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U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET
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PROPOSED REWRITE OF THE CONGRESSIONAL BUDGET PROCESS

DISCUSSION DRAFT: DESCRIPTION AND RATIONALE

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Since adoption of the Congressional Budget Act in 1974, the budget process has been amended several times, adding complexity and confusion to an already complicated exercise. The process has become so cumbersome, frustrating, and ineffective that Congress now frequently abandons it in favor of manufactured, ad hoc procedures. This deterioration only weakens Congress's power of the purse, and thus its capacity to govern. In addition, fiscal conditions have changed dramatically over the past forty-two years, including the inexorable growth of automatic spending as a share of the total budget and the recent explosion of government debt that threatens to overwhelm the budget and the economy.

Incremental, piecemeal fixes will not correct these deep and fundamental failings in the budget process. What is needed is a thorough rewrite of congressional budget practices. Following an extensive series of hearings and working papers, the House Budget Committee has developed the attached discussion draft describing a proposed overhaul of the process.

For more information on this rewrite of the budget process, please visit:
budget.house.gov/BudgetProcessReform

PURPOSES

This proposal is intended to restructure the congressional budget process. It was developed around the following principles:

- *Enhance Constitutional Authority*. Emphasize the goal of advancing Congress's power of the purse under Article I of the Constitution, and thereby its governing authority.

- *Strengthen Budget Enforcement*. Tighten adherence to budget rules and restrictions on emergency-designated spending.

- *Reverse the Bias Toward Higher Spending*. Dismantle the often subtle procedures and assumptions that encourage higher spending rather than spending restraint.

- *Control Automatic Spending*. Take control of "direct" or "mandatory" spending, which operates on effectively permanent authorizations, consuming increasing shares of Federal resources outside the regular purview of the Federal budget process.

- *Increase Transparency*. Account for regulatory costs that reflect an extension of government burdens outside the fiscal budget; acknowledge the government's overall fiscal status; and make the budget more accessible to the general public.

- *Ensure Fiscal Sustainability*. Expand the budgetary horizon to capture long-term commitments and risks.

ENHANCE CONSTITUTIONAL AUTHORITY

Asserting Article I Congressional Powers

MOVE TO A CALENDAR-YEAR CYCLE

Description. Changes the start of the fiscal year from October 1 to January 1 beginning in calendar year 2019.

Rationale. This adjustment would align the Federal fiscal year with Congress's legislative schedule. It would allow Appropriations Committees more time to pass what would now be six spending bills each year. (See further discussion under "Biennial Budgeting.")

CHANGES IN BUDGET TIMETABLE

Description. Adjusts the timing of various steps in the budget process to correspond with the new fiscal year. The fiscal year would be changed from October 1 through September 30 to January 1 through December 31. The administration would submit its current services baseline on February 1 and the Congressional Budget Office would release its budget and economic outlook no later than February 15. The deadline for the authorizing committees to submit *Views and Estimates* would be changed from six weeks after the President's submission to March 1. The House and Senate Budget Committees would report their respective budget resolutions by April 15 and Congress would adopt it by May 15. Upon the adoption of the budget resolution, a joint resolution establishing statutory limits on spending and debt may be sent the President. The President's policy-based budget would be deferred from the first Monday in February to April 30. House rules prohibiting Congress from passing an adjournment resolution before it has completed action on the appropriations bills and any reconciliation legislation would be moved from their current dates to November 1 and November 30, respectively. In the following year, Congress would have until March 15 to complete action on any enhanced reconciliation bill addressing a breach of the debt limits and thus supersede any automatic budget savings.

Rationale. The substantial changes in the budget timetable ae a consequence of giving Congress the initiative in adopting the budget resolution, aligning the fiscal year with the calendar year, and miscellaneous changes to improve the efficiency of the budget process. In this arrangement, the congressional budget takes precedence: the House and Senate Budget Committees would complete their respective budget resolutions before the President's budget policy request would be submitted, on April 30. The new arrangement would bring the President into budget discussions around the time the House and Senate go into conference on the budget resolution. This would give Congress an opportunity to determine whether an agreement is possible on statutory spending and debt limits. The change in the deadline for the authorizing committees to submit *Views and Estimates* would provide the Budget Committees more time to incorporate the authorizing committees' views in deliberations on the budget resolution.

UNAUTHORIZED PROGRAMS

Description. Requires a reduction in the statutory discretionary spending limits by the amount appropriated for unauthorized programs that exceeds a specified level. The magnitude of the reduction would be determined by the amount of time that has lapsed since the program was scheduled to be reauthorized. Congress would establish a procedure under which authorizing committees would make explicit which programs were to be reauthorized or terminated.

Rationale. According to a 2016 Congressional Budget Office report, there are more than $310 billion of unauthorized programs for fiscal year 2016 spanning two hundred fifty-six laws and fifteen House authorizing committees. More than half of the unauthorized amount – or $160 billion – is for programs whose expired authorizations are more than ten years old. Over the past decade, an average of about one-fourth of total discretionary appropriations has been unauthorized, mostly for non-defense programs. This proposal would complement House rules and freestanding legislation to encourage regular reauthorizations by providing a level of enforcement that cannot be waived in the House as part of the rules process.

VIEWS AND ESTIMATES

Description. Makes mandatory the requirement that authorizing committees submit *Views and Estimates* to their respective Budget Committees. The provision also changes the submission date for *Views and Estimates* to no later than March 1. In addition to the information already mandated by the Congressional Budget Act of 1974 [Budget Act], authorizing committees would be required to include a list of programs needing reauthorization. They would further be required to include a zero-based justification for each program they propose to reauthorize.

