BUDGET PROCESS

History and Future Directions

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Mr. Chairmen and Members of the Subcommittees:

I am pleased to be here today to discuss the budget process with you. Everyone involved in that process shares some frustration with it. The public finds it confusing. Executive branch agencies find it burdensome and time-consuming. Members of Congress say it seems too lengthy with its many votes on authorizations, the budget resolution, reconciliation, appropriations, and the debt limit. And, too often, the results are not what was expected or hoped for.

In one sense, of course, nothing could be more important than debates about the budget—and important debates often take time. Budgeting is the process by which we as a nation resolve the large number of often conflicting objectives, which citizens seek to achieve through government action. The budget determines the fiscal policy stance of the government—that is, the relationship between spending and revenues. And it is through the budget process that the Congress and the President reach agreement on the areas in which the federal government will be involved and in what way.

Because the decisions are so important, we expect a great deal from our budget and budget process. We want the budget to be clear and understandable. We want a process that presents the Congress and the American people with a framework in which to understand the significant choices and the information necessary to make the best-informed decisions about federal tax and spending policy. Doing all this is not easy.

In May 1993 letters to the Chairmen and Ranking Members of the House and Senate Budget Committees and the then House Government Operations Committee, we suggested possible changes to the current budget process. Also, in June 1993, we gave the Joint Committee on the Organization of the Congress some ideas that could lead to a more streamlined budget process. I testified before this subcommittee last year on a number of the proposals made by the House Members of the Joint Committee.

Today, however, as you requested, I'd like to stand back and look at some of the broader questions and issues involved in any examination of the budget process.

Your letter asks three questions:

1. What are the objectives of the Congressional Budget and Impoundment Control Act of 1974?

2. Which of these objectives are relevant in today's fiscal environment?

3. Should the budget process be redesigned?
BACKGROUND: THE 1974 BUDGET ACT AND SUBSEQUENT AMENDMENTS

I agree with your premise that to understand where we are, it helps to know where we've been. In that context, looking back at the objectives and structure of the Congressional Budget and Impoundment Control Act of 1974 is very useful. The Constitution gives the Congress the power of the purse. The Budget and Accounting Act of 1921 centralized power over executive agency budget requests under the President and—to balance this grant of power—moved control of the audit of spending from the Treasury to a new entity—responsive to the Congress—the General Accounting Office (GAO).

This century has seen an increase in the amount of spending that does not go through the annual appropriations process. Several major factors contributed to this trend. For example, loan authority was created in 1932. The Social Security Act of 1935 created a new, large permanent appropriation. Contract authority was expanded over the years. We have reported\(^1\) that for fiscal year 1985, 58 percent of budget authority and offsetting collections from nonfederal sources credited to accounts was provided outside the annual appropriations process. Based on our ongoing work in this area, we have no reason to believe the amount of such "backdoor" authority has decreased. Indeed, our work thus far has shown a significant increase in the number of budget accounts having such authority.

All of these reduced the Appropriations Committee’s overview of and control over the budget. There was no central Congressional view of the entire budget. In the mid-1940s an attempt to create a joint House-Senate "legislative budget" failed. Meanwhile the analytic strength of the Executive Office of the President was increased through the creation of the Council of Economic Advisers and the expansion of OMB.

In 1972, the Congress established a Joint Study Committee on Budget Control. Its recommendations led directly to what later became the Congressional Budget and Impoundment Control Act of 1974.

In that act, the Congress declared "that it is essential--"

1. to assure effective congressional control over the budgetary process;
2. to provide for congressional determination each year of the appropriate level of Federal revenues and expenditures;
3. to provide a system of impoundment control;

\(^1\)Budget Issues: The Use of Spending Authority and Permanent Appropriations is Widespread (GAO/AFMD-87-44, July 17, 1987).
(4) to establish national budget priorities; and

(5) to provide for the furnishing of information by the executive branch in a manner that will assist the Congress in discharging its duties."

