

Testimony of

M. Matthew Owens

Convergence Building a Better Budget Process Project Participant
 Vice President for Federal Relations and Administration,
 Association of American Universities (AAU)

Before the Joint Select Committee on Budget and Appropriations Process Reform

May 9, 2018

Thank you Co-Chair Womack, Co-Chair Lowey, and Members of the Joint Select Committee on Budget and Appropriations Process Reform for the opportunity to testify. I am honored to present to you the proposals that members of the Convergence Building a Better Budget Process (B3P) project developed to improve the federal budget process. My testimony dovetails with the testimony of my colleague Emily Holubowich, who also participated in the Convergence B3P project and whose testimony provides important context about how the project participants reached consensus agreement on the five proposals I will delineate.

By way of background, let me share with you why I joined the Convergence B3P project. For the past two decades, I have worked at the Association of American Universities (AAU) and one of its member institutions. The students, professors, researchers, and administrators at AAU member research universities are all negatively affected by the dysfunctional federal budget process. Important medical research is delayed, experiments that hold the promise of new innovative technologies are put on hold or protracted, student aid decisions are held up, and long-term planning decision-making is made more complex and time-consuming because Congress does not complete its most basic constitutional obligation—funding the government. This is highly inefficient. It wastes time and institutional and taxpayer resources that would otherwise be used to advance their educational missions of teaching, research, and service. I chose to participate in the Convergence B3P process for this reason and in the spirit of what the people at research universities strive to do every day—address and solve difficult problems facing our nation. AAU endorsed the Convergence B3P proposals for the same reasons.

Using the Constitution as the foundation and the principles and themes that emerged from our dialogue, the B3P group crafted five proposals for improving the federal budget process. Through the lens of their own experience and ideology, or the priorities of their organization and the people it represents, each stakeholder may have an individual opinion about what policy options would best fix the process as viewed. However, our five proposals are based on consensus, and consequently, they reflect compromise. My colleagues and I do not believe these five reforms will yield a perfect process. However, we believe that taken together, the proposals contain practical, achievable, and important measures that can be developed and expanded to

implement a process that facilitates informed, unbiased, and sound decision making that yields logical decisions reflecting the will of Americans.

I. Budget Action Plan

The first and most substantial proposal is the Budget Action Plan. This proposal synchronizes the budget process with the electoral and governing cycle. It sets the expectation that each new Congress should adopt a two-year budget that is signed into law by the new or continuing president. This reflects current practice, in which two-year deals have been reached to adjust the 2011 Budget Control Act discretionary caps. However, unlike the current practice of legislating a budget after the first of the two fiscal years covered by the budget is already underway, our proposal moves consideration of the Budget Action Plan to the beginning of each new Congress. Our intent is to set a new expectation and norm that the budget is determined well in advance of the beginning of the next fiscal year so that the Appropriations and other budget-implementing committees have adequate time to complete their work.

The Budget Action Plan has three required elements and one optional provision. First, it sets discretionary spending levels for two years. Our proposal does not prescribe how the discretionary spending levels are categorized (i.e. one discretionary spending cap, separate defense and non-defense spending caps, or a separate security and non-security cap). We leave this decision to Congress, as well as decisions about whether or not to include other sub-allocations for a group of programs, such as infrastructure or education. Under our proposal, appropriations that stem from the budget could be made annually or biannually.

Secondly, the Budget Action Plan lifts the debt limit by any shortfall agreed to in the legislation. For example, if the Budget Action Plan for FY2020-21 resulted in a \$100 billion deficit, then the debt limit would be increased by \$100 billion.

Thirdly, the Budget Action Plan would authorize a look-back report prepared by the Congressional Budget Office (CBO) or the Budget Committee. The report would examine: any difference in appropriations bills and the spending levels passed in the Budget Action Plan; how any reconciliation bills compare to instructions passed in the Budget Action Plan; and how enacted legislation affects the long-term fiscal outlook as highlighted in the Fiscal State of the Nation, our second proposal that is described in the next section.

Finally, the Budget Action Plan allows Congress the option to consider one reconciliation bill per fiscal year. This is a change from the current reconciliation rules whereby Congress may consider up to three reconciliation bills in a year—one for deficits/debt, one for revenues, and one for spending. To reconcile spending and revenues, the group agreed only one set of instructions per year was necessary, as it is nearly impossible to divorce discussions about spending and revenues.

I should note that the Budget Action Plan does not preclude Congress from passing a budget resolution. My colleagues and I recognize budget resolutions can be useful tools to outline the

governing vision of the majority party, minority party, or some other congressional subset or caucus, particularly when party control in one or both chambers of Congress is different than that of the president. However, we propose that any budget resolution should comply with the Budget Action Plan. Namely, the spending and revenue levels in the first two years of any budget resolution should match those specified in the Budget Action Plan.

