Testimony
Before the Committee on the Budget, House of Representatives

BUDGET PROCESS
Extending Budget Controls

Statement of Susan J. Irving
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It is a pleasure to join you today as you think about how to extend and adapt the Budget Enforcement Act (BEA) regime. The discretionary spending limits and pay-as-you-go (PAYGO) mechanism established by BEA will expire this year. Last summer when I appeared before this Committee, we were discussing what kind of process and controls made sense in a time of surplus. Today for a variety of reasons we face a different outlook. The events of September 11 impose a new set of demands on the federal budget. At the same time, the pent-up demands kept in abeyance during years of fighting deficits remain. The question before you is what kind of process and controls will permit Congress and the president to respond to the needs of today while keeping in mind the need to deal with the budgetary challenges looming over the horizon.
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Mr. Chairman, Mr. Spratt, Members of the Committee:

It is a pleasure to join you today as you think about how to extend and adapt the Budget Enforcement Act (BEA) regime. The discretionary spending limits and pay-as-you-go (PAYGO) mechanism established by BEA will expire this year.¹

Last summer when I appeared before this Committee, we were discussing what kind of process and controls made sense in a time of surplus. Today—for a variety of reasons—we face a different outlook. The events of September 11 impose a new set of demands on the federal budget. At the same time, the pent-up demands kept in abeyance during years of fighting deficits remain. The question before you is what kind of process and controls will permit Congress and the president to respond to the needs of today while keeping in mind the need to deal with the budgetary challenges looming over the horizon.

Later in this statement I will talk about some particular elements and ideas that have been proposed for adapting and extending budget enforcement mechanisms. Before doing that, however, I would like to step back and talk a bit about what a budget process can and cannot do.

A budget process can surface important issues; it can seek to focus the debate on the important choices. But it is not a substitute for substantive debate—no process can force agreement where one does not exist.

We ask a great deal of our budget process. We use it to determine aggregate fiscal policy and to allocate resources across different claims. We use it to drive program management. In the context of the Government Performance and Results Act, we turn to the budget to tell us something about the cost of obtaining a given level of results.

BEA, when first developed and later when it was extended, was a process established to enforce a previously reached substantive agreement. Last year, given 10-year projections showing fairly sizable surpluses, there was a

¹Although the overall discretionary spending caps expire in 2002, the Highway and Mass Transit outlay caps established under the Transportation Equity Act for the 21st Century (TEA-21) continue through 2003, and the conservation caps established as part of the fiscal year 2001 Interior Appropriations Act were set through 2006. In addition, the sequestration procedure applies through 2006 to eliminate any projected net costs stemming from PAYGO legislation enacted through fiscal year 2002.
good deal of discussion about how much of the surplus should be spent (or
used for a tax cut) and how much of it should be used for debt reduction.
At that time, Congress and the president seemed to have reached a tacit
agreement that the Social Security surplus should be used for debt
reduction. While this did not eliminate disagreements about tax or
spending policy, it did provide a fiscal target to replace “zero deficit” or
“balanced budget.” It set the outside parameters for the budget debate.

As I have testified before, the budget represents the decisions made about a
large number of often conflicting objectives that citizens want the
government to address. We should not be surprised that it generates
controversy. As BEA expires, you face a wealth of options and choices. I
appreciate the invitation to talk about some of these today. Some of these
points are discussed more fully in the BEA compliance report\textsuperscript{2} that we did
last year at your request, Mr. Chairman.

### Principles for a Budget Process

In the past, we have suggested four broad principles or criteria for a budget
process.\textsuperscript{3} A process should

- provide information about the long-term impact of decisions, both
  macro—linking fiscal policy to the long-term economic outlook—and
  micro—providing recognition of the long-term spending implications of
government commitments;

- provide information and be structured to focus on important macro
  trade-offs—e.g., between investment and consumption;

- provide information necessary to make informed trade-offs between
  missions (or national needs) and between the different policy tools of
government (such as tax provisions, grants, and credit programs); and


• be enforceable, provide for control and accountability, and be transparent, using clear, consistent definitions.

The lack of adherence to the original BEA spending constraints in recent years and the expiration of BEA suggest that now may be an opportune time to think about the direction and purpose of our nation’s fiscal policy. The surpluses that many worked hard to achieve—with help from the economy—not only strengthened the economy for the longer term but also put us in a stronger position to respond to the events of September 11 and to the economic slowdown than would otherwise have been the case. Going forward, the nation’s commitment to surpluses will be tested: a return to surplus will require sustained discipline and difficult choices. It will be important for Congress and the president to take a hard look at competing claims on the federal fisc. A fundamental review of existing programs and operations can create much needed fiscal flexibility to address emerging needs by weeding out programs that have proven to be outdated, poorly targeted, or inefficient in their design and management.

