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AN ANALYSIS OF THE ROLE OF THE BUDGET COMMITTEES IN THE CONGRESSIONAL BUDGET PROCESS

by

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Congress assumed a more active role in the federal budget process with the Congressional Budget and Impoundment Control Act of 1974 (CBA), legislation which created the House and Senate Budget Committees. During the first years of the CBA, these committees were effective in establishing the budget process. In 1981, they contributed to a dramatic shift in fiscal policy. Consequently, the budget process assumed a magnitude which was beyond the purview of a single set of committees. The remainder of decade was dominated by large coalitions and budget summits, obscuring the role of the Budget Committees. In the mid-1980's, concern over the deficit shifted the focus of the budget process further from the Budget Committees. Gramm-Rudman-Hollings legislated deficit totals and instituted the sequester to cut spending when Congress could not. The most

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An Analysis of the Role of the Budget Committees in the Congressional Budget Process

by

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ABSTRACT

Congress assumed a more active role in the federal budget process with the Congressional Budget and Impoundment Control Act of 1974 (CBA), legislation which created the House and Senate Budget Committees. During the first years of the CBA, these committees were effective in establishing the budget process. In 1981, they contributed to a dramatic shift in fiscal policy. Consequently, the budget process assumed a magnitude which was beyond the purview of a single set of committees. The remainder of decade was dominated by large coalitions and budget summits, obscuring the role of the Budget Committees. In the mid-1980's, concern over the deficit shifted the focus of the budget process further from the Budget Committees. Gramm-Rudman-Hollings legislated deficit totals and instituted the sequester to cut spending when Congress could not. The most recent revision of the budget process is the Budget Enforcement Act of 1990 (BEA), which further displaces the Budget Committees. Past trends suggest the BEA will be superseded by legislation which may further diminish the role of the Budget Committees.

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I. INTRODUCTION

It has been more than seventeen years since the Congressional Budget and Impoundment Control Act of 1974 (CBA) was signed into law by President Richard Nixon. With that legislation, Congress expanded its role in the federal budget process. A new budget process was created, and with it a new set of committees - the House and Senate Budget Committees.

Initially, there was a perception that these two committees would dominate the budget process, and some concern that too much power had been concentrated in their hands. Their role was to act as the budget authority in Congress, setting fiscal priorities and overseeing the budget process. However, a cursory observation of the number of revisions which the budget process has undergone since 1974 suggests that the process was flawed.

The most recent revision of the budget process occurred when President George Bush signed a reconciliation bill which contained the Budget Enforcement Act of 1990 (BEA). With this legislation, there was speculation that the budget process, and therefore the Budget Committees, had become superfluous.

This paper will chronicle the history of the congressional budget process from the perspective of the Budget Committees. Their role in the process will be examined from their inception in 1974 through the present. Chapter I describes the

events in the late 1960's and early 1970's which contributed to the budget reform sentiment in Congress, resulting in the in the CBA. The provisions of the CBA are examined, as well as the expectations the new process held for the Budget Committees.

Chapter II discusses the first five years of congressional budgeting under the CBA. This was a period where the Budget Committees played a significant role in institutionalizing the new process, rather than affecting fiscal policy. Various instances are used to describe the interaction of the Budget Committees with the other congressional stakeholders in the budget process, and how these forces accommodated each other.

Chapter III describes the first four years of budgeting during the Reagan administration. At the beginning of this period in 1981, the Budget Committees enjoyed an elevated status. As part of a larger budget coalition, they used the reconciliation provisions of the CBA to significantly impact fiscal policy. The remainder of the chapter describes the subsequent decline in the influence of the Budget Committees, as these coalitions and the resulting budget summitry forced the Budget Committees to the periphery of the budget process.

Chapter IV covers the period from 1985 to 1989 in the congressional budget process. This was the era of automatic budgeting. Concern over the growing deficit forced Congress to revise the budget process with the Balanced Budget and Emergency Deficit Control Act of 1985 (and a subsequent

revision in 1987), otherwise known as Gramm-Rudman-Hollings (GRH). This legislation set deficit totals into law, and instituted sequestration - a method to automatically cut spending to meet these totals if Congress could not. Both versions of GRH are reviewed with regard to their impact on the budget process. Together with budget summits, this legislation continued to diminish the role of the Budget Committees.

The final chapter outlines the most recent budget reform legislation, the BEA. The BEA, drawing upon the provisions of previous budget summits, not only specified deficit totals, but constrained spending as well. These provisions continue to obscure the role of the Budget Committees. Finally, speculation will be made as to the future of the Budget Committees and budgeting under the BEA.

II. THE CBA OF 1974 AND THE ESTABLISHMENT OF THE CONGRESSIONAL BUDGET COMMITTEES

A combination of political, economic, and budgetary conflicts marked the era which led Congress to reform the Federal Budget Process through the creation of the Congressional Budget and Impoundment Control Act of 1974 (CBA). Aside from the Budget and Accounting Act of 1921 which established the executive budget, the CBA was perhaps the most significant budget legislation produced by Congress. Analysis of the CBA, however, first requires the examination of the events which led up to the legislation.

A. SYMPTOMS OF A BROKEN PROCESS-IMPOUNDMENTS

While the war in Vietnam and the Watergate scandal dominated national attention, President Nixon challenged the power of the legislative branch by impounding appropriated funds. The President thwarted the intent of Congress by financing the secret bombing of Cambodia with funds authorized for Air Force operations in Vietnam. Further, President Nixon used his power of impoundment to effectively cancel or inhibit several domestic programs to which he was opposed. Although previous Presidents had exercised their impoundment power, none had used it to the extent that President Nixon had to influence policy.

B. ECONOMIC SYMPTOMS

Aside from President Nixon's impoundments and transfer of funds, economic turbulence was exacerbating the breakdown of the budget process. As shown in Table 1, inflation (measured by the Consumer Price Index) had increased dramatically in the ten years preceding 1974. According to current economic theorists, who believed they understood the economy well enough to control it, unemployment and inflation were inversely related. Yet the simultaneous increase in both, known as stagflation, led to the creation of a new measure of economic health, the Misery Index, the summation of the rates of unemployment and inflation. By 1974, the Misery index exceeded 15 percent.

TABLE 1

ECONOMIC INDICATORS AND BUDGET DEFICITS/SURPLUS

Year	Consumer Price Index (%)	Unemployment (%)	Deficit or Surplus (in billions)
1965	1.7	4.5	$ -1.4
1966	2.9	3.8	-3.7
1967	2.9	3.8	-8.6
1968	4.2	3.6	-25.2
1969	5.4	3.5	3.2
1970	5.9	4.9	-2.6
1971	4.3	5.9	-23.0
1972	3.3	5.6	-23.4
1973	6.2	4.9	-14.9
1974	11.0	5.6	-6.1

Source: John Cranford, Budgeting for America (Washington D.C.: Congressional Quarterly Press, 1989), pp. 6, 44, and 52.

C. DEFICITS

Budget surpluses during the decade preceding the CBA of 1974 were rare, while deficits exceeding $20 billion, the largest since World War II, were increasingly common (see Table 1). Deficits of this magnitude were viewed as evidence of the procedural breakdown in Congress. Prior to the CBA of 1974, deficits and surpluses were a result of the fragmented appropriations process. Congress had little indication, apart from the President's budget, of the size of the deficit or surplus until the passage of all of the appropriations bills. While it can be argued that deficit spending is an important instrument in shaping fiscal policy, Congress was unable to directly evaluate or control the degree to which deficit spending was used.[1]

D. BREAKDOWN OF THE APPROPRIATIONS PROCESS

The growth of entitlements and other mandatory spending and the indexation of these expenditures placed a substantial portion of the budget outside the direct control of Congress. In the seven years prior to the CBA of 1974, uncontrollable outlays as a percentage of total budget outlays increased from 63 percent to 75 percent.[2] This was due in most part to the growth of outlays for the social security trust fund, public assistance programs such as Medicaid, and interest on the public debt. The Appropriations Committees were further frustrated by the use of "backdoor" spending such as contract and borrowing authority. By 1974, the Appropriations

Committees controlled only a small and diminishing portion of total spending.

Additional evidence of the disintegration of the appropriations process was the failure to enact appropriations bills by the start of the fiscal year. Prior to the CBA, the last time all of the regular appropriations bills had been approved on time was 1948, and between 1972 and 1975 no appropriations bills were enacted by the start of the fiscal year.[3] Further, there was no unified process by which Congress could evaluate individual appropriations bills relative to one another, or their total relative to any spending or deficit target.

E. INCONGRUITY OF REVENUES AND SPENDING

Deficits occur when receipts of the federal government are less than the outlays. While the Appropriations Committees were seen as responsible for government spending, the Revenue Committees (House Ways and Means Committee and Senate Finance Committee) were responsible for the receipts. Prior to the CBA of 1974, however, the Revenue Committees acted relatively independently of the Appropriations Committees. There was no single process by which Congress could directly juxtapose and evaluate spending and revenue totals. Deficits increased as tax revenues failed to increase at the same rate as federal spending.

F. INCEPTION OF REFORM

In light of the growing realization of the need for budget reform, in late 1972 Congress convened the Joint Study Committee on Budget Control. The Joint Study Committee consisted primarily of members of the standing committees which were central to the old process, and while these committees had the most to gain from budget reform, they also had the most at risk. Twenty-eight of the thirty-two members of the Joint Study Committee were members of the House and Senate Appropriations Committees, the House Ways and Means Committee, or the Senate Finance Committee.[4]

The Joint Study Committee on Budget Control, established on October 27, 1972, was the first of several committees which would investigate budget reform, ultimately resulting in the CBA of 1974. While they were willing to concede power in proposing the creation of the Budget Committees, their recommendation was that two-thirds of the Budget Committees membership be reserved for members of the Appropriations and Revenue Committees.[5] The final composition of these committees, as specified in the legislation, provided each chamber with a different allocation of the membership for the two committees. The recommendations of the Joint Study Committee, however. indicate the perception of the potential power which would be held by these committees.

G. THE CBA OF 1974

An examination of the Declaration of Purposes at the beginning of the CBA of 1974 would demonstrate that all of the previously mentioned factors contributed to the creation of the legislation. According to the Declaration, this new legislation was essential:

1. To ensure effective congressional control over the budgetary process;
2. To provide for the congressional determination each year of the appropriate level of Federal revenues and expenditures;
3. To provide for a system of impoundment control;
4. To establish national budget priorities; and
5. To provide for the furnishing of information by the executive branch in a manner that will assist the Congress in discharging its duties.[6]

The CBA of 1974 revised the budget process in several significant ways. It created the Budget Committees to facilitate the budget process, most notably through the production of two annual concurrent budget resolutions. The Congressional Budget Office was created to provide the legislative branch with a complement to the executive branch's Office of Management and Budget, giving Congress its own independent source of budget information. The Act provided a specific timetable dictating deadlines for completion of the various stages of the budget process. The beginning of the fiscal year was shifted from July 1st to October 1st to allow an additional three months after the submission of the President's budget to complete the authorizations and

appropriations process. Provisions were made to control backdoor spending, a means of circumventing the old process. And, in the last of 10 titles, the CBA of 1974 gave Congress increased control over impoundments by the executive branch.

H. BUDGET COMMITTEES

The creation of the Budget Committees was an addition to the existing budgeting structure which included Authorizing Committees, as well as Appropriations and Revenue Committees. While each of the budget participants gained some influence over the process, budget reform would require some redistribution of power, particularly in favor of the newly formed Budget Committees.

The rules on the composition of the House Budget Committee allow for five members each from the Committee on Appropriations and the Committee on Ways and Means, with the majority of the 23 members being drawn from the other standing committees. Further, no member of the House may serve on the Budget Committee for more than two (now three) of five successive Congresses.

There was no provision for required composition of the Senate Budget Committee and its members are assigned through the normal committee process.

The CBA of 1974 and the Budget Committees were to centralize and rationalize the budget process, coordinating the fragmented appropriations process and providing an accordance between the Appropriations and the Revenue

Committees. The legislation was to accomplish this coordination in several ways.

