

“Biennial Budgeting: A First Step toward Budget Process Reform”

Testimony of Alice M. Rivlin*

Committee on the Budget

U.S. House of Representatives

Wednesday, November 18, 2015

Chairman Price, Ranking Member Van Hollen, and members of the Committee:

I am happy to be back before one of my two favorite committees and delighted that you are focusing attention on budget process reform. No process can make budget decisions easy. But the congressional budget decision process prescribed by current law is so complex and arcane that it has completely broken down and been replaced by ad hoc workarounds. Moreover, the current process is focused on the short-run and allows congress to ignore longer term fiscal sustainability. A new process is needed.

Former Senate Budget Chairman Pete Domenici and I recently completed a “Proposal for Improving the Congressional Budget Process” (attached) in which we emphasized three major themes:

- The budget process should include ALL federal spending and revenues. It should not leave entitlements or tax expenditures on automatic pilot, but subject them to periodic review and decision-making.
- The budget process should be transparent and completed on time.
- The budget process should have buy in from the president and the leadership of the congress.

*Senior Fellow, Economic Studies and Director of the Health Policy Center, Brookings Institution; also Visiting Professor at the McCourt School of Public Policy, Georgetown University. The views expressed in this statement do not necessarily reflect those of staff members, officers, or trustees of the Brookings Institution or Georgetown University.

Biennial budgeting is an important first step toward broader budget process reform and I strongly support Representative Reid Ribble's bill, H.R. 1610, a bipartisan bill with an amazing 225 cosponsors.

If the congress passed a biennial budget resolution in the first year of each Congress and appropriations for the two upcoming fiscal years, it would be easier for executive branch agencies to plan ahead and use resources wisely. It would be easier for Congress to make significant changes in spending, either positive or negative, with a two-year time horizon. Program managers would be able to spend less time defending their budgets and more time running their programs. Congressional committees, including this one, would spend less time reviewing budgets and more time overseeing how effectively the money is spent. Unforeseen events or genuine emergencies would, of course arise, as they do now, and would have to be dealt with by supplemental appropriations or contingency funding, but this does not seem a major problem. Nor does the necessity of projecting economic assumptions an extra year in advance.

In truth, Congress has already migrated toward two-year budgeting, by effectively setting caps on discretionary spending for two consecutive years. Most recently, in the Bipartisan Budget Act of 2015, and before that in the Ryan-Murray agreement codified in the Bipartisan Budget Act of 2013, Congress acted biennially.

In short, I believe that biennial budgeting and appropriating would ease the congressional work-load, allow for better planning, leave time for more thorough congressional oversight, and make it more likely that the budget process would be completed on time.

In the Rivlin-Domenici proposal we suggested that, in the interest of timely action, Congress penalize itself for not adopting a budget resolution by April 15 by foregoing any planned recess until a conference agreement is enacted. We also believe the debt ceiling brinksmanship should be avoided by automatically changing the debt ceiling to be consistent with the biennial budget resolution and that government shutdowns should be avoided by continuing spending

automatically at last year's level if appropriations bills are not passed and signed by the time the fiscal year begins.

But appropriations, whether annual or biennial, cover only about a third of total federal spending and are not the source of the future growth in spending that is projected to occur as the population ages and health care costs continue to rise. The greatest weakness in the current budget process is that the major entitlements—Social Security, Medicare and Medicaid are effectively outside the budget process. Spending for these programs continues automatically without triggering any congressional action, as does the massive amount of spending that occurs in the tax code. If Congress is to take the deliberate actions necessary to control rising future debt it must include all spending (including tax expenditures) and all revenue into the budget process.

In addition to biennial budgeting and appropriations, Congress should set targets for the major entitlement programs and tax expenditures and establish a schedule of periodic review and decision-making to make sure the targets are either met or deliberately adjusted.

Finally, the budget process is the forum in which the differences between the branches must be address, debated and resolved. It requires the active participation of the executive and legislative branch leadership. To this end, the budget committees should be transformed into leadership committees. Their membership should include the chairs and ranking members of the major fiscal, tax, and economic committees. Presidential buy-in is also required, either by making the biennial budget resolution a law to be signed by the president or in some other way.

In conclusion, I commend the House Budget Committee, and Congressman Ribble for making budget process a priority. Including all revenues and expenditures, making decisions in a more timely way, and bringing both executive and legislative leadership to the table can help produce more effective sustainable budgeting. Biennial budgeting is a good first step, but only part of what needs to be done.

Thank you for this opportunity to testify.