We all often forget that this act was neutral as to fiscal policy outcome. That is, it did not seek a specific result in terms of deficit. Rather, it sought to assert the Congress' role in setting overall federal fiscal policy and establishing spending priorities and to impose a structure and a timetable on the budget debate. Underlying the 1974 Budget Act was a belief that the Congress could become an equal player only if it--like the executive branch--could offer a single "budget statement" with overall fiscal policy and allocation across priorities.

Today, we take the functional structure of the budget for granted, but that structure was something of a major breakthrough. It required the President to show and it permitted the Congress and other observers to see spending by "national need" or mission rather than by agency. Whether the functional structure has served as it might is an issue to consider and I'll offer some observations on that later in this statement. The 1974 act also eliminated the Congress' dependence on the Office of Management and Budget (OMB) for numbers and analysis by giving the Congress an independent source of budget numbers--the Congressional Budget Office (CBO). It settled the fight about impoundments by setting up a process for rescissions and deferrals.

It was not until the enactment of the Balanced Budget and Emergency Deficit Control Act of 1985--commonly known as Gramm-Rudman-Hollings or GRH--that the focus of the process changed from increasing congressional control over the budget and budget process to reducing the deficit. Both the original GRH and the 1987 amendments (GRH II) sought to achieve a balanced budget by establishing deficit targets to be enforced by "sequesters" if legislation failed to achieve them. Measured against its stated objective--a balanced budget--GRH failed.

The budget act was again amended as part of the budget summit at which President Bush and the Congress agreed on a multiyear deficit reduction package. The Budget Enforcement Act (BEA) of 1990--extended and amended in the Omnibus Budget Reconciliation Act (OBRA) of 1993--was designed to implement the multiyear provisions of that summit agreement. The focus of BEA is very different from that of Gramm-Rudman-Hollings. BEA seeks to limit congressional actions that would increase the deficit. GRH sought to use a change in process to force agreement. In contrast, both in 1990 and 1993, substantive agreement on the discretionary caps and pay-as-you-go (PAYGO) neutrality was reached, and the BEA process was created to enforce this agreement. On those terms, BEA has been a success.

GRH sought to hold the Congress responsible for the deficit, regardless of what drove the deficit. If the deficit grew because of the economy, the response was the same as if the deficit grew because of congressional action or inaction. If a sequester was necessary, it did not differentiate between those programs to which the Congress had made cuts and those in which there had been no cuts--an almost pure prisoners' dilemma. Finally, the timing of the annual "snapshot" and the
fact that progress was measured 1 year at a time created a great incentive for achieving annual
targets through shifting outlay dates from one fiscal year to another and other short-term actions.

In contrast, BEA holds the Congress accountable for the results of its actions—not for the impact
of the economy or demographics. BEA, as you know, divided the budgetary universe into two
parts: PAYGO and discretionary. The discretionary spending caps have succeeded in holding
down discretionary spending—it has declined as a share of gross domestic product from 9.2
percent in 1990 to an estimated 7.2 percent in 1996. And, contrary to what some believed at the
time, the discretionary caps have held. For the PAYGO part of the budget, BEA has also
constrained new entitlements or tax cuts. As I just noted, BEA has succeeded on its own terms.
But BEA's ambition was limited. It did not seek to control economic or demographic-driven
growth in existing direct spending programs—and that is the area of greatest growth today.

WHERE ARE WE TODAY?

Although there is virtually universal agreement that the current process is flawed, changes must
be carefully considered. The current process is, in part, the cumulative result of many changes
made to address previous problems.

