

Testimony of Stuart M. Butler¹
Brookings Institution
Before the Committee on the Budget
United States House of Representatives

Hearing on the Congressional Budget: the Need to Control Automatic Spending and
Unauthorized Programs

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Chairman Price, Ranking Member Van Holland, and Members of the Committee:

Thank you for the opportunity to testify before the committee today on automatic spending and unauthorized programs. In my work at Brookings I chair the National Budgeting Roundtable. This bipartisan group consists of veteran budget experts from a wide range of institutions, including several former senior officials with the CBO and Hill committees, together with leading political scientists and policy researchers from a wide spectrum of organizations. We have been examining a range of ideas to redesign the budget process to achieve better budgeting. We also explore how one might achieve reforms. The Roundtable does not develop its own positions or endorse specific proposals.

My comments today are influenced by some of those discussions but are my own views. They do not represent a position or consensus view of the Roundtable, or of the Brookings Institution. In addition, my comments on controlling automatic spending are shaped in part by a paper I am writing on that topic with Maya MacGuineas of the Committee for a Responsible Federal Budget. Maya is also a member of the Roundtable and we have received feedback on the draft from the group. We are still developing the proposal and need to reach agreement ourselves on some items, and so today I am speaking solely for myself.

Both issues being discussed at this hearing are extremely important, and focus on symptoms of the general failure of the budget process to develop clear long-term plans for programs, especially automatic spending. My testimony today focuses mainly on automatic spending, but let me begin with some remarks on the unauthorized programs.

Unauthorized Programs

Unauthorized programs and agencies are no small issue. As the CBO recently reported, the omnibus appropriations bill for FY 2016 appropriated over \$300 billion to agencies and programs lacking authorization.²

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Authorizations are a very important part of the budget process. They create or redesign a federal agency or program, mapping out its activities and establishing federal obligations and expenditures. A major purpose of reauthorization is to conduct reviews and hearings and to refine the program or agencies' activities based on that evaluation. With the climate in Congress undoubtedly making it more difficult for authorizing committees to move such legislation to the floor, the failure to review and reauthorize important agencies and programs underscores the growing failure of the budget process and the decline in the orderly functioning of Congress. It is embarrassing, to say the least, that many major agencies, such as the FBI and the State Department, have not been authorized for many years and must depend on the appropriations process for anything resembling a budget review.

What is particularly frustrating is that both the House and Senate have rules specifying that no program or government activity can receive an appropriation unless it is authorized. Yet in the House, points of order that challenge appropriations for unauthorized programs are regularly waived.

On the face of it, the answer to this problem is quite simple – do not waive the rules. But putting aside the political issues making that difficult, I can appreciate that an immediate blanket enforcement of the rules could be highly disruptive at the beginning, given the backlog. Nonetheless, leadership pressure to reduce instances of waiving the rules is a necessary first step.

Administrative pressure in the House could also follow from a rule requiring, as a condition of appropriations, chairmen of authorizing committees to submit a letter to the Appropriations Committee within their jurisdiction. This letter would agree to a formal schedule of reauthorization and commit to conducting a full evaluation of each program or agency.

Automatic Spending

The growth of automatic or mandatory spending within the federal budget is a similar but much larger problem. Like the growth of unauthorized programs, the rapidly growing proportion of federal spending for mandatory and other automatic spending escapes timely review. These programs also lack a real budget in the generally understood sense of a clear plan with specified spending and funding levels. This is a breakdown of responsible budgeting.

The lack of a long-term budget for such autopilot programs raises multiple concerns, among them:

² Congressional Budget Office, "Unauthorized Appropriations and Expiring Appropriations", January 15, 2016, <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51131-UAEA-Appropriations2.pdf>

- The financial security of the elderly, who are covered more by automatic programs, is taking increased priority over the financial security and interests of younger generations. Perhaps that is appropriate, or perhaps it is not. Either way, the balance of interests should be debated and there needs to be a long-term budget plan based on a balance established by Congress.
- Automatic spending raises concerns about the capacity of the economy to sustain promises made to Americans. In addition, these long-term commitments raise concerns about the revenue needed to support them in future decades, and the potential impact of those revenue needs on the financial condition of future generations.

These issues are not new, of course. Indeed, some members of the National Budgeting Roundtable, together with other experts, published a proposal eight years ago calling for a firm and enforceable long-term budget for major entitlement programs, including Social Security, Medicare and Medicaid. That proposal was called *Taking Back Our Fiscal Future*.³

In our most recent work, Maya MacGuineas and I, who were among the authors of that proposal, have been fleshing out the plan with more details and addressing some key questions that would be involved in seeking to control most automatic spending.

Our evolving proposal would effectively do two things:

- Congress would map out a 25-year budget for long-term mandatory programs, together with a funding plan. This funding plan could rely on increased debt, specific sources of tax revenue, and savings from other spending. But the critical point is that there would have to be a long-term budget plan that is presented to Congress and to the American people, debated, and passed into law.
- The long-term budget would be the default. It could be changed in the future, and would be systematically reviewed every four years; but if Congress did not agree on modifications, automatic mechanisms would keep the long-term budget on track.

We suggest a procedure to achieve these two objectives.

