

Hearing Before the House Rules Committee on

H.R. 1869 — The Biennial Budgeting and Enhanced Oversight Act of 2014

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Good morning Mr. Chairman and members of the committee. Thank you for inviting me here today to discuss switching the federal government to a biennial budgeting system.

I am the executive director of The Concord Coalition, a role in which I have served for the last 15 years. We are a nonpartisan grassroots organization dedicated to helping citizens better understand the federal budget and promoting sustainable fiscal policy for the country.

Concord's co-chairs are former Congressmen John Tanner, a Democrat from Tennessee, and Mike Castle, a Republican from Delaware. Together, our staff and grassroots volunteers around the country have worked for 22 years -- since the organization's founding by Paul Tsongas, Warren Rudman and Peter G. Peterson -- to help build a political climate that encourages elected officials to pursue a sustainable fiscal policy.

In recent years, Congress has taken small steps on a bipartisan basis to address our long-term fiscal challenges. The discretionary spending caps in the 2011 Budget Control Act and the revenue increases in the 2013 “fiscal cliff” compromise both improved our fiscal position from what was then current policy. We have also seen a welcome reduction in the growth rate of health care costs.

Unfortunately, Congress has yet to seriously address the demographic challenges that will put increasing strain on federal retirement programs in the years ahead, or the wasteful and inefficient spending in the tax code that distorts markets and costs the government hundreds of billions in lost revenue each year. And, despite recent trends, there is still much that must be done to improve the efficiency and quality of our health care system.

Exacerbating our problems is the continual breakdown of the budget process to the point where it now exists in name only. Only six times since 1974 has a budget resolution been passed on time; not one of them has been in the last 10 years. In fact, in no year since 2009 has a concurrent budget resolution been adopted at all. The appropriations process is equally dysfunctional. Since 2001, fewer than one in twelve appropriations bills have been passed on time, and none of those have been in the last three fiscal years.

Budget process reform is not a panacea for the monumental fiscal challenges we face as a nation, nor is it a substitute for making real choices on taxes and spending. But returning to a regular budget process that refocuses our attention on long-term planning would help facilitate a discussion about how best to address these challenges.

The Concord Coalition has long favored a biennial budgeting cycle, which we believe would help get us back to a more rational budgeting process. While every year poses challenges for congressional budgeting, historically Congresses have been twice as successful at budgeting during their first session as during their second. Over the last 18 Congresses, 10 have passed more appropriations bills on time in the first year compared to five in the second year. Over those 36 years, one in three appropriations bills passed on time in odd years compared to one in seven during even years. Looking at budget resolutions shows a similar pattern: up until 2011, every single year during which Congress failed to pass a budget resolution was an even year.

I ask the committee to consider what merit there is in re-litigating the federal budget in that second year, given the high failure rate for the process. The Congressional Budget Resolution is as much a statement of political priorities as it is a management tool, and the leaders who set those priorities are elected on a biennial cycle. Therefore, it makes sense for each 2-year Congress to adopt a single such statement and change it only if changes in economic circumstances or other unforeseen events make that necessary. Overall decisions on how much defense and non-defense spending to appropriate, how much entitlements should be expanded or reduced, and how tax policy should be changed are matters that are unlikely to change much within any 2-year period.

Perhaps one of the strongest arguments in favor of biennial budgeting is that so many of your colleagues have come to believe that the repetitive annual battles over the budget make it impossible to engage in any meaningful oversight or systemic reform. It would be far better to use this time and energy exploring new ways to make government work better than repetitively renewing or disputing budgetary decisions that often have been made "final" only a few months earlier.

Under a biennial system, the budget and appropriations process for the first year of each Congress would function similarly to how it does now. The only difference in that year would be that budget resolutions would cover two years instead of one, and two sets of appropriations bills would be passed to cover both fiscal years in the biennium. But without the obligation of repeating this process again in the second year, Congress would then be free to conduct careful oversight and provide more targeted scrutiny of federal programs than it otherwise would. If Congress determines through such oversight that mid-course adjustments are necessary, you would be able to make them through a supplemental bill in the second year.

Giving Congress more time to engage in oversight should give the American people a more productive government in which programs are not continued from year to year simply because no one has the time to ask whether or not they are still needed. The Congressional Budget Office reports that \$302 billion

were appropriated for programs with expired authorizations in Fiscal Year 2014. The Concord Coalition has always supported eliminating programs that we cannot afford, are no longer needed, don't work, are inefficient, or represent subsidies to narrow interests. Allowing yourselves the time and flexibility to carefully review such programs and seek out smarter savings could be especially useful during the second year, when Congress could target reform towards specific programs that are outdated or inefficient. Finding these savings would make it easier to remain under the Budget Control Act's spending caps without resorting to across-the-board sequestration cuts that are far more painful than carefully crafted budget cuts of the same size would be.