For example, let me turn to the complaint that the process takes too long and has too many
repetitive votes. The 1974 Act sought to create a "Congressional" budget as a counterpoint to the
President's budget—but it carefully avoided giving the Budget Committees anything like the
power or even the coordinating role of the President's OMB. The Budget Committees were
layered on top of the existing committee structure. And the level of detail with which the Budget
Committees could deal was limited. The Budget Resolution was to represent a congressional
statement about total revenues and total spending and about the allocation of spending across
various national missions. The design of programs and the allocation of spending within each
mission area would be left to the authorizing and appropriations committees. The budget
committees would deal in round numbers—they could not decide policy. Of course, this
distinction was always a little artificial. Even in a world of lower deficits, there were always
policy assumptions behind the numbers. Frequently, policy or program design defines the range
of numbers possible. And, it turns out that the model of first deciding how much and then
debating the specifics is not an entirely comfortable model for federal budget decisions. For
some, the decision on "how much" is tied to the decision on how that number will be achieved.

As the budget process has been increasingly aimed at deficit reduction, this distinction between
overall numbers and the policies to achieve them has become more strained. This year's
conference report on the budget resolution contains a great deal more programmatic detail as to
the assumptions underlying the numbers in the resolution than did previous conference reports.
You and I—as participants and close observers of the process—know that only the numbers are
binding, but much of the public may well believe that the budget resolution actually changed or
eliminated various programs. The more the assumptions are reported in the press, the more
prevalent that belief is likely to be. Given this situation, the votes on substantive legislation and
appropriations to actually implement the resolution look even more like repetitive votes. But it is
important to recognize that there are different perspectives on this. The Washington press is beginning to report the differences between the budget resolution and actual policy changes. This may better inform the public while at the same time increasing its confusion.

Are the expressed objectives of the 1974 Act still relevant as we approach the 21st century? At one level, the answer must clearly be "yes." Some have been met--there is now a system of impoundment controls--and others have now been firmly embedded into the framework of our budget debate. And, in a broad sense, there can be little quarrel with the need to continue effective congressional control over the budgetary process, to provide for congressional determination of the appropriate level of federal revenues and expenditures or to establish national priorities. The question that confronts you today is to what degree have these objectives been achieved, should they be modified, and--given today's challenges--should the Congress have additional objectives for its budget process.

As you requested, I would like to turn now to the question of what might be expected of a budget process. First, I'll list four important objectives for a budget process, discuss the current process in those terms, and comment on some possible changes. Then I'll turn to the overarching issue of streamlining the process.

A budget process can be measured against numerous criteria. Four important objectives are--

-- to provide information about the long-term impact of decisions while recognizing the differences between short-term forecasts, medium-term projections, and a long-term perspective;

-- to provide information and be structured to focus on the important macro trade-offs, for example, between consumption and investment;

-- to provide information necessary to make informed trade-offs on a variety of levels, for example, between mission areas and between different tools; and

-- to be enforceable, provide for control and accountability, and be transparent.

Let me discuss each of these in turn.

**Objective: Provide a Long-term Perspective**

A long-term perspective is important in both a macro and a micro sense. The macro perspective has to do with our nation's economic health. In previous reports and testimonies, we have said that the nation's economic future depends in large part upon today's budget and investment
decisions. Therefore, we believe that, at the macroeconomic level, it is important for the budget to provide a long-term framework and be grounded on a linkage of fiscal policy with the long-term economic outlook. This would require a focus both on overall fiscal policy and on the composition of federal activity.

At the micro level, this longer-term perspective relates to those programs and activities for which a longer-time horizon is necessary to understand the fiscal and spending implications of a commitment. Examples include Social Security, Medicare, pension guarantees, and mortgage-related commitments. Even very rough projections may be better in these areas than ignoring the long term.

Although the multiyear focus of BEA represents significant progress in this regard, planning for longer-range economic goals requires exploring the implications of budget decisions for as much as 30 years or more into the future. I do not mean to suggest that detailed budget projections could be made over a longer-time horizon. Forecasts and projections are difficult enough for 1 to 3 years, and the longer the time horizon, the less accurate any detailed projection is likely to be. However, there is value in recognizing the differences between a short-term forecast, medium-term projections, and a long-term perspective.

