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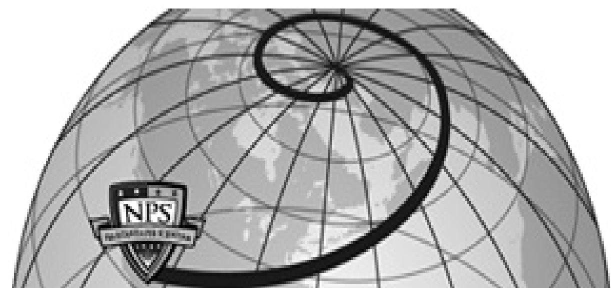

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RICHARD DOYLE and JERRY McCAFFERY

The Budget Enforcement Act in 1991: Isometric Budgeting

The immediate effect of the Budget Enforcement Act (BEA) of 1990 was to cancel a pending $110 billion sequester and to change the Gramm-Rudman-Hollings deficit targets. These and other changes allowed Congress and the administration to escape responsibility for increases in the deficit if discretionary spending was kept within the caps and no new entitlement programs or revenue enhancements were added. This assumption and others relating to the empowerment of the Appropriations Committees and the new authority of the OMB are explored in this article.

Although the first full year of budgeting is under the Budget Enforcement Act of 1990 (BEA) saw neither the summits nor the threatened sequesters common in the previous decade, it was characterized by prolonged and sometimes bitter conflict between Congress and the president. In a sense, the development of the budget in 1991 can be considered an isometric event. The struggle involved in meeting the new requirements of the BEA resulted in no significant changes to the budget priorities or problems in place before the Act took effect, and the budget cycle was marked more by exertion against new restraints than by movement toward new initiatives.

The BEA became law in the fall of 1990, as Title 13 of the Omnibus Budget Reconciliation Act of 1990 (OMB).[1] Its immediate effect was to cancel a pending $110 billion sequester. It also changed the Gramm-Rudman-Hollings (GRH) deficit targets, shifting from rigid deficit reduction enforced by the threat of massive across-the-board cuts to a new approach characterized by spending control. Caps were placed on discretionary spending, entitlement and revenue expenditures were held to a deficit neutral standard, and a new and more discriminating role was given to OMB in the sequester process.

Other significant changes made by the BEA were as follows.

1. Removing the threat of an across-the-board or general sequestration by generously expanding the deficit targets and allowing for further upward adjustments as economic or

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technical factors warrant. This is "no fault" budgeting in the sense that increases in the deficit are attributed to factors over which Congress and the president are thought to have minimal control, or for which they accept a lesser degree of responsibility.

2. Dividing the discretionary portion of the budget into separate categories with spending caps for each through 1992. If spending exceeds the caps, OMB was to sequester the offending accounts to bring them within the cap. The establishment in advance of spending totals for discretionary accounts seemed to settle a major portion of fundamental "guns versus butter" budget policy before the annual budget process began, promising a relatively speedy and conflict-free session in 1991.
3. Putting entitlements on a pay-as-you-go basis. Current programs would be maintained, growing with demographic trends or in dollars as the result of inflation, but new programs must be offset either with new taxes or cuts in existing entitlement programs. This is an important, though very limited, first effort to contain spending in the mandatory accounts.
4. Requiring the concurrence of the president on emergency spending exempt from the spending caps. This provision enables OMB to bargain effectively with Congress over individual items in supplemental appropriations bills, approximately a line-item veto.

If one outcome of these changes was to blur responsibility for increases in the deficit, others might include a more timely and honest budget process. Absent the possibility of a major sequester, the impetus for budget gimmickry seemed diminished. Congress and the administration would escape responsibility for increases in the deficit if discretionary spending were kept within the caps and no new entitlement programs or revenue enhancements were added.

With separate caps on the three discretionary categories and a prohibition against moving funds between them, allocational battles between defense and discretionary domestic players seemed preempted. Moreover, the Appropriations Committees enjoyed the prospect that they could accomplish their tasks without concern that increases in mandatory spending would overturn their decisions in the latter stages of the budget process, making moot all their prior effort at spending control.

Thus the power of the Appropriations Committees was apparently enhanced and that of the Budget Committees and Ways and Means and Finance diluted. OMB's new authority to make technical changes in the deficit and to administer mini-sequesters appeared to strengthen its role. With macro-budget decisions in place, the stage was set for a relatively tranquil budget cycle during the first full year under the BEA. This article evaluates that year and explores these assumptions about the new budget process.