Last October, you and your Senate counterparts called for a return to budget surplus as a fiscal goal. This remains an important fiscal goal, but achieving it will not be easy. Much as the near-term projections have changed in a year, it is important to remember that even last year the long-term picture did not look rosy. These long-term fiscal challenges argued for continuation of some fiscal restraint even in the face of a decade of projected surpluses. The events of September 11 reminded us of the benefits fiscal flexibility provides to our nation’s capacity to respond to urgent and newly emergent needs. However, as the comptroller general has pointed out, absent substantive changes in entitlement programs for the elderly, in the long term there will be virtually no room for any other federal spending priorities—persistent deficits and escalating debt will

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5 House and Senate Budget Committees, Revised Budgetary Outlook and Principles for Economic Stimulus (October 4, 2001)
While the near-term outlook has changed, the long-term pressures have not. These long-term budget challenges driven by demographic trends also serve to emphasize the importance of the first principle cited above—the need to bring a long-term perspective to bear on budget debates.

There is a broad consensus among observers and analysts who focus on the budget both that BEA has constrained spending and that continuation of some restraint is necessary both in times when near-term deficits are accepted and when we achieve surpluses. These views have been articulated by commentators ranging from Federal Reserve Chairman Alan Greenspan to former CBO Director Robert Reischauer, the Concord Coalition, and President Bush. Discussions on the future of the budget process have primarily focused on revamping the current budget process rather than establishing a new one from scratch.

Where the discussion focuses on specific control devices, the two most frequently discussed are: (1) extending the discretionary spending caps and (2) extending the PAYGO mechanism.

Recent History of Budget Enforcement Rules

The Budget Enforcement Act of 1990 (Title XIII of P.L. 101-508) was designed to constrain future budgetary actions by Congress and the president. It took a different tack on fiscal restraint than earlier efforts, which had focused on annual deficit targets in order to balance the budget. Rather than force agreement where there was none, BEA was designed to enforce a previously reached agreement on the amount of discretionary spending and the budget neutrality of revenue and mandatory spending legislation. The law was extended twice.

While there is widespread agreement among observers and analysts of the budget that BEA served for much of the decade as an effective restraint on spending, there is also widespread agreement that BEA control mechanisms were stretched so far in the last few years that they no longer

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7 For more on history, see GAO/T-AIMD-96-129.
served as an effective restraint. In part, recurring budget surpluses undermined the acceptance of the spending caps and PAYGO enforcement.

Figure 1 illustrates the growing lack of adherence to the original discretionary spending caps since the advent of surpluses in 1998. The figure shows the original budget authority caps as established in 1990 and as extended in 1993 and 1997, adjustments made to the caps, and the level of actually enacted appropriations for fiscal years 1991 through 2002. As we reported in our last three compliance reports, the amounts designated as emergency spending for fiscal years 1999 and 2000—$34.4 billion and $30.8 billion respectively—were significantly higher than in most past years. In addition to the larger than normal amounts, emergency appropriations in both 1999 and 2000 were used for a broader range of purposes than in most prior years.


Figure 1: Discretionary Outlay Caps and Enacted Appropriations

Billions of dollars

Note: Data for fiscal year 2002 are current as of February 4, 2002.

Source: Office of Management and Budget
Emergency spending designations have not been the only route to spending above the discretionary spending caps. For fiscal year 2001 Congress took a different approach—one that also highlights the declining effectiveness of the BEA discretionary spending limits. The Foreign Operations Appropriations Act (P.L. 106-429) raised the 2001 budget authority cap by $95.9 billion, a level assumed to be sufficient to cover all enacted and anticipated appropriations. Also, in January 2001, CBO reported that advance appropriations, obligation and payment delays, and specific legislative direction for scorekeeping had been used to boost discretionary spending while allowing technical compliance with the limits.\textsuperscript{10} In 2002, Congress once again raised spending limits to cover enacted appropriations. The Department of Defense and Emergency Supplemental Appropriations Act for 2002\textsuperscript{11} adjusted the budget authority caps upward by $134.5 billion.

