

Testimony
Perspectives on Budget Process Reform
Jim Nussle
Before a hearing of
The House Budget Committee
September 22, 2011

Introduction

Chairman Ryan, Ranking Member Van Hollen and Members of the Committee thank you for the privilege of appearing before you today. It's great to be back before the House Budget Committee at the witness table but, your vantage point is better. I commend you and the entire professional staff here at the committee including Tom Kahn and Austin Smythe; true experts, patriots and friends.

In my testimony here today I hope to make the following points:

1. The budget process chosen is less important than the political leadership provided.
2. Before you search for a new budget process to fix the current process, actually give the current process a try.
3. Make the budget process real by considering making the budget a law and binding on Congress and the President.
4. "Weed the garden" of public policy every year by using the budget reconciliation process while keeping everything on the table.
5. Determine long and short-term fiscal sustainability goals within the Budget Resolution to assure a path to fiscal responsibility.

The Budget Reform “Tool Box”

The subject of this hearing reminds me of the tool box on my Dad’s old workbench. I’ve looked inside that toolbox over the years and today I still recognize the same tools in his handyman arsenal from when I was a kid. Some are worn, some a little rusty, some show the markings of use, but they are largely the same tools he’s always had and always used. My Dad would tell me that “it’s not the tools, but the craftsman” that make the difference in the outcome.

I suppose the same could be said of our fiscal toolbox. I’ve observed, participated, testified and chaired these important hearings over my now 20 years in federal budget matters and I’ve used or recommended using just about all the various budget process tools in the fiscal tool box as I wrote federal budgets from both ends of Pennsylvania Avenue. The “tools” themselves remain largely unchanged.

And, as the fiscal challenges continue to become more severe, it might seem obvious to some that the budget process is what is broken and making this effort so challenging. I suggest that would be incorrect. That is not to suggest that a process change here or there might be an improvement or that a completely different process would be the perfect solution

I recall how Senator Ben Cardin (then house budget committee member) and I met together back in 1999 with budget staffs for months writing our budget reform plan with the sanction of our leadership, tinkering with ideas from the very bold to the very minor. We held hearings just like this and examined every possible alternative tool.

Congress ended up now passing our budget reform plan by a slim margin made up of appropriators who didn't want a budget process to "fence them in" and other members from authorizing committees who were concerned about shining the light on their growing entitlement sustainability issues within their jurisdiction. That day our plan failed on the floor of the House, we had a balanced budget. Our reform wouldn't have worked any better without leadership.

Here again, I would provide my Dad's advice, I suggest that there may not be any "new tool" but rather what's needed is the skilled "craftsperson" and leader to put them to good use.

One might easily argue that the process used to create the budget is broken. But, I could easily argue that the budget process isn't broken at all; today the budget process is not even being used or and at best is simply being ignored.

I wish our nations fiscal challenges could be repaired by a process adjustment. And, if a "new and improved" budget process is treated with the same disrespect as the current process, good luck having a rebirth of success.

If an intersection of streets with a big bright red sign that says STOP doesn't cause drivers to STOP, (they just keep rolling right through) what can you do? Make the sign bigger, redder, affix flashing lights all around it. It still requires the respect of the driver to adhere to the "rules of the road".

Over the years Congress and the President have been simply rolling through the "stop signs" and not adhering to the rules of the road in seemingly small ways. But now that disrespect and lack of leadership has resulted in the very lack of a budget whatsoever. And all sorts of fiscal accidents are waiting to happen as a result.

So what can be done? I would make the following recommendations;

1. My first is leadership. The budget process chosen is less important than the political leadership provided. You all either provide it or you don't. You either establish clear, fair, and a non-outcome determinate budget process rules that you follow and that allow the Congress to work its will and determine the nation's priorities or you don't.
2. Before you search for new budget procedures to "fix" the current process, actually give the current process a try. Prove that Congress and the President can follow the current process and rules before you decide that a new process or rule will somehow do the trick. Most of you have yet to see

the current process work because most haven't even seen it fully attempt or implemented!

3. Make the budget process real by considering making the budget a law and binding on Congress and the President. A Joint Resolution approach for the budget rather than a Concurrent Resolution can establish clarity, buy-in and commitment up front in the budget process calendar determining quickly whether there are issues and challenges making agreement difficult or impossible rather than waiting until the year end for the train wreck to be realized. Plus a law makes it real, binding, enforceable and controlling in an era where everything seems out of control and unsustainable. It forces the President to participate which I believe would improve the process and shines the light on inaction to assist in preventing one body from simply ignoring the realities.
4. "Weed the garden" of public policy every year by using the budget reconciliation process while keeping everything on the table. Just like a garden, if you pull the weeds of waste, fraud, abuse, ineffectiveness, and duplicative ness in the entitlements that now make up 2/3's of the budget, you make it easier to accomplish rather than letting those weeds take over. When i was Chair we placed reconciliation in every budget in an attempt to accomplish that very reasonable and gradual reform. And put everything on the table. We all have our areas where we have strong beliefs but that should not preclude the search for constant improvement.
5. Fifth and finally, determine long and short-term fiscal sustainability goals within the budget to assure a path to fiscal responsibility.

At our Committee for a Responsible Federal Budget Summer conference, Chairman Bernanke said "A straightforward way to define fiscal sustainability is as a situation in which the ratio of federal debt to national income is stable or moving down over the longer term."

Just as there are many policy tools to reduce spending there are choices for how to achieve, measure and maintain fiscal sustainability. I offer the choices arrived at after thoughtful deliberation and calculation from The Bipartisan Committee for a Responsible Federal Budget and the Pew-Peterson Commission on Budget Reform where I am a co-chair and honored to participate.

The Commission determined three broad recommendations of targets, triggers and transparency, beginning with the establishment of a fiscal goal and then adopting budget limits that would be enforced through broad automatic spending cuts and even tax increases if policy makers fail to make the necessary legislative changes to meet that goal.

Our Commission recommended that Congress and the President: Adopt medium-term, long-term and annual limits on the amount the government can borrow as a share of national income. The targets are intended to commit the government in advance to a path of borrowing consistent with economic stability; debt to GDP target of 60% recommended to begin and reduced over time.

(Links to the Pew Peterson Commission report “*Red Ink Rising*”
http://budgetreform.org/sites/default/files/Red_Ink_Rising_hyperlinked.pdf
and report “*Getting Black in the Black*”
<http://budgetreform.org/document/peterson-pew-commission-recommends-major-revisions-federal-budget-process>)

Conclusion

Having written, negotiating and passing budgets at both ends of Pennsylvania Avenue, I well understand how difficult the challenges are that lay ahead for you as our nation’s leaders. The budget tools you have at your disposal are largely similar to tools we have used or contemplated using in the past. However, some tools are simply being neglected and the process ignored. I believe the most important commodity at this juncture is leadership. Leadership or “craftsmanship”; is desperately needed to skillfully use the tools in the fiscal tool box, in these complicated and difficult circumstances, educating and challenging the American people, and finally placing the United States finally on a sustainable fiscal path.

Thank you again for the opportunity to testify and I look forward to your questions.