Rationale. Under current law, authorizing committees may submit their *Views and Estimates* on elements of the budget resolution, including budgetary levels, reconciliation, and procedures to enforce the budget resolution. As a practical matter, however, the views have been used largely to comment on the priorities in the President's budget submission. Changing the deadline for submitting the *Views and Estimates* is intended to ensure they are based on the committees' priorities rather than the President's submission, which will now be submitted by April 30. The accelerated deadline will provide the Budget Committees sufficient time for taking the committees' views into consideration before deliberations commence on the budget resolution.

UNIFORM BUDGET RULES AND PROCEDURES

Description. Prohibits the consideration of a budget resolution that establishes different budgetary rules for the House and Senate. The rule would be enforced by a point of order that would lie against consideration of the budget resolution in both Chambers. Exceptions could be made when variances in rules are solely attributable to differences in House and Senate practices and traditions.

Rationale. This proposal would compel the two Chambers to resolve their differences in conference. Recent conference reports on the budget resolution have established different budget rules for the House and Senate. In the fiscal year 2016 budget resolution, for example, the House and Senate had substantially different rules governing the scoring of energy performance contracts and limits on legislation with long-term costs. Requiring the Budget Committees to resolve all their differences will ensure that legislation complying with the budgetary rules of one Chamber would also comply with those of the other. The result will be more coherent rules and a more enforceable budget resolution.

ADJUSTING 302(b) ALLOCATIONS

Description. Provides the Appropriations Committees the flexibility to adjust their 302(b) suballocations to account for adjustments made pursuant to the discretionary spending limits provided under current law or reserve funds provided in the most recently adopted concurrent resolution on the budget. The suballocations could be adjusted by the Appropriations Chair or by a vote of the full committee. Alternatively, they could be adjusted automatically.

Rationale. The 302(a) allocation, which is included in the joint statement of managers accompanying the budget resolution conference report, provides a lump sum of discretionary spending to the Appropriations Committees for the forthcoming fiscal year. The Appropriations Committees then divide the 302(a) allocation into twelve separate 302(b) suballocations. The 302(b)s act as binding limits on each of the twelve appropriations bills. Occasionally, the Budget Committee must alter the 302(a) for adjustments made pursuant to the discretionary spending limits provided under current law or reserve funds provided in the most recently adopted concurrent resolution on the budget. The Appropriations Committees frequently find themselves unable to adjust the 302(b)s due to time constraints and other factors. The House is then put in a position in which it cannot enforce the 302(b)s because they do not equal the overall 302(a) limit. This provision would remedy that complication.

REAUTHORIZATION OF THE CONGRESSIONAL BUDGET OFFICE

Description. Authorizes the appropriation of a fixed sum over a specified number of years for the Congressional Budget Office.

Rationale. The Congressional Budget Office has not been reauthorized since it was established in 1974 under the Congressional Budget Act. The reauthorization also would provide the Budget Committees additional opportunities for oversight of the agency.

HOUSE BUDGET COMMITTEE TENURE

Description. Removes the current limitation under Clause 5 of House Rule X, which generally limits Budget Committee membership to no more than four Congresses in a period of six successive Congresses.

Rationale. The elimination of term limits provides committee members the opportunity to develop the critical expertise necessary to shape budget priorities and confront the Federal Government's extraordinary fiscal challenges. It would also conform House service requirements to those of the Senate, which imposes no limits on Budget Committee tenure. The House Budget Committee is one of the few committees with term limits on rank-and-file members.

Biennial Budgeting

THE CONCURRENT RESOLUTION ON THE BUDGET

Description. Calls for an annual concurrent resolution on the budget that provides 302(a) allocations to accommodate the consideration of biennial appropriations bills. The budget resolution would provide two separate 302(a) allocations for six of the twelve appropriations bills to be considered in the first session. One allocation would cover the forthcoming budget year (the first year of the biennium) and the other allocation the succeeding fiscal year (the second year of the biennium). The next year's budget resolution would provide 302(a) allocations covering the first and second years for the remaining six appropriations bills. The Government Accountability Office also would prepare a report on the effectiveness of the biennial budget process.

Rationale. The current budget schedule does not provide sufficient time to complete all twelve appropriations bills before the start of the fiscal year. Only one out of sixty of the annual appropriations bills from the past five years has been enacted by the start of the fiscal year and Congress has funded the government on time only once in the past twenty years. Changing the budget resolution to allow for the annual consideration of six two-year appropriations bills each cycle, rather than twelve one-year spending measures, would free up significant legislative time and help Congress to complete its appropriations bills on schedule.

THE COMMITTEES ON APPROPRIATIONS AND APPROPRIATIONS BILLS

Description. Provides for the Appropriations Committees to separately subdivide each of the two 302(a) allocations among the six appropriations bills to be considered that year in the form of 302(b) suballocations. The Appropriations Committees would then move their six appropriations bills, each subject to the 302(b) suballocation. The appropriations bills would thus contain two separate appropriations, one for the first fiscal year and one for the second. The cycle would repeat the following year, except that the budget resolution and appropriations bills would be for the second set of six appropriations bills. An illustrative arrangement of the appropriations bills might be as follows:

- In the first year: Defense; Energy and Water Development, and Related Agencies; Financial Services and General Government; Homeland Security; Interior, Environment, and Related Agencies; Labor, Health and Human Services, Education, and Related Agencies.

- In the second year: Agriculture, Rural Development, Food and Drug Administration, and Related Agencies; Commerce, Justice, Science, and Related Agencies; Legislative Branch; Military Construction, Veterans Affairs, and Related Agencies; Transportation, Housing and Urban Development, and Related Agencies; State, Foreign Operations, and Related Programs.

To facilitate the transition from annual to biennial appropriations bills, a transition rule would be provided for the first Congress after adoption of the proposal.

Rationale. A biennial budget cycle could lead to timely completion of six appropriations bills each year in lieu of multiple continuing resolutions or an omnibus appropriations bill that Members have had no opportunity to debate and amend. Congress would have an additional three months to pass six of the twelve appropriations bills. The freed-up floor time could be devoted to oversight and periodic reauthorization of discretionary programs.

