

## The Thomas A. Roe Institute for Economic Policy Studies

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# GETTING THE FEDERAL BUDGET PROCESS BACK ON TRACK

## INTRODUCTION

**A**lthough the congressional budget process is notorious for missed deadlines, this fiscal year's effort to craft a budget for the federal government has set records for delay. At a time when both Congress and the President should be well along in developing a budget for FY 1997, they have yet to agree on spending for FY 1996. Nearly halfway through the current fiscal year, in other words, Congress and the White House must try to complete two budgets in a time frame that has proved inadequate for one.

Last year, the congressional budget process, with its complicated procedures, proved to be woefully ineffective in securing enactment of the ambitious agenda of the 104th Congress. But it did prove to be a highly effective weapon in the hands of a President determined to protect the status quo. Observers and participants concede a first-round victory to President Clinton, who has attempted to postpone the second round by arguing, along with some of his allies in Congress, that a national debate on last year's budget issues should be deferred until the upcoming presidential campaign, which should serve as a referendum on Congress's agenda.

Congress should ignore this suggestion that it relinquish its constitutionally mandated fiscal responsibilities. Instead, it should rejoin the budget struggle with a strategy that takes advantage of the impressive legislative accomplishments of the first session and the original intentions of the congressional budget process. This means focusing more intensely on timely completion of the appropriations and authorization process, and any necessary enabling legislation, as the primary mechanisms for crafting and enacting the budget.

By doing this, Congress could divide its far-reaching agenda into functional components, debating each issue on its individual merits rather than as part of a larger package in which important reform issues are lost in controversy over out-year deficit targets. This approach also would allow Members to separate components of the budget that are controversial from those that are not, thereby limiting the President's ability to hold gov-

ernment hostage to his own political agenda. In addition, recognizing that Congress must complete both the FY 1996 and FY 1997 budgets in a very limited period of time, Congress should adopt a biennial budget that embodies the key reforms developed during the last session.

## A SIX-POINT PLAN FOR BUDGET VICTORY

The following six point strategy would allow Congress both to adopt two-year budgets and to enact its reform agenda in the limited time available.

- ① **Adopt a biennial budget strategy during this session.** This would allow Congress to complete both the FY 1996 and FY 1997 budgets, meet dual spending targets in those authorization and appropriation bills either vetoed or not yet signed by the President, and pass the legislation needed to change entitlements.
- ② **Place greater reliance on individual authorization and appropriations bills and other necessary legislation, completed on schedule, as the primary vehicles for fiscal and legislative reform.** This contrasts with the current strategy of depending on continuing resolutions or omnibus reconciliation bills. By constructing a budget using authorization and appropriation bills, and if necessary segmenting the 13 individual appropriations bills into an even greater number of functional accounts, Congress would focus the debate more sharply on the profound policy differences involved and prevent the President from using these disagreements to block reform.
- ③ **Build upon last year's considerable legislative accomplishments in such areas as welfare, Medicare and Medicaid reform, and discretionary programs.** Last year, Congress enacted major reforms in several policy areas to improve the operation of federal programs. When folded together in giant budget bills, these accomplishments were blocked by President Clinton. These same bills should be split into separate bills. Along with existing but unsigned appropriations bills and related legislation, they should be amended to extend spending authority and program changes over a second year and sent separately to the President.
- ④ **Use the breathing room available under this budget strategy to remedy deficiencies in budget-related House and Senate bills either now being considered or already passed but not signed into law.** Congress should use the current impasse as a second chance to reconsider its performance in such areas as transportation, housing, privatization, and devolution—areas in which last year's authorization and appropriation bills often fell short of promised reform.
- ⑤ **Lawmakers must keep focusing on why they were elected — to cut the budget and reform government.** Talk of "CBO scoring" for "front-loaded glide paths," "growth from baseline," and "reconciliation" is the language of staff, not leadership. Americans want the budget cut because they know their hard-earned money is financing waste, redundancy, and obsolescence. Lawmakers must take every opportunity to explain their programs and accomplishments in the same vivid terms that convinced voters to entrust them with the job.

- ⑥ **Adopt an appropriate division of labor within the leadership.** This is needed to ensure that individual committee work products are timely and conform to overall congressional objectives. It is needed also to make sure that leadership is not so thinly spread over every issue.