Not binding future congresses. While the intent of the proposal is to achieve a firm and restrictive budget for what are now automatic programs, we recognize that “legislative entrenchment” – in other words one Congress binding the legislative authority of future congresses – is unconstitutional. Thus the mechanism we are developing would set down congressional procedures in statute, but these could be amended by future congresses. It is our aim, however, to create a mechanism that would appeal to a broad set of interests

³ Joseph Antos et. al., *Taking Back Our Fiscal Future* (the Brookings Institution and the Heritage Foundation, 2008, http://www.brookings.edu/~media/research/files/papers/2008/4/fiscal-future/04_fiscal_future.pdf)

by allowing for full debate about the future, greater clarity about commitments, and greater certainty for stakeholders.

Establishing the initial long-term budget. Congress would establish a 25-year budget for major entitlements and major tax expenditures (including the homeowners' mortgage deduction, and the value of employer-sponsored health insurance), and a plan for revenue sources – which could include debt financing – to cover the budget. The long-term budget would indicate not just spending and revenue levels but also the impact of the plan on long-term deficits and debt, as well as on revenues and spending as a proportion of GDP. This long-term budget would be a statute signed into law by the president. The budget would be based on CBO projections.

We chose 25 years as a rough approximation for one generation. We recognize that projecting spending, especially health spending, and revenues over such a long period involves great uncertainty and guesswork. But the important point, in our view, is to set out a best-guess scenario and plan for the American people to see and judge and for Congress to debate. This would be the default long-term budget, in force unless Congress made changes to it.

Developing a long-term budget for automatic programs in this way has the critical advantage of forcing a public and congressional debate about long-term goals for these programs and their impact on the economy and fiscal condition of the United States.

This initial budget statute would also include a provision to establish a Quadrennial Review on the long-term budget and the objectives and long-term goals established by the budget. The review and report would be carried out by the relevant agencies, including the CBO, the Medicaid Actuary, the trustees of Medicare and Social Security etc. The report would be presented for the formal review of the budget (see below).

Modifying the long-term budget. The budget would be the default but it would not be set in stone for 25 years. Every four years, during the budget cycle after each presidential election, Congress would formally review the budget and extend it an additional four years to maintain the 25-year reach of the long-term budget. The Quadrennial Review report would be delivered for this formal re-examination of the long-term budget by Congress.

Congress could make changes in the long-term budget during that formal review. However, if Congress failed to pass a new long-term budget statute, signed into law by the president, the current long-term budget would remain in place. If spending or revenues for these programs exceeded or fell short of the corridor established in the original statute, automatic provisions would be triggered to maintain the original long-term budget.

To determine if spending or revenues were outside the corridor, CBO would calculate and publish a 10-year moving average for the major categories of automatic spending and taxes in the original budget plan, based on the past five years of actuals and projections

for the next five years. The width of the corridor is a practical matter to be decided by Congress, perhaps a 1% variation above or below the original budget plan.

If Congress were to propose a new or expanded program, or revenue change, between the four-year review periods, CBO would have to publish an “impact statement” on the consequences of the proposed program for the long-term spending, revenue and debt goals established in the original long-term budget. If this CBO analysis determined that the program or revenue change would cause the 10-year moving average to move outside corridor, it would conflict with the long-term budget statute and the new program and would have to be modified to comply with the law. Alternatively, Congress would have to enact a modification of the statute.

Enforcing the default. The aim of the long-term budget is to establish a spending and revenue plan to achieve long-term policy and fiscal goals, and for that budget to be the default unless and until Congress and the president go through the process to enact a change. In the proposal there are procedures for making such a change. But if this does not happen, and spending and or revenues depart from the long-term budget, that budget can only be a true and effective default if there is an effective mechanism to keep automatic spending and related revenues on track without requiring congressional action.

There are generally only two ways to enforce such a default. The first would be to enact specific policy changes that go into effect. But we have seen from such experiences as the Sustainable Growth Rate that specifying a wide range of automatic changes to, say, Medicare physician payments, tax rates, or program eligibility would likely be politically unsustainable.

Another form of enforcement provision, however, would introduce appropriate flexibility and deal with legitimate congressional concerns about authority. That would be through the use of an “inside-outside” control model. The model draws lessons from the experience of the Defense Base Closure and Realignment Commission (BRAC). In this model, the original long-term budget statute would establish and appoint a commission. The purpose of the commission would be to develop, when necessary, a proposed set of steps to bring projected spending and identified revenues back within the corridors established in the long-term budget. If Congress were to take no action at all, these program adjustments would automatically take effect. However, as part of the statute establishing the long-term budget, a “supercommittee” of congressional leaders could develop an alternative package to reach the same result. This package would replace the outside body’s proposal if it were passed by Congress using an expedited procedure, and signed by the President.

In conclusion Mr. Chairman, I believe the only way to achieve reasonable constraints on automatic spending is to do so within the context of an agreed long-term plan which becomes a default that is difficult – but not impossible – to alter over time. That procedure forces the discussion to take place in the context of the big picture that includes broad national objectives for the economy, broad fiscal goals, and decisions

about the relative balance of protections needed for the elderly, the young, and working-age generations. That broad context, with the regular review and default feature of the proposal, provides sufficient political encouragement and protection over time for members to continue supporting the procedure.

Gaining agreement on such an enforceable long-term budget for programs that are currently not subject to effective control would be no easy task. But I believe it is achievable if approached in this broader context.

Thank you again, Mr. Chairman, for the opportunity to testify on this important topic.