PROHIBITION OF LONG-TERM CONTINUING RESOLUTIONS

Description. Prohibits the consideration of any legislation continuing appropriations for a period longer than twelve months, enforced through a point of order.

Rationale. This rule recognizes that a biennial appropriations cycle may invite long-term continuing resolutions. The provision would compel Congress to fully fund the Federal Government without resorting to long-term continuing resolutions.

TWO-YEAR AUTHORIZATIONS

Description. Prohibits the consideration of legislation containing an authorization of appropriations for less than two consecutive fiscal years. This rule is enforced through a point of order. There is an exception for one-year authorizations of appropriations that expressly include a provision stating that Congress finds no authorization of appropriation will be required for any subsequent fiscal year.

Rationale. This provision would align the time period of authorizations with the biennial appropriations process.

CURRENT SERVICES ESTIMATES IN LIEU OF THE PRESIDENT'S BUDGET REQUEST

Description. Requires the President to submit, by February 1, in lieu of a budget policy request, a set of policy neutral current services account level estimates for the forthcoming budget year. Title 31 of the United States Code defines current services as the estimated budget outlays and proposed budget authority that would be included in the budget for the following fiscal year if programs and activities of the United States Government were carried on during that year at the same level as the current fiscal year without a change in policy. The President would submit a budget policy request by April 30.

Rationale. The current services submission should provide sufficient detail for the Budget and Appropriations Committees to begin their work on the budget resolution and the appropriations bills, respectively.

ABILITY TO REVISE THE BUDGET RESOLUTION

Description. Reaffirms the authority of both Chambers to adopt, at any time after the concurrent resolution on the budget has been agreed to, a concurrent resolution revising or reaffirming the previous version.

Rationale. A revised budget resolution affords both Chambers a means of addressing changing priorities, economic developments, and other factors. This change would clarify that a revised budget resolution is valid for all purposes of the Budget Act. Any revised budgetary levels set forth in this budget resolution are binding and fully enforceable through points of order, and any new or revised reconciliation instructions are binding on the authorizing committees. Both a revised budget resolution and a reconciliation bill pursuant to it are fully privileged and would be considered under expedited procedures in both Chambers.

CHANGES IN CONTENT OF THE BUDGET RESOLUTION

Description. Requires the budget resolution to distribute proposed funding levels across the following broad categories: discretionary spending; Medicare; Medicaid and other health-related spending; Social Security; interest; and other major categories, as appropriate. The budget resolution will also be required to display public debt as a percentage of gross domestic product rather than public debt in nominal dollars.
The resolution may also levels of direct spending, discretionary spending, and debt that could be enacted into law through a "spin-off" joint resolution.

Rationale. This change is intended to focus attention on the elements of the budget determined by the budget resolution: the overall discretionary levels within the 302(a) allocations and the direct spending levels reflected in the allocations and the reconciliation instructions. The budget resolution establishes limits on the overall level of discretionary spending (and in recent years the amount for defense and non-defense) and the proposed changes in direct spending by committee. The proposed distribution would have the added benefit of emphasizing the categories of Federal spending that must be controlled to put the entire budget on a sustainable path.

CONTENT OF THE BUDGET RESOLUTION REPORT

Description. Moves to the budget resolution report the nonbinding numbers in the functional breakdown previously included in the text of the budget resolution.

Rationale. The functional categories would be retained in the report because they provide the Budget Committees a means of highlighting Congress's priorities and offer a common framework for comparing proposed budgets with past budget resolutions.

ADJOURNMENT AND THE BUDGET PROCESS

Description. Prohibits the House from considering a resolution to adjourn for more than three days during the month of December under certain conditions. Specifically, the prohibition if Congress has not completed action on the budget resolution and reconciliation bills for which instructions were issued in the most recently adopted budget resolution, or if Congress has failed to pass each of the six appropriations bills scheduled to be considered during the congressional session.

Rationale. The proposal would create a strong incentive for lawmakers to complete their budget work in a timely fashion and as required by law.

EXPANDED RECONCILIATION PROCESS

Description. Preserves and expands the current reconciliation process under the Budget Act. Reconciliation is the process by which the Budget Committees can include, in the budget resolution, binding directives to the authorizing committees calling for legislative changes to meet direct spending and/or revenue levels or the debt limit. The proposal also clarifies that there is no limit on the number of reconciliation bills that can be considered under a single budget resolution.

Rationale. This proposal would enable Congress to consider multiple reconciliation bills in each of three categories: spending, revenue, or debt. It also would clarify that the Budget Act permits reconciliation directives to carry over from session to session and Congress to Congress.

Strengthen Budget Enforcement

Adhering to Budget Rules

RESTRICTION ON MOVING SPENDING AND TAX MEASURES
BEFORE A BUDGET RESOLUTION

Description. Strengthens section 303 of the Budget Act by eliminating multiple exceptions allowing the House to consider major spending and tax bills without a budget resolution in place. These include exceptions for appropriations bills after May 15 and tax bills that are first effective after the budget year. This proposal also would increase, from a simple majority to three-fifths of the Senate, the threshold by which the Senate can waive the rule. Section 303 is the only major rule in the Budget Act that the Senate can waive with a simple majority. Finally, the proposal would institute a special procedure in the House to avoid a waiver of section 303 as part of a "blanket waiver," waiving all Budget Act points of order, in the rule providing for the consideration of a spending or tax bill. With this provision, and similarly to the Unfunded Mandates Reform Act of 1995, the presiding officer of the House would be required to put the question on whether the House should consider the bill even though it violates a rule against consideration.

