

Statement of  
Alice M. Rivlin  
Director, Congressional Budget Office  
Before the Task Force on the Budget Process  
Committee on the Budget  
U.S. House of Representatives

December 11, 1979



Mr. Chairman, I am pleased to have this opportunity to review with the Task Force the experience of the first five years under the budgetary procedures of the Congressional Budget Act of 1974. It is very appropriate now, on the eve of the 1980s, to examine how well the process has worked and which aspects of its operation can be improved. Most, if not all, of the important issues the Congress will face in the next decade have important implications for the budget. An effective budget process, therefore, is one of the Congress' most essential tools.

The first part of my statement this morning describes the achievements of the new budget process in its first five years. The subsequent parts discuss three possible improvements: lengthening the time horizon of the process; improving the scheduling of Congressional workload; and expanding the comprehensiveness of the budget process.

#### ACHIEVEMENTS OF THE NEW PROCESS

In the five years since the enactment of the Congressional Budget Act, the Congress has greatly changed the way it makes budgetary decisions. It has proven:



- o That it can set aggregate targets and ceilings for expenditures and receipts, and also functional targets for expenditures;
- o That it can stay within those targets or adjust them, as the nation's needs require; and
- o That it can establish a fiscal policy goal and shape its decisions in light of that goal.

These accomplishments have been achieved under extraordinarily difficult economic conditions--first, the deepest recession since the Great Depression and now the most severe sustained inflation in modern times.

Justifiable satisfaction with these achievements should not, however, keep us from acknowledging that some of the goals envisioned when the Budget Act was passed have not yet been fully realized. For instance,

- o The Congress still has difficulty debating important national budgetary choices, because the tremendous inertia of the federal budget makes it nearly impossible to make major changes in the size or composition of the budget in any one year.



- o The Congress still has difficulty meeting the deadlines of the budget process, thus raising questions about the manageability of the Congressional workload.
  
- o The Congress still does not address directly in the budget process all aspects of federal allocation of resources, raising questions of how to treat tax expenditures, off-budget entities, about credit programs.

I firmly believe that improvements can be made in these three areas that will enhance the effectiveness of the budget process as a decisionmaking tool.

#### EXTENDING THE HORIZON OF THE BUDGETARY PROCESS

In my view, the most important step that the Congress can take to enhance the effectiveness of the budgetary process is to set multiyear budget targets. By making policy decisions about the future, the Congress will extend its planning horizon beyond the budget year immediately ahead to the two or three years beyond. This extension of the planning horizon is vital if the Congress is to overcome the enormous inertial pressures of the federal budget.





By now most of the Congress is painfully aware that these inertial pressures mean that next year's federal budget will look very much like this year's despite Congressional efforts to the contrary. Most of the federal spending for next year--probably as much as 75 percent of it--will result from the decisions of past Congresses, not from decisions of the 96th Congress. This is not altogether undesirable. Still, it makes clear that, if the Congress wishes to make major changes in the size or composition of the budget, these changes will take time to plan and execute. Goals for 1982 and 1983 must be specified now if there is to be any hope of accomplishing them.

I know that setting multiyear budget targets is harder than focusing only on next year's budget and requires more work and analysis. I believe, however, that the end result is well worth the effort. With a multiyear approach to formulating budget resolutions, the Congress can increase both flexibility in dealing with budgetary choices and its control over the total size and composition of the budget. The present system does not permit the Congress to address adequately those issues that cannot be affected in a single year. In contrast, in a multiyear targeting system the Congress could clearly see and vote upon the eventual costs of adding major new programs or the savings to be achieved from reforming or abolishing existing programs.



I have believed for some time that the Congressional Budget Act of 1974 provided the procedural framework for multiyear budgeting, and this was borne out by the inclusion of budget aggregates for 1981 and 1982 in the budget resolutions for 1980. The task now facing the Congress is to build on this beginning to achieve more fruitful and explicit consideration of the future directions of the federal budget as part of the debates on the budget resolutions.

#### IMPROVING THE MANAGEMENT OF CONGRESSIONAL WORKLOAD

The framers of the Congressional Budget Act of 1974 hoped that the prescribed schedule for annual consideration and enactment of the concurrent budget resolutions would make possible timely enactment of budgetary legislation. No more would federal agencies spend the first 3-6 months of each fiscal year on continuing resolutions.

The Congress made substantial progress toward this goal. All the appropriations bills for fiscal year 1977 were signed into law by October 1, 1976, the first day of that fiscal year. For fiscal year 1978, all but three appropriations bills were enacted by the beginning of the fiscal year, and those three followed shortly. The enactment of appropriations bills for



fiscal year 1979, however, was not as timely. Only five of the regular bills had been signed into law by October 1st. Six of the remaining seven were enacted during October, while the last--the Labor-HEW bill, was delayed by the controversy over abortion funding.

This year, only three of the appropriations bills were enacted by the start of fiscal year 1980. Two continuing resolutions have been required and action still has not been completed on three bills. In addition, enactment of the second concurrent resolution for fiscal year 1980 was nearly two months late. What can explain this deterioration of the good records posted for fiscal years 1977 and 1978? Why does the Congress have trouble enacting necessary budget legislation on a timely basis?

