

POLICY ANALYSIS:

# Five Big Changes in the Enzi-Whitehouse Budget Process Legislation

By Alison Acosta Winters | January 13, 2020

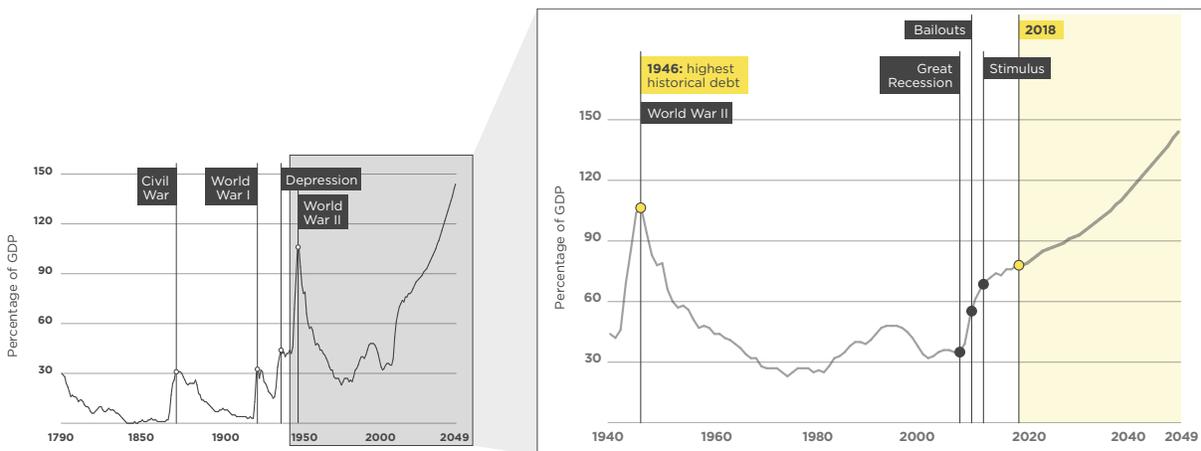
## INTRODUCTION

The federal budget is a mess. Congress has passed all the appropriations bills before the required September 30 deadline only four times since the 1974 Budget and Impoundment Control Act became law. Congress has rarely met the deadline for passing budget resolutions and even failed to pass a resolution 10 times.<sup>1</sup> It's not looking promising for fiscal 2020 either.

The budget battles have become more partisan, leading to a series of continuing resolutions followed by costly, must-pass omnibus spending bills. The government has been shut down 10 times, including last winter's lengthy record breaker.

The budget results sadly echo this political and legislative dysfunction. Federal spending continues to break new records, with spending at \$4.4 trillion in fiscal 2019. At 20.9 percent of gross domestic product (GDP), spending will increasingly exceed its post-World War II average of 20.3 percent.

The nation's publicly held debt reached \$16.8 trillion the end of fiscal 2019. At 78 percent of GDP, it's well over the historical average of 42 percent and a record for a time of relative prosperity and growth. Worse, the debt will shoot past its all-time record of 106 percent of GDP (reached after World War II) in just 18 years, and then soar to 144 percent of GDP in 30 years.<sup>2</sup>



1. "Deeming Resolutions: Budget Enforcement in the Absence of a Budget Resolution," Congressional Research Service, April 29, 2019; Bill Heniff Jr. "Congressional Budget Resolutions: Historical Information," Congressional Research Service, November 16, 2015  
 2. Alison Acosta Winters, "How to Avert the American Spending and Debt Crisis," Americans for Prosperity, July 19, 2019

These trends do not portend well for Americans. Beyond our younger generations, mid-career workers and retirees will also suffer. Our budget laws are not working—it's time for a change.