### **The Need to be Better Prepared**

Heady with success from passing key elements in the Contract With America and adopting a balanced budget while fundamentally reforming welfare, Medicaid, and Medicare, Congress was caught unprepared by the President's veto strategy to defend the status quo. Congress relied too heavily on an omnibus reconciliation process and on comprehensive continuing resolutions as substitutes for a set of separate authorization and appropriations bills. Congress presented the President with an all-or nothing package covering so many significant issues that it was devoid of meaningful policy content. The President accepted the challenge by holding the government hostage, thereby allowing the news media to reduce the debate to sound-bite-friendly statements about Yellowstone sleigh rides and tickets to the Statue of Liberty. Lost was any serious discussion of the need to restore the viability of Medicare, reform the destructive welfare system, and boost the economy.

The three-time failure to achieve success with the all-or-nothing strategy has left many in Congress demoralized and confused, with lawmakers assuming they can achieve little this year. But this need not be the case. A different approach to budget process could allow Congress to turn its impressive collection of legislative initiatives last year into law this year.

### **Building on Last Year's Accomplishments**

The key to restarting the process is to recognize that the first session of the 104th Congress was remarkably successful in passing legislation that would fundamentally reform many of the government's most troubled programs. After decades of empty promises, it was this Congress that finally confronted the welfare and Medicaid mess, passed the necessary legislative remedies, and sent them to the President. Similarly, the financially collapsing Medicare program was overhauled to give seniors far more choices than any previous Congress or President had even considered. These reforms did not become law. The only reason: because President Clinton refused to sign them. Likewise, in many of the discretionary accounts, scores of wasteful and obsolete programs were terminated or cut back substantially, and some of these terminations were signed into law by the President.<sup>1</sup>

This agenda should be pursued aggressively during the second session of the 104th Congress in a debate which sets out clearly the choices that must be made—a focus lacking during the latter part of 1995.

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<sup>1</sup> See Ronald D. Utt, "A Progress Report on Closing Unneeded and Obsolete Independent Federal Agencies," Heritage Foundation *Backgrounders* No. 1072, March 13, 1996.

To do this, Congress should move immediately to construct a biennial budget resolution for the combined 1996 and 1997 fiscal years, using last year's resolution as the base and including whatever corrections might be needed to reflect spending, taxing, and economic patterns already underway. With this accomplished, Congress should move swiftly to complete the drafting (mostly by refining earlier bills) and passage of the authorization and appropriation bills and other legislation needed to turn the hundreds of decisions embodied in the budget resolution into law. Most of these authorization and appropriations bills, like the budget resolution, should cover at least two years.

### **Speed Up the Process**

Congress should stop using omnibus reconciliation bills and continuing resolutions as its primary vehicles in advancing fiscal and policy objectives. Instead, as intended by the Budget Act, it should rely on the timely completion of authorization and appropriations bills and other necessary legislation to implement spending decisions contained in the budget resolution.

Under the Budget Act (as amended by the Budget Enforcement Act of 1990), the House Appropriations Committee must report out all of its bills by June 10, and the House must complete action on them by June 30.

Last year, however, the House passed only two of 13 appropriations bills by the June 30 deadline. Eight more were passed in July, and the remainder in August and September. Similar delays occurred in the Senate, and the first appropriations bill was not sent to the President until eight days before the start of the new fiscal year. By the time the new fiscal year had begun, only two appropriations bills had been cleared for the Presi-

### **What is a Biennial Budget?**

At present, Congress budgets on an annual basis, constructing a new budget each fiscal year. Under the most comprehensive form of biennial budgeting, Congress would construct a budget for the next two years and then repeat the process every other year. It also would pass a two-year budget resolution, two-year authorization bills, two-year appropriation bills, and a two-year reconciliation bill.

