

A NO LABELS FRAMEWORK FOR BUDGETING REFORM

The most basic responsibility Congress has is deciding how much money the government takes in and how much it spends. But Congress rarely passes budget and spending bills on time. Now, Washington once again faces the prospect of a government shutdown if spending bills aren't passed by the end of April.

According to the Congressional Research Service, the average spending bill is 100 days late. As a consequence, Congress often relies on continuing resolutions to fund the government, which provide the money federal agencies need to operate based roughly on what they spent the previous year. What continuing resolutions don't provide is any chance for Congress to debate the most fundamental question of all:

Why are we spending this money?

Congress often spends first and asks questions later when it should instead be spending only after figuring out what goals it's trying to achieve.

Meanwhile, Congress' constant stop-and-go budgeting creates havoc for government agencies and the citizens who depend on them.

The current budget process—which was instituted by the 1974 Congressional Budget Act—is clearly broken. Though there is no silver bullet to fix it, No Labels believes the following reforms could help create a more efficient, effective and timely budgeting process.

- **Two Year Budgets:** Implement a biennial budget process, allowing Congress to spend one year on appropriations and freeing up additional time for oversight activities the next year.
- **Capital Budgeting to Plan for the Long Term:** The federal government has a problem not only with how much money it spends but how the money is spent. Unlike most businesses and many state governments, the federal government essentially treats all spending the same, even though some (e.g. infrastructure) deliver significant economic return and should therefore be accounted for differently. The federal government budget should be separated into two parts—a capital budget for long-term investments such as research and infrastructure, and an operating budget for annual expenses.
- **No Budget, No Pay:** No Labels proposes that if Congress can't make spending and budget decisions on time, members shouldn't get paid. Every government fiscal year begins October 1. If the congressional appropriations (spending) process is not completed by that date, congressional pay should cease, and not resume until appropriations are completed.

On February 4, 2013, President Obama signed a debt ceiling extension bill that included a modified No Budget, No Pay provision that would withhold member if their respective chambers fail to pass a budget by April 15, and hold it in escrow until one is approved. No Labels supported this legislation as a critical step toward a more accountable government. However, we continue to push for implementation of our stronger No Budget, No Pay proposal, which would require timely passage of both a budget and annual spending bills and would also not allow lost member pay to be recovered once it was withheld.

- **Change Congressional Budget Office Scoring Rules:** Current Congressional Budget Office (CBO) scoring rules—because they operate on 10-year windows—don't sufficiently account for the long-term budgetary and economic benefits of government investment in areas like infrastructure and preventative health care spending. Previously introduced legislation—like the Preventative Health Savings Act of 2012—would allow the CBO to collect and analyze scientific data past the current 10-year window. Congress should develop a list of spending priorities that would allow the CBO to score outside the 10-year window to better reflect the true costs and benefits of spending.

- **Annual Fiscal Report to Congress:** One of the chief obstacles to fixing America's finances is that no one seems to agree what's really on our balance sheet. When leaders in Washington debate our budget, they routinely use different baselines, projections and assumptions, which often conveniently support whatever policy they are pushing at the moment. To quote an old Scottish writer, many "use statistics as a drunken man uses lampposts—for support rather than for illumination."

That's why every year, a nonpartisan leader, such as the comptroller general, should deliver a televised fiscal update in person to a joint session of Congress. The president, vice president, all cabinet members, senators and representatives must attend this fiscal update session. They must take individual responsibility for the accuracy and completeness of the comptroller general's report by signing the report, just as CEOs are required to affirm the accuracy of their company's financial reporting.

- **Eliminate Continuing Resolutions:** To avoid the constant threat of government shut downs, Congress should pass a law that automatically funds the government at the previous year's levels if Congress fails to pass new spending bills on time.
- **A Real Fiscal Responsibility Act:** The United States and Denmark are the only two democratic countries with a "debt ceiling," and the existence of this ceiling has done nothing to curb federal spending over time. It is little more than a political tool for the minority party to extract concessions, but it comes with the cost of jeopardizing the full faith and credit of the United States by prohibiting Treasury from issuing debt to cover spending Congress has already authorized. The debt ceiling should be repealed and replaced with a Fiscal Responsibility Act, which would prohibit Congress from passing budgets that would increase the national debt as a share of the overall economy, with limited exceptions such as war or disaster, and specific targets, triggers and enforcement mechanisms if Congress fails to comply with the Act.