THE DEFICIT GROWS . . . AND GROWS

A deficit for FY 1991 was the largest in history, though smaller than it would have been without the BEA, and it did not prove to be a disruptive issue in the budget process. In July, OMB Director Richard Darman's letter of transmittal for the Mid-Session Review of the budget made four points:

1. The economic forecast used in developing the president's budget had been "highly accurate to date," requiring only slight modification in the Mid-Session Review.

2. There had been a ''marked improvement in the deficit outlook for 1991,'' principally due to changes in deposit insurance and military operations funding (which would make the deficit worse in 1992).
3. The budget reforms of 1990 were having the intended effect and the major changes in estimates had been made in areas outside the scope of new budget rules, e.g., deposit insurance.
4. The trend in the structural deficit remained favorable.[2]

When the Mid-Session Review was transmitted on July 15, 1991, the budget process had been relatively routine. The president's budget was delivered on schedule, the congressional budget resolution was passed in May, and when Congress recessed in early August, the House had passed all thirteen appropriations bills and the Senate had passed seven.[3] Contrary to Capitol Hill practice, a year-end crunch was unlikely.

The Mid-Session Review noted that a previously anticipated deficit of $318 billion for FY 1991 would drop to $282 billion, while the FY 1992 deficit of $280.9 billion would jump nearly $70 billion, to $348.3 billion. Under GRH, an increase of this magnitude in the projected deficit for the budget that Congress was developing would have been nothing short of a political catastrophe. These changes were the result of the flow across fiscal year boundaries of funds to pay Desert Shield/Desert Storm and deposit insurance costs. Disregarding these technical adjustments, the anticipated deficit for FY 1991 drops to $222.7 billion and for FY 1992 to $213.5 billion. While February estimates had actually projected a surplus of $19.9 billion in FY 1996, the Mid-Session Review estimated a deficit of $55.5 billion for FY 1996.[4]

At the end of the fiscal year, the deficit totaled $268.7 billion, $13 billion below the prediction for FY 1991, but still the largest deficit in American fiscal history. The FY 1991 deficit was 4.8 percent of GNP, slightly above the average 1980s deficit of 4.1 percent. For the post-World War II period, the average U.S. deficit was 1.6 percent of GNP, while the 1980s saw deficits rising to 6.3 percent of GNP in 1983 and 5 percent or higher from 1984–86.[5]

However, with the threat of sequestration removed, the FY 1992 deficit stimulated no budget summit, no hurried internal departmental cut-back scenarios, and very little media interest. As the budget year concluded, Allen Schick noted:

> What is most remarkable about the deterioration in the deficit outlook is that it has occasioned no response in either the executive or the legislative branches. The age of no-fault budgeting has arrived. Nobody is to blame for the deficit, and nobody has to do anything about it.[6]

Sometime between August and September, the budget process, which had been tracking so nicely, stalled. The delay stemmed from a dispute over the appropriate way to ameliorate the plight of the unemployed while simultaneously retaining the structure of discipline entailed in the BEA. As the economy stagnated, Congress and the president were under pressure to extend unemployment benefits. Tax receipts for 1990 and 1991 came in more slowly than anticipated and economic growth was lower than estimated, while interest rates remained higher until late in 1991. Consequently, interest costs to the government approached the $200 billion mark. With defense budgets

declining, interest on the debt threatened to become the largest single item in the budget, indicating how "Washington's continuing problems are tied to past deficit spending."[7]

In October, Congressman Leon Panetta, Chairman of the House Budget Committee, announced that he was drafting a ten-year plan to get the budget process back on track and to reduce the deficit to 1 percent of GNP by the year 2001.[8] The key here is the recognition that deficit reduction is a long-term undertaking and that completely eliminating it by a certain date may not be a necessary or desirable policy. The two GRH bills of the 1980s attempted to wipe out the deficit within five years. The BEA was somewhat more pragmatic, aiming for an $83 billion deficit by 1995, the final year covered by the Act.[9] Panetta's plan reinforced the recognition that structural deficits demand structural solutions. A ten-year plan for solving the deficit problem marks a notable shift in the deficit resolution debate.

