



July 3, 2018

The Role of the Legislature in the U.S. Budget Process

10th Annual Meeting of the OECD Network of Parliamentary
Budget Officials and Independent Fiscal Institutions

Keith Hall

Director

The Congress's Share of the Budget Process

The Constitution places the power of the purse with the Congress, which is the government's legislative branch.

Article 1 states: "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law"

The Congress passes legislation, including decisions about taxes and spending (although the President must agree for it to become law).

The President's Share of the Budget Process

The President, who heads the government's executive branch, is required to submit an annual budget, but that is merely a statement of proposed priorities.

The Congress may or may not consider some of those proposals.

The President can veto spending bills or tax legislation (although the Congress can override the veto).

The President implements budget decisions.

No Single Document Constitutes the Federal Budget

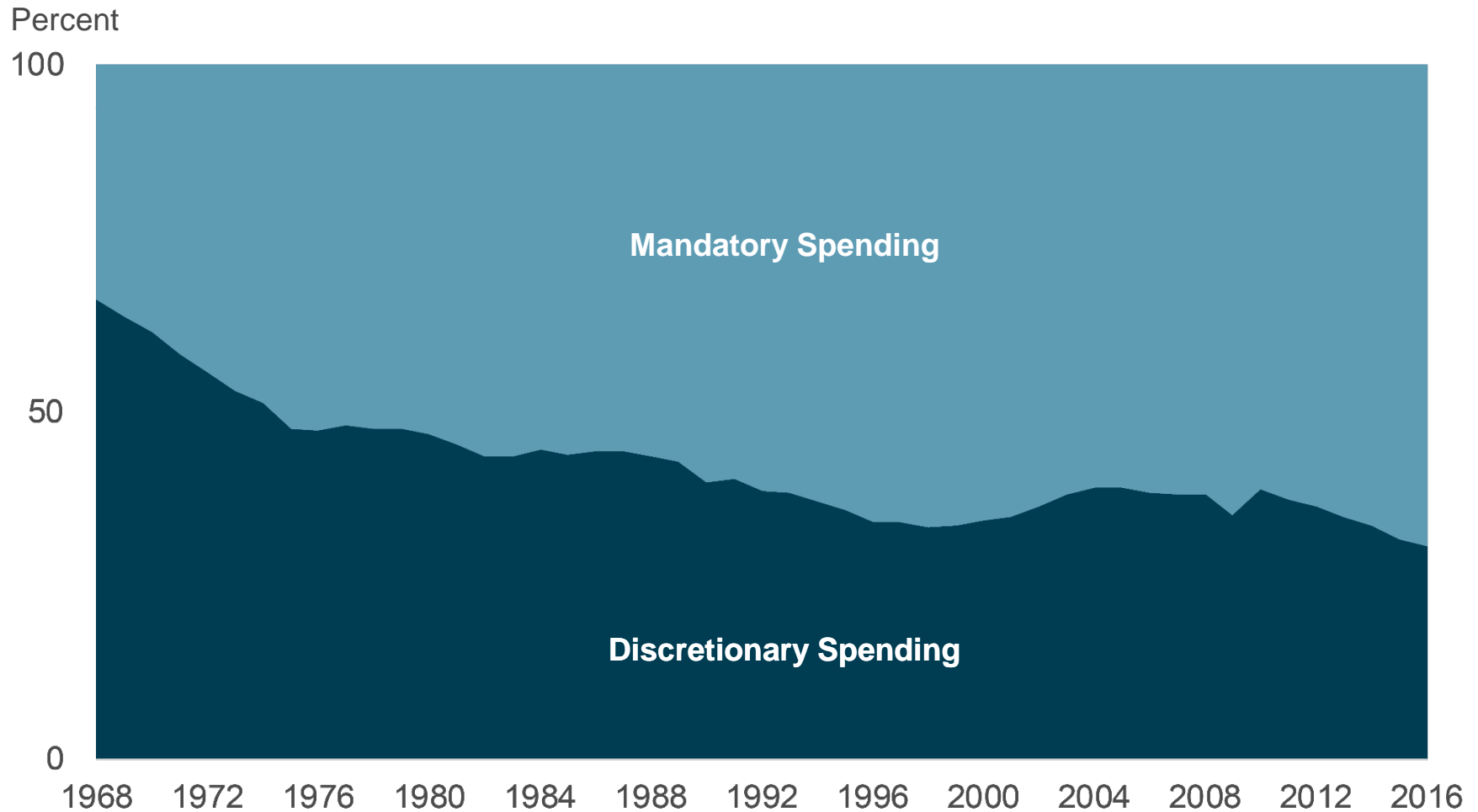
Just as the President submits a budget proposal annually, the Congress sets priorities in a budget blueprint known as the budget resolution.

The Congress also enacts multiple pieces of legislation to

- Authorize or reauthorize programs,
- Change federal tax laws, and
- Provide funding for federal programs.

