

BACKGROUND

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Biennial Budgeting Is No Antidote to Budget Process Failure

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Abstract

Members of the Joint Committee for Budget and Appropriations Reform are considering changing the federal budget process to a biennial cycle, pursuing a budget resolution every two years with annual appropriations, and possibly with biennial appropriations. Proponents argue that biennial budgeting would provide greater certainty over appropriations to free up time for congressional agency oversight and to increase the likelihood that Congress will complete the budget process on time. Instead, it would likely lead to more uncertainty over appropriations, reduce both opportunities and incentives for congressional agency oversight, and reduce congressional engagement with the federal budget process, possibly leading to spending becoming even more unsustainable. Congress should instead focus on ways to strengthen its exercise of the power of the purse, improve incentives to follow the budget process, and enhance accountability and transparency in federal budgeting.

Members of the congressional Joint Select Committee on Budget and Appropriations Process Reform are considering biennial budgeting—preparing a budget for a two-year period—as a possible reform of the congressional budget process. Proponents advocate the change to provide greater certainty over appropriations to free up time for congressional agency oversight and to increase the likelihood that Congress will complete the budgeting process on time.

Upon closer examination, however, biennial budgeting would likely lead to more uncertainty about appropriations, reduce opportunities and incentives for congressional agency oversight, and reduce congressional engagement with the federal budget process,

KEY POINTS

- Congress is considering moving to a biennial budget cycle for budget resolutions and possibly for appropriations as well.
- Biennial budgeting could lead to additional spending by increasing the likelihood of supplemental appropriations for responding to unforeseen needs and political pressures.
- As the power of the purse is Congress' primary lever to guide agency actions, biennial budgeting would likely result in lawmakers taking fewer oversight actions.
- Far from being an antidote to the budget processes' failures, biennial budgeting would likely heighten political stakes, raising budgetary tensions and making timely and orderly appropriations no more likely, as the recent experience with biennial Budget Control Act deals demonstrates.
- Lawmakers seeking to reform the budget process should focus on strengthening the congressional power of the purse, improving incentives to follow the budget process, and improving accountability and transparency.

This paper, in its entirety, can be found at <http://report.heritage.org/bg3348>

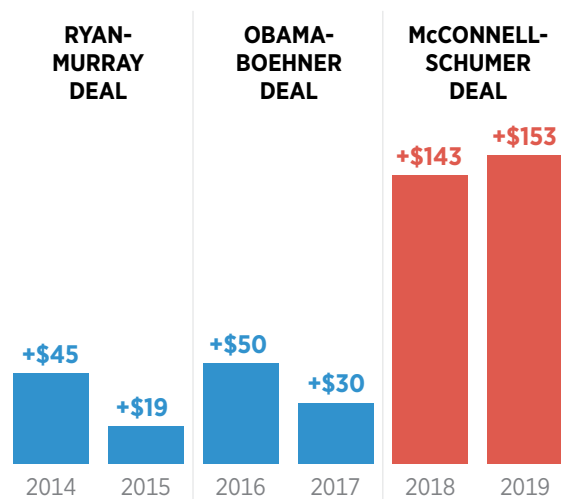
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CHART 1

Biennial Budget Deals

INCREASES TO BUDGET AUTHORITY SINCE 2014



SOURCES: Congress.gov, “Budget Control Act of 2011,” <https://www.congress.gov/112/plaws/publ25/PLAW-112publ25.pdf> (accessed August 30, 2018); Congress.gov, “Bipartisan Budget Act of 2013,” <https://www.congress.gov/113/plaws/publ67/PLAW-113publ67.pdf> (accessed August 30, 2018); Congress.gov, “Bipartisan Budget Act of 2015,” <https://www.congress.gov/114/plaws/publ74/PLAW-114publ74.pdf> (accessed August 30, 2018); and Congress.gov, “Bipartisan Budget Act of 2018,” <https://www.congress.gov/115/bills/hr1892/BILLS-115hr1892enr.pdf> (accessed August 30, 2018).

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with implications for the U.S. fiscal outlook. Rather than offering an antidote to congressional budget process failure, biennial budgeting could exacerbate budget process challenges.

The Budget Process Reform Committee

Lawmakers from both parties appear to agree that the current budget and appropriations process is broken. The symptoms are apparent: failure to pass annual congressional budgets, failure to complete the appropriations process, repeated use of continuing resolutions and omnibus legislation to provide funding many months into the current fis-

cal year, failure to abide by spending controls, the waiving of enforcement tools, and runaway deficit spending.

