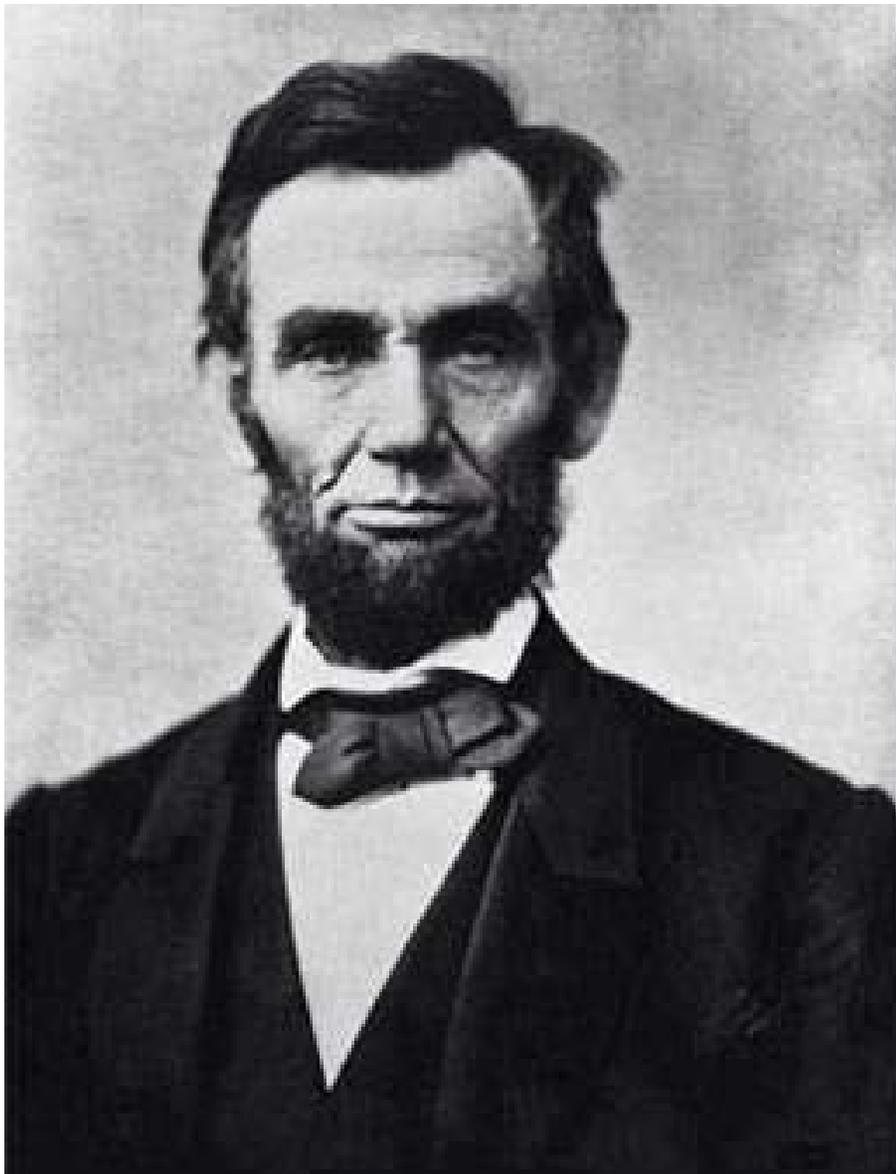


Nuts and Bolts on the Congressional Budget Process

***Plus
Landscape & History***

Carl L. Moravitz
Retired, Budget Director
Department of the Treasury



“Don’t believe everything you read on the Internet just because there’s a picture with a quote next to it.”

—Abraham Lincoln

Focus of this Session

- *Snapshot on Federal Funding & Long-Term Landscape*
- *Congressional Budget Process*
 - ❖ *Calendar*
 - ❖ *History*
 - ❖ *How it works*
 - ❖ *Budget Resolution & Reconciliation*
 - ❖ *Congressional Decision-making Process*
- *A Touch on FY 2016 Outcomes*





Background to Take Home with You

Some Facts on the Federal Budget



2015 Federal Budget totals \$3.8 Trillion

Where Does It Come From?

	<u>Today</u>	<u>Sept '10</u>	<u>Mid '08</u>
■ Taxes on Citizens' Cash Flow (income & other taxes)	39.9%	26.2%	41.4%
■ Taxes on Citizens' Payrolls (Social Sec. & Medicare taxes)	28.3%	25.0%	30.5%
■ Taxes on Business Oprs. (profits, excise, customs, other taxes)	16.3%	11.4%	15.0%
■ Borrowing (\$578 Billion)	15.5%	37.4%	13.0%
2014 Deficit (\$485 billion)			
2012 Deficit (\$1.1 trillion)			
2011 Deficit (\$1.3 trillion)			
2010 Deficit (\$1.6 trillion)			

How is \$3.8 Trillion Distributed?

- Entitlements/Mandatory

❖ Social Security	\$ 891
❖ Medicare/Medicaid Entitlements, Welfare, Veteran's, Benefits. . .	1,490
❖ NET Interest on Public Debt . . .	229

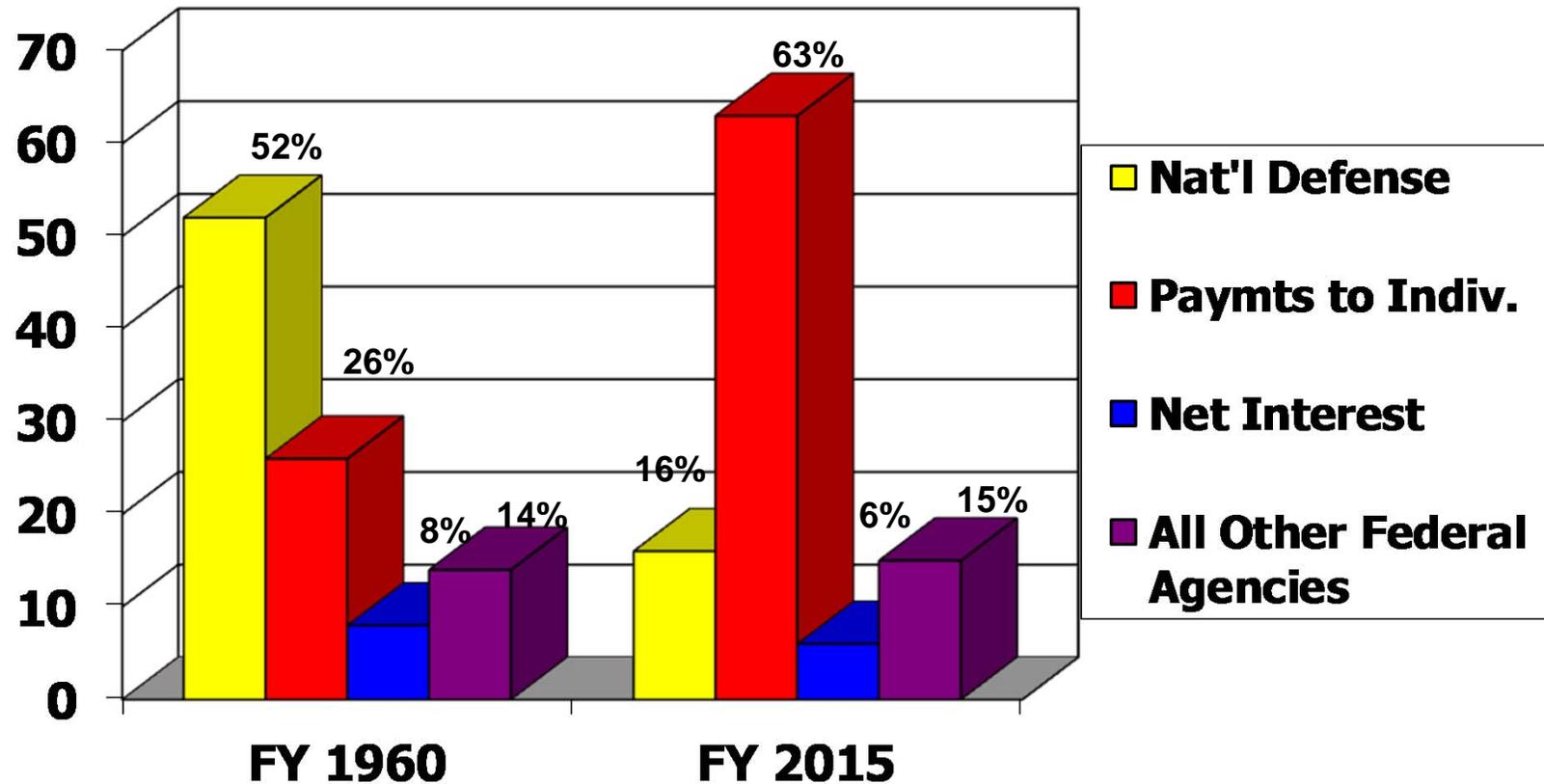
- Defense 589

- Other Gov't Agencies 544

\$ 3,759

Federal Budget Shares (1960-2015)

(% of Total Government Spending)



Source: OMB Historical Tables

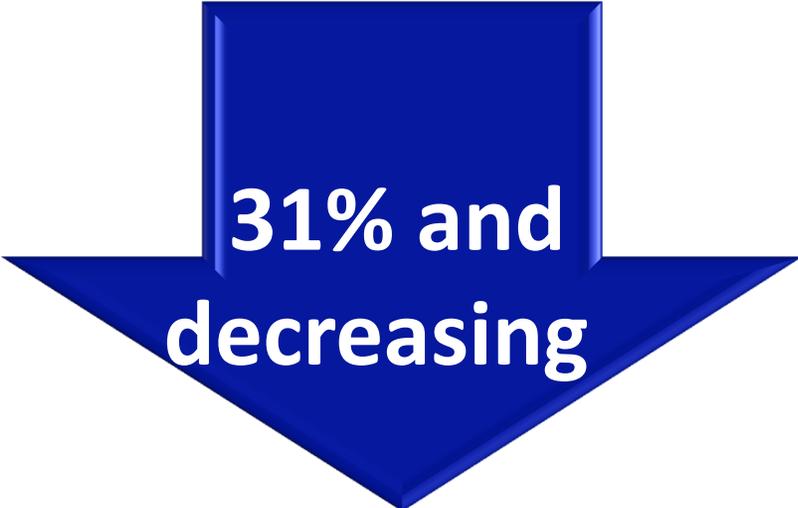
FYI: 2015 Budget (\$3.759 Trillion Approx. Equal to 2010 Budget (\$3.721 Trillion))

Components of the Federal Budget

- Interest on the Debt (6%)
- Medicaid / Medicare and Other Mandatory (39%)
- Social security (24%)