In my view, the gradual return to tardiness in passing appropriations bill (after the super effort in 1977) merely reflects the basic problem that the Congressional workload is far too heavy. The Congress makes too many decisions too often. The new budget process did not create this problem; it has merely dramatized it.

One solution is for the Congress to try to focus on fewer decisions and to do this less frequently. In testimony earlier this year before the House Rules Committee on sunrise and sunset proposals, I suggested steps that could be taken to improve management of the workload of the Congress.



First, the Congress could establish a systematic structure for the reauthorization-and-oversight process, requiring periodic consideration of federal activities but allowing the Congress to anticipate its workload.

Second, Congressional committees could be encouraged to view the two sessions of a Congress as a single work period; that is, as a time to review one set of programs over two years, rather than two sets, one each year.

Third, authorizations of routine federal activities could be for an even number of years, two at a minimum, expiring on September 30th of the second session of each term of Congress.

These steps would enable the Congress to manage the legislative workload more effectively. They would also smooth the operation of the budget process. Encouraging committees to begin their reviews during the first session of each Congress would allow them to hold extensive hearings, to conduct a reflective and unhurried markup, and to report their bills at the beginning of the second session. Floor action on authorizations could thus be begun and completed before the appropriations bills are even reported.





To the extent that the authorizations committees could stagger the reauthorizations of major programs over several terms, even greater savings in Congressional workload could be realized. Likewise, using multiyear appropriations for routine federal activities would reduce the annual workload of the Appropriations Committees. Taken together, all these suggestions would reduce the number of decisions that confront the Congress in each term and increase the amount of time available for making each decision.

#### MAKING THE BUDGET PROCESS MORE COMPREHENSIVE

Allocations of resources through off-budget entities, tax expenditures, and federal loan guarantees were not part of the unified budget in 1974 and, as such, are excluded from the scope of the budget resolutions. Provisions scattered throughout the Act, however, require the Budget Committees to study on a continuing basis tax expenditures, off-budget agencies, and other budget reform proposals. From these provisions, I conclude that the framers of the Budget Act envisioned possible expansion of the scope of the budget process to include other federal resource allocation activities.



I strongly favor expanding the scope of the Congressional budget process to include other federal allocations of resources. I have on previous occasions recommended that the Congress include the off-budget entities in the unified budget. I have recommended that the Congress begin setting targets and ceilings for credit programs, and I have endorsed your bill, Mr. Chairman, H.R. 5683 as a way of achieving that goal. I see no reason why, with proper planning and study, the Congress could not in the future also set targets and ceilings on tax expenditures in the budget resolutions, just as it does now for direct expenditures.

This does not mean that the Budget Act must be immediately amended to require inclusion of credit programs and tax expenditures within the scope of the budget resolutions. Expanding the scope gradually and deliberately makes good sense. One of the virtues of the Budget Act during this first five years has been its flexibility. It permits the Congress to "try out" or experiment with new procedures without requiring changes in law.

Therefore, I urge this Task Force to consider carefully the opportunities available to experiment with credit budgets and tax expenditure budgets. I strongly recommend that the Committee consider setting targets on aggregate federal credit activity in the first budget



resolution next spring, even if no action has been taken on H.R. 5683. The experience gained in analyzing and debating alternative levels of federal credit activity during such a "dry run" can only be beneficial to Members. To assist the Committee in preparing for a dry run next spring, we are preparing at your request, Mr. Chairman, an overview of the federal credit program for fiscal year 1981.

Likewise, steps short of amendments to the Budget Act could be taken to incorporate tax expenditures into the budget process next spring. For example, the resolution might include just a target for tax expenditures, leaving for future years the implementation of binding ceilings and point-of-order provisions. The target could be limited to total tax expenditures, or it could be broken down by functional categories. It is also possible under the existing Budget Act to trade off selected new tax expenditures against new direct expenditures by allowing only enough room in the budget resolution to take one route or the other, but not both. As more experience is gained, binding ceilings could be imposed on tax expenditures, perhaps starting only with limits on new or expanded tax expenditures.



My point is that, while one might want to amend the Act eventually, most of the suggestions I have made--including multiyear budgeting and improving the management of Congressional workload--can be tried out by the Congress without changes in law. After several years of experience, if the results are satisfactory, then the law could be amended to institutionalize the new practices.

### CONCLUSION

After five years, the Congressional Budget Act of 1974 is a demonstrated success. The Congress can make its own budget. Now is not the time, however, for those of us involved in the budget process to rest on our laurels. We must enhance the effectiveness of the process to enable the Congress to meet the challenges of the 1980s. To that end I recommend:

- o First, that the Congress move quickly to adopt multiyear budgeting;
- o Second, that the Congress consider steps outside of the budget process to improve the management of its workload; and





- o Finally, that the Budget Committees use the inherent flexibility of the Act to begin moving by stages to incorporation of credit programs and tax expenditures within the scope of the budget resolutions.

I would be happy to answer questions from the Task Force.