All of those enacted laws are what constitutes the budget.

Most of the Budget Does Not Require Annual Legislative Action



The Process of Considering the Budget Is Complicated

Many laws, rules, and procedures affect the proposal and consideration of spending and tax legislation.

They have been developed over time.

Their form varies according to circumstances.

Interpreting and applying them can be difficult.

Legislation Governing the Budget Process

The Congressional Budget and Impoundment Control Act of 1974

- Enhanced and centralized budgetary capacity in the Congress,
- Created institutions to manage the process (the budget committees and CBO), and
- Established the practice of creating a budget resolution.

Subsequent legislation has tried to find enforcement mechanisms that work by

- Focusing efforts on specific amounts of deficit reduction;
- Establishing, restructuring, and reinstating control; and
- Providing incentives for the Congress to act.

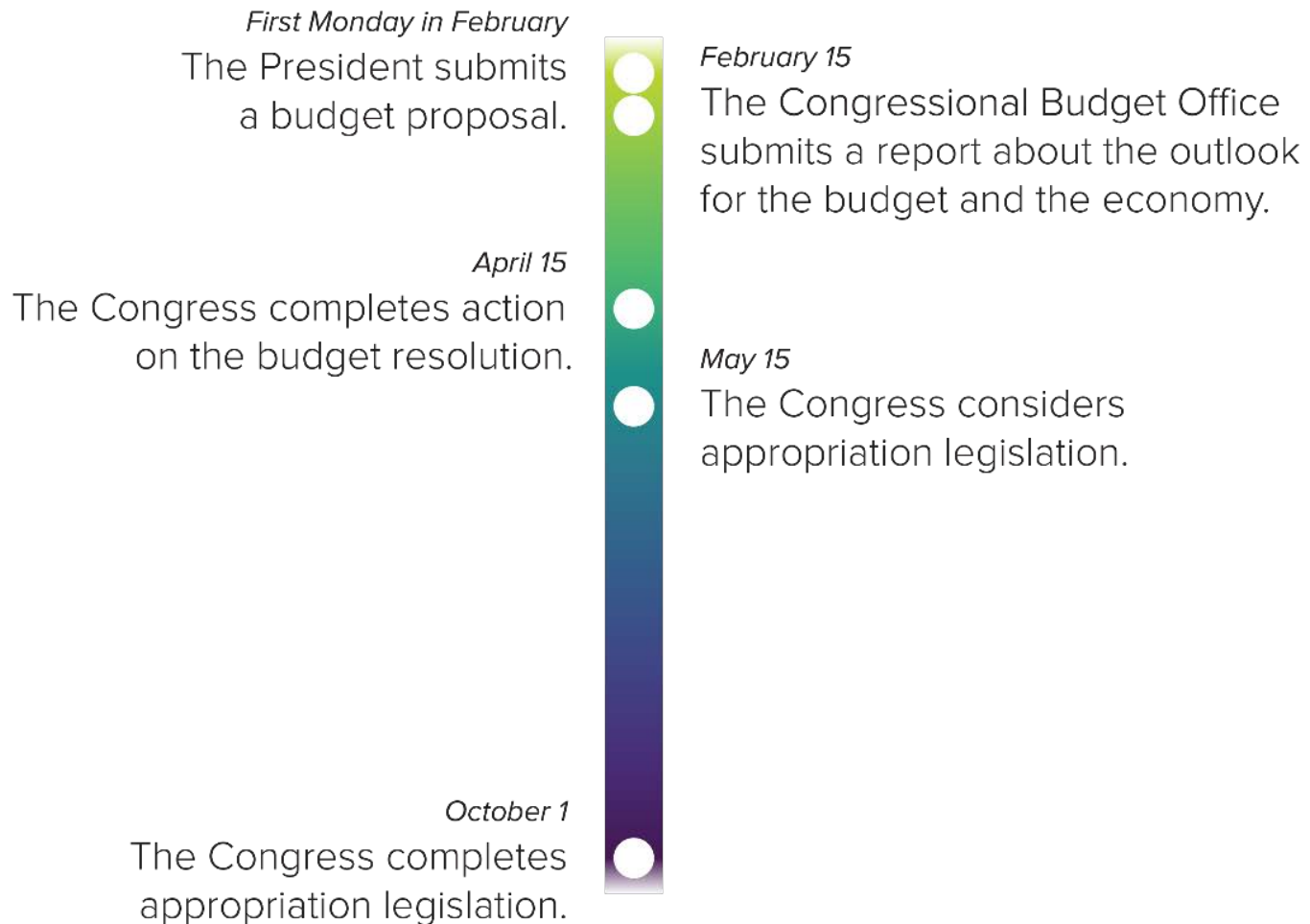
What Have Those Repeated Attempts at Setting Fiscal Rules Taught Us?

Fiscal rules are better at enforcing deficit reduction agreements already in place than at forcing such agreements to be reached.

