on committees.
13. Limit the use of reserve funds

**Current process:** Reserve funds are included in the budget resolution to give the Chairman of the Budget Committee authority to adjust budget allocations for legislation meeting certain conditions. Generally, this is for legislation that is deficit neutral with costs in one area that are offset by savings elsewhere in the budget. They are used by the Budget Committee to provide useful flexibility in considering legislation with budgetary effects that are uncertain when the budget is put together. They also ensure that legislation increasing spending is only allowed to move forward if it is accompanied by offsets.

**Problem:** While reserve funds provide useful flexibility for legislation with uncertain budgetary effects, there has been a proliferation of floor amendments creating reserve funds for legislation with little or no budgetary impact. The Fiscal Year 2016 budget resolution conference report contained 120 reserve funds, 70 of which were added by Senate floor amendments. These amendments essentially use the creation of a reserve fund for certain legislation as a “Sense of Congress” in support of that legislation rather than the intended purpose of accommodating budgetary effects of legislation. The proliferation of amendments creating reserve funds is a major contributor to “vote-a-rama,” or numerous votes at the end of consideration of the budget resolution in the Senate—a source of great frustration with the budget process. The approval of amendments creating reserve funds for various bills unlikely to be considered also creates a misleading perception of what the budget can accomplish, further undermining the credibility of the budget resolution.

**Proposal:** Preserve the ability to include reserve funds to provide flexibility in budget enforcement, but limit use of reserve funds as de facto “Sense of Congress” amendments by limiting or prohibiting floor amendments creating reserve funds, possibly by requiring amendment sponsors to demonstrate that a proposed reserve fund would apply to legislation with budgetary effects.

14. Show all budgetary resources in budget functions and committee allocations

**Current process:** The text of the budget resolution sets out recommended levels of spending for each function. The spending levels in the resolution incorporate offsetting collections and receipts, which are treated as negative spending. The budget resolution report includes a list of tax expenditures by function, but the budget resolution itself does not include recommended levels for tax expenditures by function.

**Problem:** Only showing net spending in each function provides an incomplete picture of the budgetary resources devoted to each function and masks the true size of government. In many budget functions, gross spending totals for programs within that function are partially offset by user fees or other collections credited to those programs. The budget resolution does not show federal support for various budget functions through tax expenditures, many of which function similar to spending programs.

**Proposal:** Include recommended levels for gross spending, offsetting collections and receipts, and tax expenditure levels in the functional totals of the budget resolution to show the full federal commitment to the purpose of each budget function. Provide allocations for gross spending and offsetting collections and receipts for each committee. Establish an enforceable allocation for total tax expenditures similar to allocations for mandatory spending, with reconciliation instructions requiring a reduction in tax expenditures if the allocation is lower than current law. Showing gross spending and tax expenditures for each budget function would represent a step toward portfolio budgeting to have a full debate on the amount of budgetary resources devoted to various policy goals.
Conclusion

The Budget Act provides lawmakers with several tools to establish fiscal priorities and enforce fiscal discipline, but these tools have become less effective over time. Reform of the budget process should begin by examining why the budget resolution is not as effective in enforcing budget discipline as it could be and by considering reforms to make it more effective.

Ultimately, the effectiveness of a budget resolution depends on the will of Members of Congress to follow through and comply with the limits in the budget resolution. However, the reforms set out in this paper could make the budget resolution a more meaningful document that provides a framework that is followed in the legislative process.

About the Better Budget Process Initiative

There is a growing consensus that the budget process is broken. The Better Budget Process Initiative will put forward specific options to reform and improve the budget process in a wide range of areas, including increasing focus on the long-term fiscal outlook, improving the process for dealing with the debt limit, strengthening statutory budget enforcement, revising the content and structure of the budget resolution, moving to biennial budgeting, and addressing treatment of tax expenditures in the budget process.

Other papers:
- The Better Budget Process Initiative: Strengthening Statutory Budget Enforcement
- Improving the Debt Limit
- Improving Focus on the Long-Term
- The Budget Act at 40: Time for a Tune Up?