Thinking about the longer term when making choices about the composition of federal activity is important for at least two reasons: (1) each generation is in part custodian for the economy it hands the next and (2) some changes must be phased in over long periods of time. Introducing a longer-term perspective into the budget debate without falling into the trap of treating 30-year projections as anything more than indicative simulations is difficult. In testimony earlier this week, we provided some ideas on how this might be done. For example, if financial statements were improved and available with the President's budget, the two together would provide useful information on the longer-term implications of some policies. Another approach might be to have long-term simulations of current budget policies, perhaps over a 30-year period, prepared periodically to help assess the future consequences of current decisions. The effects of policy changes as well as broader fiscal policy alternatives could be projected over the long term. Such projections could be prepared and presented in the President's budget documents as well as in congressional budget documents.

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Objective: Facilitate Important Macro Trade-offs

Although the surest way of increasing national savings and investment would be to reduce federal dissaving by eliminating the deficit, the composition of federal spending also matters. We have noted that federal spending can be divided into two broad categories based on the economic effect of that spending—consumption spending having a short-term economic impact and investment spending intended to have a positive effect on long-term private sector economic growth. We have argued that within any given fiscal policy path, the allocation of federal spending between investment and consumption is important and is deserving of explicit consideration.

The current budget process does not prompt the executive branch or the Congress to make explicit decisions about the appropriate mix of spending for current consumption and spending for long-term investment. Appropriations subcommittees provide funding by department and agency in appropriations accounts that do not distinguish between investment and consumption spending. Although alternative budget presentations which accompany the President's budgets provide some information on investment, they are not part of the formal budget process. The investment/consumption decision is not one of the organizing themes for the budget debate. If this consideration of investment versus consumption is to be introduced into the budget process, the way it is done depends on how the overall process is structured. We have suggested that within the existing BEA structure, incorporating an investment component within the discretionary caps would be an appropriate and practical approach to supplement the unified budget's focus on macroeconomic issues. An investment component would direct attention to the trade-offs between consumption and investment but within the overall fiscal discipline established by the caps. It would provide policymakers with a new tool for setting priorities between the long term and the short term. If the Congress and the President chose to change the budget process in ways that moved away from the current system of discretionary caps and PAYGO rules, one of the issues to consider in any redesign would be how to introduce this trade-off between the long term and the near term, between investment and consumption into the structure of the debate.

Objective: Facilitate Informed Trade-offs Between Missions and Between the Different Tools of Government

The budget process is the central process through which the President and the Congress select among and balance the competing demands for government activity in achieving various goals. Therefore, it would be helpful if the process provided the information decisionmakers felt

necessary to consider the relative priority among national needs or missions. In part, of course, the functional structure of the budget resolution was intended to facilitate priority-setting even among related programs housed in different agencies and falling under different committees. By organizing the budget along "national needs" or mission areas, the budget resolution sought to permit an examination of the totality of federal spending activity in each area—regardless of the committee of jurisdiction or the agency at issue—and to permit priority-setting and trade-offs among missions. Instead of focusing on what each department spent, the Congress and the President were to be able to look across departments at the totality of activity in education and training or income security or transportation. From the beginning, however, the structure was not complete; if the government chose to advance a given mission area through the tax code, that commitment did not show up in the functional display. So, for example, the functional structure shows support for science and technology through loans or grants or federal activity but not through the research and development tax credit.

Even on the spending side of the budget, however, the functional totals do not translate into and may not match the allocation of resources to the appropriations subcommittees. While the budget resolution is organized by national mission, the appropriations subcommittees for the most part are still organized along agency lines. There are reasons for this, but it does make it more difficult to trace the path from the budget resolution’s stated priorities through the appropriations process. Although the budget resolution functional totals are translated into allocations to the full Appropriations Committees, suballocations to the subcommittees (the so-called 602(b) allocations) are made by the Appropriations Committees. At one level, priority-setting within the discretionary side of the budget has been delegated to the Appropriations Committee—where it resided before the 1974 Act. This may or may not be considered to be a problem. Nevertheless, among the questions to be asked in any overview of the entire budget process is whether the functional structure is doing as much as you would like to facilitate a debate among priorities.