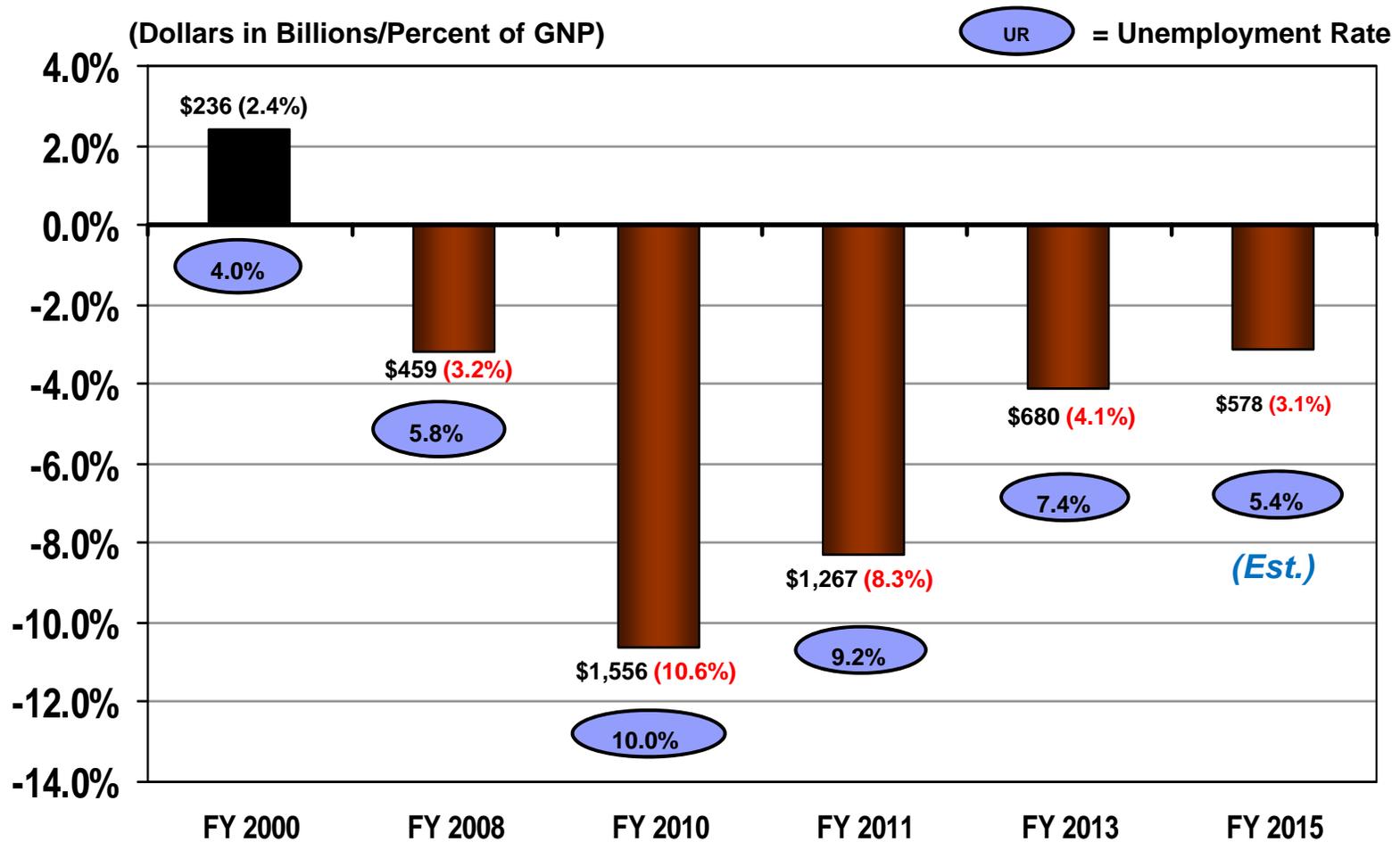
**69% and
growing**



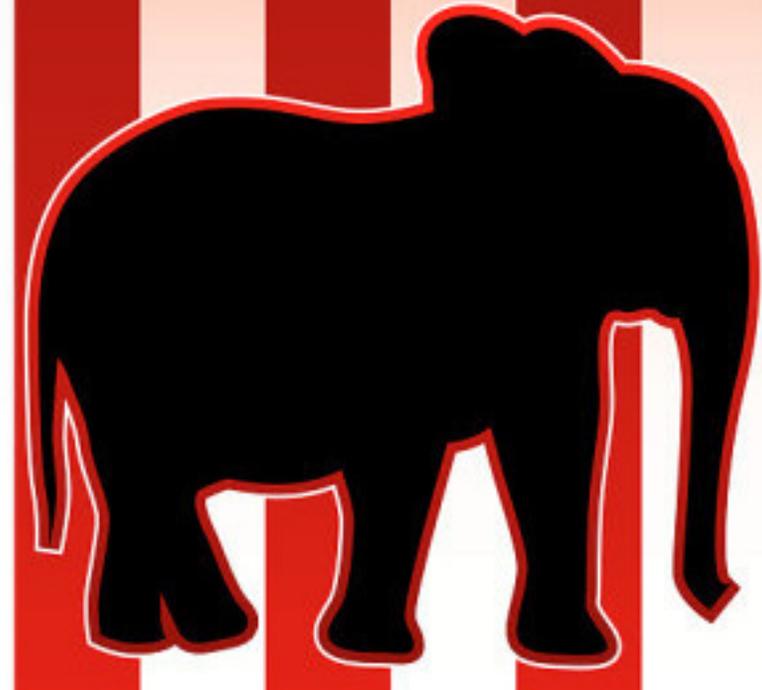
**31% and
decreasing**

- DoD (16%)
- All Other Agencies (15%)

Federal Budget Surplus/Deficits



SOURCE: Represents unified federal deficit, GDP projections, and unemployment levels reflected in the President's FY 2016 Budget Request, Feb 2015, Tables S-1, S-12 of the Summary Tables, and Economic Report



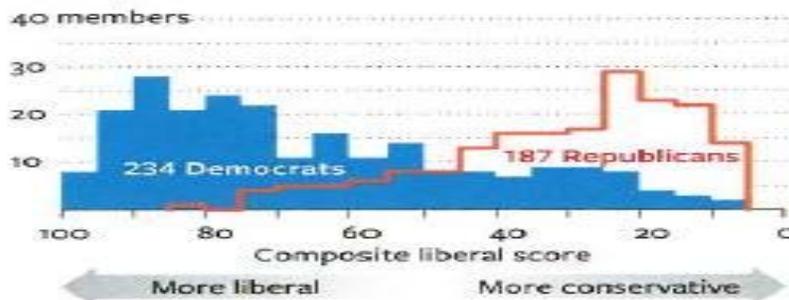
Dividing Lines

The ideological differences that once existed within each party now exist largely between them.

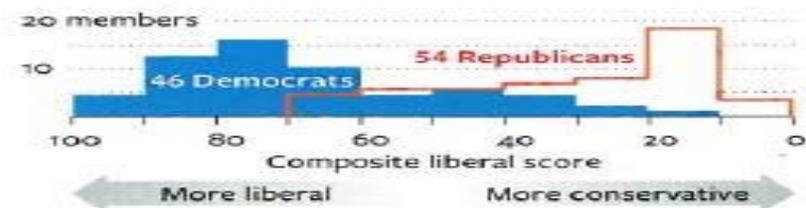
1982

Thirty years ago, *National Journal's* vote ratings revealed a Congress in which both parties spanned the ideological spectrum. Conservative Democrats and liberal Republicans were common.

HOUSE



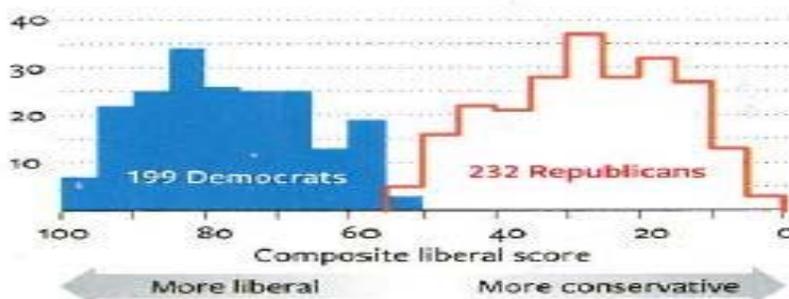
SENATE



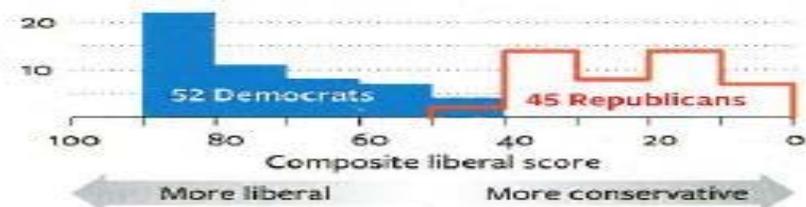
2013

Today, virtually all conservatives are Republicans and all liberals are Democrats. In the House last year, only two Republicans had scores more liberal than the most conservative Democrat, and only two Democrats had scores more conservative than the most liberal Republican.

HOUSE



SENATE



Graphic by PETER BELL

Source: *National Journal* analysis of House and Senate roll-call votes



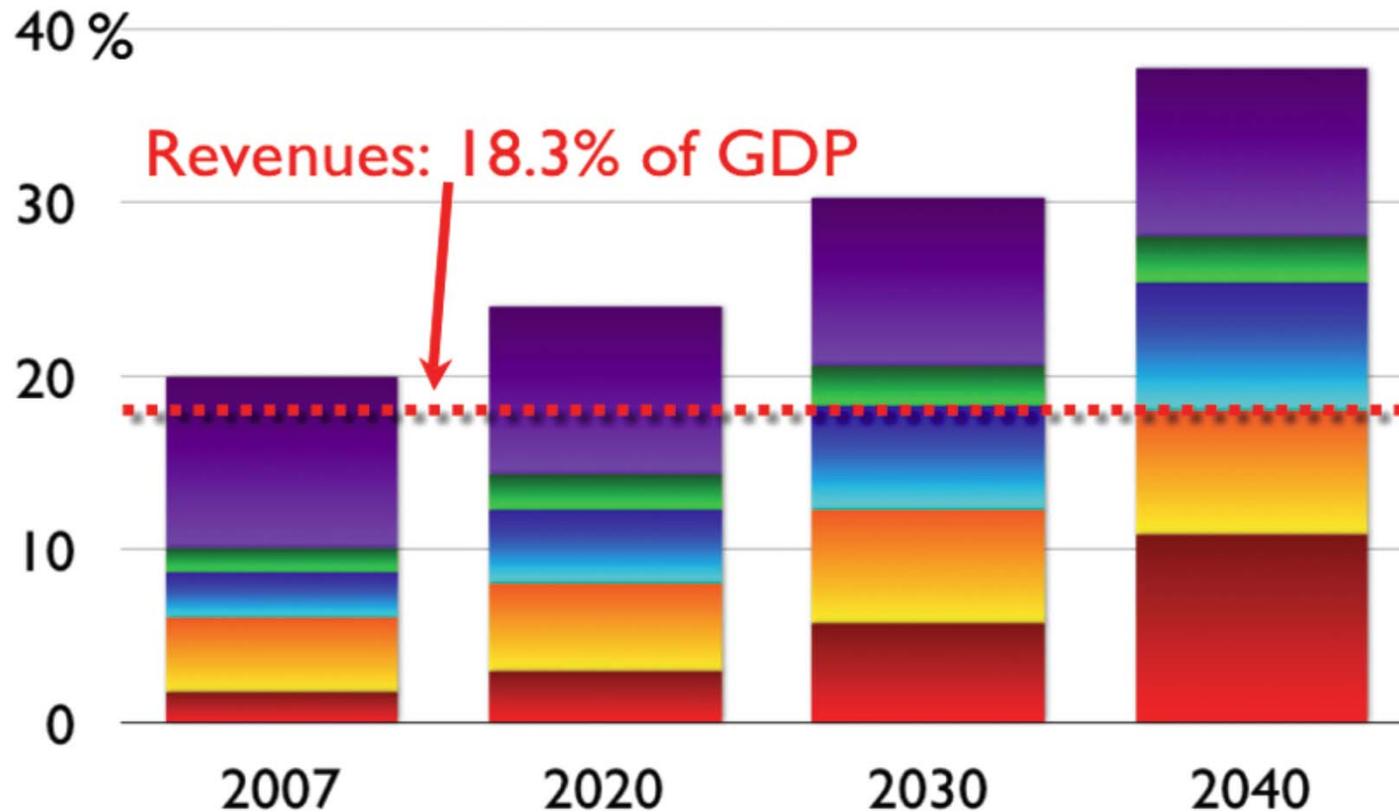
How Fast Can a Surplus Disappear?

