

Comments at “Budget Process Reform - Senate Perspectives,” hosted by The Committee for a Responsible Federal Budget, September 19, 2016

Roy T. Meyers

Professor of Political Science and Affiliate Professor of Public Policy

UMBC (University of Maryland, Baltimore County)

meyers@umbe.edu

Before I discuss the budget concepts commission, I want to thank Budget Committee Chair Senator Enzi and the committee staff for holding an excellent series of hearings on budget process reform. Among the Senators who contributed important questions and observations to those hearings were Senators Perdue, Whitehouse, and Kaine. I am hopeful that with the jump start provided by Senator Enzi, and with additional proposals to come from the Democratic side, in 2017 the Senate will negotiate seriously over how to improve the budget process.

As we all know, that budget process is badly broken. One indicator is the failure of the Congress to enact regular appropriations by the beginning of the fiscal year. The country deserves better--the Congress should be passing bills on time. But more importantly, the Congress should be using the budget to allocate funds in ways that will best improve our living standards and guarantee our security.

Senator Enzi’s proposal to experiment with portfolio budgeting is a tremendously promising method for returning to this basic task of budgeting. It would help the Congress compare related spending and tax policies for cost-effectiveness, and fund the best among them.

Of course, portfolio budgeting will not eliminate the basic difficulty now faced by the Congress: the two parties differ greatly over budgetary policies. Reaching compromises over such differences will continue to be difficult.

Sometimes that difficulty is multiplied by conflicts over how to measure the budgetary costs of policy changes. That has been the case in recent years, for example, with student loans, family housing, Social Security, and infrastructure. This is unfortunate: the two parties should want fair fights over how desirable, effective and affordable these programs are, not petty disputes about what they may or may not cost.

To some degree, controversies over budgetary costs are the unavoidable result of the complexity of the federal government’s finances. But they also arise because federal budget concepts are outdated.

Forty-nine years ago, in 1967, President Johnson appointed an expert commission to recommend improvements in federal budget concepts. Many of its suggestions, including the creation of a unified budget, were first used for the fiscal year 1969 budget.

This commission's report still has useful guidance for OMB and CBO. But in oral testimony last week, current CBO director Keith Hall said that budget concepts need to be modernized, and he endorsed creating a new commission to do this. Many previous CBO leaders such as Rudy Penner and Barry Anderson agree; for more detail, I recommend reading their Brookings issue brief on the subject.¹

Among the issues that a budget concepts commission should address are:

--what are the best measures of the deficit and the national debt?

--to what extent should dynamic scoring be used for policy changes with major macroeconomic effects?

--should public-private entities be "on-budget" or "off-budget"?

--should the costs of capital investments be expensed when obligations are made, or spread over time?

--does the "trust fund" approach accurately measure the finances of entitlement and infrastructure programs?

--should accrual accounting be used not only for credit programs, but also for insurance programs?

--to what extent should other contingencies and risks be included in the budget?

--what is the most accurate way of comparing tax preferences to regular spending programs?

--should fees collected by the government be counted as offsets to spending or as taxes?

A new budget concepts commission will be a success only if it is staffed with experts, balanced in composition, and open to suggestions from all. Its report should be carefully considered by the Congress and the President.

If the commission is successful, the Congress can then focus on big policy choices, rather than be distracted by accounting disputes.

Thanks for the opportunity to participate in this discussion, and I would be glad to answer any questions you have.

¹ See <https://www.brookings.edu/research/time-for-a-new-budget-concepts-commission/>.