Nor has PAYGO enforcement been exempt from implementation challenges. The consolidated appropriations acts for both fiscal years 2000 and 2001 mandated that OMB change the PAYGO scorecard balance to zero. In fiscal year 2002, a similar instruction in the Department of Defense and Emergency Supplemental Appropriations Act eliminated $130.3 billion in costs from the PAYGO scorecard. Both OMB and CBO estimated that without the instructions to change the scorecard, sequestrations would have been required in both 2001 and 2002.

**Extending Caps on Discretionary Spending**

BEA distinguished between spending controlled by the appropriations process—“discretionary spending”—and that which flowed directly from authorizing legislation—“direct spending,” sometimes called “mandatory.” Caps were placed on discretionary spending—and Congress’ compliance with the caps was relatively easy to measure because discretionary spending totals flow directly from legislative actions (i.e., appropriations laws).

As I noted above, there has been broad consensus that, although the caps have been adjusted, they did serve to constrain appropriations. This

\textsuperscript{10} For a slightly longer discussion of these issues, see \textit{GAO-01-777}.

\textsuperscript{11} The full name of the act is the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States Act, Public Law 107-117, 115 STAT.2230 (2002).
consensus, combined with the belief that continuing some restraints is important, has led many to propose that some form of cap structure be continued as a way of limiting discretionary appropriations. However, the actions discussed above have also led many to note that caps can only work if they are realistic; while caps can work if they are tighter than some may like, they are unlikely to hold if they are seen as totally unreasonable or unrealistic. If they are set at levels viewed as reasonable (even if not desirable) by those who must comply with them, spending limits can be used to force choices. In the near term, limits on discretionary spending may be an important tool to prompt reexamination of existing programs as well as new proposals.

Some have proposed changes in the structure of the caps by limiting them to caps on budget authority. Outlays are controlled by and flow from budget authority—although at different rates depending on the nature of the program. Some argue that the existence of both budget authority and outlay caps has encouraged provisions such as “delayed obligations” to be adopted not for programmatic reasons but as a way of juggling the two caps. The existence of two caps may also encourage moving budget authority from rapid spend out to slower spend out programs, thus pushing more outlays to the future and creating problems in complying with outlay caps in later years. Extending only the budget authority cap would eliminate the incentive for such actions and focus decisions on that which Congress is intended to control—budget authority, which itself controls outlays. This would be consistent with the original design of BEA. The obvious advantage to focusing decisions on budget authority rather than outlays is that Congress would not spend its time trying to control the timing of outlays.

However, eliminating the outlay cap would raise several issues—chief among them being how to address the control of transportation programs for which no budget authority cap currently exists, and the use of advance appropriations to skirt budget authority caps. However, agreements about these issues could be reached—this is not a case where implementation difficulties need derail an idea. For example, the fiscal year 2002 budget proposed a revision to the scorekeeping rule on advance appropriations so that generally they would be scored in the year of enactment. Such a scoring rule change could eliminate the practice of using advance appropriations to skirt the caps. The 2002 Congressional Budget Resolution took another tack; it capped advance appropriations at the amount advanced in the previous year. This year the Administration proposed that total advance appropriations continue to be capped in 2003 and the
The president’s budget assumed that all advance appropriations would be frozen except for those that it said should be reduced or eliminated for programmatic reasons.

There are other issues in the design of any new caps. For example, for how long should caps be established? What categories should be established within or in lieu of an overall cap? While the original BEA envisioned three categories (Defense, International Affairs, and Domestic), over time categories were combined and new categories were created. At one time or another caps for Nondefense, Violent Crime Reduction, Highways, Mass Transit and Conservation spending existed—many with different expiration dates. Should these caps be ceilings, or should they—as is the case for highways and conservation—provide for “guaranteed” levels of funding? The selection of categories—and the design of the applicable caps—is not trivial. Categories define the range of what is permissible. By design they limit tradeoffs and so constrain both Congress and the president.

Because caps are defined in specific dollar amounts, it is important to address the question of when and for what reasons the caps should be adjusted. This is critical for making the caps realistic. For example, without some provision for emergencies, no caps can be successful. In the recent past it appears that there has been some connection between how realistic the caps are and how flexible the definition of emergency is. As discussed in both our 2000 and 2001 compliance reports, the amount and range of spending considered as “emergency” has grown in recent years.12 There have been a number of approaches suggested to balance the need to respond to emergencies and the desire to avoid making the “emergency” label an easy way to raise caps. The House Budget Resolution for fiscal year 2002 (H. Con. Res. 83) established a reserve fund of $5.6 billion for emergencies in place of the current practice of automatically increasing the appropriate levels in the budget resolution for designated emergencies. It also established two criteria for defining an emergency. These criteria require an emergency to be a situation (other than a threat to national security) that (1) requires new budget authority to prevent the imminent loss of life or property or in response to the loss of life or property and (2) is unanticipated, meaning that the situation is sudden, urgent, unforeseen, and temporary.