A Look at How Fast a Surplus Can Disappear

<i>(\$ in Billions)</i>	2002	2003	2002-11
Jan '01 Est.	+ 313	+ 163	+5,610
<i>Tax Cut 2001</i>	- 42	- 99	- 1,656
<i>Econ Slowdown</i>	- 321	- 306	- 2,576
<i>Other Spending</i>	- 108	- 153	- 1,357
Jan '03 Est	- 158	- 395	+ 20

Federal Profile Over Time

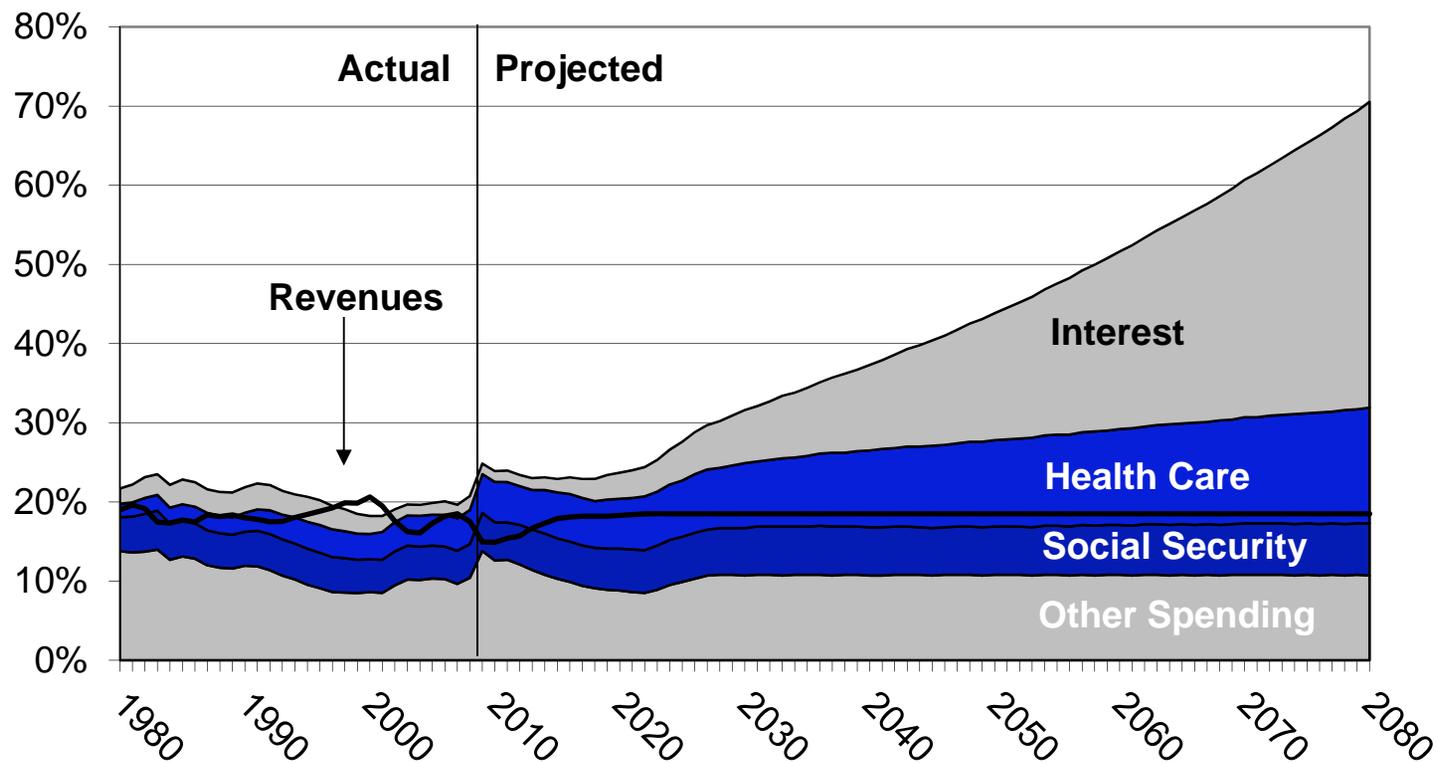
Net Interest Social Security Medicare Medicaid All Other



SOURCE: U.S. Government Accountability Office alternative simulation with economic feedback (January 2008 Update).

Growing Entitlement Spending

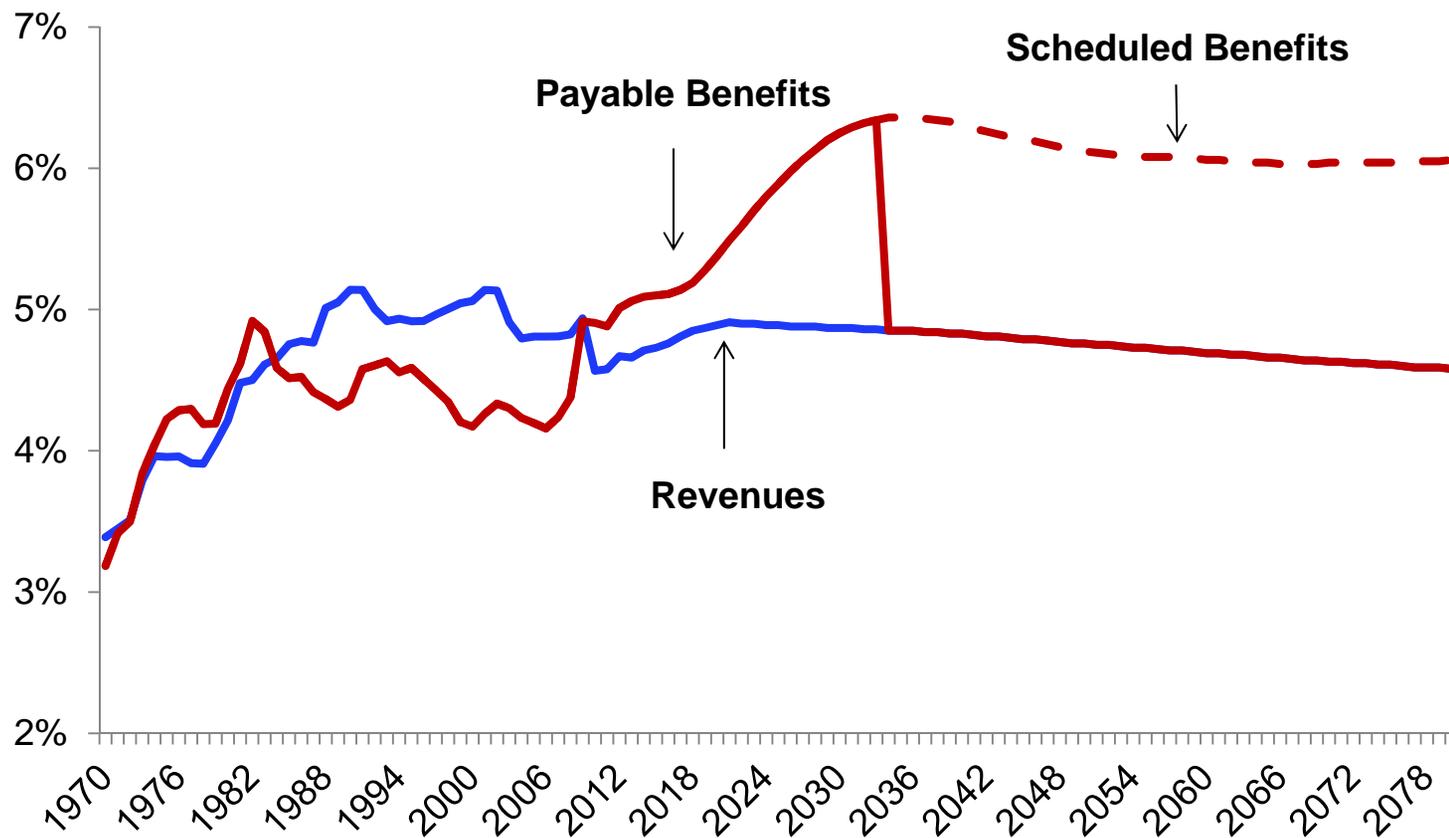
Federal Spending and Revenues (Percent of GDP)



Note: Estimates based on CBO, Alternative Fiscal Scenario.

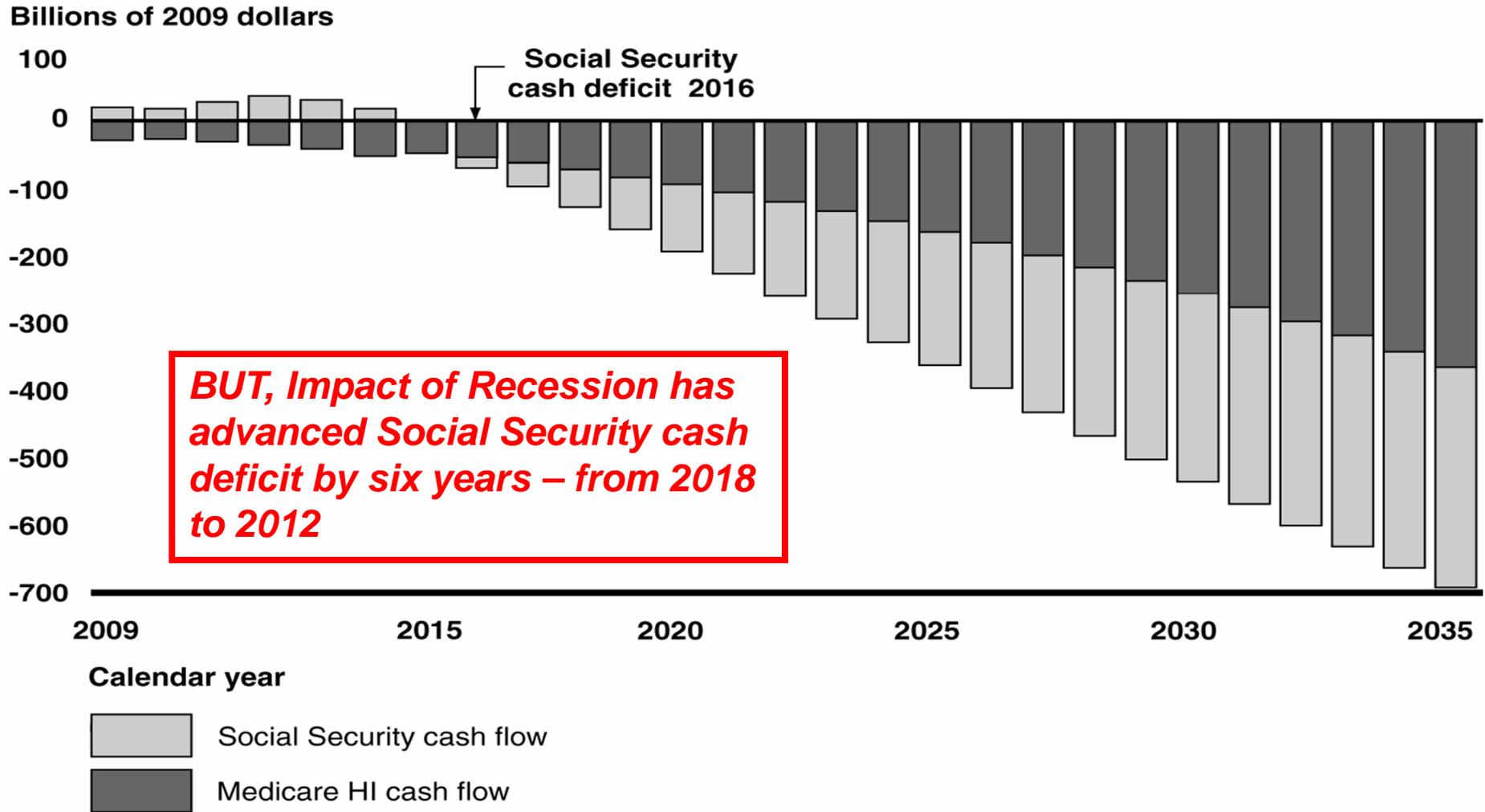
Looming Social Security Insolvency

Social Security Costs and Revenues (Percent of GDP)