In sum, the deficit increased, as many expected it would. The Mid-Year Revision revealed major changes in the near term profile of the deficit between 1991 and 1992, as well as some technical reestimations of moderate size. But these changes had no impact on the budget process, since the BEA had severed the direct link between deficit increases and sequestration. Emergencies—Desert Storm/Desert Shield and sharply increased funding requirements for the savings and loan bailout—were causing the turbulence, but these were outside the calculus of the BEA. Although these emergencies drove the deficit up, a budget reform incapable of accommodating them would not have survived long. Thus substantial changes in budget policy occurred because of emergencies without disrupting the main budget arena, and there was very little of the process constriction of previous years attributable to these events.

While envisioning deficit reduction as a long-term problem seems realistic and healthy for the system, it also raises an obvious danger. Policy makers might adopt the "deficit second theory" in order to provide fiscal stimulus in the present while continuing to imagine the future in black ink rather than red. The budget, in this view, will always be healed in the out years via optimistic economic assumptions or projected spending cuts or revenue increases which are never made to occur.

Just as resolving the budget deficit came to be recognized as a long-term problem, the long-term implications of the BEA provision for entitlement programs also drew attention. Spending control in this portion of the budget applies only to new programs; those already on the books were allowed to grow as their clientele grew. If a new program were to be accepted within this protected area of the budget, an existing program had to be displaced or, in a brittle economy, revenues had to be raised. CBO's ten-year baseline indicates what this struggle might entail, as well as the divergent paths of entitlement and discretionary spending under the BEA.[10]

While the growth of entitlement spending seems moderate on a GNP basis, it almost doubles on a dollar basis. And this assumes, perhaps optimistically, that the BEA's offset provision is upheld. If that assumption fails, the growth of mandatory spending is likely to be even greater. By contrast, discretionary expenditures not only decline as a percentage of GNP, they also become a battleground among domestic discretionary expenditures, international affairs, and defense in 1994 and 1995. At that time if not

TABLE 1
CBO Ten-Year Baselines

	Percent of GNP		Billions of Dollars	
	1991	**2001**	**1991**	**2001**
Discretionary	9.6	6.5	$539	$ 684
Entitlements	11.4	12.8	$638	$1286

sooner, the separate discretionary categories are dissolved, and all discretionary programs must compete for funds under a single global spending cap.

For example, in 1991, the president's plan for defense spending assumed inflation adjusted cuts of nearly 3 percent in 1994 and 6 percent in 1995. Unless the global cap on discretionary spending is raised or defense funds are shifted into the domestic and international categories, these two categories will experience after inflation cuts of 7 percent in 1994 and 10 percent in 1995.[11] This situation will be exacerbated by the desire of Congress to increase spending rather than decrease it.[12]

It is likely that the ban on shifting funds between discretionary categories will be modified or dropped before it expires in 1992. The BEA's requirement that funds not spent within any discretionary category, notably defense, could only be used for deficit reduction rather than reallocated to another spending category was challenged several times in 1991. Attempts were made on the budget resolution and on appropriations bills to modify this rule. In the House, Representative Frank launched "Operation Jericho," intending to bring down the walls separating discretionary appropriations categories.[13] In the other chamber, Senator Byrd, chairman of the Senate Appropriations Committee and a key participant in the negotiations that produced the BEA in 1990, urged President Bush to participate in 1992 in "a bipartisan agreement on changes in the BEA to more closely reflect the changed world environment."[14]

Defense will certainly be the target of further cuts. It remains to be seen how significant a reduction in defense spending will be acceptable to both branches of government, how these "savings" are allocated among competing demands for increased spending for nondefense discretionary programs, tax cuts, and deficit reduction, and how other BEA spending control mechanisms will be altered as part of this adjustment.

ADAPTATION TO DISCIPLINE

While the inclination of Congress to spend was strong in 1991, discipline at the cap level proved surprisingly effective. Only one new entitlement program was approved—a controversial extension of unemployment benefits—and this purportedly met the deficit neutral requirement of the BEA. This is not to say, however, that there were not significant disputes over the allocation of spending within the caps, or that Congress did not discover ways to foil the rules at the margin.