Rationale. The budget resolution plays a critical role in defining Congress's priorities, and establishing a broad fiscal policy. Without it, Congress has no context to guide individual spending and tax bills. The Budget Act recognizes these matters, but current practices provide too many options for lawmakers to avoid adopting a budget resolution. Eliminating these loopholes will enhance the imperative for Congress to exercise this fundamental governing responsibility.

IDENTIFYING BUDGET WAIVERS

Description. Requires that, in the House, any rule providing for the consideration of a bill or joint resolution must separately identify any budget rule waivers it contains. This would apply with respect to Title III of the Budget Act, rules set forth in the budget resolution, and the House Cut-As-You-Go rule.

Rationale. As previously described, a "blanket waiver" obviates the ability of any Member to enforce budget rules for a measure that would exceed the parameters set forth in the budget resolution. The Rules Committee identifies all budget waivers in the report accompanying a rule governing floor consideration of legislation, but Members seldom have time to read every report before the rule must be voted upon. This proposal would require that all waivers be specifically and individually identified in the rule itself before a vote on the relevant bill or joint resolution.

STRIKING BUDGET WAIVERS

Description. Provides Members the ability to strike budget waivers in the rule for consideration of legislation.

Rationale. Under a long-standing practice in the House, rules providing for consideration of legislation may not be amended. Consequently, Members of the majority have no effective means of enforcing budgetary requirements if a rule waives them. This proposal would empower individual Members to help enforce budget disciplines.

UNREPORTED MEASURES

Description. Applies points of order under the Budget Act to unreported measures that violate the Budget Act or House budget rules. The proposal would codify the provision of House Rule XXI, Clause 8.

Rationale. This reform ensures that legislation considered by Congress without having been reported by the committee of jurisdiction will be subject to the budget rules set forth in the in the Budget Act and budget resolution. Under the Budget Act, most points of order apply only to reported bills, creating an opportunity to circumvent budget disciplines.

EXEMPTIONS FROM AUTOMATIC BUDGET ENFORCEMENT

Description. Broadens the base of programs subject to automatic budget enforcement. Generally, all programs would be subject to automatic enforcement, with limited exceptions such as interest payments, Article I judges' salaries, and intragovernmental payments. The proposal would amend current rules as they apply to the enforcement of the applicable statutory spending limits and create new special rules that govern automatic budget enforcement for certain programs, projects, and activities.

Rationale. The current base of programs subject to automatic budget enforcement procedures is narrow, with many programs exempt from its effects. When automatic enforcement is triggered on a narrow base of programs, the required reductions and other changes in budgetary resources becomes more severe because fewer programs are available to absorb the changes. Broadening the base for automatic enforcement would alleviate this problem. It also would create a greater incentive to correct breaches of spending limits through the legislative process because a much wider range of government programs would be affected by automatic enforcement.

PROHIBITION ON THE USE OF BUDGET GIMMICKS

Description. Precludes the use of asset sales and timing shifts to offset spending increases. The House and Senate would not count the proceeds from an asset sale or timing shift when determining whether legislation is within the appropriate limits in the budget resolution. Similarly, asset sales and timing shifts will be excluded when determining whether legislation complies with statutory limits on discretionary spending currently in law or the proposed direct spending limits or debt targets.

Rationale. Asset sales and timing shifts do not result in real savings and therefore should not be allowed to offset what are frequently permanent spending increases. They are already excluded from calculations under the Statutory Pay-As-You-Go Act of 2010 [Statutory PAYGO] and the Balanced Budget and Emergency Deficit Control Act of 1985.

Emergency Spending

STRIKING EMERGENCY DESIGNATIONS

Description. Permits any House or Senate Member to offer an amendment that strikes an emergency designation in any measure.

Rationale. Under current law, emergency-designated appropriations are effectively excluded from both congressional budget limits, such as the 302 allocations, and the statutory discretionary spending limits. This process entails both Congress and the President to designate specific appropriations as an emergency requirement. Members of Congress are not usually permitted to challenge an emergency designation. Striking such a designation would cause previously exempt appropriations to score, resulting in a breach of the 302 allocations and making them subject to a point of order. This proposal would allow for open debate and justification for any use of the emergency designation.

EMERGENCY SPENDING AND THE BASELINE

Description. Eliminates inflation adjustments for emergency-designated spending in calculating the baseline.

Rationale. Under current law, the Congressional Budget Office baseline retains emergency spending amounts and increases them for inflation over the budget window – just as with other discretionary spending. Thus, even though emergency spending is supposed to be temporary, the baseline treats it as permanent and growing. The proposal would eliminate this particular bias toward higher spending.

TWO-YEAR LIMIT ON EMERGENCY FUNDING

Description. Prohibits the consideration of any general appropriations bill or continuing resolution that makes emergency spending available for more than two fiscal years, enforced by a point of order.

Rationale. Emergency spending is supposed to be temporary and aimed at addressing urgent, unanticipated conditions that threaten life, property, or national security. Allowing such spending to be available without time limits only encourages higher spending. This proposal would reverse that incentive. It also would close a loophole that allows unspent emergency funding to be used as offsets for other spending increases.

JUSTIFICATION OF EMERGENCY DESIGNATIONS

Description. Requires the House and Senate Appropriations Committees to include a justification for any emergency designation in the report accompanying the applicable measure. The proposal similarly requires any emergency designation made by the President to include a justification for such designation in the applicable submission to Congress.

Rationale. These proposals are intended to provide some assurance that the emergency designation applies to legitimate.

STANDARDIZED TREATMENT OF EMERGENCY SPENDING

Description. Establishes a uniform procedure for holding emergency-designated appropriations harmless from budgetary limits established by the budget resolution. The Chairs of the House and Senate Budget Committees would adjust the appropriate 302 allocations and budget totals by the amount of emergency-designated appropriations (and occasionally direct spending and revenue). In other words, the budget limits would effectively float with the designated emergency.

