



# Biennial Budgeting Would Be a Setback in Efforts to Reform Congressional Budgeting

Testimony Before the House Committee on Rules,  
Subcommittee on Legislative and Budget Process

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June 25, 2014

Subcommittee Chairman Rob Woodall (R-GA), Ranking Member Alcee Hastings (D-FL), and members of the subcommittee, thank you for inviting me to appear before you to discuss two-year budgeting.

Two years ago, I testified<sup>1</sup> before this panel on the same question, and the one thing during that hearing that everyone agreed on was that the federal budget process was broken. In the intervening period, we have seen even more evidence of a broken system.

In both of the intervening years, Congress has failed to agree to a joint budget resolution in a timely manner. Appropriations to fund the government for fiscal year 2013 were not finalized until March 26, only days before that fiscal year was half over.<sup>2</sup> That bill provided most agencies and programs within the federal government with a flat percentage of their previous year's spending level, despite the fact that the changes in the resource needs differed significantly between agencies. In FY 2014, we fully funded the government by mid-January,<sup>3</sup> and we did so by making program-by-program judgments based on the budgetary needs of individual programs.

That was an improvement. But we also have to note that before we got to that point, we shut down much of the government for 15 days and then agreed to take money from the Treasury to pay federal employees for the period of the time that Congress closed the agencies and furloughed the employees.<sup>4</sup> So the case for broken budgeting is even stronger today than it was two years ago.

I continue to believe, however, that a two-year budget cycle would not alleviate these problems. In all likelihood, it would make matters worse.

At the heart of these failures are the strong philosophical differences within Congress on the appropriate level of overall government spending—particularly with respect to so-called discretionary programs. These differences do not get resolved by making the amount of spending at issue twice as large, which is precisely what the passage of a two-year budget resolution and two-year appropriation measures would require.

As happened this year, these differences get resolved only when the failure to resolve them becomes so embarrassing and so politically painful that both sides of the dispute are willing to compromise. But a two-year budget cycle would not only make the stakes much higher; it would also make the time frame in which a compromise must be reached longer—probably something on the order of twice as long.

There are other problems with two-year budgeting as well, which I outlined in greater detail in my testimony before this committee two years ago. One is that two-year budgets compromise the ability of Congress to practice informed frugality in setting agency spending levels.

I think most of us, regardless of party, favor an appropriations process that provides the various agencies of government with sufficient sums to provide necessary services—and not a penny more. But the estimates of what is needed to provide those services, and the public's requirement for those services, change at a fairly rapid pace. That is actually even a problem with our current one-year budget cycle and is the reason why Congress is so frequently called upon to pass supplemental appropriations.

Few people are aware of how long the time frame is for producing an annual budget under the current process. We are now in late June, and FY 2015 will not begin for more than three months; budget offices, however, have already been working on the FY 2016 budget for a number of months. In September, the various federal departments will submit proposed budgets to the Office of Management and Budget, or OMB. By January, differences between OMB and the departments will be reconciled, and the president will present his budget request for 2016 to Congress.

Even if Congress does its job on time, agencies will not get any of the funds from the budget cycle that began a few months ago until a year from this October. It should also be noted that the majority of funds in any federal budget go toward grants and contracts—and the large majority of those will not actually be obligated until late in the fiscal year, about 30 months after the start of the budget process. A biennial budget would provide agencies with 24 months of money, extending the time between when the first budget judgments are made and the period in which a large portion of grants and contracts are awarded to about 40 months.

No one has a good enough crystal ball to look that far into the future. That makes the skilled use of a budgetary scalpel virtually impossible.

Another concern is that a two-year process would not, in my judgment, save time, as some of its proponents claim. I think time is important, but I think the problem now is that Congress spends too much time posturing on one side or the other of the budget debate and too little time developing a detailed understanding of what programs we really need and what resources are required to operate at the service levels that are necessary.