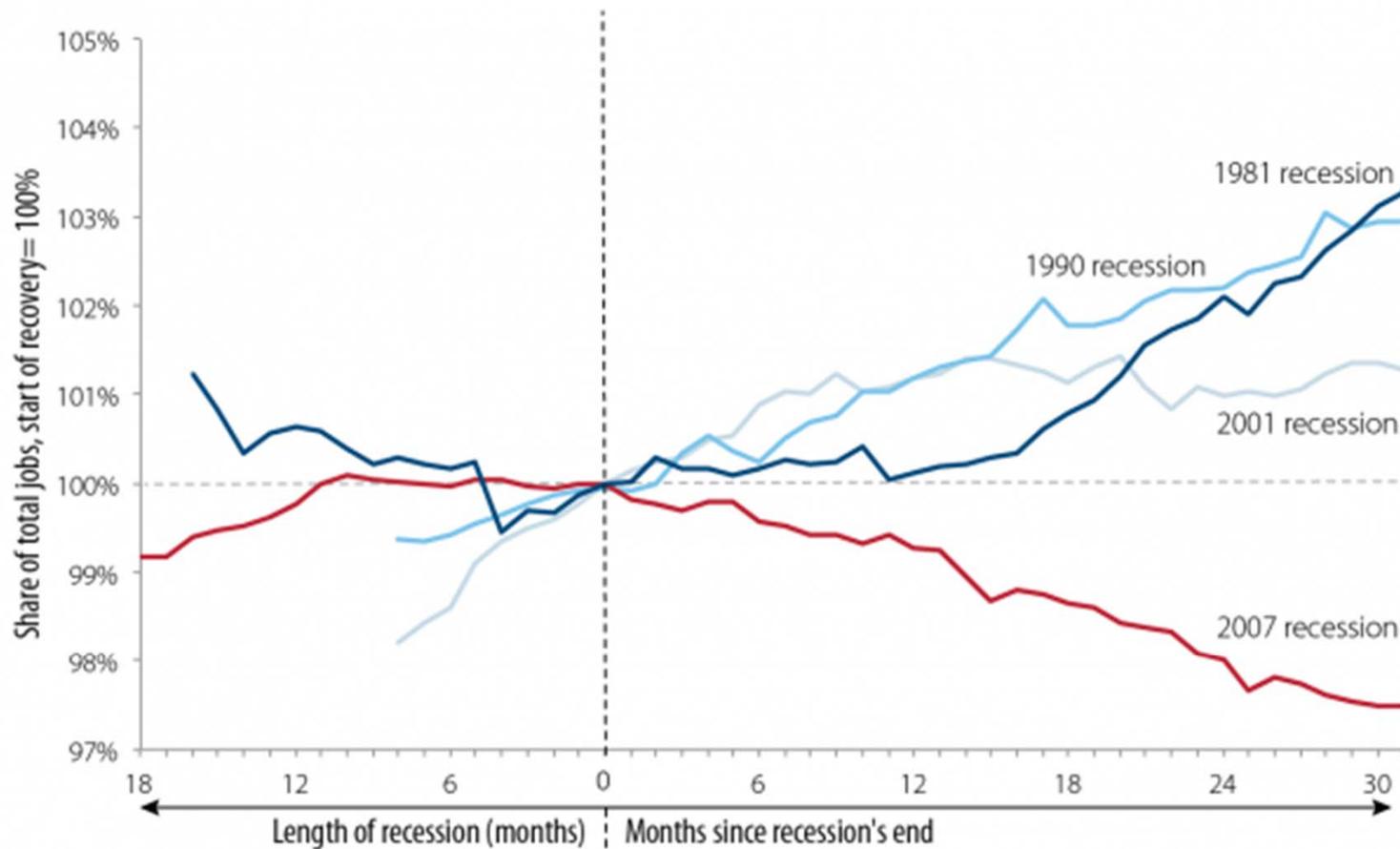
Source: 2012 Social Security Trustees Report.

INSURANCE: Social Security & Medicare's Trust Funds Face Cash Deficits as Baby Boomers Begin to Retire



Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration and Office of the Actuary, Centers for Medicare & Medicaid Services.

Change in public-sector employment since the start of last four recoveries

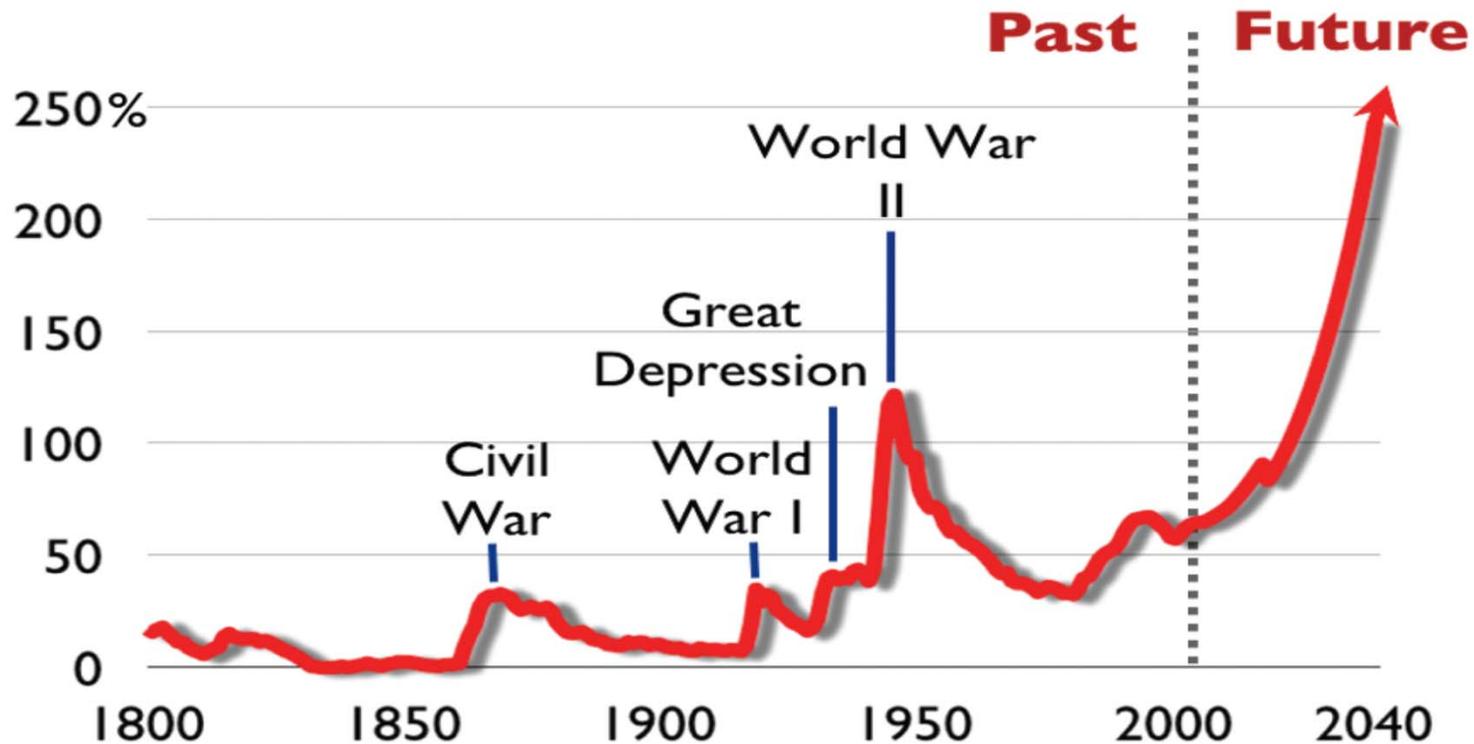


Notes: Public data exclude temporary Census workers. The line for each recession begins at the official start of the recession, so the length of the line to the left of zero indicates the length of each recession.

Source: Authors' analysis of Bureau of Labor Statistics Current Employment Statistics public data series



U.S. Federal Debt % of GDP



SOURCES: PGPF compilation based upon historical data from U.S. Department of the Treasury and the Office of Management and Budget. Projections based upon data from the Congressional Budget Office (December 2007 and January 2008) and U.S. Government Accountability Office alternative simulation with economic feedback (January 2008 Update). Feedback shows the effect of escalating debt on economic growth.

Some Budget History

Evolution of Federal Budget Management

- **Legislative Dominance (1789 - 1921)**
- **Presidential Budgeting (1921 - 1974)**
- **Shared – Congress/Presidential Leadership (1974 - Today) – *Varies w/ Alternative Power Settings***

Federal Budgeting Gets its Start w/ New Nation

□ 1789 - 1921: *Legislative Dominance*

- ❖ *Constitution gives Congress broad powers to tax & spend.*
- ❖ *Does not expressly provide any role for President in financial matters or federal budget process.*
- ❖ *All power rested with House Ways & Means & Senate Finance*
- ❖ *No Appropriations Committees until 1865-67*
- ❖ *Concept of budgeting imported from Europe, not independently derived.*

The Early Days . . .

□ Before 1870, no organized budget process

- ❖ *Agencies could write contracts and obligate gov't to payments not approved by Congress*
- ❖ *Legally, contracts were binding, but, constitutionally, no actual cash payments could be made w/o appropriations from Congress.*

□ Anti-Deficiency Act in 1870

- ❖ *No obligations in excess of Appropriations*
- ❖ **Practical Effect:** *Required Agencies, for the first time, to submit budgets to Congress for annual approval*
- ❖ *Budget still no major Presidential involvement*

The Real Birth of Federal Budget Process

□ 1913 Taft Commission . . .

❖ **Commission Noted:**

- *Agencies were submitting budgets directly to Congress (**most wish it were the same today**)*
- *Met basic requirements, but with little information included*
- *Failed to reflect full cost of long-term plans*
- *Led to conflicts between President/Congress*

❖ **In 1921:** Congress pushes through wide range of Wilson legislation (from Taft Commission) greatly expanding Government

- *Wilson's success broadens federal role and sets new standard for Presidential influence on Congress.*

What Did the 1921 Legislation Do?