Rationale. Emergency-designated spending does not trigger points of order or other forms of automatic enforcement. While both the House and Senate hold appropriations bills harmless for emergency-designated appropriations, they achieve this result through different procedures. In the Senate, the applicable limits in the budget resolution are increased by the amount of the designated appropriations. In the House, the emergency-designated appropriations are not counted for the purpose of determining points of order. Conforming House and Senate treatment of emergency spending would simplify an inherently complex process. While the House approach of simply exempting emergency appropriations does not require adjustments to the levels, the Senate approach is more transparent because it recognizes that spending is taking place. The Senate approach has the added advantage of conforming congressional treatment of emergencies under the budget resolution with the Office of Management and Budget's treatment of such spending under the discretionary spending limits in law. The Office of Management and Budget follows the Senate practice of adjusting the discretionary spending limits by the amount of the designated appropriations.

GOVERNMENT ACCOUNTABILITY OFFICE REPORT

Description. Requires the Comptroller General to submit to the House and Senate Budget and Appropriations Committees, by April 15, 2022, a report reviewing emergency-designated appropriations from fiscal years 2008 through 2021. The report would include the following: (1) the extent to which the Committees on Appropriations met the required statutory deadlines for enacting appropriations bills; (2) the change in the number and aggregate amount of supplemental appropriations and the number of accounts included in such measures; (3) the change in the number and aggregate amount of discretionary appropriations designated as an emergency; (4) any change in oversight practices of the House and Senate authorizing committees; (5) any change in the number and quality of oversight reports issued by authorizing committees; and (6) any comparisons that the Comptroller General determines relevant.

Rationale. The emergency designation is reserved for spending needed to respond to unanticipated events that pose a threat to life, property, or national security. Such spending is exempt from all budgetary limits, which creates an incentive to exploit the designation for spending that does not meet the definition. Hence, it is necessary to closely monitor the usage of emergency appropriations to determine whether restrictions should be imposed on emergency funding. This report would essentially update a similar report the Government Accountability Office submitted to Congress on emergency designations prior to fiscal year 2008.

REVERSE THE BIAS TOWARD HIGHER SPENDING

REVERSING THE BASELINE BIAS

Description. Makes changes to the Congressional Budget Office baseline that is used to estimate the costs of legislation and make budgetary projections. These changes include the following:

- The level of discretionary appropriations for each fiscal year is assumed to be the same level as the most recently enacted, excluding any appropriation designated as an emergency. The baseline will not assume discretionary inflation.

- Estimates of the budgetary effects of existing programs that affect direct spending or revenue are assumed to follow current law. Once a program expires, its budgetary effects are not assumed to continue in the baseline unless Congress reauthorizes them.

- Programs financed by trust funds are assumed to follow current law requirements governing the level of allowable spending from the trust fund. The baseline cannot assume a greater level of spending than current law would allow.

Rationale. A number of baseline assumptions have led to a bias toward higher spending in the Congressional Budget Office baseline. Among these are provisions that require the Congressional Budget Office to automatically assume the extension of any program enacted prior to 1997 that spent more than $50 million. Another provision requires the Congressional Budget Office to assume all entitlement payments will be made, notwithstanding the inability of an entitlement program's trust fund (if applicable) to finance future payments. A third provision requires the Congressional Budget Office to assume that inflation is automatically provided for future annual appropriations. The proposal here would eliminate the biased assumptions and instead provide Congress more accurate information reflecting spending for these categories.

TREATMENT OF TRUST FUNDS

Description. Establishes a new scoring rule that prohibits any reduction in trust fund spending, or any increase in fees or revenues, from being counted toward offsetting the budgetary effects of unrelated programs. The rule would also stipulate that for purposes of budget enforcement, any transfer from the General Fund of the Treasury to any trust fund shall be counted as new budget authority and outlays equal to the amount of the transfer in the fiscal year such transfer occurs.

Rationale. The purpose of a trust fund is to provide a mechanism that creates a funding stream dedicated to a specific programmatic goal. Many trust funds are funded by special taxes or user fees by specific groups with the understanding that those resources will be set aside for a specific purpose and not be spent on other non-related programs. The proposed treatment of General Fund transfers is intended to accurately reflect the true cost of General Fund infusions to trust funds and is consistent with the Highway Trust

Fund scoring rule that has been included in previous House-passed budgets – most recently S. Con. Res. 11, the Fiscal Year 2016 Concurrent Resolution on the Budget.

COST ESTIMATES FOR APPROPRIATIONS ACTS

Description. Requires the Congressional Budget Office to prepare an estimate of the costs of measures reported by the House and Senate Committees on Appropriations.

Rationale. Customarily, the Congressional Budget Office prepares a cost estimate for every reported bill. House rules further stipulate that this cost estimate must be incorporated into the report. There is one exception and that is the twelve regular appropriation bills reported by the Committee on Appropriations. While estimates for appropriations bills tend to be the sum of appropriations they provide, Members should be entitled to an objective estimate of the bill before they are forced to cast their votes on the measure. This requirement should not significantly increase the Congressional Budget Office's workload because the agency already prepares estimates of appropriations bills but does not make them public.

COST ESTIMATES PRIOR TO MARKUP

Description. Requires the Congressional Budget Office, when formally requested by the Chair of the authorizing committee or the Chair of the Committee on the Budget, to prepare a preliminary cost estimate for any bill scheduled for consideration by any committee.

Rationale. The Congressional Budget Office customarily provides Congress with the estimated budgetary impact of legislation, called a cost estimate, when legislation is reported from a committee. Members of authorizing committees have a right to know the budgetary implications of pending legislation, however, before they cast their votes in committee. The availability of such estimates will improve budget enforcement because it is easier to secure changes in legislation before Members have voted for it in committee. The Congressional Budget Office would be required to make such preliminary estimates publicly available in electronic form at least twenty-four hours prior to committee consideration. This availability requirement is consistent with the current requirement regarding the availability of legislative text prior to a markup under House rules.