I. THE CONGRESSIONAL BUDGET OFFICE

Title II of the Act establishes the Congressional Budget Office (CBO). The function of the new office was to provide Congress with its own source of budgetary information, information on authorizations, appropriations and revenues, and information on the economy and its impact on the budget. The CBO had the authority to draw this information directly from the various departments and agencies of the executive branch. Although the primary responsibility of the CBO was to facilitate the role of the Budget Committees by providing them with budget information, they were to be available to other congressional committees involved in spending or taxing.

Aside from being first and foremost at the disposal of the Budget Committees, the Budget Committees had additional influence over this new office. They were to continually review the performance of the CBO. Further, while the director of the CBO was to be appointed by the Speaker of the House of Representatives and the President pro tempore of the Senate, it was the Budget Committees who had the responsibility to make the recommendations.

Prior to April 1 of each year, the Congressional Budget Office is required to submit its report to the Budget Committees, as required by the budget timetable. The report is to include alternate levels of revenue, outlays, and budget

authority, as well as variations on the President's budget request based on the CBO's economic assumptions for the upcoming fiscal year.

J. BUDGET TIMETABLE

The timetable provided in Title III of the legislation specifies deadlines for milestones in the budget process (see Table 2). It requires that the President's budget be submitted by the 15th day after Congress meets. With this information, the standing committees of each house shall submit to their respective Budget Committee along with the Joint Economic Committee and the Joint Committee on Internal Revenue Taxation, their views and estimates of their respective area of the budget. Further, the standing committees of each house are to provide their estimates of the amounts of new budget authority and outlays for the upcoming fiscal year.

K. BUDGET RESOLUTIONS

With this collective information, the President's budget submission, the submissions of the various committees and the report of the CBO, the Budget Committees were to begin the compilation of the first of two concurrent budget resolutions, the primary means by which the Budget Committees were to assert their influence on the budget process. Concurrent resolutions on the budget are not signed by the President and therefore are not laws. Rather, the concurrent resolution is

TABLE 2

CONGRESSIONAL BUDGET TIMETABLE

On or before:	Action to be Completed:
November 10	President submits current services budget.
15th day after Congress meets	President submits his budget.
March 15	Committees and joint committees submit reports to Budget Committees.
April 1	Congressional Budget Office submits report to Budget Committees.
April 15	Budget Committees report the first concurrent resolution on the budget to their Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 15	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15	Congress completes action on second required concurrent resolution on the budget.
September 25	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1	Fiscal year begins.

Source: U.S., Statutes at Large, Vol. 88.

a means by which Congress can regulate its spending and taxing activities.

The first concurrent resolution, to be completed by May 15 of each year, was to be an estimate from which the other participants in the Congressional Budget Process could begin to formulate their respective portions of the budget. The first concurrent resolution was to be non-binding, providing estimates of total outlays and budget authority as well as levels for each functional category. Further, it would estimate the levels of revenues, the resulting surplus or deficit and the level of the public debt.

The first resolution established the Budget Committees as an integral part of the budget process. As included in the legislation and subject to a point of order, no bill providing new budget or spending authority, or changes in revenues or the federal debt may be considered by Congress until the first concurrent budget resolution had been adopted.

The second resolution further emphasized the potential power of the Budget Committees. The second resolution, to be completed by September 15, was a binding resolution, essentially revising the figures of the first resolution and providing reconciliation instructions if necessary.

L. RECONCILIATION INSTRUCTIONS

Reconciliation instructions are the amount by which a committee must change the portion of the budget over which it has jurisdiction to accommodate the final totals provided in the second concurrent resolution. If only one committee is directed to make such changes, the committee reports its

recommendations to its respective house in the form of a reconciliation resolution or reconciliation bill. However, if more than one committee is directed to make such changes, these committees submit their recommendations to their respective Budget Committees, which then compile the recommendations, in the form of a bill or resolution, for their respective house. Subject to a point of order, Congress may not adjourn until action on the second concurrent budget resolution, reconciliation bill or reconciliation resolution is complete.

M. ADDITIONAL RESPONSIBILITIES OF THE BUDGET COMMITTEES

There are several provisions in the legislation which are subject to a point of order. Since it was the CBA of 1974 which created the Budget Committees, they would have the most incentive to raise a point of order when a provision of the legislation which empowered them was violated. Consequently, the Budget Committees assume the additional responsibility of enforcing the new process.

The CBA also specifies that it is the responsibility of both the House and Senate Budget Committees to continually evaluate the budget process and to make recommendations on the ways in which the process may be improved or revised. The legislation, however, does not preclude any other committees from making similar recommendations.

N. IMPOUNDMENT CONTROL

The final section of the CBA of 1974, Title X, was written to restrain the executive branch, as opposed to the previous titles which were designed more to discipline Congress itself. In fact, Title X may be regarded as a separate act under the name of the Impoundment Control Act of 1974. This last section distinguishes between two different types of impoundments and expands on the aspects of each. Deferrals are regarded as a delay of the obligation or expenditure of budget authority. Rescissions are the cancellation of the obligation or expenditure of budget authority. The executive branch has the power to defer unless Congress disapproves, and to rescind only with the consent of Congress.

On July 12, 1974, President Nixon signed the Congressional Budget Act. The creation of the Budget Committees and the requirement to produce two concurrent budget resolutions provided a means by which Congress could determine and control the appropriate level of revenues and expenditures and establish budget priorities. The creation of the Congressional Budget Office provided the means by which Congress could obtain relevant information from the executive branch to facilitate the congressional budget process. The Act established strict guidelines to allow for control over executive impoundments. Collectively, all of the provisions within the legislation were designed to assure effective Congressional control over the budget process.

While it attempted to accommodate all of the budget participants, the CBA of 1974 required some redistribution of power. The Appropriations Committees gained some control over entitlements and backdoor spending at the expense of control over total spending and spending within each of the individual budget functions. The Revenue Committees gained a legislative procedure which could control federal expenditure, while conceding some authority over revenue totals.[7] But with the creation of the Budget Committees, the CBA of 1974 created a budget participant around which the rest of the process would revolve. Budget participants reported to these new committees at the beginning of the process, were obligated to work within the resolutions, and accept their reconciliation instruction at the end of the process. Further, acting as enforcers of the new legislation, the Budget Committees would continuously monitor new and existing legislation.

The success of the CBA would rely upon several considerations. Inflation, unemployment and conflict with the executive branch were factors which contributed to the budget reform sentiment in Congress. Therefore, the success of the legislation would partially depend on the performance of the economy, and the relationship between Congress and the President.

However, the majority of the CBA was designed to organize congressional budgeting. Therefore, its success and the future of the Budget Committees would rely on the willingness

of the members of each chamber to support the legislation. Resolutions and reconciliation instructions would be inherently disagreeable to some members of Congress. The value of a resolution relies, first and foremost, on the fact that it is supported by a majority in Congress. Supporting the process as a whole might require a member to relinquish his individual legislative or committee interests.

Similarly, the Budget Committees, while potentially very powerful, would be effective only to the extent that they were able to anticipate and accommodate the budget preferences of the other participants in the budget process.

1. Lance LeLoup, The Fiscal Congress (Westport, CT: Greenwood Press, 1980), p. 18.

2. Howard Shuman, Politics and the Budget, The Struggle Between the President and the Congress (Engelwood Cliffs NJ: Prentice Hall, 1988.), p. 197.

3. LeLoup, The Fiscal Congress, pp. 18-19.

4. Allen Schick, Congress and Money (Washington D.C.: The Urban Institute, 1980), p. 55.

5. Ibid., p. 56.

6. U.S., Statutes at Large, vol. 88.

7. Schick, Congress and Money, p. 79.

III. THE ROLE OF THE BUDGET COMMITTEES 1974-1980

A word frequently used to describe the first five years of the new budget process and the Budget Committees established by the CBA of 1974 is "accommodation." Accommodation in this context describes the consideration and coordination of the legislative needs and wants of all the committees centralized through the CBA. Accommodation, however, does not necessarily imply satisfying all of these needs, but weighing them against each other, minimizing the dissatisfaction of the various budget participants, and allowing the Budget Committees to report resolutions which would be accepted by a majority on the floor of their respective house.

Neither does accommodation imply that conflict was absent from the budget process during the years which followed the CBA of 1974. The potential for conflict is inherent in the design of the federal government, and accordingly, this potential extends through the budget process. Prior to the CBA of 1974, budget conflict within the legislative branch occurred primarily between the Appropriations, Authorizing, and Revenue Committees. Since the CBA of 1974 created the Budget Committees in addition to the existing structure of the budget process, these new participants could only be expected to increase the potential for conflict.

Budget resolutions forced conflict by juxtaposing inherently controversial budget issues. Spending decisions were considered collectively rather than on an individual basis. Further, spending and revenue decisions and the resulting deficit had to be addressed relative to each other within a single legislative framework. Consequently, the first five years of the new budget process were marked by narrow margins on budget resolution votes (See Tables 3 and 4). In spite of the conflict, accommodation was the means by which the Budget Committees and Congress ensured the preservation of the process.

A. HOUSE AND SENATE BUDGET COMMITTEES

The House Budget Committee exerted less of an influence over the budget process during the first five years of the CBA than their counterparts in the Senate. Loyalty and unity within the House Budget Committee may have been undermined by the requirement for direct representation on that committee by the Appropriations and the Ways and Means Committees and party leadership. This was further aggravated by the required rotation of the committee members. Required rotation of the membership of HBC also occurred at the expense of the expertise a member gained during his tenure on the committee.[1]

To compensate for the discord within the House Budget Committee, Democrats within the committee relied on their party leadership to generate the required support for a resolution. The large margin by which the Democrats

controlled House facilitated the influence of party leadership. Not coincidentally, House resolutions were perceived as more representative of Democratic fiscal policy.[2] As shown in Table 3, votes on the passage of budget resolutions in the House followed strong party lines.

TABLE 3

VOTES ON HOUSE BUDGET RESOLUTIONS, FY 1976-1980

Resolutions	Vote		Democrats		Republicans	
	Yes	No	Yes	No	Yes	No
FY 1976						
1st Resolution	230	193	225	55	5	138
2nd Resolution	225	191	214	67	11	124
FY 1977						
1st Resolution	221	155	208	44	13	111
2nd Resolution	227	151	215	38	12	113
3rd Resolution	239	169	225	50	14	119
FY 1978						
1st Resolution						
(1st Round)	84	320	82	185	2	135
(2nd Round)	213	179	206	58	7	121
2nd Resolution	199	188	195	59	4	129
FY 1979						
1st Resolution	201	197	198	61	3	136
2nd Resolution	217	178	215	42	2	136
FY 1980						
1st Resolution	220	184	211	50	9	134
2nd Resolution						
(1st Round)	192	213	188	67	4	146
(2nd Round)	212	206	212	52	0	154

Source: Allen Schick, "The First Five Years of Congressional Budgeting," in The Congressional Budget Process after Five Years, ed. Rudolph G. Penner (Washington D.C.: American Enterprise Institute for Public Policy Research, 1981), p. 10.

As shown in Table 4, votes on the passage of the Senate budget resolution were less partisan. As opposed to the

TABLE 4

VOTES ON SENATE BUDGET RESOLUTIONS, FY 1976-1980

Resolutions	Vote		Democrats		Republicans	
	Yes	No	Yes	No	Yes	No
FY 1976						
1st Resolution	69	22	50	4	19	18
2nd Resolution	69	23	50	8	19	15
FY 1977						
1st Resolution	62	22	45	6	17	16
2nd Resolution	55	23	41	5	14	18
3rd Resolution	72	20	55	3	17	17
FY 1978						
1st Resolution	56	31	41	14	15	17
2nd Resolution	63	21	46	8	17	13
FY 1979						
1st Resolution	64	27	48	8	16	19
2nd Resolution	56	18	42	6	14	12
FY 1980						
1st Resolution	64	20	44	5	20	15
2nd Resolution	90	6	55	1	35	5

Source: Allen Schick, "The First Five Years of Congressional Budgeting," in The Congressional Budget Process after Five Years, ed. Rudolph G. Penner (Washington D.C.: American Enterprise Institute for Public Policy Research, 1981), p. 17.

House, the Democrats maintained a smaller majority in the Senate, and therefore the influence of the party leadership was reduced. Senators, with longer terms and broader constituencies, may not have felt as threatened by the statements which resolutions would force them to make.[3] There was no CBA requirement for representation of other committees

on the Senate Budget Committee. Further, the absence of a time limit on membership on the SBC allowed Senators to develop expertise and a sense of loyalty toward the committee.

