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Highlights

Highlights of GAO-06-276, a report to Congress

January 2006

MANDATORY SPENDING

Using Budget Triggers to Constrain Growth

Why GAO Did This Study

Prepared as part of GAO's basic statutory responsibility for monitoring the condition of the nation's finances, the objectives of this report were to (1) determine the feasibility of designing and using trigger mechanisms to constrain growth in mandatory spending programs and (2) provide an analysis of the factors that led to differences between estimated and actual outlays in seven mandatory budget accounts during fiscal years 2000 through 2004.

What GAO Recommends

To promote explicit scrutiny of significant growth in mandatory accounts, as mandatory spending programs are created, reexamined, or reauthorized, Congress should consider incorporating budget triggers that would signal the need for action. Further, it should determine whether in some cases it might be appropriate to consider automatically causing some action to be taken when the trigger is exceeded. Once a trigger is tripped, Congress could either accept or reject all or a portion of a proposed response to the spending growth. The Office of Management and Budget and agencies responsible for the seven case study accounts either did not have comments or provided comments that were clarifying and/or technical in nature, which were incorporated as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-06-276.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Susan J. Irving, 202-512-9142, irvings@gao.gov.

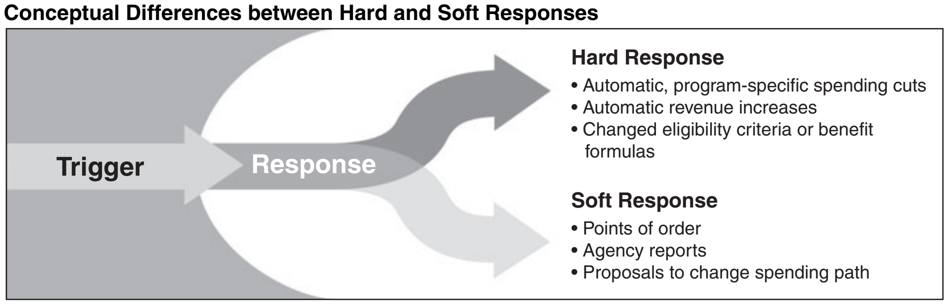
What GAO Found

One idea to constrain growth in mandatory programs is to develop program-specific triggers that, when tripped, prompt a response. A trigger could result in a "hard" or automatic response, unless Congress and the President acted to override or alter it. Alternatively, reaching a trigger could require a "soft" response, such as a report on the causes of the overage, development of a plan to address it, or an explicit and formal decision to accept or reject a proposed action or increase. By identifying significant increases in the spending path of a mandatory program relatively early and acting to constrain it, Congress may avert larger financial challenges in the future. However, both in establishing triggers and in designing the subsequent responses, the integrity of program goals needs to be preserved. In addition, tax expenditures operate like mandatory programs but do not compete in the annual appropriations process. The analysis GAO applied to spending in this report would also be useful in examining tax expenditures.

The budget experts GAO consulted had mixed views of triggers. Proponents of triggers noted that mandatory spending is currently unconstrained and a mechanism that causes decision makers to at least periodically reevaluate spending is better than allowing spending to rise unchecked. Others, however, expressed considerable skepticism about the effectiveness of triggers; many felt they would either be circumvented or ignored. While GAO appreciates the views expressed by budget experts, in our opinion establishing budget triggers warrants consideration in efforts to constrain significant and largely unchecked growth in mandatory programs. However, recognizing the natural tension in balancing both long-term fiscal challenges and other public policy goals, each program needs to be considered individually to ensure that any responses triggered strike the appropriate balance between the long-term fiscal challenge and the program goals.

To better understand growth in mandatory spending and thus inform GAO's thinking on triggers, for seven case study accounts GAO categorized the reasons provided by agencies for differences between estimated and actual outlays during a 5-year period as the result of legislative, economic, or technical changes. Out of 40 differences, subsequent legislation was the primary reason for 19, economic changes for 7, and technical changes for 13. In many cases, a combination of these factors caused the differences.

Conceptual Differences between Hard and Soft Responses



Source: GAO analysis.