



PROPOSED REWRITE OF THE CONGRESSIONAL BUDGET PROCESS SUMMARY OF SELECTED PROVISIONS

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Since the 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 a discussion draft describing a proposed overhaul of the process. Selected provisions of the discussion draft are highlighted below. Please consult the discussion draft, available at www.budget.house.gov/BudgetProcessReform, for a more thorough description and rationale of the proposal.

ENHANCE CONSTITUTIONAL AUTHORITY

Asserting Article I Congressional Powers

- *Move to a Calendar-Year Cycle.* Changes the fiscal year to start on January 1 (rather than the current October 1); adjusts the budget timetable to the calendar year so the budget process corresponds with Congress's legislative schedule; and allows more time to complete appropriations bills and other legislative business. (See further discussion below.)
- *Changes in Budget Timetable.* Substantially changes the budget timetable to correspond with the change in the fiscal year. Unlike current procedures, in which the President's budget submission drives the process, this timetable would require the

administration's submission to occur after the House and Senate Budget Committees report the concurrent resolutions on the budget.

- *Unauthorized Programs.* Establishes a procedure to reduce discretionary spending by the amount of excess appropriations for unauthorized programs. This sets the expectation that unauthorized programs, or those with expired authorizations, will not continue to receive funding.
- *Views and Estimates.* Makes mandatory the requirement that authorizing committees submit *Views and Estimates* to their respective Budget Committees and requires authorizing committees to include a list of programs needing reauthorization, and a zero-based justification for each program they propose to reauthorize.
- *Uniform Budget Rules and Procedures.* Creates a point of order against the consideration of a budget resolution that establishes different budgetary rules for the House and Senate.
- *House Budget Committee Tenure.* Eliminates term limits for Budget Committee members, allowing them to build and maintain expertise on setting and enforcing national budget priorities.

Biennial Budgeting

- *Budget Resolution and Appropriations.* Requires annual budget resolutions that provide two-year spending allocations for six appropriations acts considered in the first year of the biennium; two-year spending allocations for the other six appropriations acts considered in the second year of the biennium; and all other appropriate levels for at least the next two bienniums. The Government Accountability Office would submit a report four years after enactment evaluating the effectiveness of a biennial budget process and recommend to Congress whether to make the shift to biennial budgeting permanent.
- *Prohibition of Long-Term Continuing Resolutions.* Creates a point of order against the consideration of any legislation that continues appropriations for a period longer than twelve months.

STRENGTHEN BUDGET ENFORCEMENT

Adhering to Budget Rules

- *Restriction on Moving Spending and Tax Measures Before a Budget Resolution.* Eliminates loopholes that allow the consideration of spending or tax legislation in the absence of a budget resolution.
- *Identifying Budget Waivers.* Requires that, in the House, any rule providing for the consideration of a bill or joint resolution must separately identify any waiver of a budget rule.
- *Striking Budget Waivers.* Provides Members the ability to strike budget waivers in the rule providing for consideration of legislation.

- *Prohibition on the Use of Budget Gimmicks.* Prevents congressional committees from using gimmicks, such as one-time savings from asset sales or timing shifts, to offset increases in spending.

Emergency Spending

- *Striking Emergency Designations.* Permits any House or Senate Member to offer an amendment that strikes an emergency designation in any measure.
- *Emergency Spending and the Baseline.* Prohibits inflation adjustments for emergency spending in calculating the baselines produced by the Congressional Budget Office [CBO] and the Office of Management and Budget [OMB].
- *Two-Year Limit on Emergency Funding.* Prohibits the consideration of any general appropriations bill or continuing resolution providing emergency spending for longer than two fiscal years.
- *Justification of Emergency Designations.* Requires the House and Senate Appropriations Committees and the President to provide justifications for any emergency designation.
- *Standardized Treatment of Emergency Spending.* Establishes a scoring rule for the treatment of the budgetary effects of emergency-designated provisions in legislation.
- *Government Accountability Office Report.* Requires the Comptroller General to submit a report reviewing recent use of the emergency designation.

REVERSE THE BIAS TOWARD HIGHER SPENDING

- *Reversing the Baseline Bias.* Recasts the CBO and OMB baselines to:
 - Eliminate built-in discretionary inflation;
 - Remove automatic extensions of expiring programs; and
 - Remove the assumption that entitlement payments continue at current levels even if trust funds are insolvent.
- *Treatment of Trust Funds.* Establishes a scoring rule that prohibits any reduction in trust fund spending, or an increase in revenues or fees, from being counted toward offsetting unrelated, non-trust fund programs.
- *Cost Estimates Prior to Markup.* Requires CBO, when formally requested by the Chair of the authorizing committee or the Chair of the Budget Committee, to prepare a preliminary cost estimate for any bill scheduled for consideration by the applicable authorizing committee.