B. PARTISAN CONFLICT

Partisan conflict was evident from the start of the new budget process. Although the CBA of 1974 did not require the production of a resolution until the following year, the HBC and SBC agreed to produce resolutions for FY 1976. Fiscal conservatives were immediately opposed to supporting the process which would force them, for the first time, to go on record in favor of a $70 billion deficit.[4] Congressman Delbert Latta, the ranking minority member of the HBC, voiced this opposition to the resolution.

> We will have acquired by fiscal year 1976 $600 billion plus in debt since the beginning of our history but we are going to acquire one sixth of that in one single year. That is scary.. . . We are passing this tremendous debt onto our children and their children. I think that is downright immoral.[5]

The divergence on the HBC may have undermined the process and the credibility of the committee in the House, contributing to the narrow vote margins of the first resolutions.

In the Senate, Senator Muskie, chairman of the SBC, and the ranking minority member, Senator Bellman, worked together to avoid the kind of partisan conflict that threatened the process in the House. The leadership in the SBC realized that the best hope for the new process was to report resolutions which the members of the Budget Committee, both Republican and

Democrat, would support on the floor. As Senator Muskie stated:

> There is no point in sending something that is fruitless to the Floor. If we send something to the Floor and end up with 15 members of the Committee for one reason or another deciding that they can't support it, we are really going to be in a tough box.[6]

In contrast to the House, partisan accommodation in the Senate began first within the Budget Committee where it was easier to resolve partisan disputes among 15 committee members than on the floor of the chamber.

C. ACCOMMODATING THE APPROPRIATIONS COMMITTEES

In developing resolutions, the Budget Committees must be cautious not to appear to intrude too far into the jurisdiction of the other budget participants. Deciding the totals for various functional categories, Budget Committee members must make some assumption about which programs will be financed and for how much. At the same time, however, they risk incensing the Appropriations Committees whose responsibility it is to decide program financing at a more detailed level.

In order to ensure the future of the process, the Budget Committees took efforts to accommodate the powerful Appropriations Committees during the first five years of the budget process. An example of this occurred during the conference on the third resolution for fiscal year 1977, when Congressman Robert Giamo interrupted the conference to propose that spending levels be revised: "I am told the Appropriations

Committee has just marked up some numbers that might be of some interest here."[7] Although the levels were revised to reflect those provided by the Appropriations Committee, this accommodation frustrated other Budget Committee members in the conference such as Senator Peter Domenici who responded: "What are we doing here marking up these functions if we are just waiting for Appropriations to give us the figures?"[8] Accommodation of this sort led critics of the process to regard the Budget Committees as little more than adding machines.

While one of the purposes of the CBA was to allow control over budget totals and relative priorities, it was standard procedure in both the House and Senate during the markup of a resolution to consider functions individually, leaving budget totals and relative proportions to be a result. As Senator Muskie stated:

> (The committee goes) through each of the 19 functions of the budget carefully, without carrying any total target for spending.. . . Each function's total and, indeed, the missions within each function, are addressed in that fashion. There is no arbitrary ceiling imposed on domestic spending. There is an honest attempt to address legitimate needs in each function.[9]

Rep. Robert Giamo of the House Budget Committee defended this approach, stating:

> . . . if we attempt to set overall budget limits without going into the specific functional categories and taking into account the programs and activities which may be funded, we will be proceeding into a factual vacuum . . . there is no way for us to know what the implications of such a procedure would be for various programs.[10]

These examples are not intended to portray the Budget Committees as weak or ineffective during the first five years of the budget process. In order to prevent the process from falling by the wayside, the Budget Committees had to continuously monitor and accommodate the legislative interests of the participants. Once Congress became acclimated to the presence of the Budget Committees, they would be more effective in influencing policy.

One example of what could have happened if the Budget Committees had taken a more aggressive and independent role occurred in May 1977. Despite the objections of the chairman of the Budget Committee, Senator Muskie, the Senate had approved a farm crop support program which would violate the targets set in the first resolution, passed only weeks earlier. When the Senate Budget Committee reported the second resolution, it included reconciliation instructions to eliminate $700 million from the crop supports. On the floor, the Senate simply eliminated the reconciliation instructions from the resolution, and increased the level of funding for agriculture.[11]

As the Budget Committees had to accommodate the Appropriations Committees, the reverse was also true as the Appropriations Committee realized they must concede their traditional role as "guardians of the purse." An example of this occurred in 1977 after Congress had passed a third resolution in support of President Carter's economic stimulus program.

Subsequent to the resolution, the House Appropriations Committee reported a supplemental appropriations bill with spending levels sharply below those outlined in the third resolution. In response to protests from the Chairman of the House Budget Committee, Democratic leadership in the House compelled the Chairmen of the Appropriations Committee and subcommittees to sponsor amendments which increased the supplemental appropriations bill by $700 million dollars when it reached the floor.[12]

D. ACCOMMODATING THE REVENUE COMMITTEES

While the Budget Committees have some influence in the distribution of federal expenditures by allocating among the various budget functions, they are much more limited in their influence over revenues. The CBA did not relate revenue legislation to the budget resolution as the budget timetable did with appropriations bills. Revenue legislation may be considered throughout the year and the effects of it are more difficult to estimate than appropriations. Further, resolutions do not provide a means by which the Budget Committees can specify much more than revenue totals, with the decision of how much of the tax burden should be borne by which part of society left to the House Ways and means and the Senate Finance committees.

Conflict between the Budget and Revenue Committees became apparent early in the new budget process. Senate Budget Committee Chairman Muskie and Senate Finance Committee

Chairman Long engaged in one of the more notorious confrontations shortly after the Senate approved the first resolution for fiscal year 1977. The Senate Finance Committee had reported a tax bill which met the revenue totals of the first resolution by manipulating the effective dates of temporary tax cuts and tax expenditures. Senator Muskie argued that the bill was a threat to the fiscal policy of the Budget Resolution and that it ultimately would result in revenue losses in the out-years. Senator Long contended that the tax reform bill offered by his committee complied with the guidelines of the second resolution, and that the Budget Committees would be impinging on the jurisdiction of his committee if they attempted to specify anything more than revenue totals. Although most Senators recognized that Senator Muskie was correct, the floor voted in favor of the tax bill. In arguing his point, Senator Long had emphasized the importance of committee jurisdiction, and this may have persuaded Senators, recognizing the threat to their own committees, to support the Finance Committee.[13]

Although this direct confrontation between Budget and Finance Committees may not appear to be accommodating in itself, Senator Muskie's challenge of the Finance Committee may be seen as an accommodation of the tax reform sentiment in Congress. The tax reform bill which ultimately emerged from conference offered measures which complied more closely with the revenue totals of the budget resolution.[14] Further,

allowing the Finance Committee to circumvent the budget resolutions through accounting gimmicks set a dangerous precedent which would threaten the future of the process.

Two years later Senators Muskie and Long had apparently reached a mutual understanding. In order to avoid the conflict of previous years they had developed an agreement whereby the SBC would allow Senator Long's Finance Committee room for a moderate amount of tax reduction in the markup of the second resolution for fiscal year 1979. In return, Senator Long assured that the tax bill being considered (ultimately the Revenue Act of 1978), would be consistent with the levels specified in the second resolution. In contrast to their heated conflict two years prior, during the floor debate of the tax bill Senator Long supported Senator Muskie as he voiced opposition to various floor amendments which would increase the size of the tax reductions.[15]

After five years of congressional budgeting, many of the problems which had led up to the CBA still remained. The economy was still struggling with inflation and unemployment (see Table 5).

Some felt that the CBA implied the promise of deficit reduction and spending control. Yet deficit spending had been used in each of the resolutions produced during the five year period. Federal spending had continued to increase from $332 billion in FY 1975 to $590 billion in FY 1980.[16]

TABLE 5

Economic Indicators and Budget Deficits/Surplus

Year	Consumer Price Index (%)	Unemployment (%)	Deficit or Surplus (in billions)
1975	9.1	8.5	$ -53.2
1976	5.8	7.7	-73.7
1977	6.5	7.1	-53.6
1978	7.7	6.1	-59.2
1979	11.3	5.8	-40.2
1980	13.5	7.1	-73.8

Source: John Cranford, Budgeting for America (Washington D.C.: Congressional Quarterly Press 1989), pp. 6, 44, and 52.

Uncontrollable spending had increased over the same period from 72.8 percent to 76.1 percent of total expenditures.[17]

Although it was anticipated that Congress would use the new process to gain control over these areas, there was no stipulation in the CBA which stated that deficit and spending reduction/control would be achieved.

These figures and previous examples may indicate that the Budget Committees were marginally effective in influencing budget policy during the first five years, while the Appropriations and Revenue Committees retained their traditional influence. But, while they may have been less effective than anticipated in influencing policy, the Budget Committees did have a significant impact on the process. During these five years, the Budget Committees had established themselves within

the infrastructure of Congress. Formulating budget resolutions had become an accepted annual evolution. Through accommodation they had ensured that the new process survived and at the beginning of the 1980's they were in a position to take a more aggressive role in the congressional budget process.

1. Lance LeLoup, The Fiscal Congress (Westport, CT: Greenwood Press, 1980), pp. 59-62.

2. Allen Schick, "The First Five Years of Congressional Budgeting," in The Congressional Budget Process after Five Years, ed. Rudolph G. Penner (Washington D.C.: American Enterprise Institute for Public Policy Research, 1981), pp. 9-16.

3. LeLoup, The Fiscal Congress p. 104.

4. Ibid., pp. 37-38.

5. Ibid., p. 38.

6. Schick, "The First Five Years of Congressional Budgeting," p. 16.

7. Allen Schick, Congress and Money (Washington D.C.: The Urban Institute, 1980), p. 312.

8. Ibid., p.312.

9. Schick, "The First Five Years of Congressional Budgeting," p. 27.

10. Ibid., p. 27.

11. Schick, Congress and Money p. 326.

12. Ibid,. p.446.

13. Ibid., pp. 527-539.

14. Ibid., pp. 537-538.

15. Ibid., pp. 539-543.

16. John Cranford, Budgeting for America (Washington D.C.: Congressional Quarterly Press, 1989), p. 6.

17. Schick, Congress and Money p. 568.

IV. CONGRESSIONAL BUDGETING AND THE ROLE OF THE BUDGET COMMITTEES 1981-1984

The elections of 1980 set the stage for what was to be one of the most potent uses of the provisions of the CBA - reconciliation. Benefiting from the momentum of Reagan's popularity and his defeat of President Carter, the Republicans gained control of the Senate with a net increase of 12 seats for a 53 to 47 majority. While the Democrats still maintained control of the House with a margin of 242 to 193, the Republicans had gained thirty-three seats. This Republican House minority, joined by a group of conservative southern Democrats known as the "Boll Weevils," would facilitate the use of reconciliation in support of Reagan's fiscal policy.

Reconciliation had been used for the first time in 1980, but not to the extent it would be the following year. The 1980 reconciliation bill contained $4.6 billion in spending cuts and $3.6 billion in revenue increases, a change of less than 1 percent from the spending and revenue totals.[1]

A. BUDGETING IN 1981

Reagan assumed the executive office with a specific economic program which included a substantial reduction in government spending with a marked shift in resources from domestic programs to defense, and a significant reduction in federal taxes.[2] During the first weeks of the Reagan

Presidency, the White House, specifically Reagan's Director of the Office of Management and Budget, David Stockman, and Senate Republican leadership initiated an effort to modify President Carter's budget request for FY 1982 to accommodate Reagan's economic program. President Reagan formally submitted his budget revisions to Congress on March 10, 1981. Within two weeks, the Senate Budget Committee under the new leadership of Senator Peter Domenici, who had ascended to the chairmanship when the Republicans gained control of the Senate, had reported a resolution revising the second budget resolution for fiscal year 1981. This resolution contained reconciliation instructions to fourteen Senate committees to cut spending by $36.4 billion for FY 1982.[3] After numerous floor amendments by the Democratic minority to restore spending were rejected, the Senate approved the resolution by a vote of 80 to 10. Ultimately, the reconciliation instructions were incorporated into the first concurrent resolution for FY 1982 which was approved by the Senate on May 12, 1981.