A two-year budget cycle strikes me as an opportunity for Congress to spend more time posturing and less time sifting through the nitty-gritty realities of program performance and resource needs. A new Congress would have to prepare for a new two-year cycle that would begin less than nine months after it was sworn into office. Passage of a budget resolution to cover those two years would take at least as long as the current one-year resolutions require and—as I pointed out earlier—would be even more at risk of being hung up by partisan and philosophical disagreements.

It would be remarkable if a conference agreement could be reached by early summer, but even if that happened, it would leave Congress only three months to enact all of the appropriation measures to cover government activities for the 24-month period that would begin in October. That does not leave a lot of time for thoughtful review of program performance and resource needs.

More likely, a standoff would continue over the broader spending issues in the budget resolution, and the appropriation measures would be pushed further and further into the future until press coverage of Congress began to focus on the fact that nearly half of the two-year budget cycle had passed and no regular funding was yet available. At that point, there would likely be a scramble to pass the regular appropriation measures—a scramble similar to the one we now expect to take place this coming December.

I am not against change in the current system. In fact, I think it is badly flawed, and I would like to offer the committee some alternative steps that might be used to address these flaws.

Perhaps the biggest failing of the current process is that it has truly failed to inform our citizenry as to why the federal budget is growing at such a rapid pace. The answer is quite simple, but it would be difficult to find by listening to the debates on budget resolutions. The problem is that it requires a great deal more money to pay for the retirement benefits of the 60 million<sup>5</sup> people who will be 65 years old and older 10 years from now than it costs to pay for the benefits of the 45 million<sup>6</sup> people in that age group today. And it costs a lot more to pay for the benefits of those 45 million people than it did to pay for the benefits of the 30 million<sup>7</sup> seniors we had in this country 25 years ago.

That is it. That is the budget problem. Real per-capita spending by the federal government has increased by 30 percent in the past 25 years.<sup>8</sup> There are only three programs that account for all of that growth: Social Security, Medicare, and Medicaid.<sup>9</sup> We spend less in real per-capita dollars today on everything else in government outside of those three programs than we spent then.<sup>10</sup> Specifically, we spend less in real per-capita dollars on discretionary programs than we did in 1988, the last year of the Reagan administration.<sup>11</sup> But Congress spends about 80 percent of its time fighting over the size and scope of a group of programs that have not grown and are not growing.<sup>12</sup>

I think the current budget process contributes to that disconnect between rhetoric and reality. Discretionary programs represent only one-third of total government outlays.<sup>13</sup> Most of the controversy is focused on nondefense discretionary programs, and they are only half of the total, so they account for only 16 percent of the total budget.<sup>14</sup>

In reality, the only function of most budget resolutions over the past 40 years has been to provide a spending allocation to the Appropriations Committee—the so-called 302(a) allocation. So we are really talking about one number here. Should the number be \$1 trillion or \$1.03 trillion? That is the magnitude of the year-to-year legislative issue before the budget committee. Regardless of whether one side or the other wins or whether the issue is split down the middle, the amount at stake will likely not alter total yearly outlays by more than 1 percent or 2 percent.

To arrive at that decision, we literally spend six to eight weeks of the legislative calendar arguing about one number. It is a spending cap that is amalgamated at such a high level that few people, including members of Congress, can actually understand its real-world impact on programs that they care about. It is not until that process is over that we can get to the real business of budgeting, which is the tax and spending legislation before the committees with those responsibilities.

So we have a very elaborate process that produces a very small product. And I think that alone contributes to the partisanship.

Also a factor is the fact that the majority of people who serve on the budget committee have little or no responsibility for the ultimate outcome of tax and spending legislation. They tend to be more junior members who do not serve on committees with real tax and spending jurisdiction. Furthermore, they tend to be more ideological about spending issues than the body as a whole. That is why they lobbied to get on that committee. Instead of building consensus to smooth the legislative process, they themselves are impediments to compromise.