□ 1921 -- Passage of Budget & Accounting Act

- ❖ *President becomes an **Agent** in Congressional budget process
[Creates OMB (BoB) & GAO]*
- ❖ *Congress coordinates revenues & spending decisions with overall recommendations of President.*
- ❖ *Agencies barred from submitting budgets directly to Congress
[President & budget aides decide how much to request]*
- ❖ *Spending decisions in Congress returned to Appropriations Committees (**Removed, 1897-1921**)*
- ❖ *Congress adds teeth to the accountability of Gov't operations*
- ❖ *Legislation puts in place operational guidelines for expenditure and reporting of government operations*

Evolution of Federal Budget Management

- 1921 to Today: *Establishing the “Tool Kit”*
- 1974-1985: *Process Management [Still the Framework for Congressional Process]*
- 1985-1990: *Deficit Management – [Designed to Eliminate the Deficit by 1991 (1993)]*
- 1991-Present: *Spending Management (plus “On-Budget” policy controls & Pay-As-You-Go)*

Up to 1974: *ONE LAW . . . Since then -- Many*

New Legislation & Mandates

□ Legislative Changes:

- ❖ [1974] **CBA:** Congressional Budget Act (*Deferral/Rescissions*)
- ❖ [1988] **FMFIA:** Federal Management Financial Integrity Act
- ❖ [1990] **CFO Act I:** Chief Financial Officers Act
- ❖ [1993] **GPRA:** Gov't Performance & Results (*Results Act*)
- ❖ [1994] **GMRA:** Gov't Management & Reform Act
- ❖ [1996] **FFMA I:** Federal Financial Management Act
- ❖ [1996] **Debt Collection:** Federal Debt Collection Act
- ❖ [1996] **ITRMA:** Information Tech. Reform Management (*Clinger Cohen*)
- ❖ [1997] **FASA:** Federal Acquisition Streamlining Act
- ❖ [1998] **FFMA II:** Federal Financial Management Act

New Legislation & Mandates [Con't]

□ **Legislative Changes:**

- ❖ [1998] **GPEA:** Gov't Paperwork Elimination Act
- ❖ [2002] **ATDA:** Accountability of Tax Dollars Act
- ❖ [2004] **CFO Act II:** DHS Financial Accountability Act
- ❖ [2006] **FFARA:** Federal Funding Accountability & Transparency Act
- ❖ [2010] **GPRA Modernization Act:** *GPRA II*

□ **Recent Executive Mandates:**

- ❖ [1993-2000] ***Reinvention of Government***
- ❖ [2001-2005] ***President's Management Agenda***
- ❖ [2002-2008] **OMB PART:** Program Assessment Review Tool
- ❖ [2005] ***Fin Mgmt:*** New OMB A-123/130

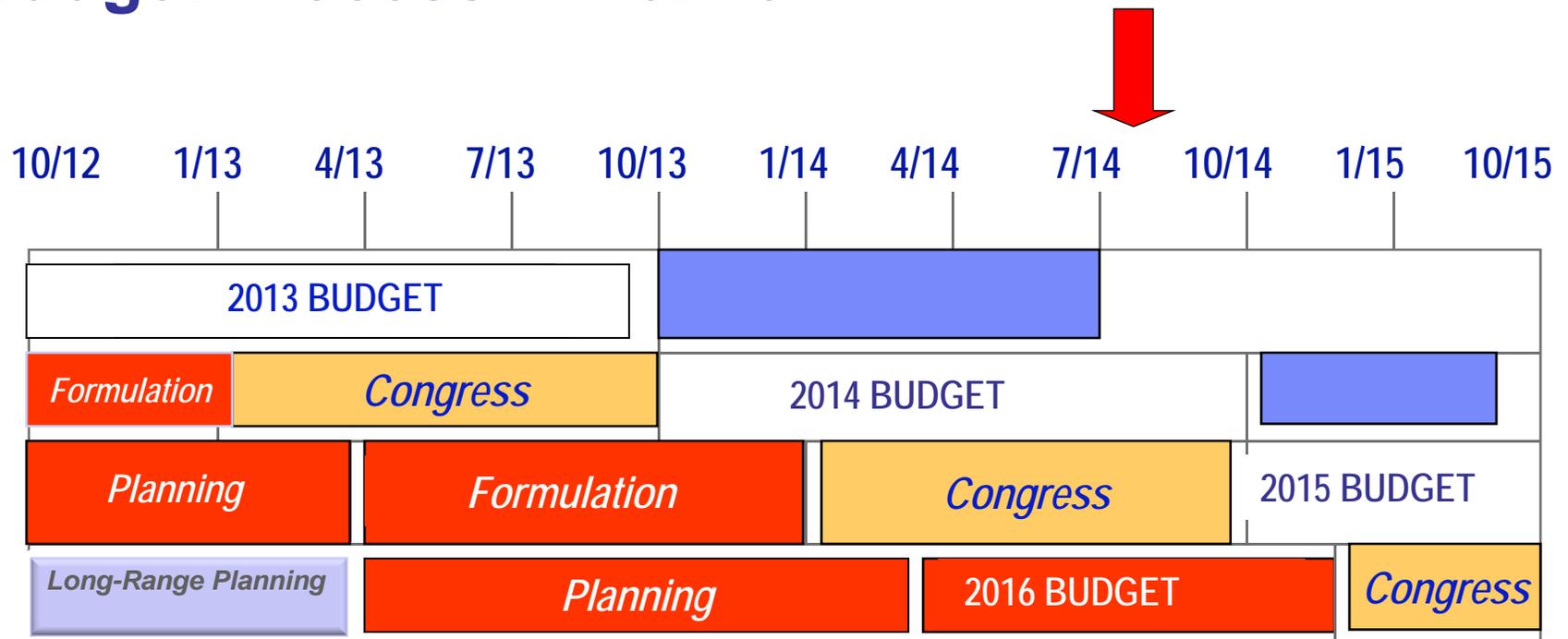




What is the Process *and* How Does it Work?



Budget Process Timeline



BUDGET FORMULATION

- Agency Budgets Prepared
- Dept. and OMB Review & Decide



BUDGET EXECUTION

- Apportionment & Allotment of
- Deferral or Rescission Messages
- Reports on Program/Financial Performance



U.S. CONGRESSIONAL ACTION

- President's Budget Presented to Congress
- Agency Presentation to Appropriations Comms.
- Congressional Enactment of Appropriations
- Congressional Budget Direction for Federal Spending



AUDIT AND REVIEW

- Agency Evaluation of Programs and Finances
- GAO Conducts Audits; Prepares Reports

Never Really Happens This Way

[SAMPLE] CONGRESSIONAL CALENDAR

January 25 - Feb. 1st →

February – 1st Monday →

February →

March 1-Mid April →

By Mid April →

May/June/July →

During July →

EARLY August →

September/October →

November & Dec (?) →

SOTU/Budget Committee/CBO Overview

President's FY 2016 Budget Released

HOUSE/SENATE: Appropriation & Budget Committees Review of Total Fed Budget

HOUSE: Agency-Level Appropriation Hearings

SENATE: Agency-Level Appropriation Hearings

HOUSE: Budget Comm. Markup (*Mid-March*)

HOUSE/SENATE: Complete Budget Resolution

HOUSE: Approp. Markup (*May Mark; June Floor*)

SENATE: Approp. Markup (*June Mark; July Floor*)

PRE-CONFERENCE: Appropriations Bills

CONGRESS: Works Thru Other Auth. Legislation

CONGRESS: Possible CONFERENCE on Approps

CONGRESS: *Recess Until After Labor Day*

CONGRESS: Some Approp & CRs Approved (9/30)

CONGRESS: Omnibus Approp.: Remaining Includes Uncompleted, Plus Other Issues

Congressional Budget Process

Intent is to complete all action on Appropriations by Oct 1

Budget Resolution

House & Senate Budget Committee conduct hearings
Conference Committee held; Vote out Resolution Report
Complete by **April 15**

Budget Reconciliation

House & Senate Budget Committees set target limits for each appropriation bill
House initiates process; then to Senate; finally to Conference Committee; Vote out Bill
Complete by **June 15**

Authorizations

House & Senate Legislative Committees authorize programs/revenues for appropriations
House initiates process; then to Senate; finally to Conference Committees; Vote out Bills
Complete by before Appropriations Bills - need

Appropriations

House & Senate Appropriation Committees take action to fund 12 appropriations
House initiates process; then to Senate; finally to Conference Committees; Vote out Bills
House expected to complete action by **June 30**; Senate by early September; Conference by **September 30**



CBO Budget & Outlook

CBO Analysis of President's Budget

OMB Mid-Session Review

Continuing Resolution History – Not Good

- Between 1977 and 2015, Congress **all** regular appropriations bills passed on time in only four years – Fiscal Years 1977, 1989, 1995, and 1997.
- Between calendar 1976 and 2013, there have been numerous Government Shutdowns.
 - *Between 1976 and 1980, there were six lapses, where NO furloughs were implemented*
 - *Most shutdowns have revolved around budget issues & debt ceilings, and have led to furloughs of certain 'non-essential' personnel*
 - *Majority of fights lasted 1–2 days; a few lasting more than a week; 1995 most significant*
 - ***Long CRs: 2008, 227-day CR for remainder of year; 2012, 168-day CR, same purpose***
 - ***In FY 2001, there were 21 CRs; 14 in 1996; Most other years are between 5-8 CRs***
- 1995 Shutdown (FY1996 Appropriations) was the most significant.
 - *Shutdown – a conflict between President & Republican-controlled House on entitlements & domestic allocations – resulted in two shutdowns of non-essential functions*
 - *Lasted 26 days -- one for 5 days, a second for 21 days due to lack of funds*
- In 2013 (for FY2014) Congress failed to agree on any regular appropriations bills prior to the start of fiscal year 2014
 - *Shutdowns occurred during October – December, primarily related to early implementation surrounding the Affordable Care Act – lasted 16 days*
 - *After agreements on numbers & policies, along with postponement of Sequestrations, Omnibus appropriations were finally enacted in February 2014*
- In FY2014 (for FY2015), delays again occurred, with Omnibus Appropriations eventually being enacted in December 2014



Major Legislative Drivers for Budget Process

□ Process Mechanics

- *A Set of Rules and Institutions for Making Tax and Spending Decisions*

□ A Result of Many Different Laws

- *Budget and Accounting Act of 1921 (Core Legislation)*
- *Congressional Budget and Impoundment Control Act of 1974*
- *Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)*
- *Budget Enforcement Act of 1990 (BEA)*
- *Budget Control Act of 2011 (BCA) (Sequestration a Caps thru 2021)*
- *Bipartisan Budget Act of 2013 (BBA) (Revised Caps, Sequestration Modified for 2014 and 2015)*

Budget Approval

The Budget Resolution and Reconciliation

- Development of Budget Resolution *(Not Enacted Law)*
 - *“Concurrent” resolution (set of rules to govern Congressional budget actions)*
 - *Under the jurisdiction of House and Senate Budget Committees*
 - *Congress focuses on the whole budget*
 - *Scheduled to be adopted by April 15 (Rarely is)*
 - *Two key components*
 - ✓ *Aggregate numbers*
 - ✓ *Committee allocations*

- The Reconciliation Process *(Enacted Law)*
 - *Optional process, covering taxes and mandatory spending*
 - *Has been used for recent major policy actions*

Budget Resolution

- ❑ Jurisdiction of House and Senate Budget Committees (*Administration testifies here first on budget request*)
- ❑ Must pass House and Senate in identical form (*does not need POTUS signature*)
- ❑ Establishes Overall Budget Expectations – Spending, Revenue, Borrowing
- ❑ Includes spending limits for Appropriations (*discretionary spending*)
- ❑ Projection of the budget deficit (*and therefore agreement on tax revenues and any changes in mandatory spending*).
- ❑ Base for Budget Controls – Pay-Go