These shortcomings have understandably led many in Washington to search for remedies. Created by the Bipartisan Budget Act of 2018, the Joint Select Committee on Budget and Appropriations Process Reform hopes to reconcile differences across party and chamber lines to improve the budget process, with legislation expected this fall.¹

The sources and reasons for why and how the budget process is broken are less-well understood. Without a clear understanding of what is driving the decline in congressional budget process engagement, lawmakers are unlikely to identify appropriate solutions.

Several witnesses speaking before the Joint Select Committee identified misaligned incentives and political tensions as root causes for observed budget process failure. Addressing the budget process crisis at its roots offers the greatest chance of success. Instead, the committee appears to have chosen a more narrow scope for possible reforms.

Among the proposals discussed at the committee’s meetings is a recommendation to budget once every two years, instead of once every year. This ostensible remedy, known as biennial budgeting, has gained widespread support across Congress and among several policy and advocacy organizations in Washington.

There are several ways to implement this proposal. Biennial budget resolutions could require the annual passage of all 12 appropriations bills. Biennial budget resolutions could require a biennial appropriations cycle, possibly using a staggered system of six appropriations bills per year. Biennial budget resolutions could also require 12 appropriations bills covering a two-year period in year one, with an oversight process in the following year. The analysis in this *Background* is focused on a biennial budget resolution, though in many cases it applies to all possible scenarios for how to implement biennial budgeting.

A Shiny Object

Far from being an antidote to the budget process’ failures, biennial budgeting would likely lead to

1. Joint Select Committee on Budget and Appropriations Process Reform, “About,” <https://budgetappropriationsprocessreform.house.gov/about> (accessed August 29, 2018).

TABLE 1

From Continuing Resolutions to Omnibuses

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
CR #1	PL 113-67*	PL 113-164	PL 114-53	PL 114-223	PL 115-56
CR #2	PL 113-46	PL 113-202	PL 114-96	PL 114-254	PL 115-90
CR #3	PL 113-73	PL 113-203	PL 114-100	PL 115-30	PL 115-96
CR #4	n/a	n/a	n/a	n/a	PL 115-120
CR #5	n/a	n/a	n/a	n/a	PL 115-123
Omnibus	PL 113-76	PL 113-235	PL 114-113	PL 115-31	PL 115-141

* Ends partial government shutdown on October 17, 2013.

CR — Continuing Resolution PL — Public Law

SOURCE: Congress.gov, “Appropriations and Budget,” <https://www.congress.gov/resources/display/content/Appropriations+and+Budget> (accessed August 29, 2018).

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less accountability, heightened political stakes, more spending, higher uncertainty, and further weaken the legislative branch. It is a shiny object with little potential for resolving the political tensions and misaligned incentives that are at the core of congressional failure to follow the budget process. The recent experience with the Budget Control Act demonstrates that agreeing to two-year fiscal goals does not achieve regular order in federal budgeting.

Proponents of a biennial system argue that there is not enough time to deliberate the federal budget seriously every year. As deadlines get closer, congressional leadership overtakes the budget process, presenting Members with continuing resolutions and massive omnibus bills without enough time to review the proposals and properly debate them. A biennial system, proponents argue, would help solve this issue and bring an array of other positive benefits, such as more certainty for federal agencies and state and localities regarding available funding, a greater likelihood of processing the budget on time, and more time for other congressional actions, including agency-oversight hearings.

Since 2014, lawmakers have governed by two-year agreements over discretionary funding levels. Regardless, Congress resorted to multiple continuing resolutions (a minimum of three each year) and omnibus legislation to fund the federal government,

each time. This recent history demonstrates that two-year funding agreements are not the antidote to congressional budget process failure that proponents make it out to be.

Less Accountability, More Spending

The federal budget resolution demands that legislators consider the broader spending picture of the country. It is the only legislative document through which Congress addresses the entirety of the federal budget: all spending and taxes. On a biennial budget cycle, Congress would engage the broader fiscal outlook less often, making discretionary appropriations and other funding decisions in bits and pieces and without the relevant fiscal context in which these decisions are made.²

Less-frequent engagement with the broader fiscal outlook could lead to greater spending. Lawmakers, faced with demands by special interests, justify increasing spending on an individual program based on program and constituent needs. Once considered against the broader fiscal outlook, it becomes much harder to justify new spending in light of growing spending pressures and a rising deficit and debt.