Four discipline avoidance strategies were attempted, with varying degrees of success. These included declaring emergencies, holding back obligations, underfunding, and transforming discretionary programs into entitlements. In several instances, con-

gressional appropriators found ways to stay within the FY 1992 caps by delaying obligations until the last day of the fiscal year, forcing the actual outlays into FY 1993. The Labor-HHS Appropriations Subcommittees delayed some $3.1 billion in spending authority in this fashion, which has the effect of moving $850 million in outlays into FY 1993. Another five subcommittees delayed another $1 billion in spending, shifting $600 million into FY 1993.[15] This will diminish the total amount of domestic discretionary outlays available under the following year's spending cap, and exacerbate the problem facing supporters of increased funding in FY 1993.[16]

An attempt was made in the House to change discretionary spending for highways into an entitlement program. The House took a "brute-force approach"—by simply declaring certain highway spending as mandatory to take advantage of the protection of such programs offered by the BEA.[17] But the tax measure necessary to justify this funding was not approved. Both the House and the Senate attempted, without success, to convert Pell education grants to entitlements. The Senate tried to make an end run around the BEA by making the change take effect after the Act expires.

According to OMB, both the House and the Senate intentionally underfunded some programs, hoping that if the funds were insufficient, the shortfall could be addressed through the emergency supplemental loophole in the BEA. Haas suggests that the House underfunded the FCC, while a Senate panel did the same for contract renewals on public housing. Another version of this strategy was to directly apply the designation of emergency to spending. A House spending bill designated $213 million in firefighting funds as an emergency, as did a Senate bill for $307 million in state survey and certification programs and unspecified costs for treaty verification.[18]

Congress could have simply scrapped the Act rather than attempting to evade it. It chose not to do this. An escape clause in the BEA provides for an automatic Senate vote on suspending the process whenever the projected growth of GNP is negative or when actual growth is below 1 percent for two consecutive quarters. The Senate was forced to vote three times on triggering the escape clause in 1991; it refused to suspend the BEA all three times. An 88–8 vote on September 19 against suspending the rules was as close as opponents of the BEA came to dumping it.[19] Scrapping the Act so soon after creating it would have been bad budget form, and there was concern that abandoning the rules in the first full year of their implementation would have left the process in chaos. "The whole so-called budget package is really a sham," said Budget Committee member Senator Reigle, but "it's the only fig leaf in town—everybody's got to wear it."[20]

OMB also displayed its capacity to manipulate the new rules designed to enforce the BEA. To support a new education benefit for veterans, it simply defined an entitlement as an appropriation, thus avoiding the pay-as-you-go requirement. In the unemployment benefit extension underfunding case, OMB employed its authority to score bills to rebut the charge that one of the proposed offsets was actually a shortfall.[21] In another instance of the same kind, it argued that administrative measures would make up an alleged shortfall.[22] As Naomi Caiden observes, because the budget process has become much more complex, the task of assessing outlays and their consequences has also become more difficult.[23] Paul Van de Water, Chief of CBO's Projects Unit, noted the

increased legalism resulting from conflict over BEA rules for spending: "An increasing portion of a budget analyst's time is devoted to interpreting the sometimes murky words of the Budget Enforcement Act, whose grimy, well-thumbed pages are taking on the character of holy writ."[24]

Perhaps no issue more clearly illustrated the new dynamics of this process than the struggle over the extension of unemployment benefits. The issue was simple. The number of people who used up their jobless benefits increased from 202,581 in January 1991 to 349,735 by July 1991.[25] The Democrats intended to extend the time these people could draw benefits and make a partisan issue of it to exploit any weaknesses the president might have on the domestic side. The president, while sympathetic to the jobless, claimed that he would support the extended benefits only if they met the deficit neutral requirement of the BEA. The first bill addressing this issue (HR 3201) passed Congress on August 2, 1991. It allowed the president to designate an emergency that would extend benefits to workers who had exhausted their unemployment benefits. The president signed the bill, but refused to declare an emergency. It was law, but it was unfunded.

In September, Congress again took up the unemployment benefits issue, approving a bill that required the president to designate an emergency that would extend benefits for workers who had exhausted their unemployment compensation benefits. This bill cleared Congress on October 1, 1991. The president vetoed it, claiming there were no offsets and that he would not bust the budget agreement. Congress was unable to override the president's veto.[26]

Thus while some committees were preparing to create emergencies and others were developing alternative gimmicks, they confronted a president who displayed his determination to adhere to the discipline of the BEA despite the popularity of the spending at issue. The issue was partially obscured by the existence of an unemployment insurance trust fund which held a surplus of $8 billion collected from employers to be used for benefits extension.[27] Democrats tended to say it was an abuse of the trust fund not to use it, while Republicans argued that once an emergency was declared here, they would be declared everywhere.