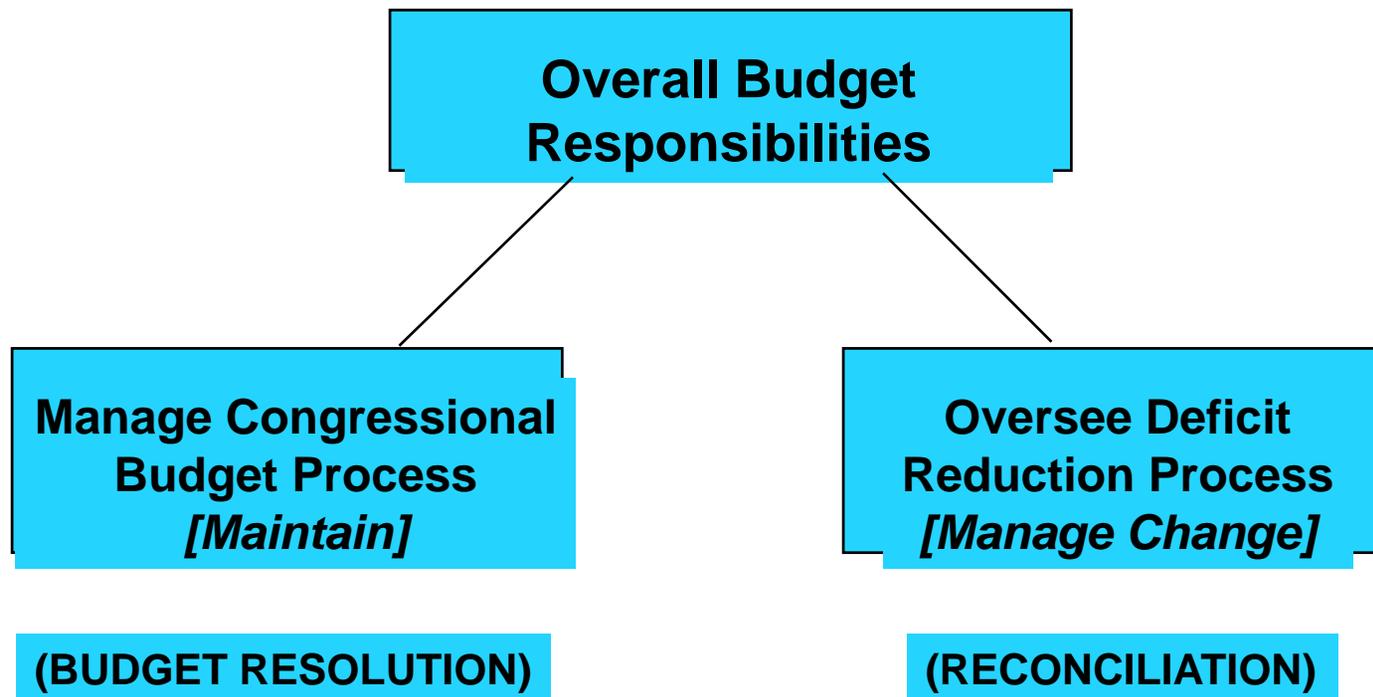


LET'S HOPE IT'S NOT
ONE OF THOSE WEEKS WHEN I
HAVE TO UNLEASH THE
FLYING MONKEYS BECAUSE
I WILL.



GrowingBolder.com

BUDGET PROCESS in Congress . . .



Congressional Budget Decision Framework

(1990/1993/1997, and thru 2002)

SPENDING MANAGEMENT

- o Statutorily defined in law, adjusted for:
 - Disaster Spending
 - Inflation Impacts
 - Special 1990 Rules
[Expired]
- o Non-entitlement spending for all Federal agencies
- o Enacted Appropriations within Budget CAPS

REVENUE & ENTITLEMENTS MANAGEMENT

- o Legislation/Executive actions must be revenue neutral (PAYGO)

=====

- o *Economic impacts across economy automatic*

- o Legislation/Executive actions must be revenue neutral (PAYGO)

=====

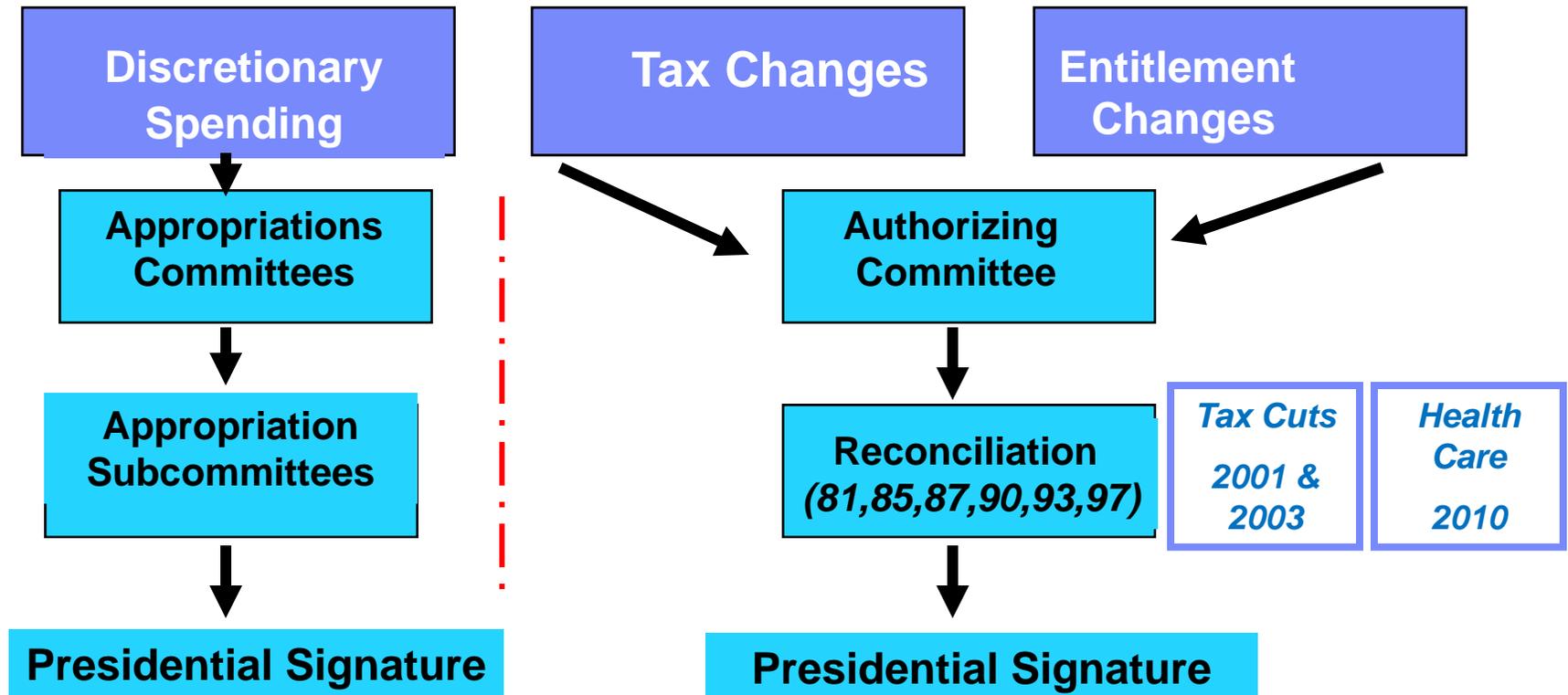
- o *Demographic adjustments (age, economic status, etc) automatic*

HOW IS IT MANAGED?

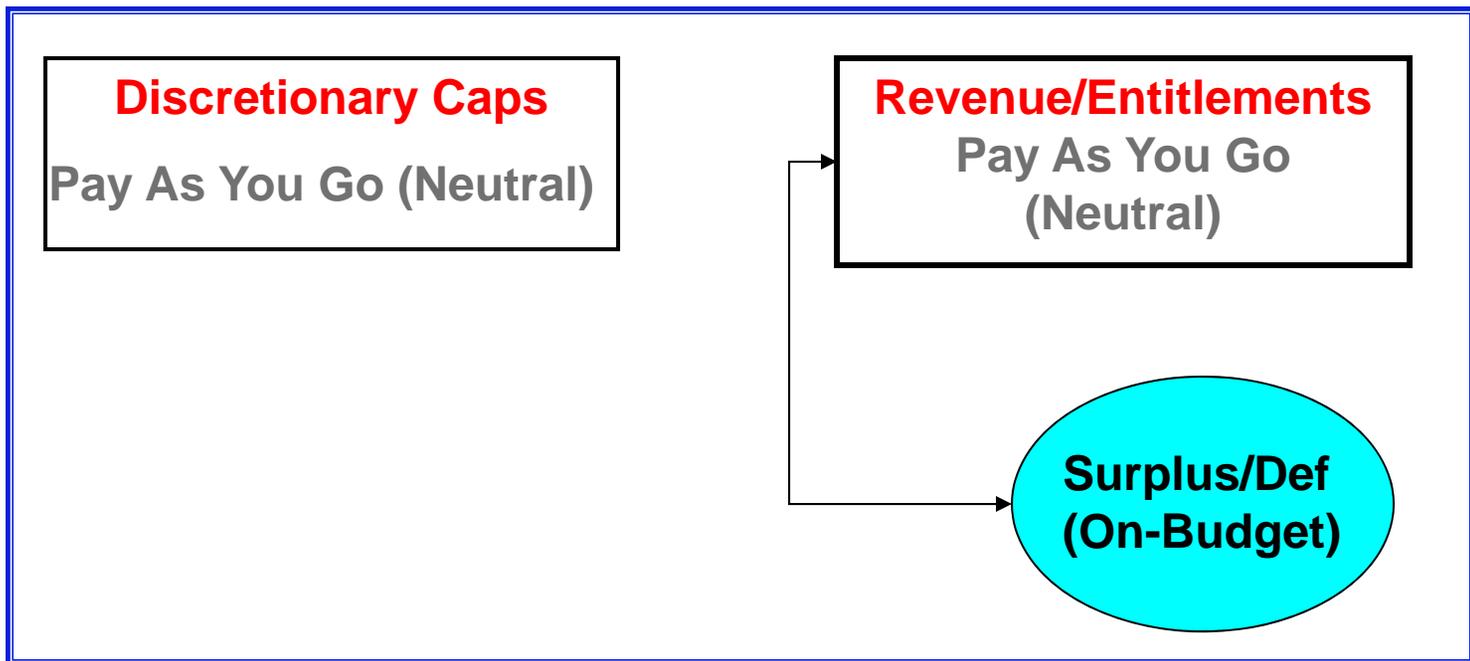
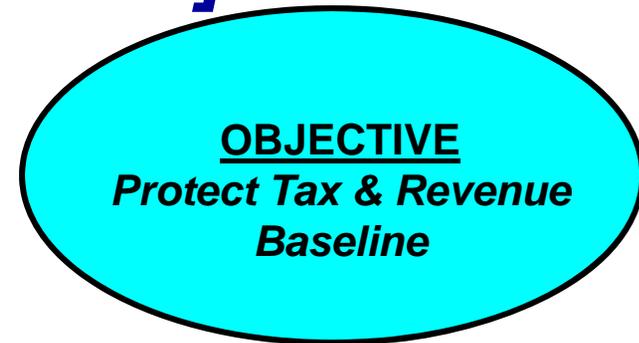
Reconciliation