By making appropriations and other spending decisions outside the context of an annual budget resolution, lawmakers may be tempted to spend more, and constituents will find it more difficult to

2. Romina Boccia, “Why the Budget Matters,” Heritage Foundation *Commentary*, March 25, 2015, <https://www.heritage.org/budget-and-spending/commentary/why-the-budget-matters>.

hold lawmakers accountable for spending increases considered ad hoc versus considering them as part of a broader fiscal picture.

A 1994 study by Paula Kearns in the *Journal of Policy Analysis and Management* examined budgetary processes for each U.S. state. Using instrumental variable methods, Kearns found that, all else being equal, biennial budgeting “exhibits a positive and statistically significant effect on state spending.”³ A literature review by Matthew Mitchell and Nicholas Tuszynski, relying in part on research by Mark Crain and Paula Kearns, also finds that biennial budget states spend more than annual budget states, possibly because of the greater durability of budgeting decisions driving up lobbying returns.⁴

Less Certainty, More Supplemental Spending Requests

Biennial budgeting proponents argue that a two-year cycle gives legislators more time to plan and dive deep into the nation’s pressing issues. However, budgeting relies on economic projections that have been subject to unforeseen variance over short time periods. Recessions can hardly be forecast a few months in advance, let alone two years out. The result is more uncertainty in the budgeting process, making the budget resolution less credible and thereby reducing its power over the appropriations process.

Unforeseen economic fluctuations and other factors, such as natural disasters and national security events, would give lawmakers cover to exploit emergency loopholes even more so than they are already exploiting them today.⁵

Under the current process, appropriators regularly exceed appropriation caps and limits for the sake of “emergency” spending, but to any reasonable observer, lawmakers in Congress seldom use emergency spending provisions for true emergencies. Having a two-year cycle would increase the occurrence of, and dependence on, such loopholes, because lawmakers would claim that a two-year

budget may not have been equipped at the time it was passed for the challenges a certain agency or program faces in the present. This already happens for budgets that cover one year, and one can expect it to become more frequent with budgets that cover two years.

The Government Accountability Office studied the experience of three biennial budget states in 2000 to advise Congress on the challenges and opportunities that biennial budgeting represents. The study emphasizes the importance of “legislative control limiting off-year budget adjustments... given the political pressures to address policy needs” and the need for “agreement between the legislative and executive branches on how the off-year budget process will operate and leadership commitment to enforcing that agreement.”⁶ Given current political tensions in Congress, it seems highly doubtful that lawmakers would be able to negotiate supplemental budget requests effectively.

Heightened Political Stakes

The budget resolution is Congress’ opportunity to present its comprehensive, long-term vision for the nation. Each lawmaker expresses his or her values and priorities during the formulation of a national budget. The clash of ideas across ideological lines is an important part of the process, while also being one of the main reasons why passing a budget is difficult. However, reducing the number of budgets that Congress processes would exacerbate, not alleviate, political tensions.

A biennial budget gives each new Congress only one opportunity to embody its principles in a governing document. This makes negotiations and debates much more high-stakes. The budget resolution is already an arena for intense political battle, given that few places exist outside the resolution for lawmakers to advocate on behalf of their national priorities in a comprehensive way. Reducing the number of budgets each lawmaker can influence could increase the amount of

3. Paula S. Kearns, “State Budget Periodicity: An Analysis of the Determinants and the Effect on State Spending,” *Journal of Policy Analysis and Management*, Vol. 13, No. 2 (Spring 1994), pp. 331-362, https://www.jstor.org/stable/3325017?origin=crossref&seq=1#page_scan_tab_contents (accessed on August 20, 2018).

4. Matthew Mitchell and Nicholas Tuszynski, “Institutions and State Spending: An Overview,” *The Independent Review*, Vol. 17, No. 1 (Summer 2012), pp. 35-49, http://www.independent.org/pdf/tir/tir_17_01_03_mitchell.pdf (accessed on August 20, 2018).

5. Justin Bogie, “A Primer on Disaster and Emergency Appropriations,” Heritage Foundation *Issue Brief* No. 4524, March 2, 2016, <https://www.heritage.org/budget-and-spending/report/primer-disaster-and-emergency-appropriations>.

6. U.S. General Accounting Office, “Biennial Budgeting: Three States’ Experiences,” *Report to the Chairman, Committee on Rules, House of Representatives*, October 27, 2000, <https://www.gao.gov/new.items/d01132.pdf> (accessed on August 20, 2018).

political battle surrounding the resolution, and consequently create a less effective process to arrive at budgetary agreement over key national decisions.