The Bipartisan Congressional Budget Reform Act (BCoBRA)<sup>3</sup> sponsored by Sens. Mike Enzi (R-Wyo.) and Sheldon Whitehouse (D-R.I.) provides some sorely needed new thinking. What's more, its bipartisan approach provides a refreshing and productive change from Congress' often bitter and counterproductive narrative and legislative gridlock. While the bill keeps the construct of the 1974 Budget Act (which has been amended several times), it makes major changes that would significantly improve the budget process and federal finances. BCoBRA includes five changes that are particularly significant:

## **MOVES TO A BIENNIAL BUDGET RESOLUTION**

Enzi and Whitehouse move to a biennial budget that would set priorities for the two-year legislative session of Congress. This adopts what has essentially become practice. Following the 2011 Budget Control Act's sequester cuts, congressional leaders established a series of two-year discretionary spending plans.

Enzi-Whitehouse maintains the annual appropriations process so Congress would continue to provide funding and set priorities for discretionary spending each year. Writing a biennial budget resolution would reduce some of the legislative and political barriers and allow each new Congress to set its policy and fiscal agenda following elections.<sup>4</sup>

BCoBRA also establishes incentives for passing a bipartisan budget by providing expedited Senate consideration for a budget resolution with support of at least 15 senators from the minority party. This increases the likelihood that members would work together and advance the budget as intended. The importance of working together should not be underestimated.

## **INCREASES TRANSPARENCY AND IMPROVES REPORTING**

Under Enzi-Whitehouse, the Congressional Budget Office (CBO) would be required to report interest costs for all new mandatory spending and revenue changes, and any supplemental spending not included in the discretionary baseline, such as emergency spending. Costly new policies have a direct impact on interest costs that should be considered in the totality of the budget. With the deficit of nearly \$1 trillion last fiscal year and total spending of \$4.4 trillion, it's safe to assume that all new fiscal policies would increase the deficit and thus interest spending.<sup>5</sup> This would incentivize improved planning for Overseas Contingency Operations (OCO), emergencies, or disasters and result in better transparency efforts on their actual costs.

In addition, BCoBRA would tighten a longstanding loophole with the spending baseline that exempts from budget caps both emergency and OCO spending. But Congress has a long history of moving routine and regular spending into these exempt categories, with little consideration of the impact on total spending or the debt. This exempt funding gets folded into the baseline, distorting the spending picture. BCoBRA would require CBO to assume exempt spending does not automatically recur. As a result, Congress would be forced to plan in the budget resolution for emergencies and other spending typically exempt, and to account for the full impact of costly supplemental spending, including interest.

The bill also would make a number of procedural changes for moving the budget resolution on the floor, making it easier to consider the measure—and any amendments—but harder to derail.

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3. S. 2765 – Bipartisan Congressional Budget Reform Act, Congress.Gov

4. For more on the benefits of a biannual budget resolution see “Building a Better Budget Process,” Convergence Center for Policy Resolution, March, 2018

5. “Final Monthly Treasury Statement Receipts and Outlays of the United States Government,” Department of the Treasury, Bureau of the Fiscal Service, October, 2019. Note: interest should be calculated on dynamic scoring for tax policy changes since economic feedback can also affect the impact of the policy

BCoBRA also would require CBO to publish the underlying information about its assumptions, models and accuracy of past projections. This greater transparency would have the added benefit of allowing scholars, modeling practitioners and analysts to review CBO's scoring, providing lawmakers and the public a more robust assessment of the efficacy of policy changes on the government's finances and the economy. Additionally, scholarly outside review can serve as an avenue for CBO to obtain feedback on its assumptions and methodology.

## **IMPLEMENTS NEW PORTFOLIO REVIEWS**

There are hundreds of agencies and even more programs across the federal government, so many that there is not a precise count.<sup>6</sup> Little wonder then that many of these programs are duplicative or yield uncertain results. Although federal programs are supposed to be regularly evaluated and reauthorized (many aren't), reviews are typically done in a vacuum without looking at all similar programs.

For example, federal antipoverty spending comprises 89 programs across 14 agencies. If it were a line-item, it would be the 2nd largest spending item in the budget (when including Medicaid and CHIP), behind only Social Security and ahead of both defense spending and Medicare.<sup>7</sup> If it were a line-item, it would be the 2nd largest spending item in the budget (when including Medicaid and CHIP), behind only Social Security and ahead of both defense spending and Medicare, yet most programs are evaluated in isolation.