A final effort to provide extended unemployment benefits, this time funded by seemingly appropriate offsets, was mounted and passed in November (HR 3575; HR 1724). Two bills were necessary in order to preserve equity among the states, particularly for those states which would only have received six additional weeks of benefits. The president signed both of these bills. The new benefits, costing $5.2 billion, were to be paid for by accelerating quarterly tax payments for some high-income taxpayers, extending a law allowing the IRS to collect debts owed the government from tax refunds, extending the federal unemployment tax at 0.08 percent instead of dropping it to 0.06 percent, and garnishing the wages of those defaulting on student loans.[28]

However, CBO estimated these sources ended up $895 million short in FY 1992, thus the bill was not fully funded. OMB ruled that this sum would not add to the deficit and would therefore not trigger a sequester.[29] In the spring, OMB had also ruled that an extension of education benefits to veterans of the Persian Gulf conflict was not an entitlement because it came about as a result of a direct appropriation, and thus did not

need an offsetting revenue source.[30] In both cases, necessity was the mother of invention. The dynamics of this struggle are further illustrated in the conflict over the emergency provisions governing supplemental appropriations bills.

SPENDING CONTROL IN EMERGENCY AND SUPPLEMENTAL APPROPRIATIONS

A potential weakness in the spending control architecture of the BEA lies in its provision for emergency appropriations. To allow Congress and the president a means of responding relatively quickly to serious problems, while simultaneously retaining the overall caps on total spending, the BEA established a new mechanism governing emergency funding within supplemental appropriations. Discretionary spending in supplementals would not be scored against total spending allowed for domestic, defense, and international programs, provided that both the administration and Congress designated such spending as an emergency requirement. A similar rule governs emergency spending for new entitlement programs and revenue enhancement controlled by the BEA's pay-as-you-go requirement.

The need for joint designation of emergency spending, coupled with spending caps and authority to sequester spending that exceeds those caps, has given the OMB a new and effective means of blocking spending to which it objects. This new power results from the fact that spending not designated as emergency by both branches of government will be added to the discretionary spending totals. Regular appropriations bills must then be reduced to accommodate the additional spending in supplemental appropriations bills not considered emergency by both branches of government. Absent a joint designation, the spending caps will be breached, triggering a mini-sequester by OMB.

This new requirement allows OMB to address congressional spending on supplemental appropriations bills in a very discrete, and consequently, credible fashion. The administration need not threaten to veto an entire supplemental bill and thereby risk losing the elements it supports as well as those it opposes. Under the BEA's new rules, it may be sufficient to communicate to Congress which measures within an appropriations bill OMB does not consider deserving of the emergency designation. As a House GOP aid put it, "it's not an item veto, but it's an item threat."[31] Thus the BEA sequester provisions have "substituted the scalpel for the meat ax."[32]

If, however, Congress and the administration agree to designate significant amounts of supplemental spending as emergencies, the restraint intended by the spending caps would be undermined. "Compromise" as one veteran observer of the budget process noted, "'may be the greatest potential threat' to the spirit of last year's budget deal."[33]

OMB's ability to target specific spending provisions within supplemental appropriations bills was first evident in action on HR 1281, a "dire emergency" supplemental appropriations bill to pay for indirect costs of the Persian Gulf War and for other matters. President Bush requested a total of $3.7 billion, of which $940 million was to be considered emergency spending exempt from the discretionary caps.[34]

The House bill passed on March 7, 1991, totaling $4.1 billion and designating $801 million as emergency funds. But within this protected amount were several small expenditures that OMB had not identified as emergency spending in the request. Although the sums were relatively insignificant—$1 million for the United States Information Agency and $7.4 million for several Commerce Department agencies—the confrontation evoked a pointed threat from OMB that a sequester would result if these funds were not removed from the bill. The ranking member of the House Budget Committee warned his colleagues against abuse of the emergency designation: "'The Emergency of the Week' has quickly become this year's preferred method to evade budget discipline."[35]

The Senate version of HR 1281 passed on March 20, increased total spending to $4.7 billion, and increased the emergency programs within the bill to $1,025 million. Where the House had added emergency funds for Israel ($650 million), the Senate did the same for Turkey ($200 million). The administration, which had requested funds for neither, was persuaded to ask for the money and designate it as an emergency requirement.[36] The Senate also added funds for dairy price supports, the result of an amendment by Senator Patrick Leahy. OMB expressed its opposition to the dairy appropriation, and the funds were removed in the final bill.