Reduced Oversight

Proponents of biennial budgeting argue that moving to a two-year cycle would give Congress more time to follow through on its oversight responsibilities to keep the executive branch in check. The budget itself serves as a powerful check on executive power. By regularly exercising its power of the purse, Congress maintains control over funding decisions. A biennial budget cycle would involve a power shift to the executive branch, which necessarily would need more flexibility in funding allocations to enable agencies to spend funds prudently in light of changing circumstances over a two-year period.

Senator Chuck Grassley (R-IA) made this very point in a June 2018 lecture he delivered at The Heritage Foundation on the importance and responsibility of congressional oversight:

Part of the problem is that we are not passing individual appropriations bills on a schedule like we're supposed to. In fact, we've only met the deadlines set in the Congressional Budget Act four times since 1974. Instead, we pass omnibus bills that obscure critical issues and make it difficult to cut the fat. Wasteful programs and projects just hum right along, sucking up valuable taxpayer dollars and providing little of value in return.⁷

As researchers Jason Fichtner, Angela Kuck, and Adam Michel explain, it is not for lack of oversight hearings that Congress is failing to hold the executive in check. Rather, it is a failure of following through on findings, a process to which the budget and appropriations process is critical:

In 2015, House committees convened more than 750 non-appropriations hearings—more than five each day they were in session. This argues against the contention that Congress lacks enough time for oversight. What Congress does lack is follow-

through in acting on its oversight findings. However, the most effective way to implement new procedures and programs is through the appropriations and authorization processes. By decreasing the number of times Congress appropriates and authorizes money, biennial budgeting may make it more challenging to conduct effective oversight.⁸

Furthermore, data from the Congressional Budget Office indicates that for fiscal year 2017, Congress granted approximately half of discretionary budgetary authority to federal agencies for more than one year. This means that half of funds to the executive branch do not expire at the end of one year, but rather continue for multiple years, and in some cases indefinitely, with irregular to no congressional exercise of the purse.

Congress' lack of oversight does not stem from lack of sufficient time. It stems from lack of action. Biennial budgeting would likely make the lack-of-action problem worse. Without stronger institutional incentives, lawmakers will continue to forego oversight actions, regardless of budget cycle.

Fewer Opportunities for Reconciliation

Mandatory spending, or programs on “autopilot,” make up more than two-thirds of annual federal spending, and they are the primary driver of growing deficits and debt. Congress should preserve legislative avenues, like budget reconciliation, that allow for necessary spending adjustments.

Annual budgeting allows lawmakers to leverage the powerful reconciliation process, which helps to fast-track changes to autopilot programs in order to bring spending in line with the goals set in the budget resolution. Lawmakers should make more frequent use of reconciliation, as it is a critical tool for adjusting entitlement programs and for controlling the growth in the debt. Moving to a biennial budgeting process would diminish opportunities to use reconciliation, thereby reducing the likelihood of spending adjustments.

7. News release, “Grassley on the Importance and Responsibility of Congressional Oversight,” Senator Chuck Grassley, June 26, 2018, <https://www.grassley.senate.gov/news/news-releases/grassley-importance-and-responsibility-congressional-oversight> (accessed August 29, 2018). For the video of his speech, see Chuck Grassley, “The Importance and Responsibility of Congressional Oversight,” talk at The Heritage Foundation, June 25, 2018, <https://www.heritage.org/event/the-importance-and-responsibility-congressional-oversight>.

8. Jason J. Fichtner, Angela Kuck, and Adam N. Michel, “Biennial Budgeting: A Look at Intent vs. Potential Outcomes,” The Mercatus Center at George Mason University, March 10, 2016, <https://www.mercatus.org/publication/biennial-budgeting-look-intents-vs-potential-outcomes> (accessed on August 20, 2018).

Not an Antidote

Biennial federal budgeting has been considered by numerous Congresses since at least 1977.⁹ There are good reasons for why it was never adopted, and current lawmakers would be wise to reject this proposal yet again. Far from being an antidote to the budget processes' failures, biennial budgeting would likely lead to less accountability, heightened political stakes, more spending, higher uncertainty, and further weakening of the legislative branch. The Joint Select Committee for Budget and Appropriations Process Reform should not fall for this shiny object, and should instead focus its time considering budget process reforms that would strengthen Congress' power of the purse, improve incentives to follow the budget process, and enhance accountability and transparency in federal budgeting.

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9. Congressional Research Service, "Biennial Budgeting: Issues, Options, and Congressional Actions," *CRS Report*, January 10, 2017, <https://www.everycrsreport.com/reports/R44732.html> (accessed on August 21, 2018).