Of particular note, however, is the composition of these spending reductions. Only $3.2 billion of the cuts were directed toward the appropriations committee, with 90 percent of the cuts consisting of previously funded authorizations and entitlements.[4] This is significant in that it demonstrates that, aside from the ability to radically alter fiscal policy, reconciliation had enormous legislative implications.

In the Democrat controlled House, the Budget Committee opted to consider reconciliation with the mark up of the first resolution for FY 1982. The resolution reported to the House by the Budget Committee attempted to dilute the Reagan economic program, increasing spending and tax receipts. During the floor debate, however, the Budget Committee's resolution was rejected in favor of a proposal constructed by conservative Democrat Phil Gramm, the only Democrat on the HBC to vote against the resolution in committee, and Delbert Latta, the ranking Republican member of the HBC. The Gramm-Latta substitute resolution differed from Reagan's budget request only in further reducing spending by $6.1 billion, thereby reducing the deficit an equal amount.[5] The floor vote on the Gramm-Latta substitute was 253 to 176 with 63 conservative "Boll Weevil" Democrats siding with a unified Republican minority.

This conservative majority in the House was to again exert its influence after the first resolution had been agreed to in conference and the Budget Committees had assembled and reported their reconciliation bills. While the Senate reconciliation bill was accepted with little difficulty, in the House the Democrat authored reconciliation bill deviated too much from the intentions of the Reagan administration, prompting Gramm-Latta II. Gramm-Latta II, a Republican/Boll Weevil reconciliation alternative which closely approximated the Senate bill, was agreed to in the House by a vote of 217-

211. The final reconciliation bill, reducing spending by $35.2 billion for FY 1982 and $130.6 billion through FY 1981-1984, was agreed to in conference on July 29, 1981 and adopted by each house two days later.[6] On August 13, 1981, less than six months after its inception, President Reagan signed the Omnibus Budget and Reconciliation Act of 1981 into law.

B. TREND TOWARD MAJORITARIAN BUDGETING

There are several factors which contributed to the success of Reagan's fiscal program in 1981. Reconciliation had only been used once before and not to the extent which it was used in 1981 to influence fiscal policy. Reconciliation, as it was designed, was to be the means by which non-binding budget totals in the first budget resolution could be brought into accord with the second resolution. However, the original budget timetable provided only ten days after adopting the second budget resolution to complete action on a reconciliation bill. Further, reconciliation required changes to legislation regarding controversial budget topics such as entitlements. These factors made reconciliation an impractical procedure as it was originally conceived.[7]

The Reagan administration used reconciliation in a much different capacity. By including reconciliation instructions with the first budget resolution, reconciliation became a means to radically influence fiscal policy. The speed with which budget resolutions and the reconciliation bills were executed allowed administration supporters to capitalize on

Reagan's popularity, and prevent lobbyists and other coalitions from organizing an opposition. Finally, the most obvious factor which ensured the success of Reagan's fiscal program was the majority support of the Republican/Boll Weevil Coalition in Congress.

While perhaps unanticipated, the budget process created by the CBA of 1974 would contribute toward the formation of larger coalitions and an increased role for party leadership in the budget process.[8] By unifying the previously fragmented appropriations process with revenues, programs took on an added significance with respect to their impact on fiscal policy. Subsequently, increasingly diverse interests were drawn into the budget process. But, as Allen Schick states, "Because a budget resolution addresses the interests of most committees and members, it cannot be composed by the Budget Committees alone."[9]

This sentiment is supported by John Gilmour who states in Reconcilable Differences, "broader policies - such as reducing deficits, restraining spending, and enacting consistent fiscal policy - are not well served by a committee system."[10] The budget resolutions and reconciliation instructions with the significance of those in 1981, by intruding into the legislative prerogatives of other committees, could only reinforce the trend toward majoritarian budgeting.[11]

Throughout 1981, the perception of the Budget Committee's power and stature was enhanced because of the new significance

of budget resolutions and reconciliation instructions. This was particularly true in the Senate, due to the close alliance between SBC Chairman Peter Domenici and the Reagan administration. According to Senator Domenici, reconciliation was regarded by Congress as an "extension of the normal procedures."[12]

However, the extent to which reconciliation was used to impact fiscal and legislative policy would force it to become normal procedure. In subsequent years, budget resolutions and reconciliation instructions would be bargained for by the various claimants of the budget process. Once its potential was realized none of these claimants would allow the budget process to remain within the prerogative of one set of committees. While the power of the Budget Committees related directly to the impact of budget resolutions and reconciliation instructions, ensuring congressional acceptance of these significant budget measures would require the formation of larger coalitions, ultimately detracting from the influence of the Budget Committees. Subsequently the following decade would be marked by the influence of larger coalitions and budget summits as congressional party leadership and the administration would decide the details of budget resolutions and reconciliation instructions.

C. BUDGET SUMMITRY IN 1982

By the start of the 1982 (FY 1983) budget cycle, the circumstances which had allowed the radical use of

reconciliation to push through Reagan's economic program had changed. The economy had not responded as quickly as predicted by the administration. Unemployment at the start of 1982 was 8.9 percent, its highest level since 1975.[13] Real Gross National Product had declined by a 5.2 percent annual rate for the last quarter of 1981.[14] In light of these economic factors and projections of a $100 billion deficit, members of the coalition who had supported Reagan's economic program the previous year began to abandon it.

Even prior to the submission of the executive budget, members of Congress, both Republican and Democrat, began to recognize and advocate the need for summitry in the budget process. As SBC chairman Peter Domenici stated at a conference on the budget process in early 1982:

> If the president is not able to muster popular support, as he did last year, then a truly bipartisan approach to the first budget resolution, even if it differs substantially from the president's plan is absolutely imperative.[15]

At the same conference, House Majority Leader and member of the House Budget Committee, Jim Wright noted the animosity which the rest of Congress felt toward the Budget Committees stating:

> The danger to the continuation of budget process is the perception on the part of the standing committees of the House that we are trying to supplant them, . . . I see an enormous dissatisfaction moving like an undertow and beginning to clutch at the process.[16]

Yet at the same time, Wright advocated summitry, which ultimately would undermine the role of the Budget Committee in the budget process, stating: "We would be more than pleased

to sit down with him (Reagan) and seek avenues of agreement toward our mutual goal."[17]

With the submission of the President's budget with a deficit of $91.5 billion for FY 1983, leaders from both parties acknowledged that Reagan's budget would be rejected in its present form, and the need for a budget summit to facilitate a compromise.[18]

The budget summit occurred throughout the month of April, with representatives from Congress and the Administration negotiating on behalf of President Reagan and Speaker of the House Thomas O'Neill. Ultimately, President Reagan and Speaker of the House O'Neill would meet on the final day of the summit to try (unsuccessfully) to resolve their partisan conflicts. While they were participants throughout most of the summit, SBC Chairman Peter Domenici and HBC Chairman James Jones were conspicuously not included in these final discussions.[19]

Following the breakdown in summit negotiations the Budget committees drafted their own resolutions. In the Senate, the Budget Committee reported a resolution which called for tax increases and cuts in social security although the total spending cuts were less than requested by President Reagan. After several days of floor debate, party leadership realized the resolution reported by the SBC would not be accepted by the floor. As a result, Senate Majority Leader Howard Baker

called for a recess so the Republicans could caucus and rewrite the resolution.[20]

In the House, the initial resolution was reported to the floor without support from HBC Republicans. The resolution was voted down on the floor along with several alternatives. Ultimately, a HBC alternative, which essentially mirrored the President's request, would be adopted with the support of the Republican/Boll Weevil coalition.[21]

D. BUDGETING IN 1983

A budget summit was avoided in 1983 (FY 1984), however that year's budget process was still dominated by larger budget coalitions. In the 1982 elections, House Democrats had gained 26 seats allowing greater solidarity within the party. Even prior to the mark up of the first resolution House Speaker Thomas O'Neill announced a Democratic caucus to take place in early March to "address the current economic and budget challenge."[22] Following the caucus, the unified Democrat coalition allowed the HBC to report a budget resolution which ultimately was accepted by the House on March 23.

The SBC, however, was unable to design a resolution which was able to generate enough support within the committee to report to the floor. The primary impasse within the SBC had been a consensus on tax revenues with the Democrats on the SBC calling for a $30 billion increase in new taxes. In deference to the process, SBC Chairman Peter Domenici and three other

Republican members of the SBC, conceded to a Democrat proposed resolution.[23] While the Republicans on the SBC continued to oppose the revenue figures, the resolution was reported with the intention of revising the resolution on the floor.[24] While this maintained the continuity of the process, it may have further undermined the Budget Committee's role in the process, allowing larger coalitions to design as well as revise the budget resolution.

On the floor, the Republican party remained divided as five moderate Republicans joined with the Democratic minority to accept an alternative resolution providing for higher taxes, lower defense spending and a smaller deficit than the executive budget request or a Republican alternative sponsored by SBC Chairman Domenici and Majority Leader Howard Baker. The Republican party remained divided throughout the conference and the subsequent adoption of the conference resolution by both houses. Senate Finance Committee Chairman Robert Dole regarded the three year $73 billion tax increase called for by the conference resolution as "unbalanced and unworkable" and called for a budget summit to redress the resolution.[25] Throughout the remainder of the year, Congress would argue the composition of a reconciliation bill to meet the requirements of the budget resolution and eventually adjourn for the year without one.

E. BUDGET SUMMITRY IN 1984

President Reagan again called for a budget summit in 1984 to avoid the conflict which had marked the two previous budget cycles.[26] Despite the President's request to negotiate a deficit reduction plan, Democrats in both Houses maintained that any deficit reduction would be accomplished through the "normal" legislative process.[27]

The White House reached an accord with the Republican Senate contingent in mid March. Termed the "Rose Garden" plan, as the President endorsed it in the White House Rose Garden, the plan called for caps limiting defense and other discretionary spending and an increase in taxes.

With Congress being limited by an election year schedule, and the large federal deficits becoming a key election issue, both houses took action early in the year to pass legislation which would have a significant impact on the federal deficit.

The House took the traditional budget approach, passing a budget resolution followed by a separate revenue and spending bills, requiring an increase in taxes of $49.8 billion and spending cuts of $132.6 billion through FY 1987.[28] Alternately, the Senate delayed consideration of a budget resolution until they had resolved the details of a deficit reduction package, essentially resolving reconciliation instructions prior to the resolution, reversing the order of the budget process as it is outlined in the CBA. The Senate deficit reduction package included $47.7 billion in tax

increases and $92.6 billion in spending cuts through FY 1987.[29] The Senate budget resolution was adopted the day following the adoption of the deficit reduction package. An indication of the diminishing role which the Budget committees played during the 1984 budget evolution was during the conference on the deficit reduction package. The conference included more than 120 Senators and Representatives, divided among twelve sub-groups which made up the conference. The Budget Committees were simultaneously in conference for the budget resolution with the responsibility of assisting the twelve sub-groups to assemble their decisions into a conference report.[30]

While the details of the deficit reduction package were resolved in conference by the summer recess, the conference on the budget resolution remained unresolved over the issue of defense spending. A second summit required to resolve the differences between the Reagan administration and Congress on defense spending was concluded after two weeks on September 20.[31] This last obstacle finally allowed Congress to adopt a budget resolution on October 1, just in time for the start of the fiscal year.

Summitry and the influence of party leadership would continue to dominate the budget process and diminish the influence of the Budget Committees through the remainder of the decade. However, the summitry of 1985 would result in

legislation which would further compound the budget process, and diminish the role of the Budget Committees.

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V. CONGRESSIONAL BUDGETING AND THE ROLE OF THE BUDGET COMMITTEES 1985 - 1989

A. BUDGETING AND BETRAYAL IN 1985

The contents of the Reagan budget for 1986 had been known for several weeks before it was submitted to Congress on February 4, 1985. Its features included revenues of $793.7 billion, outlays of $973.7 billion and a deficit of $180 billion.[1] However, even prior to the submission of the executive budget, Congress, frustrated with the growing deficit, had begun fashioning a budget alternative for FY 1986.