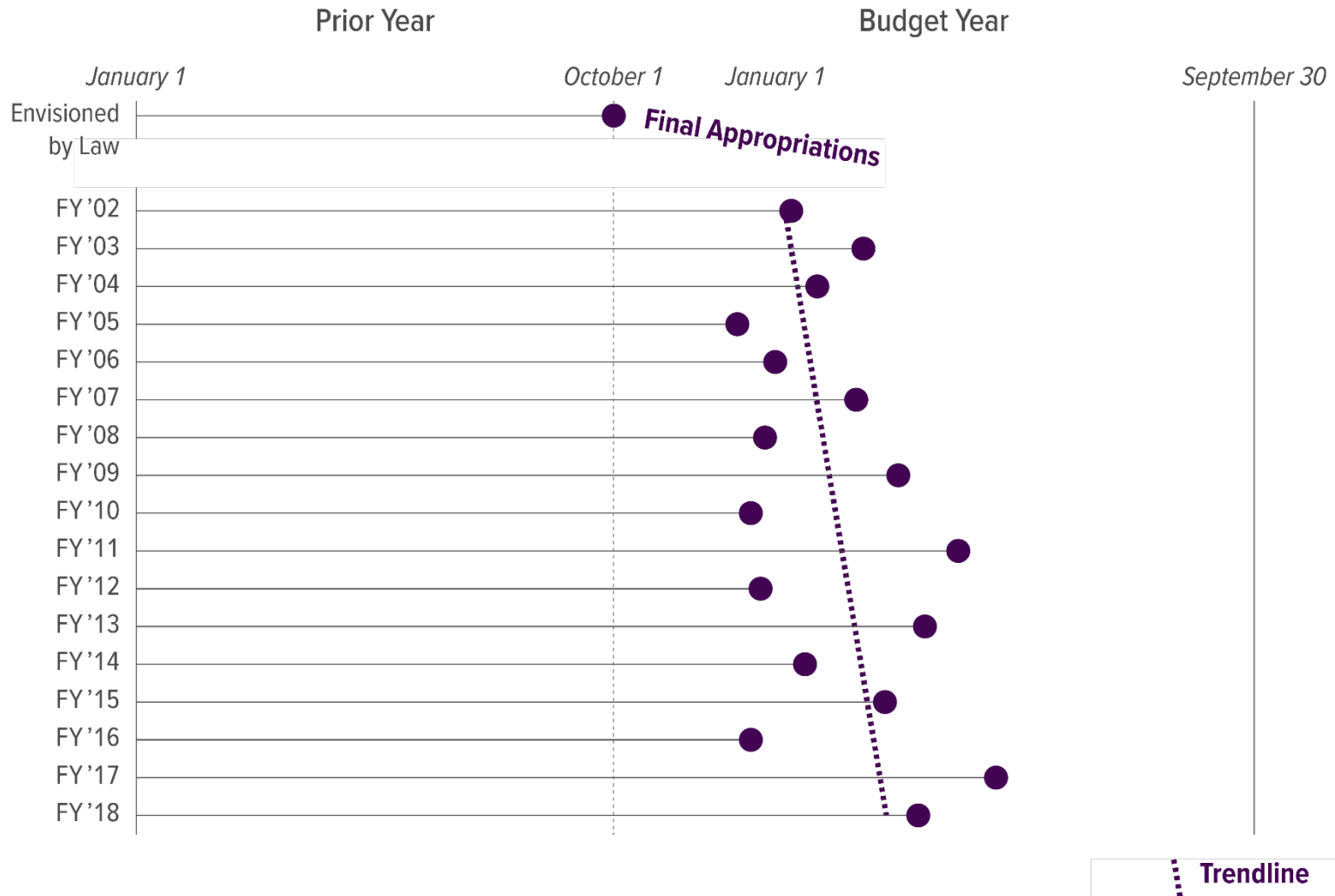
Budget procedures that highlight and penalize deviations from agreements can be helpful, but they work only to the extent that lawmakers choose to enforce them.

Broad fiscal targets have not been effective as a stand-alone substitute for specific policy measures.

The Timeline of the Budget Process, as Envisioned by Law



Appropriations Have Been Late and Are Getting Later



Common Criticisms of the Budget Process

It has not produced sustainable outcomes.

Its scoring rules and practices are complex. They

- Are often manipulated,
- Invite gimmicks, and
- Drive the process.

It often is not finished in time.

- There has been no budget resolution 10 times since 1974, and
- Five consecutive years passed without a budget resolution between 2010 and 2014.

Late enactment means that annual appropriations are late, which

- Leads to shutdowns and
- Makes it harder for agencies to plan.

It does not foster compromise.

- No minority Members have voted for the budget resolution since 2008, and
- No budget resolution has received more than a handful of minority votes since 1997.

Federal Debt Held by the Public Is Projected to Rise From an Amount Equaling 78 Percent of GDP to 96 Percent of GDP