As a result, when the product of the committee, the 302(a) allocation, is translated into actual programmatic spending levels, many people who voted for those allocations will not vote for the appropriation bills that reflect them. This is exactly what happened last summer, when the leadership was forced to pull the appropriation for Transportation, Housing and Urban Development, and Related Agencies from further floor consideration.<sup>15</sup>

My idea is to eliminate the current budget committee and turn that jurisdiction over to the Committee on Rules. At a minimum, the Rules Committee could produce a resolution much more expeditiously and do so in closer coordination with the leadership. That would increase the likelihood that the budget plan generated at the beginning of the process would be reflective of the appropriation, entitlement, and tax legislation that constitute the actual budget.

I actually think this committee could produce a budget plan by early February, shortly after the president has transmitted his plan. This committee does not have the authority to control the Senate, but such expeditious movement by the House would put a considerable amount of pressure on the Senate to speed up its deliberations.

If that could happen, you would greatly increase the House and Senate legislative calendars. You would have a real chance of moving all 12 appropriation measures through Congress by October 1. You would also have more floor time to consider authorization bills.

Finally, and perhaps most importantly, the legislative branch would serve as a counterbalance to executive power every year, not every other year. The founding fathers were, in my judgment, very much on target when they created an elaborate system of checks and balances to ensure that the executive branch did not become too powerful. At the heart of that system is the restriction against drawing money from the Treasury unless legislation passed by Congress permits it.

If biennial budgeting were to work as its proponents claim, the House would clear the appropriations in June of the first session of Congress, and conference reports would be completed in September, Congress would have used up most of its checks and balances in the first nine months, with little real leverage over the executive branch until a new Congress could be sworn in 15 months later. In the end, I do not think members of the House want to give the president that kind of power, and I hope you will find an alternative to the idea of biennial budgeting.

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## Endnotes

- 1 Scott Lilly, "The Biennial Budgeting and Appropriations Act of 2011," Testimony before the House Committee on Rules, January 24, 2012, available at <http://www.americanprogress.org/issues/budget/news/2012/01/24/10933/the-biennial-budgeting-and-appropriations-act-of-2011/>.
- 2 Congress.gov, "Appropriations by Fiscal Year: 2013," available at <https://beta.congress.gov/legislation/appropriations/fy2013> (last accessed July 2014).
- 3 Congress.gov, "Appropriations by Fiscal Year: 2014," available at <https://beta.congress.gov/legislation/appropriations/fy2014> (last accessed July 2014).
- 4 Eric Yoder, "Budget deal allows for January federal pay raise," Federal Eye, October 17, 2013, available at <http://www.washingtonpost.com/blogs/federal-eye/wp/2013/10/17/budget-deal-allows-for-january-federal-pay-raise/>.
- 5 U.S. Administration on Aging, "Older Population by Age Group: 1900 to 2050 with Chart of the 65+ Population," available at [http://www.aoa.gov/Aging\\_Statistics/future\\_growth/docs/By\\_Age\\_65\\_and\\_over.xls](http://www.aoa.gov/Aging_Statistics/future_growth/docs/By_Age_65_and_over.xls) (last accessed July 2014).
- 6 Ibid.
- 7 Ibid.
- 8 Scott Lilly, "Slash Retirement Benefits or Raise Taxes" (Washington: Center for American Progress, 2013), available at <http://cdn.americanprogress.org/wp-content/uploads/2013/08/LillyFiscalChoice2-9.pdf>.
- 9 Ibid.
- 10 Ibid.
- 11 Ibid.
- 12 Ibid.
- 13 Office of Management and Budget, Fiscal Year 2014 Historical Tables: *Budget of the U.S. Government* (Executive Office of the President), available at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/hist.pdf> (last accessed July 2014).
- 14 Ibid.
- 15 David Rogers, "THUD bill is pulled as GOP budget frays," Politico, July 31, 2013, available at <http://www.politico.com/story/2013/07/thud-bill-pulled-from-house-floor-94992.html>.