



The Heritage Foundation
Executive Memorandum

No. 515

March 25, 1998

SEVEN STEPS TO BUDGET PROCESS REFORM

DAVID M. MASON

The House Budget Committee's Task Force on Budget Process Reform now has the historic opportunity to review the congressional budget process outside the constraints of an economic or budget crisis. The task force should conduct a broad review of the budget process and develop a comprehensive package of remedies. Unless task force members can agree about defects in the process and about the goals of reform, they have little prospect of agreeing to specific reforms or of getting their recommendations adopted.

Seven steps could help the task force to develop, and advance, a useful budget process reform plan.

SEEK COMPREHENSIVE REFORM

Substantial alterations in Congress's budget process have been made on a piecemeal basis since its adoption in 1974: Sequesters, spending caps, pay-go rules, and the Byrd Rule, among others. It is tempting to believe that further incremental changes could be easier than a wholesale overhaul.

Piecemeal changes, however, cannot address fundamental features of the budget process most in need of reform. Furthermore, absent a budget crisis, no vehicle for incremental reforms is available.

A comprehensive package may be even easier to pass than rifle-shot reforms. Key committees, party factions, and the President exercise effective or actual vetoes over changes in the budget process. Because any single reform will be perceived as reducing the power of one group, rifle-shot reforms can face significant opposition. A comprehensive package can balance roles throughout the process and appeal to a common good to overcome parochial interests.

INVOLVE RELEVANT PLAYERS

The Task Force on Budget Process Reform should involve all significant players in the budget process. Key members who go unconsulted could become suspicious of the task force's recommendations. More important, the consideration of differing views will lead to a better reform plan.

Specifically, the task force should:

- **Invite** the director of the Office of Management and Budget (OMB) to testify; and
- **Seek** the views of Appropriations, Ways and Means, and other key committees.

The House Republican Leadership has formed a separate task force on the budget process that can help to secure input from party leaders, the Rules Committee, and the majority party conference. Democrats should be encouraged to appoint their own party group for these purposes as well.

REVIEW THE HISTORY OF THE BUDGET PROCESS

John Cogan of the Hoover Institution argues that the critical factor in controlling spending is

Produced by
The Government Reform
Project

Published by
The Heritage Foundation
214 Massachusetts Ave., N.E.
Washington, D.C.
20002-4999
(202) 546-4400
<http://www.heritage.org>



centralization. Executive branch budgeting is centralized in the OMB. The budget process adopted in 1974 tries to assert centralized control over the congressional process. At the same time, the process removes centralized control in the form of the President's impoundment authority.

The history of federal budgeting provides a valuable perspective on alternatives to the current process. It also displays the variety of attempted fixes that have worked better or not as well. Specifically, the Task Force on Budget Process Reform should ask the Congressional Research Service to prepare or update a brief history of the budget process. It also should hold a hearing on this topic.

DEVISE A PROCESS SUITED TO A BALANCED BUDGET AMENDMENT

The House of Representatives adopted, and the Senate fell one vote short of approving, a balanced budget amendment (BBA) last year. Elections to Congress in 1998 could trigger the adoption of a BBA just one year from now. Coping with the BBA would present new imperatives for the congressional budget process. The Task Force on Budget Process Reform should devise a process that, although not predicated on the adoption of the BBA, is adaptable to its requirements.

RECOGNIZE THAT CONGRESS MUST COOPERATE WITH THE PRESIDENT

The budget process is designed to wrest control of the federal budget from the President, but Congress has failed in its effort to make budget policy essentially on its own. The series of budget summits over the past two decades were recognition of the need for Congress and the President to agree on overall budget policy; after all, the President shares legislative power through his use of the veto. If Congress ignores the President in setting overall spending and revenue targets, he can exercise his veto on individual tax and spending bills, triggering negotiations at the end of the process that would be preferable at the beginning.

RECOGNIZE THAT BUDGETING IS FUNDAMENTALLY POLITICAL

No budget process can work in the absence of

political agreement within Congress or with the President. Budget procedures should not form a legislative straightjacket that cannot be adjusted to cope with economic events. Inflexible systems will fail exactly at the point at which they are most needed. Procedures should allow for adjustments but require overt action to fix responsibility.

DEVISE AN ENACTMENT STRATEGY

Coming up with a good plan is only half the job. The best budget reform plan in the world cannot be enacted (through three committees in the House and two in the Senate) without a planned effort. If the Task Force on Budget Process Reform fails to consider what steps are needed to enact its plan, or waits to do so until after a plan is adopted, failure is almost certain. Involving key House committees, the Administration, and the Senate in the process of developing a new budget plan is one key to securing enactment.

If the formulation of a comprehensive reform plan proves impossible, the task force should consider reforms through changes in current House rules and procedures. Pay-go procedures, enforcement methods, and scoring conventions all would be amenable to alteration through unilateral House action. A package could be combined into a relatively substantial set of reforms if the Senate or the President were unwilling to act.

CONCLUSION

Congress's budget process has changed significantly since 1974, but always in the context of an immediate budget crisis. The House Budget Committee's Task Force on Budget Process Reform has the best opportunity in a quarter-century to conduct a top-to-bottom review. The task force should be comprehensive and inclusive in its considerations. Seeking quick fixes or avoiding institutional hurdles to reform may appear tempting, but doing so would forfeit any chance at major reform without making passage of piecemeal changes any more likely.

—David M. Mason is Senior Fellow in Congressional Studies at The Heritage Foundation.