DEBT SERVICE COSTS

Description. Requires the Congressional Budget Office to include in its cost estimates of pending legislation an estimate of the change in debt service costs (if any) resulting from the measure. There is an exception for authorizations of discretionary programs and appropriations measures.

Rationale. The interest costs associated with legislation are not currently reflected in the methodology for producing cost estimates. Including the costs of debt service would better inform Congress and the public of the true costs associated with legislation.

REPEAL OF STATUTORY PAY-AS-YOU-GO

Description. Repeals the Statutory Pay-As-You-Go Act of 2010, which requires that the sum of all newly enacted direct spending and tax measures not increase the deficit. This proposal replaces Statutory PAYGO with a process for establishing binding limits on spending and debt.

Rationale. The most serious shortcoming of Statutory PAYGO is that it addresses only legislation that would *increase* the deficit; it does nothing to compel action to reduce the deficit or put the government's budget on a fiscally sustainable path. The statute has created the illusion of budget discipline by ratifying existing budget deficits as the measure of fiscal responsibility. Since Statutory PAYGO was enacted in 2010, the Federal Government has accumulated nearly $7.5 trillion in new debt in seven years – about $1 trillion per year on average.

CONTROL AUTOMATIC SPENDING

BINDING SPENDING AND DEBT LIMITS

Description. Establishes a process for setting statutory limits on direct and discretionary spending and debt. The procedure for triggering such action would be similar to a process used in the past to change the statutory debt limit. The procedure would spin off a joint resolution after adoption of a concurrent budget resolution, and send the joint resolution to the President.

- Following congressional adoption of a concurrent resolution on the budget, the Clerk of the applicable Chamber of Congress may be directed to prepare a joint resolution that establishes or adjusts budget limits in law. The measure would be sent to the President for signature.

- The final vote on the concurrent resolution on the budget would be considered a final vote on passage of the joint resolution. Hence, the joint resolution would not require a separate vote.

- If the President did not sign the joint resolution, the concurrent resolution on the budget would continue to serve as the basis for budget enforcement.

Rationale. Under current procedures, the concurrent resolution on the budget does not become law. The budgetary levels in the budget resolution are enforced though points of order that are routinely waived in the House and are infrequently raised in the Senate. Congress needs a means of establishing budgetary limits in law – and to do so within the construct of the budget resolution. This mechanism would provide an opportunity to send the President a joint resolution that, if signed into law, would give congressional spending and debt limits the force of law.

TRANSITIONING DIRECT SPENDING PROGRAMS TO DISCRETIONARY APPROPRIATIONS

Description. Establishes a process to evaluate which mandatory programs, projects, or activities should be subject to discretionary appropriations. A special commission, using a methodology similar to the military Base Realignment and Closure process, would determine which direct spending programs should be subject to annual appropriations. The commission would then make its recommendations to the Congress. The House and Senate Budget Committee Chairs would introduce the draft legislation, which would be considered under expedited procedures.

Rationale. Direct spending, also known as mandatory or automatic spending, currently consumes two-thirds of the Federal budget and its share is quickly growing larger. This type of spending is largely outside the control of Congress and receives inadequate oversight because it does not require annual appropriations to continue – that is, it is permanent spending, or in some cases semi-permanent. Subjecting more mandatory spending programs to annual appropriations would represent a significant step toward controlling this spending.

RULE AGAINST NEW DIRECT SPENDING PROGRAMS

Description. Prohibits the consideration of legislation that provides direct spending for a new program unless it is included in the budget resolution, enforced through a point of order. To determine what constitutes a new program, the Comptroller General would be tasked with maintaining a publicly available list of pre-existing programs.

Rationale. The intent of the rule is to stem the proliferation of new direct spending programs. Congress routinely creates programs with mandatory funding, not because there is some feature in the program that requires guaranteed funding, but so Members can feel assured the programs will be funded regardless of their performance and competing priorities.

REFERRAL OF DIRECT SPENDING MEASURES TO THE HOUSE BUDGET COMMITTEE

Description. Provides a limited referral to the House Budget Committee for bills that increase direct spending. The referral would be at the discretion of the Speaker. The Budget Committee would be limited to imposing a limit on the amount of direct spending provided by the bill or subjecting the measure to annual appropriations.

Rationale. The intent of the rule is to correct a defect in the Budget Act, which provides for the referral of direct spending measures to the Appropriations Committees. In the forty-two years since enactment of the Budget Act, such a bill was referred to the House Appropriations Committee only a handful of times, and the Committee has never reported a bill referred to it under this provision.

INCREASE TRANSPARENCY

Regulatory Budget

PRESIDENT'S BUDGET SUBMISSION

Description. Requires the President's budget submission to include an analysis of the costs of complying with all current and proposed Federal regulations.

Rationale. This provision increases transparency regarding the short- and long-term costs of complying with Federal regulations.

REGULATORY PAY-AS-YOU-GO

Description. Prohibits an agency from issuing a new rule or amending an existing rule that increases regulatory compliance costs unless an existing rule reducing such costs is also repealed or amended. The cost of complying with the new regulation and the savings generated from repealing or amending existing regulations would have to be equal.

Rationale. This requirement would help control regulatory burdens by monitoring the effects and compliance costs of new rules. It is similar to practices that have been successful in other countries including the United Kingdom and Canada.

REGULATORY BASELINE

Description. Requires the Congressional Budget Office, in consultation with the Office of Management and Budget, to create and submit a regulatory baseline to Congress that projects the Federal regulatory compliance costs for the fiscal year and at least each of the four ensuing fiscal years. The baseline and its underlying assumptions are also required to be made available on the Congressional Budget Office's public website in a searchable, sortable, and downloadable format.

