Budget upgrades can help Congress reduce improper payments

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Committees on the Budget and on Oversight and Accountability

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Dear Chairman Arrington, Chairman Comer, and Chairman Sessions:

Thank you for the opportunity to provide views on improper payments. Despite many years of oversight and recommendations from congressional committees, the Government Accountability Office, and other watchdogs, this waste continues to plague current and future American taxpayers.

A dysfunctional budget system lets waste accumulate because it provides insufficient benefits to members of Congress for challenging low-value spending. That is, members of Congress need more means and motivation to address improper payments, as well as other low-return spending.

Improper payments linger when they don't compete with other priorities

The lack of a meaningful budget constraint is part of the problem. Unlike the states, the federal government lacks constitutional or statutory spending, deficit, or debt limits of any significance. GAO analysts state that the debt limit is not a fiscal rule: "It does not restrict Congress's ability to pass spending and revenue legislation that affects the level of debt."

Yet in a June 2020 letter co-led by Chairman Arrington and Representative Scott Peters, 30 Republicans and 30 Democrats came together to call for "a process for establishing overall budgetary goals—such as debt-to-GDP targets—that would reduce debt limit brinkmanship as long as the budget remains on a responsible path."

That process could take many forms. On the constitutional side, balanced budget amendment proposals by Chairman Arrington (H.J.Res.77, 117th Congress) and Representative Nathaniel Moran (H.J.Res.80, 118th Congress) are especially promising. I will soon publish a short paper on BBA design highlighting these proposals.

Each would reestablish the norm of budget balance and set an enforceable supermajority for emergency spending. Both would let Congress target either full or primary balance, which excludes interest costs and would require only half as much deficit reduction as full balance.

A statutory option that could complement a BBA is Senator Mike Braun and Representative Tom Emmer's Responsible Budget Targets Act (S.772, 118th Congress/ H.R.7420, 117th Congress). This legislation would establish a glide path – a gradual transition – to structural primary balance as the gap phases out between non-interest spending and revenue.

Under the RBTA, spending could grow with a rolling average of GDP growth, somewhat slower after primary deficits and somewhat faster after primary surpluses. Emergency spending would not require immediate offsets but the spending caps would compensate through equal shares over the six subsequent fiscal years. This legislation shares many features with the statutory side of the highly successful Swiss debt brake, which has helped Switzerland stabilize and reduce the national government's debt burden by half over the last two decades.

This lack of a budget constraint has let improper payments and other waste fester because they don't compete with anything else. Their costs merely add to the national debt. This debt burden wasn't salient with most Americans until debt-driven inflation reared its ugly head.

Improper payments are difficult to challenge without a coherent process

Even with a well-crafted budget constraint, however, Congress still needs a more transparent and regular process for adjudicating the relative merits of resource allocations. The 27 percent of spending covered by the appropriations bills is the only part of the budget that Congress reviews regularly. Even that has broken down. The 10 percent of expenditures required for interest costs, the remaining 63% of spending for direct spending programs, and the entire revenue-and-borrowing side of the budget are out of sight in the appropriations process, primarily out of mind for members and staff, and procedurally out of reach on the floors of the House and Senate.

A comprehensive annual budget Act with all spending and revenue policies would give Congress the means and motivation to address improper payments and to root out other waste. This tendency would be stronger if combined with further budget system upgrades.

Ideally, a comprehensive budget would empower each committee with direct spending authority to actively manage programs in its jurisdiction. The Appropriations Committee would continue to exercise discretion for appropriated accounts. The Ways and Means Committee would cultivate revenue policy in addition to its direct spending portfolio. Non-appropriated programs would remain on autopilot unless altered by Congress and would provide a consistent, holistic context in which Congress could manage everything.

A comprehensive budget would help members of Congress continually improve the value Americans get from their tax dollars and their representatives by weighing tradeoffs across all areas of the budget. Many improper payments or portions thereof are pure waste from the public's perspective, although they are an unmerited part of someone's paycheck.

Those recipients are often well organized to impose pain on members who try to do right by taxpayers. In today's dysfunctional, disunited budget system, where there's always someone else to blame for the debt, taking on entrenched beneficiaries of improper payments often isn't worth it. In the competition to provide better value, however, shifting funds from low-value improper payments to higher purposes would give members the political cover to manage budget priorities actively.

A comprehensive budget would let Congress choose which problems to fix and when. As an anticipated opportunity, members could build coalitions and refine proposals each year with the expectation of getting a chance to persuade their colleagues. Unwinding improper payments may involve shifting the design of programs through a series of steps, which could take years to unfold.

Greater collaboration on building policy-focused coalitions could improve trust within Congress. More confidence could help members take leaps of faith on more complicated issues. They'd know that they and their partners would need each other for the next steps or on other matters. The benefits of good relationships would increase compared to today.

Conclusion

Sound budget constraints paired with a comprehensive budget would give Congress powerful tools and robust incentives to address policies that give rise to improper payments. The benefits of these budget upgrades would go well beyond this topic, however. We look forward to working with you to improve Congress' management of federal programs.

Other respondents to your request have likely provided detailed information about the nature of improper payments and recommendations for addressing discrete instances. My objective has been to consider institutional factors that reduce the ability of Congress to manage improper payments and other suboptimal features of the federal budget.

These different strategies should complement each other. I hope they will jointly support your efforts to improve the federal government's contributions to the American people's freedom, security, and prosperity.