

# **CBO TESTIMONY**

Statement of  
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on  
Creating a Biennial Budget Process

before the  
Subcommittee on Financial Management and Accountability  
Committee on Governmental Affairs  
United States Senate

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## **NOTICE**

This statement is not available for public release until it is delivered at 10:00 a.m. (EDT) on Wednesday, July 24, 1996.



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Mr. Chairman and Members of the Subcommittee, thank you for inviting me to testify today on S. 1434, the Biennial Budgeting Act of 1995, and on similar ideas for creating a two-year budget process. Under S. 1434, a two-year budget cycle would replace the annual cycle now in place.

Beginning on October 1, 1997, most major budgetary action--including the President's budget, the Congressional budget resolution, reconciliation legislation, and appropriation acts--would take place every other year, in the first session of each Congress. The second session would be devoted to Congressional oversight activities and to enacting authorizing legislation. The standard fiscal period would change from a fiscal year that begins October 1 and ends the following September 30 to a fiscal biennium that also would begin on October 1 but would end on September 30 two years later.

My testimony today will make the following general points about biennial budgeting:

- o Policymakers act on the budget annually, but most spending or revenue laws cover multiyear periods. Thus, a two-year budget cycle is more significant for its effect on the cycle of budgetary actions than for its effect on the number of years covered by budget laws.



- o Changing to a two-year budget process (as with other purely process changes) would be unlikely to mitigate the broad, underlying disagreement over budget priorities that is the root cause of much recent criticism of the budget process.
  
- o Instituting a biennial budget process would involve certain trade-offs between competing budgetary and other goals. Those trade-offs suggest that the potential strengths of a two-year budget cycle might be outweighed by its likely drawbacks.
  
- o Finally, the opportunities for improved Congressional oversight under a biennial budget are likely to be fewer than anticipated.

**BIENNIAL BUDGETING WOULD HAVE MORE EFFECT ON  
THE TIMING OF BUDGETARY ACTION THAN ON ITS DURATION**

In evaluating S. 1434 and similar proposals for a biennial budget, one should distinguish questions about the appropriate duration of the budget from questions about the appropriate timing of budgetary actions.

With respect to the duration, or period of time, for which budgetary decisions typically are made, a biennial budget would not depart significantly from existing



practice. Most budgetary recommendations and laws now cover a multiyear period. The President prepares multiyear revenue and spending estimates in his annual budget proposal. The most recent Congressional budget resolution includes recommended levels for fiscal years through 2002. Further, most revenue and spending law is permanent. Nearly all revenues are derived from permanent laws. About two-thirds of all spending also flows from permanent law. Of the remaining third--so-called discretionary spending--substantial amounts are made available for more than one year, particularly in the case of funding for defense activities.

In contrast, with respect to the timing of budgetary action, biennial budgeting would represent a major change in practice. Although the President and the Congress make most budgetary decisions for multiyear periods, they act on the budget annually. Under the Congressional Budget Act of 1974, which codified the annual budget timetable, the President must submit a comprehensive budget proposal each year by early February. Moreover, the Congress is scheduled to adopt a budget resolution each year by April 15 and to act on appropriation and reconciliation legislation throughout the spring and summer leading up to the beginning of the fiscal year on October 1.





## THE TWO-YEAR BUDGET WOULD NOT MITIGATE DISAGREEMENT OVER BUDGET PRIORITIES

Critics point particularly to the budgetary experience of the past year as evidence that the annual budget process has failed. On the surface, that evidence appears to be overwhelming. Last year, the Congress adopted in a timely fashion a budget resolution recommending a balanced budget. The Congress then proceeded without inordinate delay to develop and approve the reconciliation, appropriation, and other measures necessary to carry out the resolution's goal of a balanced budget.