Rationale. This proposal would require the Congressional Budget Office, for the first time, to establish a baseline level of regulatory compliance costs the government places on individuals, businesses, and the economy.

GUIDANCE DOCUMENTS

Description. Requires any agency to provide an opportunity for notice and comment any time it issues a guidance document that may have an annual regulatory impact of over $100 million.

Rationale. This provision would prevent guidance documents that have significant regulatory costs from escaping the regular oversight and public input that is required for rulemaking before it is implemented.

Accountability and Public Accessibility

ANNUAL JOINT SESSION OF CONGRESS ON THE FISCAL STATE OF THE UNION

Description. Requires the Comptroller General to present annually, to a Joint Session of Congress, the audited financial statements of the United States Government.

Rationale. An annual Fiscal State of the Union presentation would promote transparency and greater awareness of the financial condition of the United States Government. The presentation would include assets, liabilities, spending, revenue, and the sustainability of health, retirement, and economic security programs.

CITIZENS' GUIDE TO THE BUDGET

Description. Requires both the report accompanying the budget resolution and the President's budget to include a short, simplified summary. The summary is designed for public consumption and should not exceed five pages. The summary must include the following: (1) sources of Federal funds; (2) the distribution of Federal spending; (3) totals for outlays, receipts, and deficits or surpluses in both nominal dollars and as percentages of gross domestic product; (4) a comparison of debt held by the public, discretionary spending, and direct spending with any limits set forth in law; and (5) a comparison of all such levels for the budget year with the corresponding levels for the current year.

Rationale. The size of the Federal budget and the complexity of the budget process render them virtually incomprehensible to the general public. There is no dependable source that the public can consult to find an objective, clear summary of the congressional budget resolution or the President's budget submission. This table was routinely included in President's budget submission until it was discontinued in fiscal year 2003.

ENSURE FISCAL SUSTAINABILITY

Long-Term Debt Limits

SETTING LONG-TERM DEBT LIMITS,
AND ENHANCED RECONCILIATION

Description. Establishes, in the spin-off joint budget resolution – described in the provision titled “Binding Spending and Debt Limits” under “Control Automatic Spending” – long-term limits on the debt for fiscal years 2024, 2030, 2036, and 2042 that would be enforced through enhanced reconciliation or through automatic savings. The debt targets would be based on debt as a percentage of gross domestic product and would reflect a declining trajectory over time that reaches levels consistent with historic norms, rather than remaining at today’s historically elevated level. The Office of Management and Budget would be required each fiscal year to evaluate whether the debt is on a path to reach the specified limit. If the Office of Management and Budget determines that the current debt trajectory would result in the targets being exceeded, then an automatic reconciliation process is triggered, which allows Congress and the President to enact savings to bring debt into line with the required target. If Congress and the President fail to enact savings, then the Office of Management and Budget would be required to order automatic budget enforcement. The debt targets can be adjusted through the joint resolution triggered by adoption of a concurrent resolution on the budget.

Rationale: The current budget process lacks a mechanism that ensures fiscal sustainability. Establishing enforceable long-term debt targets is critical to implementing a sound strategy for tackling the mounting level of debt and putting it on a sustainable path. Instead of focusing mainly on short-term spending levels for annual appropriations – which is emphasized in today’s budget process – this reform would add emphasis to long-term fiscal sustainability. The reform would also establish an expectation that Congress would need to make regular, annual progress toward dealing with the Nation’s long-term debt problem, rather than continually delaying action, which only causes the debt problem to grow worse and solutions to address it ever more difficult.

REFORMS TO THE DEBT LIMIT

Description. The proposal would change enforcement of the debt limit so that it tracks debt as a percentage of gross domestic product – that is, the debt targets described above – rather than a fixed dollar figure or periods with which the debt limit is suspended, as in current practice. Under this reformed system, the debt limit would not have to be raised so long as the outstanding ratio of debt-to-gross-domestic-product remained below the targets set in law. If the outstanding debt-to-gross-domestic-product ratio exceeded the targets, then the Secretary of the Treasury would be prohibited from borrowing additional funds until new debt targets are enacted into law.

Rationale. Enforceable debt targets are a fundamental means of limiting Federal debt. The reform outlined here aligns the enforcement of the debt limit with the desired debt targets and trajectory established by Congress and the President. It would also provide a more economically useful measure to limit the Federal debt – the ratio of debt to gross domestic product – which better reflects the Nation's ability to finance debt than does either a fixed dollar value that has little connection to the Nation's fiscal health or a debt limit suspension period that has no connection to it. The reform would also avoid high-drama debt-limit votes so long as the debt remains on a sustainable path determined by Congress and the President. The debt limit vote, however, would not be avoided if the debt strayed away from the required fiscal path.

Accrual Budgeting

FEDERAL INSURANCE AND RETIREMENT PROGRAMS

Description. Subjects Federal insurance and retirement programs, excluding Social Security, to accrual budgeting, requiring Congress to budget up front for the full costs of such programs. All budgetary effects of insurance and retirement programs, including paid-in premiums, contributions, and expected payouts, will be evaluated on a net present value basis over the lifetime of the program using a fair value discount rate. Any cost to the Federal government resulting from the net present value analysis will require appropriations for that amount; any net savings would be treated as an offsetting receipt.

Rationale. Accrual-based budgeting, which is designed to capture the total life-time costs of programs, can often provide more accurate budget data than cash-based accounting, which only projects year-by-year cash flows and does not capture budgetary effects outside of the budget window. Some Federal insurance programs and most retirement programs have budgetary effects that occur outside of the budget window and are not included in Congressional Budget Office cost estimates. This reform would capture those missing budgetary effects, thereby providing better information to Congress to make funding decisions.

FAIR VALUE ACCOUNTING

Description. Implements fair value accounting principles to the Budget Act to more accurately measure the costs of Federal credit programs by incorporating the cost of market risk. Beginning with fiscal year 2019, the President's budget will reflect the costs of credit programs on a fair value basis.

