

HOUSE BUDGET COMMITTEE HEARING
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Budget Process Reform

Testimony of Bill Frenzel, Guest Scholar, Brookings Institution; former Member of Congress, and former Ranking Member of House Budget Committee

Mr. Chairman and members of the Committee:

I am a Guest Scholar at the Brookings Institution, but this testimony is my own and does not represent any position or conclusion of the Brookings Institution.

Your summons, Mr. Chairman, indicated that I was invited to testify on “the key budget process reforms that are currently being proposed in the House of Representatives”. Even a simple listing of all suggested reforms is a tedious process, so I shall confine my oral testimony to the reforms which seem most likely to dominate the budget discussions this year: (1) Emergency Limitations; (2) Line Item Veto (Expedited Recission); (3) Sunset Commission, (4) Earmark Control, and (5) Discretionary Caps and Pay-Go.

My written testimony will *{also}* include all the reforms I consider useful and important. Should I stray *{ too far}* from the reforms which are the Committee’s priorities, I am sure the Members will redirect my feet back on to the path of righteousness.

Last year, I testified on the Budget Process. The discussion and questioning focused on setting priorities, controlling spending, and Budget Act enforcement. Despite some good work by this Committee, my own impression is that no real improvements were adopted. The Act and its processes still do not seem to be serving any of the purposes noted above. The Deficit and the Public Debt continued to grow rapidly. Most observers predict no change this year.

Emergency Limitations

Defining an appropriation as “an emergency” is one of the traditional Congressional dodges to avoid limits already established. Critics say that it is a

way for Congress to avoid keeping promises made to itself.

The President's Budget calls for a multi-adjective definition of Emergencies – necessary, sudden, urgent, unforeseen and not permanent. Those are all good words, and I would add as many more as anyone found helpful to confine the emergency designation to real emergencies. *{Emergency, like pornography, is hard to define, but most of us would say we would know one when we met it.}*

Most catastrophes, which Congress feels require amelioration by the immediate application of federal expenditures, are predictable. We can't predict the events, but we know about what the costs are going to be each year. Over the years, we know pretty well what the average costs of fires, floods, hurricanes, droughts, and other catastrophes are. We ought to set up a reserve in each year's Budget to cover these expenses. The obvious emergencies, like Katrina, can be dealt with in the usual ways.

My own recommendation is to start with the President's definition, and then augment it with whatever additional constricting language you can find to narrow the remaining emergency loophole as much as possible. If this amended procedure reduces the annual emergency costs, the savings will be small, but you will have reduced a major irritant in the Budget Process.

Expedited Recission

From a Legislator's point-of-view, the Line Item Veto, or any form of it like Expedited Recission, is usually seen as a "power-shift" which causes a erosion in the legislative branch's Constitutional Power of the Purse. Because I favor a Constitutional Amendment to create a real Line Item Veto, I have never been moved by the argument that the Legislature ought to be concerned by the loss of power, or the change in the balance of power.

To me, the real power-shift *{that}* occurred in 1974 *{was a serious error}*. Then, Congress stripped the President of his power of Impoundment when it passed the Budget Act. Therefore I strongly support the strengthening of the President's currently feeble power of recission.

I would prefer the real Line Item Veto, a Constitutional Amendment, but I think the President has asked for about as much as the Congress is likely to give him, and as much as can pass constitutional muster in the courts. *{See George Will's Op-Ed in today's Washington Post for a discussion of Constitutional questions.}*

Sunset Commission

The President's Budget message repeats his request, made last summer, for legislation creating a Sunset Commission and a Results Commission. Both have great promise, but both will be difficult to pass. At best, a Sunset Commission could force restructure or termination of agencies and programs in which the President recommends changes on a predetermined schedule unless they were reauthorized by the Congress. *{At worst, it might do nothing.}*

In my day, it was said old programs never die because old Congressmen never die. Presumably, it is not much different today. Both types of Commission, although they would operate differently, would pose problems similar to those posed by the Base Closing Commissions. These are all tough decisions for Members, especially for Appropriators, but both could be a great help to this Committee and its work of enhancing national fiscal sobriety.