Because of the repetitive and time-consuming nature of the existing congressional budget process, many policymakers have proposed some form of biennial budgeting to allow Congress and the Executive more time to consider other matters and perform their oversight functions. Among those who have supported this proposal are Presidents Ronald Reagan and George Bush and former OMB Director Alice Rivlin. Representative Leon Panetta (D-CA), now White House Chief of Staff, introduced legislation in the 95th Congress (H.R. 9077), and in every subsequent Congress in which he served, to put congressional budgeting on a biennial basis.\*

Although many bills have been introduced to establish biennial budgeting, none has passed. But this does not prevent Congress from introducing the key elements of biennial budgeting within the parameters of the existing Budget Act and the Constitution. Indeed, on numerous occasions in the past, Congress has used all the elements of biennial budgeting to its advantage. For example, annual appropriations and authorizations are a relatively recent phenomenon. Authorizations were usually permanent before World War II and characterized about 95 percent of federal spending in the mid-1940s. In recent years, Congress has passed two-year authorization bills for the Coast Guard, the State Department, and foreign assistance programs. In 1987, as part of a budget summit agreement with President Reagan, Congress passed a budget resolution establishing two-year spending caps for FY 1988 and FY 1989 in broad spending categories.

**Note:** James V. Saturno, "Biennial Budgeting: Background and Congressional Options," CRS Report for Congress, 89-295 GOV, revised May 11, 1990, p. 7.

dent's signature. Legislation to reform major entitlements also was not completed until after the fiscal year began.

When passage of spending bills is delayed until after the start of the fiscal year, the need to avoid a government shutdown forces Congress to rely on a single omnibus reconciliation bill or comprehensive continuing resolution to enact its agenda. This, in turn, allows the President to hold the entire government hostage to his own plans and avoid an open debate on the issues.

In the recent past, the reconciliation process and related legislation often were used as a substitute for the appropriations process, partly because it is easier to deal with a single omnibus bill than with 13 or more separate pieces of legislation. While this approach may work when Congress and the President are in general agreement on key issues, however, the process tends to exacerbate differences when they are not. Reliance on premature reconciliation bills also is a factor in keeping Congress from completing action on appropriations bills in advance of the relevant fiscal year, forcing it to pass continuing resolutions or some other form of omnibus legislation to keep government open while budgets await approval. Indeed, persistent delay in getting these bills completed before the start of the fiscal year was one of the many reasons Congress passed the Budget Control and Impoundment Act of 1974.

### **Rely on the Appropriations and Authorization Process, As Improved and Intended**

By avoiding omnibus reconciliation bills and ambitious continuing resolutions, Congress places the burden of fiscal responsibility where it was intended to be placed and where it resided for nearly two centuries before enactment of the 1974 Budget Act:<sup>2</sup> on the authorization and appropriations process. By relying on the timely completion of appropriations bills and necessary legislation within the schedule mandated by the Budget Act and avoiding dependence on a single bill to effect substantive policy and fiscal changes, Congress would follow more closely the original intent of the Act.<sup>3</sup> But, as noted above, such bills seldom have been completed and signed into law by the start of the fiscal year. With just a month to go before reaching the mid-point of FY 1996, only eight of the 13 bills have been signed by the President, and the one covering the Departments of Labor and Health and Human Services has not even been completed, thanks to a threatened Senate filibuster.

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- 2 U.S. Constitution Article I, Section 9: "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."
  - 3 The Budget Act envisioned the reconciliation process as a mechanism by which, just prior to the start of the fiscal year, the targets in the budget resolution would be reconciled with those of the subsequent authorization and appropriations bills. See, for example, "The Authorization, Appropriation, and Budget process in Congress: An Introduction," CRS Report for Congress, 94-1005 S, December 15, 1994, p. 20. The practice of using reconciliation bills as the chief vehicle for change began in 1981 with the enactment of President Reagan's program for economic recovery, but has proven to be not very effective when there are major policy differences between Congress and executive branch.

The House and Senate leadership promise that this year's appropriation committee performance will be swift and timely. Such promises have been made at the start of every session in living memory, but with little result. This year, they actually could mean something. Paradoxically, one reason for optimism is that with so few of last year's appropriations bills and related legislation signed into law, subcommittees of the appropriations and authorizing committees need only rewrite and edit the bills that already have been completed, adding an additional year of spending so that they cover two years instead of just one.