Enzi-Whitehouse would address the financing implications of this shortcoming by setting a regular schedule to review major program portfolios. CBO would provide regular reports that outline program finances and sustainability, options for deficit reduction and more. Done correctly, Congress would review the affordability and sustainability of major policy portfolios from defense to welfare, assess programs holistically rather than ad hoc to determine whether they are achieving policy objectives, and identify redundancies and inefficiencies.<sup>8</sup>

## **SETS A TARGET FOR MANAGING THE DEBT**

It's no secret the federal debt is out of control. Enzi-Whitehouse would add an important element to the budget resolution: setting a specific target for the ratio of debt to GDP. This is an important metric because it measures the country's ability to manage the debt. Setting a target allows us to measure how that increases or decreases, whether the debt will be stabilized, reduced or increased, relative to the economy. Committing to a debt-to-GDP target is a first step at tying together a rational fiscal policy.

Rather than hiding from the debt, Congress would have a debate about whether government spending and taxation policies are affordable and sustainable, not just for discretionary spending's 1/3 share of the budget, but total spending, including mandatory programs and interest payments. To reach the target, Congress would then need to put policies in place to achieve that goal, using the reconciliation process and regular order for changes to programs exempt from reconciliation—notably Social Security.

The debt limit has proven so ineffective that Congress has taken to merely suspending it rather than taking a hard vote that tells taxpayers how much its tax and spending policies will add to the debt. Enzi and Whitehouse would put a stop to that practice.

On passage of the budget resolution, BCoBRA would automatically raise the debt limit to the level set in the budget resolution.<sup>9</sup> This is an interesting compromise to consider: by focusing on the policies that drive the debt, this change would ensure that the impact of

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6. Andrew Lautz, "How Many Federal Government Programs Are There?," National Taxpayers Union, July 22, 2019; Clyde Wayne Crews Jr. "How Many Federal Agencies Exist? We Can't Drain The Swamp Until We Know," Forbes, July 5, 2017

7. Robert Rector and Vijay Menon, "Understanding the Hidden \$1.1 Trillion Welfare System and How to Reform It," Heritage Foundation Backgrounder 3294, April 5, 2018; "Budget of the United States Government, Historical Tables Fiscal Year 2018," Tables 3.2 and 8.5, Office of Management and Budget, May 23, 2017

8. For more on portfolio reviews see Convergence

9. On passage of the budget resolution, a joint resolution would automatically be triggered to raise the debt limit by the amount specified in the budget resolution. The joint resolution would be considered passed with the same votes the budget resolution passed and sent to the president for signature.

planned spending and tax policies will be considered, rather than ignoring or eliminating the debt limit (as with current practice or through legislation) or maintaining the potential for toxic, high-stakes inflection points in the future.

## **MAKES THE DEBT TARGET ENFORCEABLE THROUGH SPECIAL RECONCILIATION**

Setting targets is important, but targets alone are not the end goal—Congress must take the necessary steps to achieve those targets. The beauty of the Enzi-Whitehouse approach is that the debt-to-GDP target is enforceable through the reconciliation process. If, in the second year of a biennial budget resolution, CBO finds the target specified in the budget resolution will not be met, the Senate Budget Committee would be required to produce a budget resolution instructing key committees to meet specific reduction targets. The committees' proposals would be compiled into deficit-reduction legislation known as reconciliation, which would receive expedited consideration in the full Senate. Importantly, this reconciliation legislation could not be used to increase the deficit, as has happened in the past.

This is where the rubber meets the road. Budget resolutions have become more aspirational, partisan-vision documents and less blueprints for realistic, achievable policy changes. They rely on majority votes and often assume that sweeping, policy changes can be quickly implemented and large, unspecified cuts to discretionary spending will heroically balance the budget. While they might include sound policy ideas, typically they are not achievable politically or practically and are relegated to the shelves of Budget Committee history while the debt clock keeps ticking.