The sharp division BEA sought to draw between discretionary spending limits and the PAYGO scorecard made a great deal of sense. It simplified jurisdictional issues. It also recognized the difference in time horizons. Discretionary appropriations may be provided for 1 or more years and a discretionary spending cut may be a 1-year cut. In contrast, most changes in entitlement or tax laws last longer than a single year. This sharp division, however, limits the ability to shift spending priorities because cuts in mandatory spending cannot be used to pay for increases in discretionary programs. Thus, it would be difficult to shift spending away from consumption support concentrated in the mandatory sector toward investment programs funded in the discretionary portion of the budget. Among the issues you may wish to consider is when and under what circumstances breaching the wall between discretionary and mandatory categories makes sense.

At a level below establishment of broad spending priorities, the selection of the appropriate policy tools with which to address missions are important decisions. For any given goal or mission in which the federal government will play a financial role, there are a variety of tools available: grants, loans, loan guarantees, and tax provisions. It is important that the budget
process provide the information necessary to permit a choice based not on jurisdictional issues or
scoing conventions but on the match between the goal and the tool.

Considering these choices is easier if the budget also provides information on the costs of various
alternatives—on a comparable basis—and on the nature of the government's commitment. This is
one area in which there has been some improvement. The Credit Reform Act changed the way
loans and loan guarantees were treated in the budget because the previous cash-based treatment
gave decisionmakers misleading signals on the cost comparisons among grants, loan guarantees,
and direct loans. However, as I have noted, there are still some programs for which either cash-
based reporting sends misleading signals or for which even a 5-year perspective provides a
misleading perspective on the nature of the government's actual or potential commitment.

**Objective: Provide Enforceability, Accountability, and Transparency**

These three elements are not identical, but they are closely related and achieving one has
implications for the others. By enforcement I mean a mechanism to enforce decisions once they
are made. Accountability has at least two dimensions: accountability for the full costs of
commitments that are to be made and targeting enforcement to actions taken. It can also
encompass the broader issue of taking responsibility for responding to unexpected events. And,
finally, there is transparency—being understandable to those outside the process is important. I
will discuss each of these in turn.

**Enforceability:** In general, enforceability requires a system for tracking outcomes and tying them
to actions. One great strength of the BEA has been the enforcement provisions. By targeting
penalties to actions, BEA has succeeded in restraining discretionary spending to within the caps
and in restraining new direct spending legislation. The design of the enforcement provisions in
BEA has also created accountability for actions. Costs are to be recorded in the budget up front,
when they can be controlled. And enforcement is targeted to actions. The Appropriations
Committees are responsible for compliance with the discretionary spending limits while the
PAYGO scorecard tracks compliance with the PAYGO rules. Unlike the prisoners' dilemma
created by GRH, sequesters are applied only to the area of the budget (discretionary or PAYGO)
where the breach occurs.

**Accountability:** The targeted nature of the sequester provisions in BEA served also to provide
accountability for compliance with the rules. Some of the scoring conventions and costing rules
introduced with the BEA have also increased accountability for the costs of actions taken. On
another level, however, accountability is diffuse. The deficits in the early 1990s were greater
than expected by those who voted for and complied with the provisions of OBRA. This slippage
was due almost entirely to a worse-than-expected economy and "technical changes."\(^5\) Although

\(^5\)For a discussion of this, see *Budget Process: Issues Concerning the 1990 Reconciliation Act*
(GAO/ADM-95-3, October 7, 1994).
GRH showed that holding committees responsible for results rather than actions is problematic, there are ways to bring more responsibility for the results of unforeseen actions into the system.