Reconciliation

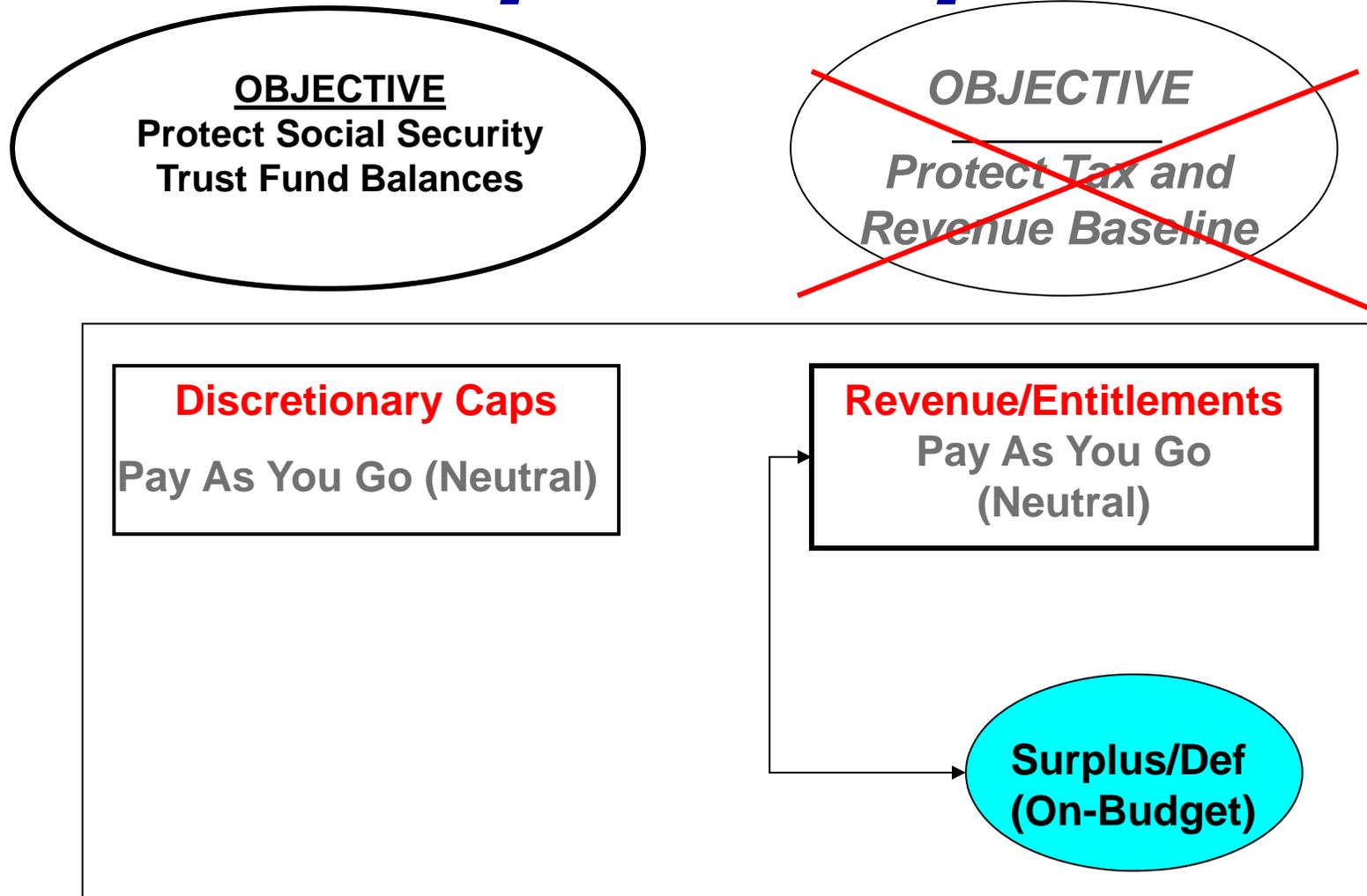
BUDGET RESOLUTION



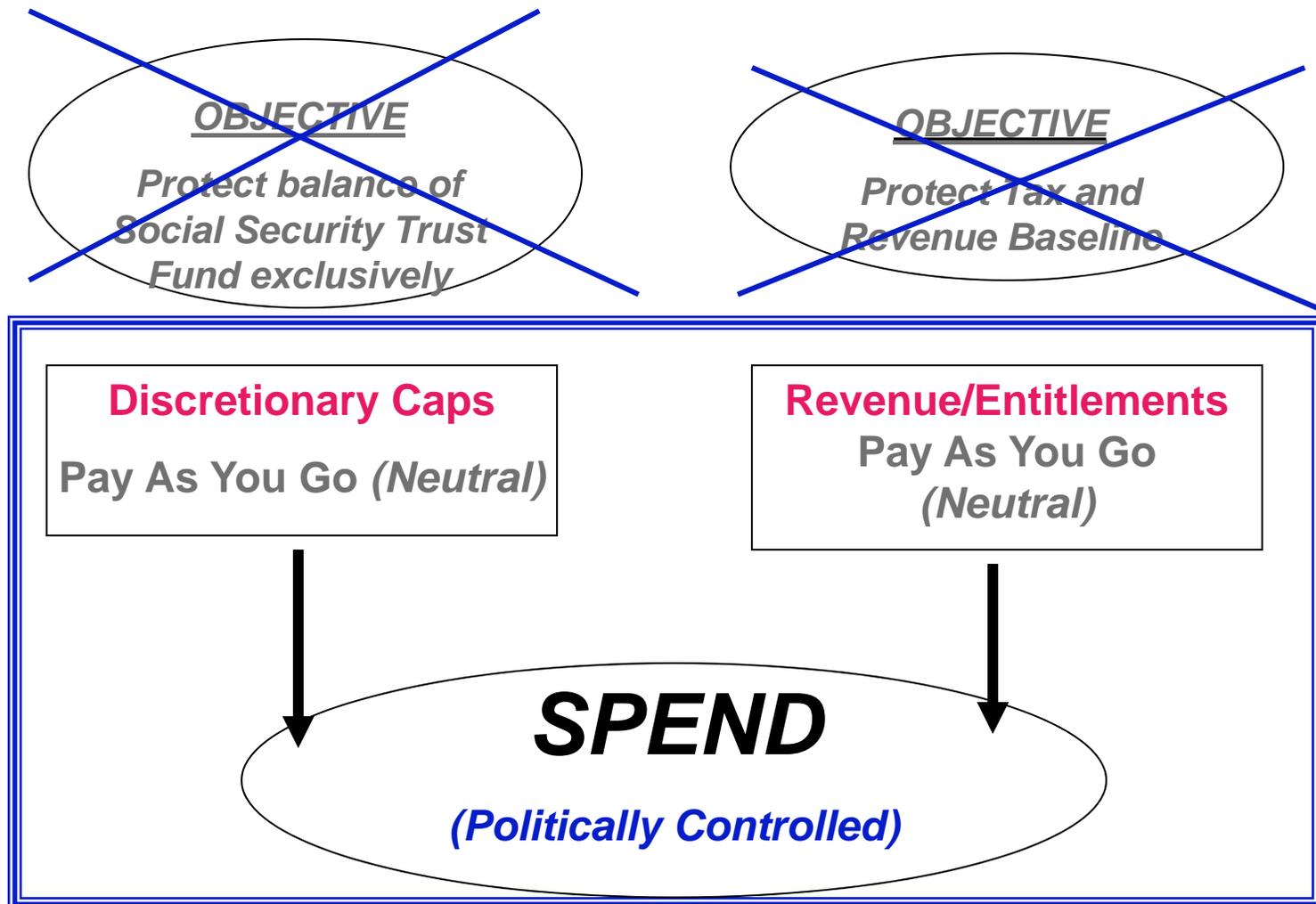
Federal Budget Decision Framework [1991 – 1998]



Federal Budget Decision Framework [1999 – 2002]



Federal Budget Decision Framework [In Place 2003 - 2010]

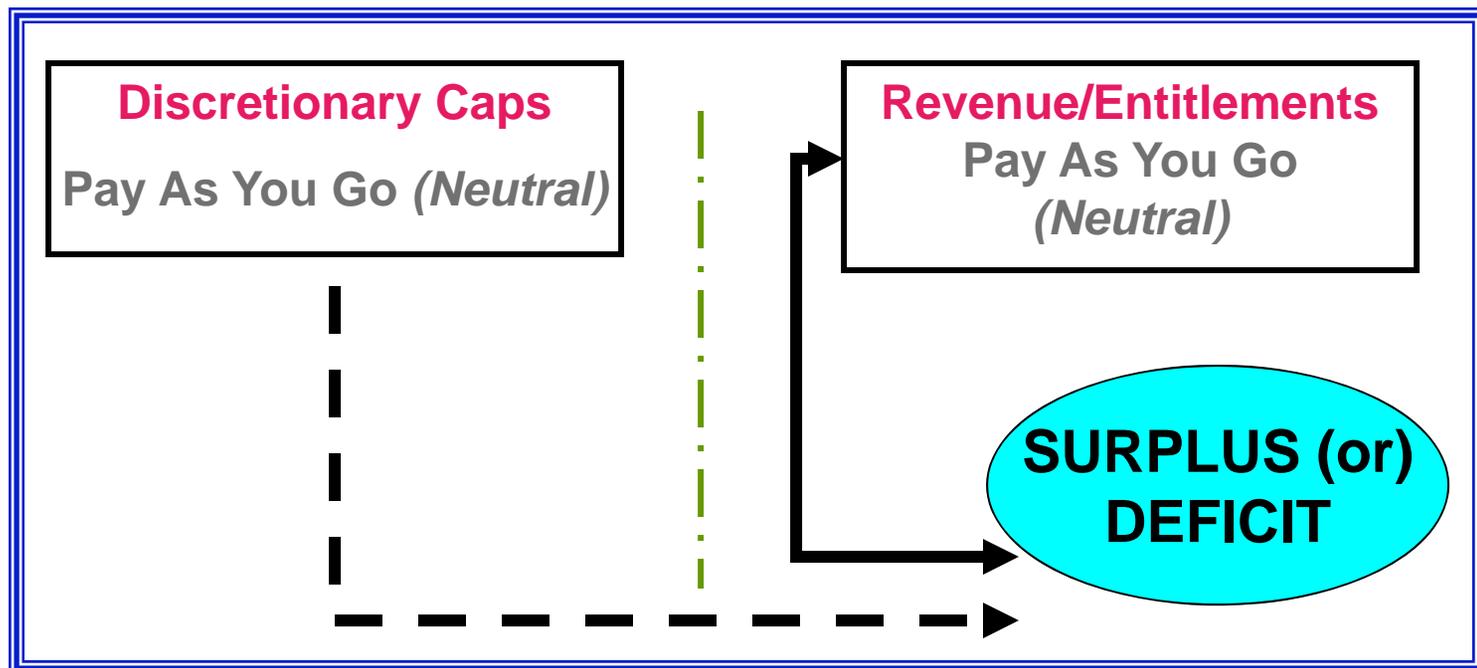


Federal Budget Decision Framework [2010 – Re-Instated]