- *Debt Service Costs.* Requires the CBO Director to include, in the cost estimate for any legislation, an estimate of any change in debt service costs resulting from the measure.
- *Repeal of Statutory Pay-As-You-Go.* Repeals the Statutory Pay-As-You-Go Act of 2010 and replaces it with enforceable limits on direct spending.

CONTROL AUTOMATIC SPENDING

- *Binding Spending and Debt Limits.* Establishes a process for budget limits that have the force of law and are enforceable through automatic spending reductions.
- *Transitioning Direct Spending Programs to Discretionary Appropriations.* Establishes a commission to recommend converting direct spending programs to discretionary appropriations and creates an expedited procedure for considering such recommendations.
- *Rule Against New Direct Spending Programs.* Creates a point of order against the consideration of any new direct spending program not included in the budget resolution.
- *Referral of Direct Spending Measures to House Budget Committee.* Provides a limited referral to the House Budget Committee for bills that increase direct spending.

INCREASE TRANSPARENCY

Regulatory Budget

- *President's Budget Submission.* Requires the President's budget submission to include an analysis of the costs of complying with all current and proposed Federal regulations.
- *Regulatory Pay-As-You-Go.* Prohibits any agency from adding new regulatory costs without eliminating existing regulatory costs by the same amount.
- *Regulatory Baseline.* Requires CBO and OMB to create a regulatory baseline that estimates total Federal regulatory costs.

Accountability and Public Accessibility

- *Annual Joint Session of Congress on the Fiscal State of the Union.* Requires the Comptroller General to present annually, to a Joint Session of Congress, the audited financial statements of the United States Government.
- *Citizens' Guide to the Budget.* Requires both the congressional budget resolution and the President's budget submission to include a citizens' guide, not more than five pages, summarizing the sources of Federal funds, how spending is distributed, a comparison of proposed spending levels with those of the current fiscal year, and other major budgetary matters.

ENSURE FISCAL SUSTAINABILITY

Long-Term Debt Limits

- *Setting Long-Term Debt Limits, and Enhanced Reconciliation.* Establishes long-term targets for debt as a percentage of gross domestic product [GDP] that are enforced through enhanced reconciliation or automatic enforcement procedures.
 - The targets will be set to assume a decline from today's historically high levels to ensure the Federal Government will remain on a fiscally sustainable path.
 - The proposal also creates an enhanced reconciliation procedure that is automatically triggered if any debt target is exceeded. If a reconciliation bill is not enacted that cures a breach of the debt limit, an automatic enforcement procedure is triggered to ensure adherence to the target.
- *Reforms to the Debt Limit.* The enforcement of the debt limit will be changed to track debt as a percentage of GDP – that is, the long-term debt targets mentioned above – rather than a fixed dollar level or suspension period of the debt limit as is done under current practice. A vote to increase the debt limit will not be required as long as the debt-to-GDP ratio remains below the targets established in law. If debt exceeds those targets, then the Secretary of the Treasury is prohibited from new borrowing until a new debt limit is enacted.

Accrual Budgeting

- *Federal Insurance and Retirement Programs.* 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.
- *Fair Value Accounting.* Implements fair value accounting principles to more accurately measure the costs of Federal credit programs by incorporating the cost of systemic market risk.

Other Reforms

- *Publication of Budget Justifications.* Requires any agency preparing and submitting written budget justification materials to any committee to also post the justification, as well as information regarding the process and methodology it used to compose it, on that agency's public website. Similarly, this legislation requires OMB to post budget justifications in a centralized location on its website.
- *Rule Against Long-Term Spending.* Requires the CBO Director to prepare an estimate of whether a proposed measure would cause a net increase in direct spending greater than \$2.5 billion in any year in the next four decades beyond the budget window.

ADDITIONAL REFORMS

- *Macroeconomic Effects of Legislation.* Requires that any estimate for major legislation provided by CBO or the Joint Committee on Taxation also incorporate any budgetary effects it may have on changes in economic output, employment, and other macroeconomic variables.

- *National Commission on Budget Concepts*. 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. Among its duties, the Commission would be charged with reporting on how Federal portfolio and capital budgets could be implemented and their implications with respect to balancing the budget.