However, the process appeared to stall after its initial successes and dragged on well beyond the beginning of the fiscal year, when it was scheduled to be completed. Last winter, the President vetoed the reconciliation and welfare reform measures called for under the budget resolution. In addition, policymakers were unable to reach final agreement on funding levels for major federal programs for the current fiscal year until this past spring, when the fiscal year was already half over. That disagreement led to two partial shutdowns of the federal government, required the Congress to enact a record number of continuing appropriation acts, and delayed essential legislation increasing the limit on the public debt. Moreover, according to critics, this year is shaping up as a repeat of last year's rocky road.



Yet much of the apparent failure of the budget process over the past year and in other recent years has actually been a product of political disagreement over budget priorities that the process cannot--and probably should not--control. That disagreement has not been the result of inherent flaws in the annual budget cycle or other aspects of the process. In fact, during certain years, such as those following multiyear budget agreements, the annual process has operated relatively smoothly and without delay. In others, it has reflected underlying stalemate over the appropriate course of budgetary action. Last year's experience presents a mixed picture because the process advanced in the Congress without excessive delay until it confronted overall policy conflicts between the President and the Congress that prevented final agreement on some major budgetary measures.

Whatever timetable the budget process follows, it is not designed to force certain outcomes without broad policy agreement or, conversely, to obstruct those outcomes when agreement has been reached. Simply changing the timing of budgetary action to a biennial cycle is unlikely to make any underlying policy disagreement easier to resolve and might further complicate action on the budget.

For example, if the two-year cycle proposed under S. 1434 had been in effect for the 104th Congress, the Congress and the President would have had few formal mechanisms in place for carrying on the budget debate this year. True, if policymakers had known in advance that they would be acting under a two-year



cycle that called for budget action in the first session only, they might have been more inclined to resolve budgetary conflicts before that session ended. But at the same time, under S. 1434, if policymakers had not resolved those conflicts by the end of 1995, they would have had to postpone the budget debate this year or pursue it in an ad hoc manner.

#### A BIENNIAL BUDGET WOULD INVOLVE TRADE-OFFS

The overall goals of a biennial budget process are to ease the pressure of the annual budget cycle and promote better planning and oversight. However, acting on the budget every other year would involve certain trade-offs. In general, policymakers should weigh the potential gains from more time for planning, program evaluation, and oversight--many of which would accrue to the executive branch--against the potential loss of budgetary control for the Congress. That trade-off and others suggest that the likely consequences of converting to a two-year cycle could outweigh the potential benefits. Consider, for example, some of the potential effects of S. 1434.



## Effects on the President's Budget

Proponents of biennial budgeting contend that requiring the President to submit a budget only every other year would allow budget planners more time to evaluate existing programs and to prepare estimates and proposals for the upcoming budget submission. However, those benefits might diminish because of the difficulty of developing specific proposals and estimates even farther in advance of the budget's submission.

Submitting the budget every other year, and only in the first session of each Congress, may create other problems. The President would have only two opportunities to submit a budget during a four-year term of office. The first opportunity would come shortly after he took office, when he was just beginning to devise formal budget and other recommendations to submit to the Congress. Indeed, a new President would not have been in office during the previous autumn when the cycle for preparing the budget for submission to Congress was nearing completion. Under S. 1434, no formal budget would be submitted in the off-years, even if budgetary or economic conditions--such as worsening deficit projections--called for formal recommendations from the President. Alternately, modifying S. 1434 to allow an off-year budget submission by the President under special circumstances would seem to defeat the purpose of a biennial budget cycle.





## Effects on Congressional Budget Resolutions

Despite the multiyear coverage of budget resolutions, setting overall budget policy only every other year may have serious drawbacks. To cite just one, considering the budget resolution every other year could lead to missed opportunities. If the Congress found that it must address overall budget policies in a coordinated fashion during an off-year (for example, to respond to unscheduled budget initiatives from the President), it would have to rely on traditional legislative procedures instead of the expedited budget procedures used for budget resolutions and reconciliation measures. That situation would create particular difficulties for the Senate, with its tradition of unlimited debate and amendment.