Congressional Democrats, while rejecting the Reagan budget, allowed Congressional Republicans to take the initiative in formulating an alternative. Throughout the first months of 1985 Senate Republicans under the leadership of the newly elected majority leader, Robert Dole, and the Chairman of the SBC, Pete Domenici, proposed at least five budget variations which would be acceptable to both Congress and the administration.[2]

The budget resolution which was finally accepted by the Senate provided for defense spending to increase at the rate of inflation, a freeze in the cost-of-living adjustment (COLA) on Social Security and other retirement benefits, and substantial cuts in domestic programs, allowing for lower deficits than originally proposed by the administration. Opposition

to the resolution on the floor of the Senate required that Republican Senator Pete Wilson, who was recuperating from surgery, be wheeled in on a stretcher to cast the tie vote, with Vice President George Bush casting the deciding vote in favor of the Senate budget resolution.

The House, in response to the deficit reduction in the Senate resolution, quickly moved to pass a resolution which matched the savings of the Senate package. The Democrat-authored House resolution, however, retained the COLA for Social Security, provided less spending for defense and more for domestic programs.

When the conference committee on the budget resolution remained at an impasse over the partisan differences between the House and Senate resolutions, President Reagan made an agreement with House Speaker Thomas P. O'Neill to accept the COLA for Social Security in exchange for the House's acceptance of the inflation adjustment for defense spending.

By previously exercising the vote of the Vice President, the administration had essentially conferred its support for the Senate resolution with its freeze on COLAs. With the accord reached between Reagan and O'Neill, the President had abandoned the Senate Republicans. While the agreement did not immediately resolve the differences of the conferees, the budget resolution adopted by Congress was considered much closer to the House budget resolution, without meeting anyone's expectations for deficit reduction.[3] In the words

of SBC Chairman Pete Domenici, "Any chance for this year of getting a real, significant, reliable, credible deficit reduction package is gone."[4] The deficit projected by the final resolution for FY 1986 was $171.9 billion, revised in October 1986 to $220.7 billion.[5]

B. GRAMM-RUDMAN-HOLLINGS

The frustration the Senate Republicans felt with the inability to reduce the deficit, and their betrayal by President Reagan contributed to the sentiment to amend the budget process and force deficit reduction. Late in the summer, the Senate took advantage of a bill to increase the ceiling on the national debt as a vehicle for the Balanced Budget and Emergency Deficit Control Act of 1985. The legislation is more commonly known by the names of the sponsors of the measure, Gramm-Rudman-Hollings (GRH).

GRH was a complex deficit reduction package, revising the budget process in a number of ways. The budget timetable outlined in the CBA was changed to move most of the budget deadlines earlier in the year (see Table 6). The second budget resolution, which held little significance by 1985, was formally eliminated.

The deficit reduction portion of GRH centered around the new budget timetables. Each August 15 through 1990 the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) would take a deficit "snapshot," their projection of the federal deficit relative to the actions Congress had

taken to date and the most recent economic forecasts.[6] The reports of the two offices would be assessed by the Comptroller General of the General Accounting Office (GAO) and his report would be forwarded to the President.

GRH legislated the maximum deficit, which was to decrease each fiscal year until, by FY 1991, the budget would be balanced (see Table 7). Should the deficit projections in the GAO report to the President exceed the maximum amount allowed in the legislation (with a $10 billion margin for error), the President would issue a sequester order, effective at the start of the fiscal year, automatically cutting spending for eligible programs.

Programs exempt from sequestration included the following: social security, interest on the federal debt, veterans' compensation and pensions, Medicaid, WIC (a food program for women and children), Supplemental Income, food stamps, and child nutrition, with limited cuts for five health programs including Medicare.[7] Of the eligible programs, the spending cuts would be equally divided between defense and non-defense accounts. OMB and CBO would submit a revised report to the GAO on October 5, to allow for Congressional action which would meet the deficit totals. The GAO subsequently reports to the President and the final sequestration order would take effect on October 15.

C. IMPACT OF GRH ON THE BUDGET COMMITTEES

Gramm-Rudman-Hollings continued to reduce the influence of the Budget Committees. The legislation had been intended to force a compromise between the larger coalitions in order to avoid the automatic cuts of a sequester. However, by legislating deficit totals, GRH had specifically limited the prerogatives of the various budget participants throughout the duration of GRH.

The Congressional Budget Act of 1974 specifies that the concurrent budget resolution, first submitted to Congress by the House and Senate Budget Committees, should set forth "the amount, if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors."[8] With this portion of the budget resolution decided by GRH, all of the budget participants had been constrained. But, because the most significant product of the Budget Committees each year was the budget resolution, the legislation of deficit totals restricted their sphere of influence more than any other participant in the budget process. Gramm-Rudman-Hollings also specified that reconciliation instructions would be included with the first, and as a result of GRH, the only budget resolution. However, in issuing reconciliation instructions, the Budget Committees' influence was also restricted. The committees with jurisdiction over the numerous entitlement programs exempted from the threat of sequestration would have less incentive to conform

TABLE 6

CONGRESSIONAL BUDGET TIMETABLE REVISED BY GRH

On or before:	Action to be Completed:
First Monday after January 3	President submits his budget.
February 15	Congressional Budget Office submits report to Budget Committees.
February 25	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	Annual appropriations bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriations bill.
June 15	Congress completes action on reconciliation legislation.
June 30	House completes action on annual appropriation bills.
October 1	Fiscal year begins.

Source: U.S., Statutes at Large, Vol. 99.

TABLE 7

DEFICIT REDUCTION UNDER GRAMM-RUDMAN-HOLLINGS

Fiscal Year	Maximum Deficit
1986	$171.9 billion
1987	$144.0 billion
1988	$108.0 billion
1989	$72.0 billion
1990	$36.0 billion
1991	$0.0 billion

Source: U.S., Statutes at Large, Vol. 99.

with reconciliation instructions, as failure to comply would result in a sequester of the discretionary portion of the budget.

D. BUDGETING IN 1986

Participants began budgeting for 1986 (FY 1987) under the constraints of GRH. Yet from its inception, there were questions about the constitutionality of the legislation. The dispute centered on the GAO's report to the President, initiating the sequester process. Because the Comptroller General, the head of the GAO, could be removed from his position by Congress, the GAO was perceived as an agent of the legislative branch. Therefore, the legislative branch would have intruded into an executive function by initiating a sequester. On February 7, a special three-judge federal panel ruled that GRH violated the separation of powers between the legislative and executive branches.[9] However, the provisions

of GRH would remain in effect until the Supreme Court would rule on the issue later in the summer.

While Congress was able to ensure the passage of GRH by the recess at the end of the previous year, they had adjourned without passing a reconciliation bill. Since GRH had been adopted midway through the fiscal year, a special budget timetable was included in the legislation to reduce the deficit by a maximum of $11.7 billion for the remainder of that fiscal year. Although GRH was intended to force compromise, in their first opportunity to do so, Congress opted for the automatic cuts, which were initiated on March 1 pending the Supreme Court's ruling.[10]

With 1986 an election year, budget coalitions shifted from the partisan conflict of the previous cycle to a bipartisan Congress versus the administration. Senate Republicans and Democrats publicly demonstrated that neither party would support Reagan's budget with its emphasis on defense and reduced domestic programs. In a letter circulated by Senator Rudy Boschwitz, 37 Republicans and 13 Democrats urged the President's cooperation in reducing the deficit and avoiding the automatic spending cuts of GRH.[11]

In the House the President's budget was defeated by a vote of 12-312. However, Chairman of the House Budget Committee William Gray stated that the HBC would allow the Senate to take the lead and begin marking up a resolution after one had emerged from the Senate.[12]

On May 1 the Senate approved a $1.1 trillion dollar budget resolution which reduced the president's defense request and increased taxes while still meeting the GRH deficit target for FY 1987. This was a decided shift from previous years when there was a strong coalition among Senate Republicans to support Reagan's defense build up and oppose new taxes. It may have occurred as a result of Reagan's abandonment of the Senate Republicans the previous summer. The House followed with a resolution which further reduced the deficit through lower defense spending and increased revenues.

The conference on the budget resolution lasted less than two weeks. Despite having missed the deadline for completing action on the budget resolution, Congress adopted a bipartisan budget resolution on June 26. The resolution called for $995.0 billion in spending, $852.4 billion in revenues, and a resulting deficit of $142.6 billion.[13]

On July 7, the supreme court upheld the lower court ruling that GRH violated the separation of powers between the legislative and executive branch, and nullified the first automatic cuts of $11.7 billion. In response, both chambers passed resolutions reaffirming the spending cuts.

A provision in GRH also provided a contingency, should the measure be found unconstitutional, whereby the CBO and OMB reports would be submitted to a special joint Budget Committee, which would report the cuts unchanged and immune to filibusters or amendments to the floor.[14]

However, Congress never had to resort to sequestration for FY 1987, as a $12 billion reconciliation bill was passed to meet the deficit target. The bill relied heavily on accounting gimmicks and one time savings such as a shift in military pay dates, unanticipated revenues from the Tax Reform Act of 1986, and the sale of government assets. Many in Congress, such as Senator William Armstrong, felt frustrated with the circumvention of the process, regarding the bill as "a joke" and stating: "This has nothing to do with trimming federal spending."[15] While the target for FY 1987 was met, the means by which it was accomplished left unanswered the question of how the deficit would be reduced the following year.

E. BUDGETING IN 1987-88

Fiscal year 1988 began with President Reagan submitting a budget which met the GRH deficit target of $107.8 billion.[16] Both houses of Congress were now controlled by the Democrats, the Republicans having lost the Senate in the previous year's elections. Democratic leaders were immediately critical of the President's budget, stating it was "devoid of useful ideas," with too much spending for defense, not enough for domestic programs, and relying on one-time revenue savings to reduce the deficit instead of new taxes.[17]

With a majority in both houses, Democratic leaders planned to rely on party unity to construct a broad Democratic budget resolution which would quickly move through both chambers simultaneously, with only minor differences to resolve in

conference.[18] As Representative Martin Frost, a senior Democrat on the House Budget Committee stated, "We will have a budget on the floor of the House in early April; that doesn't mean that it'll be a realistic budget, or that it will pass."[19] This statement possibly indicates the regard with which Budget Committee resolutions were held. These budget resolutions were needed only to initiate the process. Whether the resolution reported was realistic was of little concern, as the substance of the resolution was ultimately decided by larger coalitions, or deferred to the sequester of GRH.

The HBC approved a budget resolution for FY 1988 on a party-line vote of 21-14 on April 1. The resolution passed the floor of the House on April 9, by a vote of 230-192, with no Republican support. Rather than use the economic assumptions projected by the CBO, however, the House budget resolution achieved the GRH deficit target by adopting the more optimistic projections of the OMB.

The process was essentially the same in the Senate, which approved a Democrat-authored budget resolution by a partyline vote. The Senate resolution similarly adopted OMB economic assumptions to avoid a GRH point of order prohibiting the debate of budget resolutions which exceed the deficit targets unless waived by a 60 vote majority.

Despite a majority in both houses, the Democrats were divided in conference. The primary disagreement was defense, conservative Senate Democrats wanting higher defense funding

than the more liberal Democrats in the House. Again the Budget Committees were circumvented, when after initial conference discussions, the conferees adjourned for one month while Democratic leaders from the House and Senate resolved their differences. Only when the leadership had reached an agreement did the conferees reconvene to approve the measure.[20]

Frustrated with the process, members of the Budget Committees, primarily Senators Chiles, Domenici, and Gramm, worked throughout the summer of 1987 to produce another budget reform measure. Again, a bill raising the public debt limit was used as the vehicle. President Reagan signed the bill, formally known as the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, in late September.

More commonly known as Gramm-Rudman-Hollings II (GRH II), the measure essentially revived the automatic spending cut procedures of the original GRH, and revised the deficit targets (see Table 8). Under GRH II, the OMB would replace the GAO as the agency issuing the sequester report to the president. The maximum deficit reduction for FY 1988 was $23 billion. Under a slightly modified budget timetable, the initial sequester report from the OMB was issued on October 20 and the final sequester followed on November 20.

TABLE 8

DEFICIT REDUCTION UNCER GRAMM-RUDMAN-HOLLINGS II

Fiscal Year	Maximum Deficit
1988	$144.0 billion
1989	$136.0 billion
1990	$100.0 billion
1991	$64.0 billion
1992	$28.0 billion
1993	$0.0 billion

Source: U.S., Statutes at Large, Vol. 101.