The administration was largely successful in eliminating what it considered excessive spending under the emergency provision of the BEA in the conference agreement on HR 1281, passed on March 23, 1991. The final bill appropriated $4.8 billion, of which just over $1.0 billion was jointly designated as emergency spending.[37] The difference between the amount the president designated as emergency in his request and the amount in the conference agreement was $84 million, in an emergency appropriation of over $1 billion.

Members of Congress, whose well-intentioned and seemingly innocuous additions to earlier versions of HR 1281 had been sliced out by virtue of OMB's veto threat, took strong exception to the deletions. Defenders of the excised dairy price supports argued that by yielding to the OMB sequester threat, Congress was giving the agency a line-item veto over congressional spending proposals. Senator Leahy charged that "OMB has by the stroke of a pen put in a line-item veto."[38]

By refusing to designate certain congressionally favored items as emergency, thereby allowing them to escape the spending caps while accepting others, OMB sent a clear signal of its willingness to use this new "rifle shot" authority to restrain spending. The point was later reinforced when OMB sequestered a tiny portion of HR 1281 included in the bill by the chairman of the House Ways and Means Committee, Congressman Dan Rostenkowski. The final version of HR 1281 shifted $8 million from defense to domestic accounts, to be given as a grant to Loyola University of Chicago, the chairman's alma mater. OMB warned that this transfer would cause the domestic discretionary spending cap to be breached and force an across-the-board cut against all domestic accounts.[39]

When Congress ignored the threat, OMB enforced its first within-session, mini-sequester under the BEA. Domestic discretionary accounts subject to sequestration were cut by a total of $2.4 million across-the-board, reducing programs by 0.0013

percent. That this was a political rather than an economic gesture is evident from the size of the program reductions. The Department of Energy's geothermal resources development fund lost $1; the rewards and operations fund of the Fish and Wildlife Service lost $13.[40] A House aide said, "It's like sending you a bill with a 29-cent stamp to get you to pay 6 cents."[41]

OBSERVATIONS

Some things played out as expected and others did not. The deficit increased. Technical corrections were made which increased deficit estimates. However, a growing deficit neither dominated nor disrupted the budget process. The emergency spending loophole was used, abuses were resisted, and complex scoring and political scrimmages resulted. One technical adjustment lost roughly $130 billion in receipts. Like the deficit increase, this error in revenue estimation obviously upset some members of Congress but it was a minor perturbation in the budget process.[42] In these aspects, the age of no fault budgeting manifested itself.

The spending targets were apparently met,[43] although some gimmicks were detected, and the unemployment bill might not have been fully paid for as required. OMB's power increased due to its scoring responsibilities and its willingness to threaten, and in a single instance, to administer rifle shot vetoes on supplementals. The appropriators enjoyed a slight increase in funding for nondefense discretionary accounts for FY 1992, but that advantage will be short-lived as the restraint inherent in the caps for FY 1993–95 take effect.

Perhaps the most important event of the year was the disappearance of the Soviet Union, following an abortive coup against Gorbachev. This in effect, put the defense budget in play if not in a free fall for the coming years, negating the insulation provided by the BEA through 1993. Given the significance of the change in the national security threat attributed to this event, it is somewhat surprising that the defense cap held, and almost inevitable that it will be renegotiated in 1992 absent a dramatic deterioration in the security environment.

The BEA's pay-as-you-go provisions were honored despite great pressure in Congress for further spending. OMB's use of the mini-sequester, or more accurately the "micro-sequester" on HR 1281, served notice that this new tool would be used for any amount that exceeded the target, no matter how small. The obvious difference between mini-sequesters and GRH sequesters is their size and scope. An equally important distinction is apparent in the timing of sequestration under BEA compared to GRH. GRH sequesters were designed to inflict across-the-board cuts on non-exempt discretionary spending without discriminating among programs. They came into play only at the end of the annual budget cycle. A mini-sequester against excessive spending in a supplemental appropriations bill is a more credible threat because it comes earlier in the year. The fact that it is limited to the offending discretionary spending target—defense, domestic, or international—rather than all discretionary accounts, adds credibility.