The reality is that lawmakers must roll up their sleeves and do the hard work. Members of Congress must have tough conversations about policy priorities (preferably grounded in the constitutional role for government) short- and long-term affordability, and the necessary tradeoffs. They must work across the aisle. Perpetuating our current, expensive spending programs means either higher debt or higher taxes—reining them in will require tough choices and the longer we wait, the tougher those choices will be. Any path will mean tradeoffs that Congress must discuss before intentionally embarking on—even staying on our current trillion-dollar deficit course. It's paramount that decisionmakers in Washington have those conversations. Sadly, they are not happening today.

Enzi-Whitehouse aims to change that by giving us a fresh start with the budget process.<sup>10</sup> Congress should tell Americans where its fiscal leadership will take the country, and then it must deliver. If it can't, for whatever reason, Enzi-Whitehouse acts as a forcing event to square promises with progress and offers an opportunity to correct course.

## **WHAT IT DOESN'T DO**

The Enzi-Whitehouse legislation isn't a silver bullet. It assumes that our ever-increasing levels of debt are unacceptable to lawmakers and taxpayers alike. Congress must be willing to do the heavy lifting to put us on a more sustainable and affordable fiscal course—BCoBRA would serve to normalize a conversation and process toward that end.<sup>11</sup>

Some have worried that the Enzi-Whitehouse approach would lead to a slashing of federal safety net and health care programs, especially during an economic downturn.<sup>12</sup> But these concerns ignore the reality of our existing spending and debt trajectory which, left unchecked, will squeeze those programs as spending on Social Security and Medicare—and interest on the debt—continues to grow. The whole idea of the Enzi-Whitehouse reconciliation process is to reduce the deficit in a smart way, and the solutions are not predetermined. They could come from a variety of spending and tax changes. Still, spending reforms to these programs could likely be on the table in some form given their sheer size and scope.

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10. See also "Enzi-Whitehouse Budget Process Bill Includes Important Reforms," Committee for a Responsible Federal Budget, November 21, 2019; Demian Brady, "In the Wake of the Latest Cap-Busting Budget Deal, Senator Enzi Restarts the Discussion on Budget Reform," National Taxpayers Union Foundation Issue Brief, August 15, 2019

11. Daniel J. Mitchell, "How the Swiss 'Debt Brake' Tamed Government," Wall Street Journal, April 25, 2012

12. Robert Kogan and Joel Friedman, "Automatic Reconciliation an Undesirable Part of Enzi-Whitehouse Budget Process Bill," Center on Budget and Policy Priorities, November 4, 2019; "CHN: Budget Process Reform Bill Concerns Advocates," Coalition on Human Needs, November 12, 2019

The importance of the Enzi-Whitehouse is in its emphasis on examining spending and tax policies in conjunction with the nation's ability to pay for them today and in the future, and in setting sustainable targets—in bipartisan fashion to ensure all priorities are considered. Reviewing spending portfolios will show which programs are most effective and where duplicative programs can be streamlined or eliminated—across all portfolios, ensuring a comprehensive assessment of government spending.

It's also important to note the distinction between cutting the growth in spending and cutting spending below current levels. Concerns about spending cuts seem a tacit acknowledgement that our current fiscal path is unsustainable and that changing course in some way is inevitable. If that's the case, better to approach spending in a deliberate and thoughtful way such as Enzi-Whitehouse's approach.

More basically, the expedited reconciliation legislation doesn't automatically trigger spending cuts like sequestration. Substantive legislation must be passed by both chambers and signed into law. It can be amended on the floor during consideration before the full Senate, for example, which would allow senators to address concerns over the size of spending cuts, their timing, and reforms to specific programs.

Existing budget controls such as spending caps, PAYGO, and the current reconciliation process have failed to constrain unaffordable growth in the debt. The status quo is not acceptable.

## **NEXT STEPS**

Enduring reforms to the budget process are sorely needed. The best way to lock-in meaningful changes to improve today's dysfunctional process and politics is through a bipartisan approach. Enzi-Whitehouse is a thoughtful approach to promoting a rational discussion over the federal budget. Ideally, not only will the Senate act on it, but bipartisan leaders in the House Budget Committee will take up this or similar legislation to address House rules and procedures.

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