We—and former CBO director Reischauer—have previously suggested that the Congress might want to consider introducing a “lookback” into its system of budgetary controls. In a report issued to the Republican leadership last year, we described such a process under which the Congress would periodically look back at progress in reducing the deficit. Such a lookback would compare the current CBO deficit projections to those projected at the time of a prior deficit reduction agreement and/or the most recent reconciliation legislation and analyze the reasons for any difference. For a difference exceeding a predetermined amount, the Congress would decide explicitly—by voting—whether to accept the slippage or to act to bring the deficit path closer to the original goal by recouping some or all of this slippage. Although one could argue that each year’s budget resolution implicitly accepts or rejects changes in the deficit outlook, it does not require an explicit consideration and decision. Adoption of the requirement for such explicit consideration would provide members who make difficult choices in reconciliation an additional opportunity to ensure that the deficit path they voted for will, in fact, materialize.

A similar—but more narrowly focused—process could be used to prompt consideration of the path of mandatory spending. Under its current structure BEA requires any action that would cause a growth in mandatory spending to be offset, but it leaves completely unconstrained any growth in these programs that results from economic or demographic factors. This distinction is consistent with BEA’s focus on controlling actions, but it has created other problems. Indeed, the very success of BEA at constraining discretionary and new direct spending has highlighted the dramatic growth of some entitlement programs. One way to begin to deal with this might be to adopt a procedure similar to that recommended by the House members of the Joint Committee on the Organization of Congress. Under such a procedure, direct spending targets for several fiscal years could be specified. If the President’s budget showed that these targets were exceeded in the prior year or would be exceeded in the current or budget years, the President would be required to analyze the causes of the overage and recommend whether none, some, or all of the overage should be recouped. The Congress could be required to vote either on the President’s proposal or on an alternative one. If the goal was merely to restrain direct spending to the currently-projected levels, then the current law baseline would constitute the targets. However, such a procedure could also be used as a kind of lookback on the success of any efforts to reduce mandatory spending.

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Transparency: Transparency is important because the budget debate is critically important, not because of the numbers in it but because it represents a statement about collective priorities and collective action. In a democracy, the debate about these priorities should be made as understandable as possible. If even reasonably educated citizens cannot understand the budget document or the budget debate, there is little accountability.

If the budget debate is to be accessible to the American people, consideration will have to be given to simplifying the structure of the budget, streamlining the process, and reducing the number of translations required to get from one part of the process to another. Does the Congress wish to organize the debate by national mission or by agency? If there is a need for both perspectives, how can they be brought together in an understandable way? Discussions about 602(b) allocations and "direct spending" are the stuff of what someone once called "budget process groupies"—not of the evening news or quick explanation.

Achieving at least some public understanding of the budget process is dependent on the availability of summary documents such as the old Budget in Brief to explain where money comes from and where it goes. For fiscal year 1996, OMB once again included a citizen-oriented document as part of the budget documents. A Citizen’s Guide to the Federal Budget provided an overview of the budget, highlighting such concepts as the deficit and the debt, and reviewing the President’s 1996 proposals. It did not, however, provide much insight on the long-term implications of current spending policies.

Citizens cannot be expected to feel a stake in the budget debate—a debate that will affect all our lives and our national future—or to accept decisions made by others without basic information. At a minimum, citizens need to know how much money the federal government takes in—and how—and on what, funds are spent.

OVERALL STREAMLINING ISSUES

Each of the objectives is important, and they are related—but they cannot all be maximized in a single process. Trade-offs are necessary. Any review of the budget process must deal with the overarching question: Is there just too much process?

The feeling that there are too many votes on related issues is, as I noted, in part a function of the way the process was created: of the decision to layer the Budget Committees and the budget process on top of the existing committee and procedural structure of the House and the Senate. The idea was that the budget resolution would define the overall aggregates and the rest of the process would proceed within those aggregates. As I have mentioned today, however, especially as the goal of the process shifted to deficit reduction, this distinction became increasingly strained. There are a number of possible responses, but most of them involve considering the relationship of the budget resolution to legislation and of the various committees in the Congress.

Streamlining—making the process take less time—has been the focus of a number of proposals in the past. However, it is in this area that it is especially important to think about the fact that a
response to one problem may create another problem. Eliminating parts of the process or changing the cycle will have consequences beyond reducing the number of votes. These may or may not be acceptable, but they should be recognized. I will touch very briefly on three processes: the budget resolution, authorizations, and appropriations.