Among the surprises has to be the process itself. There was reason to expect that this first year would have been timely, but it was not. Only two appropriations bills passed

before the end of the fiscal year. Ten passed after the fiscal year had begun, and one, foreign operations, was laid over until March 1992. The defense appropriations bill was signed on November 26, 1991, marking the end of the 1991 budget process.[44] With the Budget Resolution in place on May 22, the process was off to its best start since 1982.[45] But it required three continuing resolutions to conclude a process that went two months into the next fiscal year, despite the fact that the targets for the functional areas were observed.[46] With this dilatory process, the largest dollar deficit in history, defense spending above what many critics felt was warranted by the world situation, and no plan in place to curb dramatic long-term growth in mandatory spending, it is difficult to label the year a success simply because Congress met the BEA spending targets.

Another noteworthy outcome of this first year is the extent to which the status quo of 1990 was protected. Perhaps one aspect of the budget process that policy analysts tend to overlook is the degree to which the budget is shaped by new priorities from year to year. The inability to accommodate such new priorities and the failure to contain rampant cost growth in entitlement spending may yet prove to be the Achilles heel of the BEA.

The pay-as-you-go requirement affecting entitlement spending provides the most telling evidence of this limitation. Priorities can be changed in this portion of the budget, but it will not be a pain-free exercise. The requirement was upheld, but neither the executive nor Congress made a concerted attempt to respond to new entitlement needs by cutting existing ones or raising taxes. Given the fact that most federal spending lies in this area of the budget, the failure to take up this challenge is significant.

A relatively small entitlement program was added—$5.2 billion for extended unemployment benefits—after two time-consuming and extremely contentious failed attempts to provide the benefits without paying for them. The conflict revolved around identifying offsets of $5.2 billion within an entitlement budget of $638 billion, a rearrangement of 0.008 percent within entitlement priorities. It took four months, three laws, two funding bills, and one veto to respond to this "urgent" new priority while achieving nominal compliance with the pay-as-you-go requirement.

Finally, it would seem that the impact of the BEA has been tempered by what Fenno calls "the grand parameters of budget making—economic conditions and electoral proximity."[47] There was considerable huffing and puffing in 1991, and lots of political calories were burned, but there was little apparent movement in either budget policy or deficit reduction. It was, in short, an exercise in budgetary isometrics.

NOTES

1. For further detail see Richard Doyle and Jerry McCaffery, "The Budget Enforcement Act of 1990: The Path to No Fault Budgeting," *Public Budgeting & Finance* 11 (Spring 1991): 25–40, and Naomi Caiden, "Do Politicians Listen to Experts? The Budget Enforcement Act of 1990 and the Capacity to Budget," *Public Budgeting & Finance* 11 (Spring 1991): 41–49.
2. Richard Darman, "Letter Transmitting the Mid-Session Review of the Budget," Executive Office of the President, Office of Management and Budget, July 15, 1991, *Mid-Session Review of the Budget*, 1991, iii.
3. Lawrence Haas, "Deficit Doldrums," *National Journal* (Sept. 7, 1991): 2153.
4. Mid-Session Review: Change in Policy Deficits. *Mid-Session Review of the Budget*, 1991, Table 1.