Rationale. Under current law, cost estimates of the budgetary effects for Federal credit programs do not include a measurement for systemic market risk, which causes Congress to underestimate the true costs of credit programs. The proposal would remedy this shortcoming and improve the allocation of resources among Federal programs. It would also provide two years for the President to analyze systemic market risk to Federal credit programs and incorporate those changes into the President's budget submission.

Other Reforms

PUBLICATION OF BUDGET JUSTIFICATIONS

Description. Requires any agency preparing and submitting written budget justification materials to any committee to also post such budget justification, as well as information regarding the process and methodology it used to compose such justification, on that agency's public website. Similarly, this proposal requires the Office of Management and Budget to post budget justifications on a centralized location on its website. The Office of Management and Budget is tasked with setting the guidelines for publication, including how the posts must be searchable, sortable, and downloadable by the public.

Rationale. The appropriations justifications, as they are known, are one of the most significant parts of the President's budget submission, but there is no uniform requirement that these estimates be made available to the general public. Establishing publishing requirements and guidelines would help ensure the reasonableness of agency requests, and improve transparency and accountability to the public.

RULE AGAINST LONG-TERM SPENDING

Description. Establishes a long-term rule against legislation that would cause a net increase in direct spending in excess of $2.5 billion in any fiscal year in each of the four consecutive ten-fiscal-year periods beginning in the last year of the budget window. The rule is enforced by a point of order that would lie against consideration of the measure. In order to enforce the rule, the Congressional Budget Office would include in its estimates a statement as to whether the measure would exceed $2.5 billion in net spending in each of the four decades.

Rationale. This proposal modifies and codifies a rule in section 3101 of the fiscal year 2016 budget resolution (S. Con. Res. 11). This rule has proved to be an effective deterrent to committees that move legislation whose costs balloon outside the budgetary window.

ADDITIONAL REFORMS

MACROECONOMIC EFFECTS OF LEGISLATION

Description. Requires any estimate for major legislation provided by the Congressional Budget Office or the Joint Committee on Taxation to incorporate the budgetary effects of changes in economic output, employment, and other macroeconomic variables resulting from such legislation. This provision recognizes the potential macroeconomic effects of major legislation and how they affect the Federal budget. These estimates may be used to enforce direct spending and revenue levels in the budget resolution.

Rationale. By incorporating the budgetary effects of how major legislation will affect the economy, this reform will provide Members of Congress with a more comprehensive estimate than can be produced using only the traditional, conventional scoring methods which implicitly assume that legislation has no effect on the broader economy. This reform will allow Members to make use of the best information available when considering this kind of legislation.

ACCOUNTABILITY FOR USER FEES

Description. Adds tables to the budget resolution report showing proposed spending by function, user fees by function, and user fee collections versus related spending.

Rationale. The functional distribution table, which was previously included in the text of the budget resolution, provides valuable information on the assumed purposes of proposed spending levels. The table comparing user fee collection and spending by function shows the extent to which user fees support dedicated activities versus general government and the degree to which user fees offset spending.

TREAMENT OF OBLIGATION LIMITS ON CONTRACT AUTHORITY

Description. Treats obligation limits on contract authority provided from the Airport and Airway Trust Fund and the Highway Trust Fund as discretionary budget authority and outlays.

Rationale. Currently, contract authority is treated as mandatory budget authority, but outlays are controlled by obligation limits that are set in the annual discretionary appropriations process. This current budgetary treatment allows funding provided by contract authority to escape the statutory limits on discretionary spending, which only apply to budget authority, not outlays. The proposal would correct this problem by treating obligation limits as discretionary budget authority, which is subject to the statutory spending limits. This proposal would not otherwise change the operation of contract authority.

NATIONAL COMMISSION ON BUDGET CONCEPTS

Description. Establishes a National Commission on Budget Concepts to review the concepts and definitions underlying the Federal budget and make recommendations to

Congress and the President on potential revisions. The Commission's first report would include, but not be limited to, developing criteria for determining whether an entity or activity is on or off budget, and evaluating the appropriate budgetary treatment of user fees. Among its duties, the Commission would be charged with reporting on how Federal portfolio and capital budgets would be implemented, and their implications for balancing the Federal budget.

The Commission would have the authority to hold hearings and take testimony, and would be authorized to obtain necessary information directly from any Federal agency. The Commission would also act as a liaison between Federal agencies, and the public and improves transparency of budget and accounting principles by making any records, reports, or other materials prepared by the Commission available for public inspection and copying.

Rationale. The most recent assessment on budget concepts occurred in 1967. Numerous fiscal conditions have changed since then, including the predominance of direct spending programs in the Federal budget. A reassessment of budget concepts is clearly warranted in view of major developments over the past fifty years.

ON-BUDGET STATUS FOR SOCIAL SECURITY, POSTAL SERVICE, FANNIE MAE AND FREDDIE MAC

Description. This provision would change the budgetary status of Social Security, the Postal Service, the Federal National Mortgage Association [Fannie Mae], and the Federal Home Loan Mortgage Corporation [Freddie Mac] from off budget to on budget.

Rationale. Social Security, the Postal Service, Fannie Mae and Freddie Mac all have very real impacts on the Federal budget notwithstanding their classification as off-budget. This proposal would remove a common misperception that these programs are not part of the budget, do not affect taxpayers, and have no impact on Federal finances. The protections these off-budget programs currently receive – that is, they are not subject to the Budget Act and other enforcement rules and, therefore, cannot be used to offset unrelated spending – will remain. The provision titled *"Treatment of Trust Funds"* described elsewhere in this document, includes a proposal that does not allow changes in the budgetary effects of trust funds to offset unrelated spending. This proposal does not impose limits on Social Security or any other direct spending program.