If the recent pattern of multiyear fiscal policy agreements is to continue, are annual budget resolutions still necessary? It is important to review progress every year, but such a review may not require a complete budget resolution. If, however, annual budget resolutions are to be replaced with biennial budget resolutions, then something like the "lookback" procedure just described could become very important. Without it, there would be no procedure for tracking progress against the previous budget agreement or reconciliation bill.

Multiyear authorizations can provide a longer-term perspective within which appropriations would be determined. Although the need for periodic reauthorizations can provide a window for program revision, there is little reason to reexamine and reauthorize programs more often than they might actually be changed. Of course, multiyear authorizations are already the rule in the nondefense portion of the budget.

Some have suggested that changing the appropriations cycle from annual to biennial could free up time. As I have previously testified before this committee, it is important to differentiate between the length of availability of funds and the timing of the appropriations cycle. Even within the 39 percent of the budget that is on an annual budget cycle, not all appropriations are for 1-year funds. The appropriations subcommittees have been able—even within an annual appropriations cycle—to provide 1-year, multiple-year, or no-year money as they have thought appropriate for the program or agency at issue. Annual appropriations have long been a basic means of exerting and enforcing congressional policy. A 2-year appropriation cycle would change the nature of that control. It is also unclear how much time it would save.

In the end, streamlining or reducing the amount of time spent on apparently repetitive votes will require decisions about which votes are no longer necessary. That, in turn, is likely to require decisions about the relationship between discretionary and mandatory spending, between various committees, and about the nature and style of congressional control over the budget and appropriations.

SUMMARY AND CONCLUSIONS

The budget process is the source of a great deal of frustration. The public finds it hard to understand. Members of the Congress complain that it is time-consuming and duplicative, requiring frequent votes on the same thing. And, too often, the results are not what was expected or desired.

Given the nature of today's budget challenge, it is likely that the budget process will be the source of some frustration. In considering whether and how to redesign the budget process, however, it is important to look beyond those frustrations tied directly to the need to bring down
the federal deficit. The budget process serves a wider purpose. It is, in a real sense, THE process for dealing with competing claims and setting priorities.

It is important for the budget process to offer the Congress the means to set overall fiscal policy and to make decisions on relative priorities among missions or claims. In a democracy, the process should be understandable to the interested citizen and it should offer citizens some accountability. I have discussed four important objectives that could help a process achieve these overall goals: provide a long-term focus; provide information and structure to focus on important macro trade-offs; provide information necessary to make trade-offs between mission areas and between different governmental tools; provide enforceability, control and accountability, and transparency.

The apparently never-ending and repetitive nature of the budget process is in large part a function of the way it was created. A new process to provide an overall view was layered on top of the existing structures and processes by which the micro decisions are made in the Congress. Any attempt to streamline or "simplify" the process must consider the relationship between the goal of simplicity and the existing decision structure in the Congress.

In addition, I have suggested that the Congress might want to consider the creation of a lookback procedure by which it would periodically look back at progress in reducing the deficit. Such a lookback would compare the current CBO deficit projections to those projected at the time of a prior deficit reduction agreement and/or the most recent reconciliation legislation and then analyze the reasons for any difference. For a difference exceeding a predetermined amount, the Congress would decide explicitly--by voting--whether to accept the slippage or to act to bring the deficit path closer to the original goal by recouping some or all of this slippage. Although one could argue that each year's budget resolution implicitly accepts or rejects changes in the deficit outlook, it does not require an explicit consideration and decision. Adoption of the requirement for such explicit consideration would provide members who make difficult choices in reconciliation an additional opportunity to ensure that the deficit path they voted for will, in fact, materialize.

Mr. Chairmen, no budget process is easy to design or to live with. I would be happy to answer any questions you or your colleagues may have, and we stand ready to work with you as you proceed through this reexamination of the budget process.
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