F. MARKET CRASH AND A TWO YEAR BUDGET DEAL

There were numerous factors which contributed to the stock market crash on October 19, 1987. However, the crash was seen by Congress and the administration as an indication of the instability of the economy, and a demonstration of the diminished confidence the financial community had in the federal budget process, particularly since it occurred the day before the initial sequester report. In light of the situation, President Reagan conceded to a budget summit.

Negotiations continued for several weeks. Congressional negotiators included the chairmen and ranking minority members of the House and Senate Budget, Appropriations, and Revenue Committees, the House Republican Whip, Trent Lott, and House Majority Leader Thomas Foley.[21] However, while members of the summit announced an agreement on November 20, they had not

yet produced the savings necessary to preclude the sequester required by GRH II.

The budget summit agreement was comprised of a package of revenue increases and spending cuts extending over two years. Cuts were specified for both defense and non-defense discretionary appropriations, as well as reductions in certain entitlement programs such as Medicare and farm price supports.[22] Complying with the budget summit agreement, Congress produced two pieces of legislation, a reconciliation bill and a continuing appropriations resolution which also repealed the sequester. Together these two pieces of legislation purported to reduce the deficit by $33.4 billion in 1988 and $42.7 billion in 1989.[23]

While the ranking and minority members of the House and Senate Budget Committees had participated in the budget summit, the agreement continued to diminish the impact of the Budget Committees. Not only were the deficit targets specified through FY 1993 as provided in GRH II, but now several significant additional areas had been moved outside the consideration of the budget process for the coming budget cycle. Essentially, the previous resolution for FY 1988 was superseded, and a large part of the resolution for FY 1989 was completed in the budget summit.

As expected, budgeting in 1988 (FY 1989) proceeded with relatively little conflict. President Reagan submitted a budget which complied with the budget summit agreement and met

the GRH II deficit target. Both houses approved budget resolutions with a bipartisan consensus, the House on March 23 and the Senate on April 18. The conference on the budget resolution lasted six weeks while members of the House and Senate debated funding for science and space programs, education and job training programs, and an anti-drug initiative, areas not specified by the summit. For the first time since 1979, no reconciliation instructions were required by the budget resolution. OMB's sequester report indicated that GRH II deficit targets were met. Finally, just prior to the end of the fiscal year, Congress completed its action on all of the thirteen regular appropriations bills, a rarity in recent budget history.

G. THE BUDGET SUMMIT OF 1989

During the 1989 (FY 1990) budget cycle, the Budget Committees were almost as inactive as they had been the previous year. Upon the submission of his first executive budget request, which set broad spending and revenue targets, President Bush invited Congress to work with him to resolve the details. A budget summit began March 9. Representing the administration were the Director of the OMB Richard Darman, and Treasury Secretary Nicholas Brady. Among the Congressional negotiators were House Majority Leader Thomas Foley, and the Chairmen and ranking Republican members of the House and Senate Budget Committees.[24]

The budget summit agreement reached on April 14 was similar to the previous budget summit agreement in 1987, with discretionary spending levels specified for three broad categories, Defense, Domestic, and International Affairs. The anticipated deficit reduction of the agreement would total $28 billion, sufficient to reach the GRH II deficit target of $100 billion.[25] However, the deficit reduction agreed to in the summit was criticized for not substantially affecting the imbalance between revenues and spending. Much of the $28 billion in deficit reduction was comprised of one-time savings or accounting tricks, including $5.3 billion in undefined new revenues which would be left to the tax writing committees later in the year.[26]

As a result of the budget summit, the markup of the budget resolution was largely academic. Returning to the Senate Budget Committee, Chairman Jim Sasser and ranking minority member Pete Domenici announced that they would oppose any attempt to deviate from the summit agreement.[27] The diminished role of the Budget Committees was iterated by SBC member Kent Conrad who stated, "The operations of the Budget Committee have been rendered largely irrelevant - we're just going through the motions here."[28] However, the SBC had little choice but to report the original proposal provided by Senators Sasser and Domenici to the floor.

The markup of the budget resolution in the House Budget Committee followed a similar pattern. House Budget Chairman

Leon Panetta and ranking Republican Bill Frenzel were able to rebuff all amendments offered by the committee which violated the budget summit agreement. House Budget Committee member Richard Durbin complained, "The Budget Committee since the stock market crash has become superfluous to this process - it adds nothing, and members have virtually no voice in setting priorities."[29]

Both houses quickly passed their respective resolutions. The conference on the budget resolution required only two days before deciding to report a conference resolution which deferred the issue of reconciliation until the Revenue Committees and the administration decided how to raise the $5.3 billion in unspecified revenues.

Throughout the summer, pieces of the reconciliation package began to materialize. Consistent with the summit agreement, few of the deficit reduction proposals would have long term fiscal impact. Savings included $5.7 billion from the sale of federal assets, $1.8 billion from the removal of the U.S. Postal Service from the budget, and $2.9 billion from another shift of a payday for military personnel.[30]

In mid-August, the OMB issued a deficit projection of $116.2 billion, requiring $16.2 billion in deficit reduction to be achieved to avoid an October sequester.[31] However, negotiation on the reconciliation bill between Congress and the administration remained stalled over revenues, particularly President Bush's insistence on a capital gains

tax cut. President Bush eventually abandoned his quest for a capital gains tax cut, but not before he ordered a sequester which took effect on October 16.

Ultimately, the negotiations achieved only $14.7 billion in deficit reduction, half of the amount agreed upon in the budget summit the previous spring.[32] Nearly $4.6 billion (approximately one third) of the $14.7 billion total was achieved by retaining the sequester of discretionary accounts for 130 days.[33] The reconciliation bill produced only $10.1 billion in deficit reduction. Although there were claims of legitimate savings, much of the reconciliation bill was comprised of one-time savings and accounting gimmicks.[34]

Despite the budget summit of the previous spring and the anticipation of a low conflict budget cycle, the year ended in a sequester. As could be expected, the Budget Committees had minimal impact on the process - their role being limited by both summit and sequester.

1. Pamela Fessler, "FY'86 Budget Projects Small Rise in Spending," Congressional Quarterly, 9 Feb. 1985, p. 217.

2. Elizabeth Wehr, "Republican Budget Package Picked Apart on Senate Floor," Congressional Quarterly, 4 May 1985, p. 815.

3. Elizabeth Wehr, "Congress Cuts Budget by More Than $55 Billion," Congressional Quarterly, 3 August 1985, pp. 1520-1524.

4. Howard Shuman, Politics and the Budget, The Struggle Between the President and the Congress (Engelwood Cliffs, NJ: Prentice Hall, 1988), p. 280.

5. Ibid., p. 280.

6. The budget timetable for FY 1986 was modified to allow limited deficit reduction as GRH had been signed into law after that fiscal year had already begun.

7. Elizabeth Wehr, "Congress Enacts Far-Reaching Budget Measure," Congressional Quarterly, 14 Dec. 1985, pp. 2604-2611.

8. U.S., Statutes at Large, vol. 88.

9. Elizabeth Wehr, "Budget Puts Congress in Combative Mood," Congressional Quarterly, 8 Feb. 1986, p. 215.

10. Shuman, Politics and the Budget, pp. 285-288.

11. Elizabeth Wehr, "Senate Works on Budget With Democratic Aid," Congressional Quarterly, 8 Mar. 1986, pp. 540-543.

12. Stephen Gettinger, "House Bashes Reagan Budget, Seeks Its Own," Congressional Quarterly, 15 March 1986, p. 587.

13. Elizabeth Wehr, "Republican Budget Package Picked Apart on Senate Floor," Congressional Quarterly, 4 May 1985, p. 1440.

14. Elizabeth Wehr, "Senate Panel OKs Debt Increase; Congress Ratifies Automatic Cuts," Congressional Quarterly, 19 July 1986, p. 1604.

15. Stephen Gettinger, "Budget Measure Helps Congress Hit Deficit Goal," Congressional Quarterly, 25 Oct. 1986, p. 2709.

16. Stephen Gettinger, "Little New in $1 Trillion 1988 Budget Request," Congressional Quarterly, 10 Jan. 1987, pp. 44-50.

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18. Stephen Gettinger, "Party Unity, Not Bipartisanship, Sets Tone for Budget Debate," Congressional Quarterly, 17 Jan. 1987, p. 114.

19. Elizabeth Wehr, "Democrats Put Budget Action on Fast Track," Congressional Quarterly, 14 Feb. 1987, p. 269.

20. Elizabeth Wehr, "Democrats Agree on $1 Trillion 1988 Budget," Congressional Quarterly, 20 June 1987, p. 1295.

21. Elizabeth Wehr and John R. Cranford, "Cordial Talks on Deficit Belie Hardball Politics," Congressional Quarterly, 31 Oct. 1987, p. 2651.

22. Elizabeth Wehr, "Summit Deal Fails to Forestall Automatic Cuts," Congressional Quarterly, 21 Nov. 1987, pp. 2860-2862.

23. Elizabeth Wehr, "A Weary Congress Clears Bill to Raise Taxes, Cut Spending," Congressional Quarterly, 26 Dec. 1987, p. 3187.

24. David Rapp, "Negotiators Agree on Outlines of Fiscal 1990 Plan," Congressional Quarterly, 15 Apr. 1989, pp. 804-805.

25. David Rapp, "Bipartisan Pact Lets Everyone Be a Winner - For Now," Congressional Quarterly, 22 Apr. 1989, pp. 880-882.

26. Ibid., p. 880.

27. Ibid., p. 881.

28. Ibid., p. 881.

29. David Rapp, "House Panel Falls in Line Behind Bipartisan Deal," Congressional Quarterly, 29 Apr. 1989, pp. 945-947.

30. Jackie Calmes, "Congress Is Already Hedging On Deficit-Reduction Plan," Congressional Quarterly, 22 July 1989, pp. 1839-1840.

31. Jan Austin, "OMB Estimates Leave Congress Little Flexibility on Deficit," Congressional Quarterly, 26 Aug. 1989, p. 2208.

32. Jackie Calmes, "Bush, Congress Reach Deal on Deficit-Reduction Bill," Congressional Quarterly, 25 Nov. 1989, pp. 3221-3223.

33. Ibid., p. 3221.

34. Ibid., p. 3221.

VI. THE BUDGET COMMITTEES AND THE BUDGET ENFORCEMENT ACT OF 1990

Prophetically, as Senator Pete Domenici stated in the summer of 1989, "To the extent that you legitimately cheat or legitimately fudge, you increase the difficulties in (FY) 1991 as far as achieving the Gramm-Rudman target of $64 billion."[1]

A. THE BUDGET SUMMIT OF 1990

The executive budget submitted by President Bush early in 1990 projected a deficit of $100.5 billion, requiring $36.5 billion in deficit reduction to meet the GRH target of $64.0 billion.[2] Again, the President's budget relied on optimistic economic assumptions, a cut in the capital gains tax, and staunch opposition to new taxes. The Congressional Budget Office projected a more conservative deficit estimate of $138 billion for the current services budget.[3]

Democrats immediately derided the executive budget. However, by the April 15 deadline for Congress to have completed action on the budget resolution, the Budget Committees had not even begun to mark up their resolutions. Aside from the perennial partisan conflict, the economy had not performed as expected. These factors, along with the amount of deficit reduction required, began to convince Congress that the deficit target would not be met that year. As Senator Bob Dole stated, "It is going to be harder to put

together a viable budget resolution this year than other years. That is because we have so far to go to meet the Gramm-Rudman-Hollings target."[4]

The House Budget Committee was the first of the two committees to produce a budget resolution, despite HBC chairman Leon Panetta admitting that the economic assumptions and proposed savings were unrealistic.[5] Ironically, these were the same reasons why President Bush's budget request was criticized.

The submission of a politically and economically unrealistic budget resolution is further evidence of the diminishing importance of the Budget Committees. The resolution no longer provided a fiscal guideline. At best, it was a position from which participants of the inevitable budget summit would bargain. Ranking Republican on the HBC, Bill Frenzel, commented on the role of the Budget Committees: "Everyone participating in this debate understands that this is not a 'real' exercise . . . What we have here are bargaining positions, not blueprints."[6] The House approved its version of the budget resolution on May 1.