One area of the budget that could certainly benefit from increased scrutiny is the mandatory spending that is not currently subject to any sort of review under annual appropriations. For years, Congress has been spending a disproportionate amount of time on an ever-shrinking fraction of the federal budget. When the congressional budget process was established in 1974, most spending was discretionary, or subject to annual appropriation. When most spending is done through the appropriations process, it makes sense to focus most of your attention on it.

Today, however, our challenges are very different. Discretionary spending only makes up one third of the budget, and over the next decade it is projected to shrink to just 23 percent of annual federal spending. The Concord Coalition has continuously sought to draw attention to how leaving a greater number of programs on autopilot without review makes solving our fiscal challenges more difficult to address. If Congress insists on allowing the role of discretionary spending to continue shrinking year after year, lawmakers should reflect that in how they prioritize their time, and use the off-years to conduct more oversight of mandatory spending programs. These programs already make up the majority of federal spending and are growing at a rate faster than the resources currently dedicated to paying for them. This is not sustainable, and it deserves far more attention than it receives under the current process.

Formally converting the annual appropriations process to a two-year cycle would be a significant change, but perhaps not as large as it might seem. Along with a shrinking discretionary budget, the historical trend has been towards a gradual lengthening of the budget cycle. When the congressional budget process was launched the process began with two budget resolutions for fiscal year 1976. By 1982, the second budget resolution was becoming a formality that essentially reaffirmed the figures contained in the first resolution. However, not until Gramm-Rudman was enacted in 1985 was the requirement for a second budget resolution officially abolished.

Nearly 30 years later, the recent compromise reached by Congressman Paul Ryan and Senator Patty Murray has placed this Congress in a position to modernize the system once again. It was essentially the first de facto biennial budget, setting spending and revenue levels for two years and leading the Senate to conclude that it was not even worth trying to pass a budget resolution in the second year.

Codifying this process, combined with bringing appropriations to a biennial cycle, would have the added benefit of reducing the dangerous brinkmanship that has hurt our economy in recent years. Requiring appropriations half as often would reduce the number of opportunities for a gridlock-induced shutdown of the federal government. As we discovered as recently as October, this remains a very real threat. In the last shutdown, \$2.5 billion of taxpayer money was wasted by the 16-day standoff. Even though shutdowns are rare, the stopgaps used to prevent them when appropriations bills are not passed on time also create problems.

The norm of forcing agencies to produce annual budgets and then jump from continuing resolution to continuing resolution impedes the ability of federal managers to strategically plan and allocate resources effectively. Requiring agencies to produce 2-year budgets, and then giving them the certainty of a budget at the start of the second fiscal year, could help managers reduce waste and inefficiencies across the federal government. It would also significantly reduce the time and resources that agencies and members like yourselves spend in repetitious budget preparation, discussion and appropriation. This energy could be more usefully focused on improving government performance. That would save taxpayers money and help federal agencies better execute their missions -- a clear win-win.

Critics of biennial budgeting simultaneously argue that it would become both a fiscal straightjacket and an excuse for uncontrollable supplemental appropriations. It would in fact be neither. While you could still enact a "correction" bill in the second year, such changes -- barring major events like a war or economic recession -- are likely to be modest and would not necessarily require extensive review. A biennial cycle will work as long as realistic discretionary spending assumptions are used in the congressional budget resolution, rosy economic assumptions are avoided, and a mechanism is in place to consider second-session updates.

One potential solution would be to withhold allocation to the Appropriations Committee of a small portion of the 2-year total until the second year. This specific reserve fund could accommodate new and unexpected demands. Another useful practice would be to limit the adjustment of second-year spending levels to one piece of legislation rather than a handful of smaller and less-scrutinized bills.

Congress should also be planning ahead and thinking strategically about longer-term goals during the initial budgeting period. For instance, regular appropriations bills should be enacted for emergency relief programs that reflect their long-term average levels. Natural disasters such as floods, droughts, fires, hurricanes, tornadoes, and earthquakes occur frequently. This would provide budgetary resources within the discretionary caps in advance of emergency needs and would eliminate the need for most supplemental emergency appropriations. Expenditures in response to these disasters tend to fall within a predictable range. To budget in anticipation that there will be no disasters is disingenuous.

In conclusion, the question I encourage committee members to ask yourselves today is this: Do you believe the current process is working, and is it leading to responsible policy-making that will benefit our

nation? We at The Concord Coalition believe it has gotten to the point where such a process does not exist, and it is time to look for alternatives.

No amount of process reform can substitute for making difficult budget choices, but it can foster the kind of environment where those choices can be more seriously discussed and considered. Both the federal budget and the country are very different than they were 30 years ago, and I urge you to update the budget process to reflect this reality.

Thank you again for inviting me here to testify on this important issue, and I look forward to taking your questions.