These Commissions may be frightening because they represent a leap into the unknown, but every attempt to improve our fiscal position ought to be carefully examined and at least given some kind of operating test.

Earmark Control

Earmarks are likely to be decided outside of this Committee, probably in a bill dealing with lobbying, gifts and travel. *{They are a small part of the Budget, but they irritate the public and erode it confidence in the budget process.}* *{But}* *{T}*they are so much in the news these days that it is impossible not mention them. When I came to Congress, *the{re}*y were *{already}* plenty of Earmarks, but their growth in recent years has been startling.

Without a lot of discussion, let *i{t}*s suffice to say here that some sort of control must be imposed lest the Earmarks kidnap the whole Appropriations Process. The control could be any thing from a ban to mere disclosure. The control could

apply to all Earmarks, or only to those which creep into Conference reports without benefit of hearings, votes or authorization. *{And if a successful new recission procedure is enacted, Earmarks may be the first victims.}*

My only advice here is to suggest that if Earmarks are not controlled elsewhere, this Committee ought to examine the alleged problem, and take some action appropriate to its budget jurisdiction.

Discretionary Spending Caps and Pay-Go

I was one of the purple-hearted veterans of the Andrews Air Force base Budget Summit *{in 1990}* which produced *{the BEA with {it's the}* two limitations on spending; (1) Caps on Discretionary Spending, and (2) the Pay-as-you-go restrictions on *Mandator{y}u* Spending and Taxes. As I have often testified before this Committee, I liked them both then and I like them now. I have not recanted.

However, the Senate has just narrowly defeated an attempt to reinstate Pay-Go in the Senate Budget Resolution, and it now is apparent that, whether there is a *{B}*budget Resolution or not, there will be no Pay-Go in the FY '07 budget process. Even so, I repeat my annual recommendation for this Committee to approve it.

Other Process Reform Suggestions

Many other suggestions have been made and remade over the years. Budget process changes can't make miracles, and they cannot save a Congress from causing fiscal harm to the nation and its economy. Each of them has been calculated by its backers to make our Budgets more responsible. Most of them would probably be of some modest amount of help.

The ones we are sure of, Discretionary Caps and Pay-Go, have been tested and proved to be somewhat effective. Other plans to control mandatories would include caps or targets, which, if touched or exceeded, would force a special oversight process. I do think that would be terribly effective, but it might help a little. Points of Order against mandatory spending which causes a deterioration in unfunded obligations would also help.

5.

The Joint Budget Resolution, seen by some observers as another power-shift, would also help by involving the President in the budget process at an earlier stage. A two year Budget Resolution has never appealed to me as helpful to improved fiscal controls, but it has many supporters.

An Automatic Continuing Resolution to be effective if appropriations were not enacted at the beginning of the new Fiscal Year is a plan I like, especially if the CR levels are set beneath last year's spending. *{The latter feature would remove an incentive to drag out the process.}*

Not in the Budget, but supposedly a favorite of the President is an Entitlements Commission. That is, I think, not really within your jurisdiction, but might help the country's fiscal condition. Earmarks, {earlier noted as} also probably beyond your reach, can be most quickly controlled through use of Points of Order.

One of my long-time favorite suggestions *{, and one of the Chairman's, I believe,}* is the Budget Concepts Commission. We have not had a significant dialog on this subject since before the Budget Act of 1974 was passed. I think such weird concepts and "negative outlays" need the harsh glare of sunlight, and certainly the Functions themselves and their enumeration could stand some rationalizing adjustments.

Conclusion

This is going to be tough year. The Senate may not be able to pass a Budget Resolution of any kind. You will have your own particular difficulties, which may be no less severe. I believe the House will do it, and while you are at it I recommend that you pass all of the Budget Reforms mentioned in the President's Budget, especially the ones noted herein.

{Bracketed material in italics added after electronic submission of written testimony to Committee. Some of this material may have been used in oral statement, or in response to Committee questioning.}