In the Senate, members of the SBC were barely participating in committee meetings, showing up only to vote.[7] The SBC reported its budget resolution to the floor just as President Bush invited members of Congress to preliminary budget negotiations in early May. Congressional leaders conceded and the first meetings began on May 15. Once again

the budget process was circumvented in favor of a budget summit.

Representing the administration in the budget summit were White House Chief of Staff John Sununu, Director of OMB Richard Darman, and Treasury Secretary Nicholas Brady.

Negotiators from the House included Majority Leader Richard Gephardt, Democratic Whip William Gray, Ways and Means Committee Chairman Dan Rostenkowski, Budget Committee Chairman Leon Panetta, Appropriations Committee Chairman Jamie Whitten, Republican Whip Newt Gingrich, ranking Republican on the Ways and Means Committee Bill Archer, ranking Republican on the Budget Committee Bill Frenzel, and Representative Silvio Conte.

Negotiators from the Senate included Budget and Appropriations Committee member Wyche Fowler acting as the representative of Majority Leader George Mitchell, Appropriations Committee Chairman Robert Byrd, ranking Republican on the Appropriations Committee Mark Hatfield, Budget Committee Chairman Jim Sasser, ranking Republican on the Budget Committee Pete Domenici, Finance Committee Chairman Lloyd Bentsen, ranking Republican on the Finance Committee Bob Packwood, and Budget Committee member Phil Gramm.[8]

At the first meetings of the budget summit, OMB director Richard Darman revised his deficit figures for 1991 to between $123 billion and $138 billion.[9] The CBO's more conservative figures projected a deficit between $149 billion to $159

billion.[10] It was becoming more obvious that the GRH targets would not be met.

The summit continued through early June when Appropriations Committee leadership decided to proceed with the mark up of the 13 appropriations bills. With the budget summit at an impasse, the House budget resolution was regarded in that chamber as the final resolution for the purposes of debating appropriations bills on the floor.[11]

As late as June 14, the Senate had not yet passed a budget resolution. To avoid a point of order and allow the appropriations process to continue, the Senate accepted a "skeletal" budget resolution, maintaining current spending levels, and omitting any of the reconciliation assumptions included in the SBC resolution. The Senate deferred to the budget summit negotiations to produce a workable budget resolution.[12]

As the budget summit entered its sixth week, OMB revised its deficit projection to $159 billion.[13] The CBO deficit projection was revised to $162 billion.[14]

New hope of a solution to the growing deficit came at the end of June when President Bush stated that a deficit reduction package would need to include "tax revenue increases," apparently contradicting his pre-election pledge of no-new-taxes.[15] While this was seen as a political victory for the Democrats, congressional Republicans felt betrayed. Unfortunately, this did little to resolve the specifics of a

deficit reduction package, and the summit continued with little progress.

With current projections indicating nearly $100 billion in deficit reduction needed to be accomplished (more than twice as much as had ever been achieved), a sequester of that magnitude became unthinkable. The budget summit remained at an impasse throughout the summer. It was almost as if budget negotiators were biding their time until the inevitable budget crisis would lend some superficial credibility to again raising the GRH deficit limits and revising the budget process.

A different crisis affected the budget negotiators when Iraq invaded Kuwait on August 2. National attention shifted away from the budget summit and added new considerations for deficit reduction.

The mid-August sequester report from OMB projected that the deficit for FY 1991 would be $149.4 billion.[16] Failure to reach the $64 billion GRH deficit target would result in a sequester reducing military spending by 35.3 percent and non-defense accounts by 32.4 percent.[17] A sequester of this magnitude would be politically unthinkable, particularly with U.S. troops being deployed to the Persian Gulf.

Negotiators met at Andrews Air Force Base on September 7 and returned after 10 days still at an impasse, Republicans insisting on a capital gains tax cut and Democrats demanding increases in domestic spending. A budget agreement was

reached by the negotiators on September 30, relying on cuts in Medicare and increased taxes to reduce the deficit by $40 billion.[18] The deficit reduction package was quickly rejected by the House.

A stop-gap spending bill, an outcome of the failed budget agreement, had suspended GRH sequestration and funded the government for the first five days of the new fiscal year. Without an acceptable budget resolution, President Bush vetoed a second stop-gap measure, shutting down the government October 6-8.[19] Congress worked throughout the Columbus day weekend and finally produced a stripped down budget resolution, excluding some of the controversial tax and spending provisions of the budget summit agreement.[20] Bush then signed the second of four stop-gap bills which would be required to fund the government until a reconciliation bill could be produced.

With elections only weeks away, the House and Senate Budget Committees quickly moved their reconciliation bills to the floor, which then moved the bill to conference. The final reconciliation bill, adopted by Congress on October 27 and signed by President Bush on November 5, claimed to reduce the deficit by $28 billion for FY 1991 and $236 billion over five years.[21] Included in the budget reconciliation bill as the last of thirteen titles was, once again, legislation which radically revised the budget process - the Budget Enforcement Act of 1990 (BEA).

B. THE BUDGET ENFORCEMENT ACT

The BEA was more equitable than GRH in its treatment of the different categories of spending. Discretionary spending was separated from other portions of the budget such as revenues and entitlements. Drawing on a procedure employed in previous budget summits, the BEA divided discretionary spending into three categories - Defense, International, and Domestic. Spending caps were placed on each of the discretionary categories for FY 1991-1993, with total discretionary spending caps provided for FY 1994-1995 (see Table 9). Funds cannot be shifted between categories. Through FY 1993, Congress will not be able to shift funds from defense or international accounts to finance further increases in domestic programs.

After Congress completes action on a discretionary appropriation, the CBO submits its estimate of the impact of the bill to the OMB. The OMB then submits its evaluation of the bill, with the CBO estimate, to Congress. Should discretionary spending exceed the cap in any category, a sequester occurs only within that category. Sequestration takes place with 15 days after the end of a session of Congress.[22] This provision shifts the role of the OMB from issuing a once-a-year GRH sequester report to evaluating, on a bill-by-bill basis, the impact of all legislation on the deficit.

TABLE 9

DISCRETIONARY SPENDING CAPS UNDER THE BEA OF 1990

(billions of dollars)

	Fiscal Year				
	1991	1992	1993	1994	1995
Defense					
Budget Authority			$288.9	$291.6	$291.8
Outlays			297.7	295.7	292.7
International					
Budget Authority			20.1	20.5	21.4
Outlays			18.6	19.1	19.6
Domestic					
Budget Authority			182.7	191.3	198.3
Outlays			198.1	210.1	221.7
Total Discretionary					
Budget Authority			510.8	517.7	
Outlays			534.8	540.8	

Source: U.S., Statutes at Large, Vol. 104.

Upon submission of the executive budget, OMB must adjust the discretionary spending caps to accommodate various factors, including changes in concepts and definitions, changes in inflation, and presidentially designated emergency appropriations. The caps may also be adjusted for changes in concepts and definitions or inflation with the August 20th sequester report or the final sequester report 15 days after the end of a Congressional session.

Discretionary spending was forced to bear the brunt of the sequester under GRH, although direct spending accounts

(entitlements and other spending programs not included in the appropriations process) had a much greater impact on the growth of the deficit.[23] The BEA segregated discretionary spending from the direct spending portion of the budget.

Direct spending and revenues were addressed collectively under a provision termed "Pay-As-You-Go" or "PAYGO." PAYGO requires any legislation decreasing revenues or increasing direct spending to be offset by cuts in other direct spending accounts or increased revenues. After Congress completes action on direct spending or revenue legislation, the CBO submits its estimate of the bill's impact on the deficit to the OMB. OMB then submits its estimate with the CBO's to Congress, within five days of the enactment of the legislation. Should the bill increase the deficit, a sequester would occur for non-exempt direct spending accounts within 15 days after Congress adjourns for that session. For the second time since Congress began trying to legislate deficit targets in 1985, the deficit targets were again revised (see Table 10). As with the discretionary spending caps, the president is required to revise the maximum deficit totals. Revisions would be submitted with the executive budget to account for current estimates of economic and technical assumptions and changes in concepts and definitions.

TABLE 10

DEFICIT TARGETS UNDER THE BUDGET ENDORSEMENT ACT

Fiscal Year	Maximum Deficit
1991	$327.0 billion
1992	$317.0 billion
1993	$236.0 billion
1994	$102.0 billion
1995	$83.0 billion

Source: U.S., Statutes at Large, Vol. 104.

Social Security trust funds, which had been sustaining a surplus and masking the true size of the deficit, were taken off budget.[24] This helped to justify the substantial increase in the deficit targets, as the deficit would automatically increase by approximately $60 billion without the offset surplus of Social Security receipts.[25]

The BEA retained the general sequester of GRH, although this possibility was considered unlikely due to the discretionary and PAYGO "mini-sequesters." Should the deficit estimate exceed the BEA deficit target, the general sequester would occur 15 days after Congress adjourns at the end of a session.

C. IMPACT OF THE BEA

There was a definite shift in power between budget participants with the legislation of the BEA. The administration and the OMB had apparently gained the most, with scorekeeping

authority over each spending or revenue bill. Most congressional participants were disciplined in some capacity. The Appropriations Committees and Subcommittees were confined to work within the limits of the discretionary spending caps. However, they were alleviated from the threat of a sequester due to adverse economic indications or changes in other portions of the budget. The Revenue and Authorizing Committees were bound by the new PAYGO provisions.

Most affected by the BEA were the Budget Committees. By incorporating the three capped discretionary categories of previous summits, the BEA had reduced the influence of the Budget Committees in the same way as the budget summit agreements. The BEA had essentially provided a five year budget resolution. Discretionary spending had been decided, except for the subdivisions of the domestic category. Even in this respect, the influence of the Budget Committees would be advisory at best. Deficit totals were specified, as they had been in the previous five years, keeping this portion of the budget from the prerogative of Congress or the Budget Committees.

The BEA minimized budgetary initiative.[26] Caps on discretionary spending categories, and the separation of discretionary spending from revenues and mandatory spending, severely reduced the option of setting fiscal priorities. Further, the PAYGO procedure established a bias toward existing programs which would be allowed to continue to grow

through indexation. Establishing fiscal priorities and deficit parameters was the primary purpose of the Budget Committees. The BEA had obviated that purpose, at least until 1995.

Despite claims of an important enforcement role for the Budget Committees under the BEA, OMB with their perpetual oversight of all revenue and spending bills, would more appropriately be referred to as the guardian of the process. At best, the role of the Budget Committees had been relegated to producing budget resolutions which would merely reaffirm Congress' commitment to the BEA.

D. BUDGETING UNDER THE BEA

Budgeting began for 1992, the first year under the new legislation, with the House voting to change one of the provisions of the BEA. In the first days of January, the Democratic majority carried a vote of 242-160 to change the House rules shifting scorekeeping authority from the OMB to CBO. This was perhaps an indication of how willing the House was to live under the restrictions of the BEA.[27]

Shortly thereafter, the Senate voted to reaffirm their commitment to the BEA. The provisions of the BEA required an automatic vote by the Senate to suspend the provisions of the legislation in the event of a recession. In late January, both CBO and OMB reported two consecutive quarters of negative economic growth. Under the urging of SBC Chairman Jim Sasser and ranking Republican Peter Domenici, the Senate voted 2-97

to reject a measure to suspend the new legislation.[28] Subsequently, the Senate would repeat this reaffirmation of the BEA on two occasions in 1991.

On February 4, President Bush submitted his FY 1992 budget request, which included outlays of $1,445.9 billion and revenues of $1,165.0 billion.[29] As the deficit totals in the BEA could be revised, the BEA had shifted the emphasis of federal budgeting from deficit reduction to spending control. As a result, there was little attempt on the part of the administration to mask the deficit of $280.9 billion.