Further, the economic and programmatic assumptions that underlie a budget resolution would probably turn out to be inaccurate, particularly in the second year of the biennium--if not earlier. Generally speaking, forecast errors become larger as projections extend farther into the future. Changes in the various conditions affecting the budget could present serious problems in enforcing the provisions of a budget resolution during the second year. Legislative proposals are scored with the economic and technical assumptions underlying the budget resolution. As those assumptions become out of date, the Congressional Budget Office's cost estimates could become quite unrealistic. Legislation that would increase spending under



updated assumptions, for example, might have very different costs under the assumptions of the prior year's budget resolution.

### Effects on Annual Appropriations

Biennial budgeting would probably have its greatest impact on the annual appropriation process. Proponents of biennial appropriations contend that appropriating every other year would have payoffs in improved planning for federal agencies and more time for Congressional oversight. But opponents are concerned that biennial appropriations might diminish Congressional control of spending and simply necessitate supplemental appropriations or other adjustments in the off-year.

Certain appropriated programs with stable or predictable funding patterns may be good candidates for two-year appropriations. However, multiyear appropriations can be accommodated now within the annual appropriation process. For example, multiyear funding has been used for certain defense procurement programs to achieve management savings.



## BIENNIAL BUDGETING MIGHT NOT GIVE THE CONGRESS MORE TIME FOR OVERSIGHT

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In recent years, the budget process has been criticized on several fronts, including the value of continuing the annual budget cycle. Critics maintain in part that the annual cycle of budgetary actions has become too heavily weighted with complex, time-consuming budget procedures. Thus, critics say, policymakers have insufficient time each year to complete scheduled budgetary actions, leading them to rely excessively on stop-gap continuing appropriations and other temporary measures when they are unable to finish their budgetary work on time. Critics contend further that the overcrowded budgetary agenda squeezes out other legislative business--such as committee oversight and Congressional consideration of nonbudgetary authorizing legislation--that is equally important.

Indeed, policymakers have faced constraints imposed by the budget process seemingly at every turn. Thus, their frustration with the budget process is understandable, as is their desire to see less emphasis placed on budgeting. Many Members view the major benefit of biennial budgeting as allowing more time to be spent on other legislative activities. Members are concerned that budgetary legislation, considered under restrictive rules designed to ensure that budgetary goals are achieved, is inappropriate for considering major policy initiatives that may be necessary but that may not fit neatly within the budget framework or timetable. For



example, fundamental policy changes will be necessary to deal with the long-term budgetary effects of the retirement of the baby-boom generation early in the next century. The reconciliation process, with its relatively short deadlines and focus on the near-term budget horizon, may be ill-suited for some of the changes needed to resolve that long-term problem.

However, a biennial budget process might yield fewer tangible benefits for the Congressional workload and oversight agenda than one might expect. For example, the potential for increasing the time available for oversight and other activities rests on the assumption that public policy issues can be neatly divided into budgetary and nonbudgetary questions, and that budgetary matters can be fenced into a single session of the Congress.

Yet recent debates over welfare reform, farm policy, transportation policy, and other matters call into question whether Congressional oversight and Congressional action on the budget can or even should be separated in some cases. Further, House and Senate Appropriations Subcommittees conduct extensive hearings each year on agency budget requests that also serve an important oversight function. Finally, although Congressional action on the budget seems to dominate floor action in the House and Senate, the budget agenda has in fact not really crowded out committee action on authorizing legislation and related oversight activities.





## CONCLUSION

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Proposals for a biennial budget seek to ease budgetary pressures on policymakers and free up time for oversight and other nonbudgetary matters in a legislative agenda dominated by budgetary action. Biennial appropriations also could aid agencies' planning. However, given that the underlying cause of current budgetary pressures is the ongoing conflict over priorities, simply providing for budgetary action every other year is unlikely to relieve those pressures. On the contrary, such a change might force the Congress and the President to rely on ad hoc budgetary devices and make them less effective in dealing with major budgetary problems such as the deficit.