II. Fiscal State of the Nation Report

The second proposal requires the CBO to produce a quadrennial report outlining key information about our nation's finances. This "Fiscal State of the Nation" would be published in such a way that allows citizens who are not budget experts or Washington insiders to understand taxes and other federal revenues and how and on what the government spends taxpayers' money. The CBO would time the report's release to have the greatest impact during the presidential election cycle. A primary goal of the Fiscal State of the Nation report is to bridge the gap between what Americans think they know about federal spending and revenue, and the reality.

The Fiscal State of the Nation report would include: long-term projections for the next 25 years including debt, deficits, interest payments, revenues, and spending; a selection of alternative projections including those from governmental sources such as the Trustees of Social Security and Medicare; a breakdown of all major revenues sources and tax expenditures organized to show which Americans pay taxes and which taxpayers benefit from tax expenditures; a discussion of trends inside the portfolios established by the portfolio review (see the third proposal in the next section); and any estimated shortfalls in long-term spending programs that are funded by dedicated revenues. My colleagues and I believe such a report would provide the American people with a comprehensive picture of the nation's finances, elevate public discussions about the federal budget, and help voters make more informed choices at the ballot box.

III. Periodic Long-Term Reviews for Major Programs

Our third proposal aims to provide more information about the nation's long-term finances by requiring periodic, long-term reviews for major programs by the Government Accountability Office (GAO). Every four years, the GAO would conduct a review of programs that have commitments outside the 10-year scoring window to consider promises, commitments, and goals of the programs within a portfolio. In so doing, GAO would study expenditure projections for each portfolio under various programmatic assumptions for the next 10 to 25 years; look at the recent performance of a portfolio, project performance for the next 10 to 25 years, and provide recommendations for how to improve the program; and, finally, conduct a "stress test" of programs to see how they would perform in extreme scenarios, such as a major recession or a two-front war. This information would then be included in the Fiscal State of the Nation Report. The Budget Committees would define the portfolios to be studied, as well as determine the review schedule. The goal of this proposal is to ensure Congress has high-quality information, on a consistent basis, when considering potential changes to revenues and mandatory spending. This

would be similar to the way discretionary programs undergo review as part of the annual appropriations process.

IV. Strengthen the Budget Committees

Our fourth proposal is to strengthen the Budget Committees. Created in the 1974 Congressional Budget and Impoundment Control Act, the Committees have proven effective at managing the budget process in the past. However, as budget decisions have become more centralized in recent years, the Budget Committees' stature and capacity to manage the budget process has waned. To restore the standing of the committee, my colleagues and I propose the Chairs and Ranking Members of key fiscal committees, or their designees, serve on the Budget Committees. Any remaining members would be appointed to ensure the majority-minority balance on the Budget Committees reflects each chamber's composition. The Budget Committees would also develop and execute the Budget Action Plan and have oversight over the production of the Fiscal State of the Nation Report and GAO's periodic portfolio reviews. Ideally, this proposal would change how Congress and outsiders perceive the Budget Committees and ensure that those who are responsible for operationalizing the Budget Action Plan through appropriations and authorizing legislation are involved in its development and vested in the process.

V. Budget Support Agencies

Our fifth proposal calls on Congress to give budget support agencies such as CBO, GAO, and the Joint Committee on Taxation the resources necessary to provide Congress, the administration, and the American people with credible, high-quality, and independent information. Our proposals include new responsibilities for these institutions, so it is important these institutions have sufficient resources to perform their current and proposed responsibilities.

Taken together, our five proposals have the potential to improve the federal budget process. They also have the added benefit of addressing the nine principles and four themes that Ms. Holubowich outlined in her testimony. We believe the proposals are a strong starting point for the Joint Select Committee as you consider budget process reforms.

You will notice our proposals do not include many ideas that have been proposed by others and are under consideration by the Joint Select Committee such as: restoring earmarks, creating triggers for automatic continuing resolutions, moving the start of the fiscal year, abolishing the Budget Committees, or establishing penalties for inaction such as "no budget no pay." Our group discussed these and many other ideas but ultimately, we did not include them because we could not reach consensus agreement. In most cases, ideas were excluded because they did not meet our nine principles for process reform or our judgment was they would not substantively improve the process and might even make it worse.

In closing, I will offer a shared view among the Convergence B3P participants. Namely, no single budget process reform or package of reforms can by themselves remedy the prevailing dysfunction. Process reforms alone cannot force policymakers to reach budget agreements. But

process matters, and changes—small or large—that Congress decides to adopt can create ownership and buy-in for new expectations and norms for determining and managing our nation’s finances.

Coincidentally, the final meeting of the Convergence B3P project group occurred on the same day the Bipartisan Budget Act of 2018 was released and the proposal to establish this Joint Select Committee was first made public. Our group was heartened by the creation of this Committee because it is consonant with our consensus view that ultimately, budget process only works if there is sufficient political will to make it work. The Joint Select Committee is evidence that the political will is present and growing.

On behalf of all the Convergence B3P project participants, I thank you for the opportunity to testify on our ideas to make the federal budget process work better. We wish you great success in this important endeavor that is critical not only to effective federal budgeting but also the governance of our nation.