The mark up of both the HBC and SBC resolutions proceeded with relatively little conflict. However, the HBC was constrained, as language in the BEA allowed the Appropriations Committee to proceed with discretionary spending allocations based on the President's budget, should Congress fail to adopt a budget resolution by April 15. Further, the Appropriations Committee could bring appropriations bills to the floor on May 15 regardless of whether Congress had adopted a budget resolution. The House passed its budget resolution, differing only slightly from the President's budget, on April 17.[30]

In the Senate most of the conflict centered on certain language of the BEA which Democrats had altered just before the final vote on the legislation the previous year. The language would ease the passage of an amendment, sponsored by Senator Patrick Moynihan, to provide a Social Security tax

cut. Regardless, the Senate approved a budget resolution without the Social Security tax cut on April 25.[31]

The budget resolution moved through conference with minimal conflict over language in the Senate version prohibiting the use of new taxes to pay for expanded entitlement programs. The language was removed in conference and Congress adopted the budget resolution on May 22.[32] However, this unusually early conclusion to the budget process was not soon enough for the House Appropriations Committee which had begun drafting its own spending plan the previous week. This action served to emphasize the irrelevance of the budget resolution.

Despite the hopes of Congress and the administration for the BEA, deficit estimates dramatically increased over the summer. The original BEA deficit target for FY 1992 was $317.0 billion. On July 15, the OMB released an FY 1992 deficit projection of $348.3 billion.[33] In August, the CBO confirmed the increase with a FY 1992 deficit projection of $362.0 billion.[34] In hearings before the Task Force on the Budget Process, Reconciliation, and Enforcement, Allen Schick called for the BEA to be revised, stating, "the BEA has not resolved the deficit crisis in federal budgeting."[35]

E. THE FUTURE OF THE BEA

Budget reform is only effective until Congress is able to find a way to circumvent the constraints of the legislation. Throughout the appropriations process there were several

indications of the unwillingness of Congress to remain within the bounds of the BEA. In both houses, the designation of "emergency" was creatively applied to some programs, making spending contingent upon the President declaring an emergency and suspending the provisions of the BEA.[36] OMB claims some programs have been deliberately underfunded in order to create an emergency.[37] Expenditures have been delayed, allowing spending to remain under the 1992 caps, but making it more difficult to remain within future spending limits.[38]

In late September, President Bush removed the bombers of the Strategic Air Command from their 24 hour alert status and pledged unilateral reductions in nuclear forces. Reduction of U.S. strategic forces lends credibility to the perception of a diminishing threat and legitimizes the sentiment to further reduce future defense spending. This is not prohibited under the BEA. However, the BEA does prohibit savings from the defense discretionary category from being used to increase funding for other spending categories. Hence, members of Congress with a domestic agenda are advocating the revision of the BEA as a means of redressing fiscal priorities.

Two of the more prominent advocates of budget reform are the Chairmen of the Budget Committees. In early October, House Budget Committee Chairman Leon Panetta announced a ten year budget reform proposal relying on heavy defense cuts to finance domestic concerns such as education and health, as well as economic growth and deficit reduction.[39] However,

Panetta (one of the architects of the BEA) does not advocate revising the budget agreement until there is consensus on a long range budget plan.[40]

Other members of Congress are not so cautious. Later in October, Senate Budget Committee Chairman Jim Sasser and Finance Committee Chairman Lloyd Bentsen proposed discarding the BEA in order to free defense funds to finance a tax break for the middle class.[41]

With the apparently diminishing threat from the Soviet Union and the rapid conclusion of the Gulf War, Congress increasingly looks toward the defense discretionary spending category as a source of funds for domestic spending. This would obviously require changing the BEA to allow funds to be shifted between discretionary categories before 1993. Clearly, defense funds will be a central issue for future budget reform. Less than a year after it was signed into law, the validity of the BEA has been brought into question, as cries go up to again revise the process.

1. Jackie Calmes, "Congress Is Already Hedging On Deficit-Reduction Plan," Congressional Quarterly, 22 July 1989, p. 1839.

2. Jackie Calmes, "Bush Dealing from Strength as Budget Season Opens," Congressional Quarterly, 3 Feb. 1990, pp. 299-302.

3. Ibid., p. 300.

4. Jackie Calmes, "Democrats Labor to Meet Target for 1991 Deficit Reduction," Congressional Quarterly, 7 Apr. 1990, pp. 1051-1052.

5. Pamela Fessler, "Democrats Seeking Consensus as Spending Plan Develops," Congressional Quarterly, 28 Apr. 1990, pp. 1246-1247.

6. Ibid., p. 1246.

7. Ibid., p. 1247.

8. Pamela Fessler, "Read My Lips: No Conditions, Bush Tells Democrats," Congressional Quarterly, 12 May 1990, pp. 1457-1463.

9. Pamela Fessler, "Summit's First Item of Business is Agreement on the Deficit," Congressional Quarterly, 19 May 1990, pp. 1535-1536.

10. Ibid., p. 1535.

11. Pamela Fessler, "Negotiators Resume Seminar on Deficit Options," Congressional Quarterly, 9 June 1990, pp. 1779-1780.

12. Pamela Fessler, "Budget Negotiators Expected to get Down to Cases," Congressional Quarterly, 16 June 1990, pp. 1862-1864.

13. Pamela Fessler, "Budget Summit Stuck in Neutral as Partisan Wariness Remains," Congressional Quarterly, 23 June 1990, pp. 1942-1943.

14. Ibid., p. 1942.

15. Pamela Fessler, "Bush's Sudden Shift on Taxes Gets Budget Talks Moving," Congressional Quarterly, 30 June 1990, pp. 2029-2032.

16. "Gingrich Calls for Tax Cuts to Help Bolster Economy," Congressional Quarterly, 25 Aug. 1990, p. 2709.

17. Ibid., p. 2709.

18. John R. Cranford, "Budget Deal Claimed Real Savings; the Devil Lay in the Details," Congressional Quarterly, 6 Oct. 1990, pp. 3194-3202.

19. George Hager, "Parties Angle for Advantage as White House Falters," Congressional Quarterly, 13 Oct. 1990, pp. 3391-3399.

20. Ibid., p. 3393.

21. "Budget Reconciliation Bill." Congressional Quarterly, 1 December 1990, pp. 4034-4036.

22. Special considerations are provided for spending bills enacted after June 30 which exceed a discretionary cap. Sequestration in this case would occur within that category in the next fiscal year.

23. Peter Peterson and Neil Howe, On Borrowed Time, (San Francisco: Institute for Contemporary Studies, 1988), pp. 77-88.

24. The costs of Desert Shield/Storm and the Savings and Loan bailout were also taken off budget.

25. George Hager, "One Outcome of Budget Package: Higher Deficits on the Way," Congressional Quarterly, 3 Nov. 1990, p. 3710.

26. Allen Schick, Statement Before the Task Force on Budget Process, Reconciliation, and Enforcement, House Committee on the Budget, 10 October, 1991.

27. George Hager, "Republicans Cry Foul as House Changes Rules for 'Scoring'," Congressional Quarterly, 5 Jan. 1991, pp. 49-50.

28. George Hager, "Senate Votes Down Measure to Suspend New Rules," Congressional Quarterly, 2 Feb. 1991, p. 290.

29. George Hager, "With Little Room to Maneuver, Bush Sets his Priorities," Congressional Quarterly, 9 Feb. 1991, pp. 332-337.

30. George Hager, "Relevance of Budget Process is Tricky Question on Hill," Congressional Quarterly, 20 Apr. 1991, pp. 962-968.

31. George Hager, "Senate OKs Fiscal Blueprint, Rejects Payroll Tax Cut," Congressional Quarterly, 27 Apr. 1991, pp. 1040-1043.

32. George Hager, "Congress Approves Blueprint for Fiscal 1992 Spending," Congressional Quarterly, 25 May 1991, pp. 1362-1363.

33. George Hager, "Deficit Report Shows No Gain From Pain of Spending Rules," Congressional Quarterly, 20 July 1991, pp. 1963-1966.

34. "CBO Sees Climb in '92 Deficit," Congressional Quarterly, 17 Aug. 1991, p. 2285.

35. Allen Schick, Statement before the Task Force on the Budget Process, Reconciliation, and Enforcement, House Committee on the Budget, 10 Oct. 1991.

36. Lawrence J. Hass, "Deficit Doldrums," National Journal, 7 Sep. 1991, p. 2153.

37. Ibid., p. 2153.

38. Ibid., p. 2153.

39. House of Representatives, Committee on the Budget, Budget Bulletin, Vol. 3, Number 35, 7 Oct. 1991, p. 1.

40. Ibid., p.1.

41. Eric Pianin, "Sasser Joins in Call to Shift Defense Funds to Finance Tax Cut," Washington Post, 24 Oct. 1991, p. 29.

VII. CONCLUSIONS

Since the Congressional Budget Act of 1974, Congress has used three approaches to the conflict inherent in the budget process. The first attempt relied on the Budget Committees to set fiscal priorities. Subsequent strategies were to resolve budget issues through broad coalitions, and through legislated budget formulas. None of these approaches have been entirely successful.

An indication of the failure of the budget process has been the deficit, the chronic imbalance between revenues and spending. There have been periods in our history when deficit spending was warranted. However, few would agree that persistent deficit spending during periods of economic growth is sound fiscal policy.

The creation of the Budget Committees was the first strategy used to address fiscal priorities and the relative levels of spending and revenues. These committees were effective primarily in institutionalizing the process during the first years of congressional budgeting. Their impact would not be fully realized until the election of President Reagan.

The Budget Committees most striking effect on the federal budget was during the Reagan budget revolution in 1981. This was not because of the inherent power of the Budget

Committees, but because they were part of a larger Republican/Boll Weevil coalition. Ironically, the impact of the 1981 budget cycle would signal the decline of the Budget Committees. Once budget resolutions and reconciliation were used to radically affect fiscal policy, a diversity of interests was drawn into the budget process. This diversity required the formation of larger coalitions to ensure the adoption and implementation of budget resolutions. The budget process - and therefore the Budget Committees - was overshadowed as party leadership met in budget summits to determine fiscal guidelines.

Pressures to simultaneously increase spending, reduce taxes, and balance the budget place unreasonable expectations on legislators. Only two of the three demands can be consistently satisfied. However, tax increases and spending cuts would have direct repercussions on constituents. Deficits inherently allowed the impact to be indirect or deferred. Consequently, as conflict necessarily increased with the interests represented by broad coalitions, larger deficits became the default solution to partisan conflict.

As the size of the deficit increased, so did speculation about the consequences of the persistent and rapidly growing deficit. The deficit was no longer simply the difference between spending and revenues. The magnitude of the deficit caused it to became an entity in itself. Questions were raised about the impact of large and persistent deficits on

the economy. Tolerance for deficit financing diminished, and Congress moved to distance itself from the painful choices this intolerance might have forced it to make.

Gramm-Rudman-Hollings (GRH) served to redirect responsibility for painful fiscal decisions. A sequester would make spending cuts if Congress could not. Legislating deficit totals continued to obscure the impact of the Budget Committees. The Budget Enforcement Act (BEA) is the most recent of this type of automatic budgeting legislation. The BEA is more refined than GRH, but forces an increasingly larger portion of the budget resolution out of the direct control by any budget participant, including the Budget Committees.

A recurring theme throughout the history of the congressional budget process is that Congress is unwilling to allow itself to be restrained by its own budget reform. There are numerous examples. The process was circumvented by summitry. Deadlines on the budget timetable were missed, and budget events taken out of order. Overly optimistic economic projections and accounting gimmicks were used to meet deficit totals. Deficit totals were revised when it became evident they would not be met. Sequesters were rescinded. Legislation was amended. To paraphrase Allen Schick - the budget process was saved by changing it every year.[1]

In light of the inability of Congress to allow itself to be bound by previous budget reform, it seems unlikely that the

BEA will remain in effect in its present form through its full duration. As world events redirect national attention back toward domestic affairs, the growing sentiment to affect fiscal policy increases the probability that the process will again be revised. While an election year may not be conducive to a complete overhaul of the budget process, it is likely that the barrier between defense and non-defense discretionary spending will be the subject of intense debate.

Whatever the direction of the federal budget process after the 1992 elections, recent budget history suggests that the role of the Budget Committees will be defined by several major variables. These include the extent to which elections produce divided government; the extent to which Congress and the executive branch support deficit reduction as a major budget policy; the structure of the congressional committee system; and the leadership exercised by the Budget Committee Chairmen.

1. Allen Schick, The Capacity to Budget (Washington D.C.: The Urban Institute, 1990), p. 169.

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