Originally in Place
1991-2002

Outside:
Iraq, Afgan and AMT

OBJECTIVE
**Protect Tax &
Revenue Baseline**

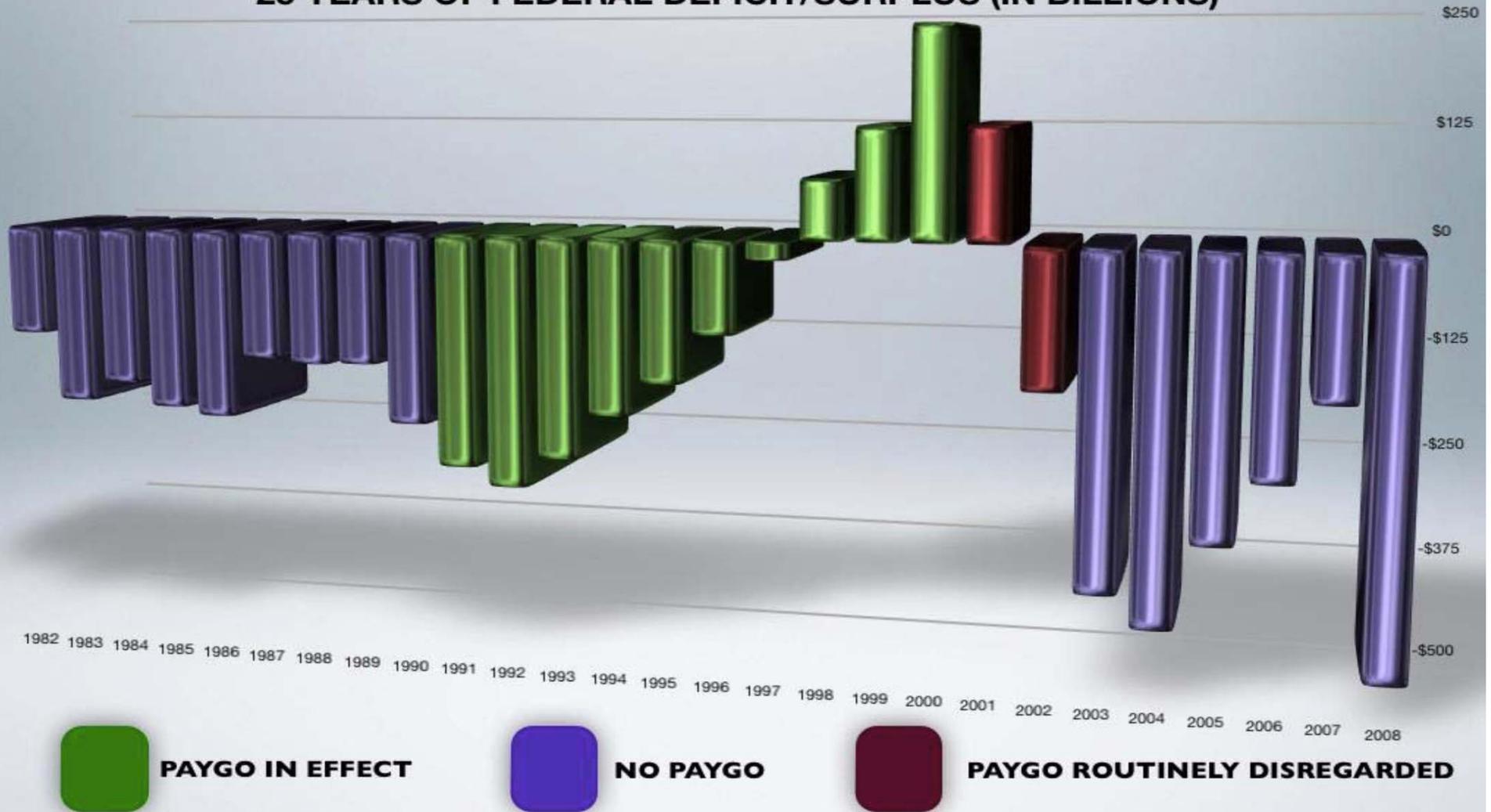


Pay-As-You-Go

- ❑ Budget Enforcement Act of 1990 established PAYGO procedures
- ❑ Generally – Requires that new direct spending and revenue legislation be deficit neutral.
- ❑ Direct Spending is spending that does not require appropriations
- ❑ If proposed legislation causes an increase in direct spending or a reduction in revenue – then it must be offset by an equivalent amount of direct spending reductions, revenue increases, or both.

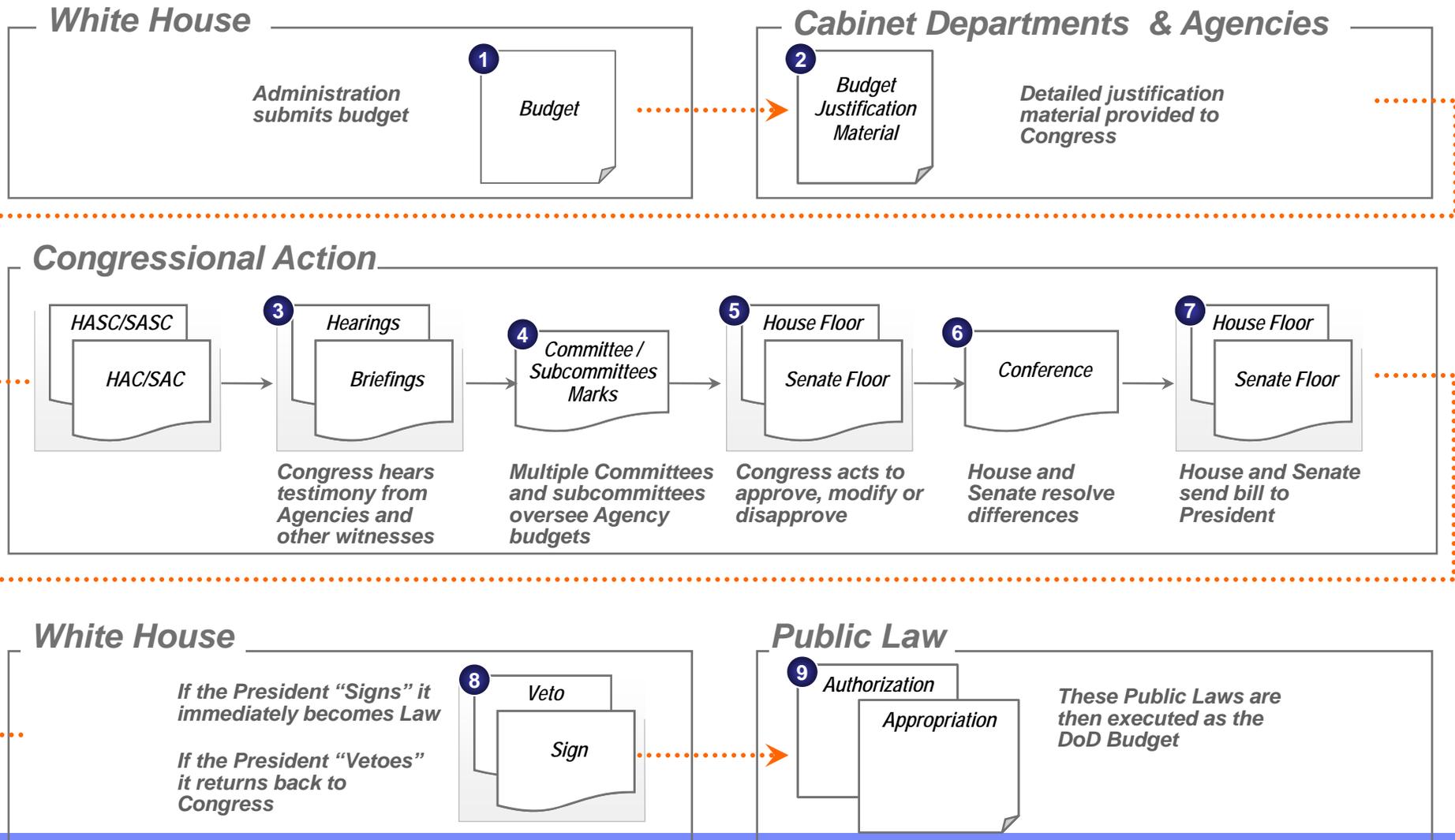
THE POWER OF PAYGO

25 YEARS OF FEDERAL DEFICIT/SURPLUS (IN BILLIONS)



Source: Office of Management and Budget. Years referenced are fiscal years.

Congressional Review Process





**OK -- What's the Story
On
FY 2016?**



Summary of Relevant Current and Likely Future Appropriation Act

□ Several scenarios will likely govern FY 2016 appropriation action:

- ❖ Likely CR from October 1st, 2015 throughout the Fall, and maybe Dec. 31st, 2015
- ❖ Longer CR, *extending the CR operations for Federal agencies until maybe mid-February 2016*
- ❖ New Omnibus Appropriations Bill, including multiple appropriation bills (*could a few, but highly likely that it includes all twelve appropriation bills*):
 - ✓ *Could be in the Fall 2015 . . .*
 - ✓ *Maybe not enacted until mid-February 2016 – Would be for the full year FY 2016*
 - ✓ *Trend in recent years has been an Omnibus budget bill of all appropriation bills*
 - ✓ *Individual appropriations bills appearing more and more a thing of the past*
- ❖ Never rule out a Full-Year CR from Oct. 1, 2015 to Sept. 30, 2016, even though enacted much later Oct 2015.
- ❖ Much of the core work still rests with the individual 12 appropriations subcommittees
 - ✓ *Problem on individual passages rests with top level budget control decisions residing higher than appropriation committees.*

Summary of Relevant Current and Likely Future Appropriation Act

- **The new 2016 appropriations bill will have likely address following factors:**
 - ❖ Start point of \$1.014B in discretionary funds for FY 2015 appropriations, as enacted
 - ❖ Legislated Cap for FY 2016:
 - ✓ \$1.107B in discretionary funds, **PRE**-Sequester;
 - ✓ \$1.016B **POST**-Sequester for all agencies
 - ❖ Funding will likely remain same as FY 2015, even with legislated pay raises and workload demands of Federal agencies – equal to **POST**-Sequestered levels of \$1.016B
 - ❖ Final enactment – either with Omnibus Appropriations, individual bills, or full-year CRs -- likely to have some funds, *added or carved out*, used for high priority investments in FY2016

Regular Appropriations (Budget Authority)

Subcommittee	FY 2015		FY 2016		President's Proposal 2016
	President's Request	Enacted	HOUSE 302bs	SENATE 302bs	
Agriculture	\$20.4	\$20.6	\$20.7	\$20.5	
Commerce, Justice, Science	50.2	50.1	51.4	51.1	
Defense	490.7	490.2	490.2	489.1	
Energy and Water	33.7	34.2	35.4	35.4	
Financial Services & Gen Gov't	22.9	21.8	20.2	20.6	
Homeland Security	38.3	39.7	39.3	40.2	
Interior and Environment	29.5	30.4	30.2	30.0	
Labor, HHS, Education	158.0	156.8	153.1	153.2	
Legislative Branch	4.5	4.3	4.3	4.3	
Military Construction and VA	71.9	71.8	76.1	77.6	
State, Foreign Operations	42.7	40.0	40.5	39.0	
Transportation, HUD	51.0	53.8	55.3	55.6	(Caps Law is \$1,107 Trillion)
TOTAL	\$1,013.8	\$1,013.7	\$1,016.7	\$1,016.6	\$1,086.6
Outside the Caps	55.4	86.9	96.3	96.1	68.3
TOTAL	\$1,069.2	\$1,100.6	\$1,113.0	\$1,112.7	\$1,154.9
Sequester (Deferred in 2015)	0.0	0.0	0.0	0.0	(69.6)
TOTAL	\$1,069.2	\$1,100.6	\$1,113.0	\$1,112.7	\$1,085.3

Note: President Proposed \$68.3 billion Outside the Caps in FY 2016 (Congress Recommends \$96 Billion)

12 Appropriations Bills (*Subcommittees*)

- Agriculture, Rural Development, & Related Agencies
- Commerce, Justice, Science, & Related Agencies
- Defense
- Energy and Water
- Financial Services and General Government
- Homeland Security
- Interior, Environment, & Related Agencies
- Labor, Health and Human Services, Education, & Related Agencies
- Legislative Committee (*at Full Committee Level Only*)
- Military Construction, Veterans Affairs, & Related Agencies
- State, Foreign Operations, & Related Agencies
- Transportation, HUD, & Related Agencies

Budget Functions of Congressional Committees

Authorizing Committees	Appropriations Committees	Revenue Committees	Budget Committees
Report authorizing and direct spending legislation	Report appropriations bills	Report revenue legislation	Report budget resolution, including reconciliation instructions
Submit views and estimates to budget committee	Submit views and estimates to budget committee	Report direct spending legislation	Allocate new budget authority, outlays, and other aggregates to committees
Recommend changes in law pursuant to reconciliation instructions	Provide guidance to agencies on expenditure of funds	Submit views and estimates to budget committee	Monitor budget and budgetary legislation
	Review proposed rescissions; Establish account structure; Establish reprogramming rules	Recommend changes in laws pursuant to reconciliation instructions	Compile and report reconciliation legislation

Important Committees BEYOND Appropriations

- House Budget Committee – Leads Budget Resolution Process
- Senate Budget Committee – Leads Budget Resolution Process
- Joint Committee on Taxation – Technical Revenue Analysis Only
- Numerous Authorization Committees
 - *House Ways & Means*
 - *Senate Finance*
 - *Armed Services*
 - *Science & Technology*
 - *Judiciary*
 - *Agriculture*
 - *Oversight and Government Reform*
 - *Etc.*

Questions and Answers



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