12See GAO/AIMD-00-174 and GAO-01-777.
In the past others have proposed providing for more emergency spending under any spending caps—either in the form of a reserve or in a greater appropriation for the Federal Emergency Management Agency (FEMA). If such an approach were to be taken, the amounts for either the reserve or the FEMA disaster relief account would need to be included when determining the level of the caps. Some have proposed using a 5- or 10-year rolling average of disaster/emergency spending as the appropriate reserve amount. Adjustments to the caps would be limited to spending over and above that reserve or appropriated level for extraordinary circumstances. Since the events of September 11—and the necessary responses to it—would undoubtedly qualify as such an “extraordinary circumstance,” consideration of new approaches for “emergency” spending should probably focus on what might be considered “more usual” emergencies. It has been suggested that with additional up-front appropriations or a reserve, emergency spending adjustments could be disallowed. No matter what the provision, only the commitment of Congress and the president can make any limit on cap adjustments for emergencies work. States have used this reserve concept for emergencies, and their experiences indicate that criteria for using emergency reserve funds may be useful in controlling emergency spending.\textsuperscript{13} Agreements over the use of the reserve would also need to be achieved at the federal level.

This discussion of issues in extending the BEA caps is not exhaustive. Previously, we have reported on two other issues in particular—the scoring of operating leases and the expansion of user fees as offsets to discretionary spending. I would like to touch briefly on these.

### Miscellaneous Discretionary Challenges: Leases and User Fees

We have previously reported that existing scoring rules favor leasing when compared to the cost of various other methods of acquiring assets.\textsuperscript{14} Currently, for asset purchases, budget authority for the entire acquisition cost must be recorded in the budget up front, in the year that the asset acquisition is approved. In contrast, the scorekeeping rules for operating leases often require that only the current year’s lease costs be recognized and recorded in the budget. This makes the operating lease appear less costly from an annual budgetary perspective, and uses up less budget

\textsuperscript{13}GAO/AIMD-99-250.

authority under the cap. Alternative scorekeeping rules could recognize that many operating leases are used for long-term needs and should be treated on the same basis as purchases. This would entail scoring up front the present value of lease payments for long-term needs covering the same time period used to analyze ownership options. The caps could be adjusted appropriately to accommodate this change. Most recently this issue has arisen in authority provided to the Air Force to lease 100 Boeing aircraft to be used as tankers for up to 10 years when the underlying need for such aircraft is much longer—in fact, the need would likely encompass the aircraft’s entire useful life. Changing the scoring rule for leases would be in part an attempt to have the rules recognize the long term need rather than the technical structuring of the lease.

Many believe that one unfortunate side effect of the structure of BEA has been an incentive to create revenues that can be categorized as “user fees” and so offset discretionary spending—rather than be counted on the PAYGO scorecard. The 1967 President’s Commission on Budget Concepts recommended that receipts from activities which were essentially governmental in nature, including regulation and general taxation, be reported as receipts, and that receipts from business-type activities “offset to the expenditures to which they relate.” However, these distinctions have been blurred in practice. Ambiguous classifications combined with budget rules that make certain designs most advantageous has led to a situation in which there is pressure to treat fees from the public as offsets to appropriations under BEA caps, regardless of whether the underlying federal activity is business or governmental in nature. Consideration should be given to whether it is possible to come up with and apply consistent standards—especially if the discretionary caps are to be redesigned. The Administration has stated that it plans to monitor and review the classification of user fees and other types of collections.
The PAYGO requirement prevented legislation that lowered revenue, created new mandatory programs, or otherwise increased direct spending from increasing the deficit unless offset by other legislative actions. As long as the unified budget was in deficit, the provisions of PAYGO—and its application—were clear. During our few years of surpluses, questions were raised about whether the prohibition on increasing the deficit also applied to reducing the surplus. Although Congress and the executive branch both concluded that PAYGO did apply in such a situation—and although the question is moot currently, it would be worth clarifying the point if PAYGO is extended. Last year the Administration proposed—albeit implicitly—special treatment for a tax cut. The 2002 budget stated that the president’s tax plan and Medicare reforms were fully financed by the surplus and that any other spending or tax legislation would need to be offset by reductions in spending or increases in receipts. Ultimately, the Department of Defense and Emergency Supplemental Appropriations Act for 2002 eliminated the need to offset any of the PAYGO legislation by resetting the 2001 and 2002 scorecard to zero. While this action was undertaken for a number of reasons, when surpluses return and Congress looks to create a PAYGO process for a time of surplus, it might wish to consider the kinds of debt targets we found in other nations. For example, it might wish to permit increased direct spending or lower revenues as long as debt held by the public is planned to be reduced by some set percentage or dollar amount. Such a provision might prevent PAYGO from becoming as unrealistic as overly tight caps on discretionary spending. However, the design of such a provision would be important—how would a debt reduction requirement be specified? How would it be measured? What should be the relationship between the amount of debt reduction required and the amount of surplus reduction (i.e., tax cut or direct spending increase) permitted? What, if any, relationship should there be between this calculation and the discretionary caps?