To accelerate the process, out-year spending projections in the FY 1996 budget resolution could serve as a preliminary basis for the FY 1997 portions of the appropriations bills until the new FY 1996/FY 1997 budget resolution is passed on or before the April 15 deadline. This process also would include all of the authorization bills and companion legislation needed to accomplish fundamental reform of the entitlement programs. The bills covering Medicare, Medicaid, and welfare reform are just as necessary and as valid today as they were last year when rejected by the President as parts of a single omnibus bill or as separate pieces of legislation. They should be separated into individual bills, then modified as appropriate and resubmitted to the President in a process designed to draw clear distinctions between Congress's reforms and the President's embrace of the status quo.

### **Conduct a National Debate on Separate Issues**

The main advantage of swiftly following the budget resolution with separate authorization and appropriations bills and legislation to alter entitlements is that Congress and the President then could conduct a clear debate in each policy area. When everything is lumped into a reconciliation bill or continuing resolution, issues of fundamental change, and the reasons for them, get lost in an angry debate over lines on a chart and out-year deficits.

By separating the budget into 13 or more appropriations bills and any number of other bills needed to reform program operations, Congress can engage the President directly in a debate over differences in policy on a program-by-program basis and challenge the President more effectively in his defense of the status quo. Instead of creating an environment where the President can talk about hungry children while rejecting a reform of Medicare, separating bills into their functional components would permit Congress to compare what it wants to achieve through welfare reform with existing inner-city squalor in federally funded public housing projects. Further, separating bills in this way would allow lawmakers to talk about the reforms themselves, rather than about back-loaded baselines and seven-year CBO projections.

This strategy would allow lawmakers to draw vivid and clear distinctions between abuses that exist and the reforms they know the nation both wants and needs. The successful strategy used in the House last January to pass comprehensive regulatory reform can serve as a model to involve the public in a debate that otherwise might become obtuse and technical. Medicare, Medicaid, federal job training programs, deplorable conditions in public housing projects, and obsolete agencies are just some of the costly targets of opportunity that should be brought to the attention of a public still eager for reform.

In implementing this strategy, there is no reason why Congress has to limit itself to its traditional 13 appropriations bills. Without challenging any committee's current jurisdiction, appropriations bills could be subdivided more finely into functional areas that lead to clearer debates on policy differences, at the same time denying the President and a minority in Congress the opportunity to hold one program hostage to another. For example, the National Park Service, the Naval Petroleum Reserves, the Bureau of Land Management, the National Endowments for the Arts and Humanities, and any other programs likely to trigger intense debate could be brought forward as separate bills rather than as subsections of a single "Department of Interior and Related Agencies" bill. Likewise, the single appropriations bill for Commerce, Justice, and State could be sliced easily into three or more components, while separate bills covering each of the major entitlement reform initiatives could be brought forward and debated on their merits.

Added to this agenda should be similarly comprehensive reform legislation for areas of government which last year were not subject to nearly the degree of reform that many of the social welfare programs and independent agencies experienced, leaving the majority in Congress vulnerable to charges, for example, of ignoring costly "corporate welfare" programs. Only limited changes were imposed on the troubled public housing industry or on the transportation, public power, and agriculture interests, to name just a few. These costly deficiencies should be remedied during the second session and within the combined FY 1996/FY 1997 resolution and related authorization/appropriations process.

### **Managing the Process**

By promising to complete the appropriations/authorization process in a timely fashion, Congress has set for itself an ambitious goal—one it has failed to fulfill during much of the recent past, including the last session of Congress when so much was at stake. Is Congress up to the task of performing this well? It may be able to do so, but only if changes also are made in the management of the budget process.

Specifically, the House and Senate leadership should stick with issues more appropriate to leaders and leave the complicated technical details to others. By defining duties and responsibilities more clearly, the leadership could take full advantage of the efficiencies that arise from an effective division of labor by organizing members into issue teams, drawn from the relevant committees, and assigning to these teams the responsibility of advancing each of the key policies. These teams would focus on such cross-cutting issues as welfare reform or the termination of wasteful programs, championing them in debate on behalf of the majority.

Similarly, because it has yet to complete its work on many of the appropriations bills and most of the entitlement reforms for the FY 1996 budget, Congress also will need to produce and defend a series of interim continuing resolutions to keep government operating, at the same time advancing whatever incremental reforms can be brought along for the ride. Perhaps another task force, drawn from the leadership and the budget, tax, and appropriations committees, could be formed to fulfill this duty while the leadership and key committee chairmen develop and implement a comprehensive biennial budget with promised reforms.

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