While PAYGO constrained the creation or legislative expansion of direct spending programs and tax cuts, it accepted the existing provisions of law as given. It was not designed to trigger—and it did not trigger—any examination of “the base.” Cost increases in existing mandatory programs are exempt from control under PAYGO and could be ignored. However, constraining legislative actions that increase the cost of entitlements and

mandatories is not enough. GAO’s long-term budget simulations show that as more and more of the baby boom generation enters retirement, spending for Social Security, Medicare, and Medicaid will demand correspondingly larger shares of federal revenues. Assuming, for example, that last year’s tax reductions are made permanent and discretionary spending keeps pace with the economy, spending for net interest, Social Security, Medicare, and Medicaid consumes nearly three-quarters of federal revenues by 2030, leaving little room for other federal priorities, including defense and education.

The budget process is the one place where we as a nation can conduct a healthy debate about competing claims and new priorities. However, such a debate will be needlessly constrained if only new proposals and activities are on the table. A fundamental review of existing programs and operations can create much-needed fiscal flexibility to address emerging needs by weeding out programs that have proven to be outdated, poorly targeted, or inefficient in their design and management. It is always easier to subject proposals for new activities or programs to greater scrutiny than that given to existing ones. It is easy to treat existing activities as “given” and force new proposals to compete only with each other. However, such an approach would move us further from, rather than nearer to, budgetary surpluses.  

Previously we suggested some sort of “lookback” procedure to prompt a reexamination of “the base” in entitlement programs. Under such a process Congress could specify spending targets for PAYGO programs for several years. The president could be required to report in his budget whether these targets either had been exceeded in the prior year or were likely to be exceeded in the current or budget years. He could then be required to recommend whether any or all of this overage should be recouped—and if so, to propose a way to do so. Congress could be required to act on the president’s proposal.

While the current budget process contains a similar point of order against worsening the financial condition of the Social Security trust funds, it would be possible to link “tripwires” or “triggers” to measures related to

16 GAO-02-467T.

overall budgetary flexibility or to specific program measures. For example, if Congress were concerned about declining budgetary flexibility, it could design a “tripwire” tied to the share of the budget devoted to mandatory spending or to the share devoted to a major program.

Other variations of this type of “tripwire” approach have been suggested. The 1999 Breaux-Frist proposal (S. 1895) for structural and substantive changes to Medicare financing contained a new concept for measuring “programmatic insolvency” and required congressional approval of additional financing if that point was reached. Other specified actions could be coupled with reaching a “tripwire,” such as requiring Congress or the president to propose alternatives to address reforms. Or the congressional budget process could be used to require Congress to deal with unanticipated cost growth beyond a specified “tripwire” by establishing a point of order against a budget resolution with a spending path exceeding the specified amount. One example of a threshold might be the percentage of gross domestic product devoted to Medicare. The president would be brought into the process as it progressed because changes to deal with the cost growth would require enactment of a law.

Improving the Recognition of Long-Term Commitments

In previous reports we have argued that the nation’s economic future depends in large part upon today’s budget and investment decisions. In fact, in recent years there has been increased recognition of the long-term costs of Social Security and Medicare.

While these are the largest and most important long-term commitments—and the ones that drive the long-term outlook—they are not the only ones in the budget. Even those programs too small to drive the long-term outlook affect future budgetary flexibility. For Congress, the president, and the public to make informed decisions about these other programs, it is important to understand their long-term cost implications. A longer time

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horizon is useful not only at the macro level but also at the micro-policy level. I am not suggesting that detailed budget estimates could be made for all programs with long-term cost implications. However, better information on the long-term costs of commitments like employee pension and health benefits and environmental cleanup could be made available. New concepts and metrics may be useful. We developed them before for credit programs and we need to be open to expanding them to cover some other exposures. I should note that the president’s fiscal year 2003 budget has taken a step in this direction by proposing that funding be included in agency budgets for the accruing costs of pensions and retiree health care benefits.

The enactment of the Federal Credit Reform Act in 1990 represented a step toward improving both the recognition of long-term costs and the ability to compare different policy tools. With this law, Congress and the executive branch changed budgeting for loan and loan guarantee programs. Prior to Credit Reform, loan guarantees looked “free” in the budget. Direct loans looked like grant programs because the budget ignored loan repayments. The shift to accrual budgeting for subsidy costs permitted comparison of the costs of credit programs both to each other and to spending programs in the budget.

Information should be more easily available to Congress and the president about the long-term cost implications both of existing programs and new proposals. In 1997 we reported that the current cash-based budget generally provides incomplete information on the costs of federal insurance programs.\(^20\) The ultimate costs to the federal government may not be apparent up front because of time lags between the extension of the insurance, the receipt of premiums, and the payment of claims. While there are significant estimation and implementation challenges, accrual-based budgeting has the potential to improve budgetary information and incentives for these programs by providing more accurate and timely recognition of the government’s costs and improving the information and incentives for managing insurance costs. This concept was proposed in the Comprehensive Budget Process and Reform Act of 1999 (H.R. 853), which would have shifted budgetary treatment of federal insurance programs from a cash basis to an accrual basis.

There are other commitments for which the cash and obligation-based budget does not adequately represent the extent of the federal government’s commitment. These include employee pension programs, retiree health programs, and environmental clean-up costs. While there are various analytical and implementation challenges to including these costs in budget totals, more could be done to provide information on the long-term cost implications of these programs to Congress, the president, and the interested public. We are continuing to analyze this issue.

Conclusion

To affect decision making, the fiscal goals sought through a budget process must be accepted as legitimate. For many years the goal of “zero deficit”—or the norm of budget balance—was accepted as the right goal for the budget process. In the absence of the zero deficit goal, policymakers need an overall framework upon which a process and any targets can be based. When the deficits turned to surpluses, there was discussion of goals framed in terms of debt reduction or surpluses to be saved. As difficult as selecting a fiscal goal in times of surplus is, selecting one today may seem even more difficult. You must balance the need to respond not only to those demands that existed last year—demands kept in abeyance during many years of fighting deficits—but also demands imposed on us by the events of September 11. At the same time—in part because of the demographic tidal wave looming over the horizon—the events of September 11 do not argue for abandonment of all controls.

Whatever interim targets Congress and the president agree on, compliance with budget process rules, in both form and spirit, is more likely if end goals, interim targets, and enforcement boundaries are both accepted and realistic.

Enforcement is more successful when it is tied to actions controlled by Congress and the president. Both the BEA spending caps and the PAYGO enforcement rules were designed to hold Congress and the president accountable for the costs of the laws enacted each session—not for costs that could be attributed to economic changes or other factors.

Going forward, new rules and goals will be important to ensure fiscal discipline and to prompt a focus on the longer-term implications of decisions. The federal government still needs a decision-making framework that permits it to evaluate choices against both today’s needs and the longer-term fiscal future that will be handed to future generations. What process will enable policymakers to deal with the near term without
ignoring the long term? At the same time, the challenges for any budget process are the same: what process will enable policymakers to make informed decisions about both fiscal policy and the allocation of resources within the budget?

Extending the current BEA without setting realistic caps and addressing existing mandatory programs is unlikely to be successful for the long term. The original BEA employed limited actions in aiming for a balanced budget. It left untouched those programs—direct spending and tax legislation—already in existence.

Today’s situation may argue for an interim step in extending and modifying BEA. However, going forward with new challenges, we believe that a new process that prompts Congress to exercise more foresight in dealing with long-term issues is needed. The budget process appropriate for the early twenty-first century will have to exist as part of a broader framework for thinking about near- and long-term fiscal goals.

This concludes my statement. I would be happy to respond to any questions you or other Members of the Committee may have at this time.

Contacts and Acknowledgements

For future contacts regarding this testimony, please call me at (202) 512-9142 or Christine Bonham at (202) 512-9576. Jennifer Eichberger also made key contributions to this testimony.