5. George Hager, "1991 Deficit Hits Record Level," *Congressional Quarterly* (Nov. 2, 1991): 3188.
6. *Statement*, Allen Schick, Before the Task Force on Budget Process, House Committee on the Budget, Oct. 10, 1991, 3.
7. Haas, "Deficit Doldrums," 2151.
8. "Budget Committee Chairman Announces Panel to Review Budget Situation, Proposes 'Ten-Year Commitment to Restoring America's Future,'" Press Release, Oct. 7, 1991. For the results of this study, see "Restoring America's Future: Preparing the Nation for the 21st Century," Committee on the Budget, U.S. House of Representatives, Serial No. CP-5, Dec. 1991.
9. Edward Davis and Robert Keith, "Budget Enforcement Act of 1990: Brief Summary," Congressional Research Service, Nov. 5, 1990, 3.
10. The data in this table are compiled from "Budget Projections Through 2001," *CBO Staff Memorandum*, Oct. 1991, Tables 2 and 5. Spending characterized as mandatory by CBO is referred to as entitlement spending here for purposes of comparison with discretionary spending.
11. Congressional Budget Office, *The Economic and Budget Outlook: An Update*, Aug. 1991, Table II-4, 60.
12. In a study of Congress in 1991, the National Taxpayers Union ran an analysis of every bill filed through Sept. 11, 1991, roughly the normal congressional budget cycle. They found that members of the House and Senate proposed $43 dollars in spending for every $1 cut they offered. If every bill introduced in the House had passed, federal spending would have increased nearly half a trillion dollars. The Senate's total would have been nearly $430 billion. Only one Congressman sponsored bills that would have resulted in a net decrease in spending—Herb Bateman, R-Va. No Senator did that, although Senator Warren Rudman was the least prone to spend ($500 million). "Congress' Urges to Spend Added Up," Washington, D.C., AP, (*San Jose Mercury News*), Dec. 8, 1991, 5A.
13. Pat Towell and George Hager, "Soviet Union's Disintegration Spurs Call for Defense Cuts," *Congressional Quarterly* (Sept. 14, 1991): 2634.
14. Letter from Senator Robert Byrd to President George Bush, Dec. 11, 1991, 2.
15. George Hager, "Huge Deficit Adds Pressure for Spending Rules Change," *Congressional Quarterly* (Dec. 21, 1991): 3731.
16. One Congressman observed that "It's an easy way to get money because we won't have to rassle with that gorilla until next year." OMB objected to the use of such gimmicks but because it had employed similar tactics in other areas of the budget, it stopped short of threatening a veto. Julie Rovner, "Health, Education Conferees Push Tough Choices to '93," *Congressional Quarterly* (Nov. 2, 1991): 3209.
17. Paul Van de Water, "Unexpected Consequences of the New Budget Process," paper presented at the annual meeting of the Section on Budgeting and Financial Management of the American Society for Public Administration, Oct. 1991, 8.
18. Haas, "Deficit Doldrums," 2153.
19. Budget Bulletin, House Budget Committee, Sept. 23, 1991.
20. "Third Vote Is Set To Shelve Rules," *Congressional Quarterly* (Sept. 14, 1991): 2606.
21. OMB "ruled" that the unfunded $895 million on HR 3575 "will not add to the deficit and therefore will not trigger across-the-board cuts in every other domestic program." Jill Zuckerman, "Job-Benefits Bill Cleared After Hard-fought Deals," *Congressional Quarterly* (Nov. 16, 1991): 3384. Whatever the scoring differences here between OMB and CBO, the part of the funding affecting taxpayers who estimate next year's tax and pay quarterly was clearly a revenue acceleration, which would have been collected in the next year. This would not seem to pass a true test for offsetting revenues, since it will decrease the revenue take in the next year. The BEA accommodates this by taking a revenue shortfall from estimates "due to a technical factor"—collecting it early—a complicated gimmick, but a gimmick nonetheless.
22. The unemployment benefit program is a state defined program, so it was hard for Congress to treat all states the same. HR 3575 seemed to shortchange states which allowed only six weeks of benefits. By agreement with the White House, Congress attached a rider to a trade bill to fix the discrepancy. Unemployment benefits in this bill would cost another $380 million. Part of this was paid for by

moving the benefits expiration date forward from July 4, 1992 to June 13, 1992, and part came from the same source that funded the $895 million in the first bill, i.e., $95 million from the $123 million "in excess savings from the bill that the president first signed into law." Jill Zuckerman, "Increase in Jobless Benefits Has White House Approval," *Congressional Quarterly* (Nov. 23, 1991): 3462.

23. Caiden, "Do Politicians Listen to Experts," 45.
24. Van de Water, "Unexpected Consequences of the New Budget Process," 9.
25. Jill Zuckerman, "Showdown Expected with Bush Over Unemployment Benefits," *Congressional Quarterly* (Sept. 21, 1991): 2693.
26. On October 11, the President vetoed this unemployment bill, (S 1722), saying it was "too expensive and would bust last year's agreement." "President Vetoes Jobless Bill," *Congressional Quarterly* (Oct. 12, 1991): 2961. The Senate failed by two votes to override the veto on October 16th. Jill Zuckerman, "Democrats Regroup After Veto, Forging New Benefits Bill," *Congressional Quarterly* (Oct. 19, 1991): 3030.
27. Chuck Alston, "Unemployment Bill Feels Tug of Presidential Campaign," *Congressional Quarterly* (Oct. 5, 1991): 2869.
28. Zuckerman, "Increase in Jobless Benefits Has White House Approval," 3462. See also "Status of Major Legislation," *Congressional Quarterly* (Dec. 14, 1991): 3678.
29. OMB Cost Estimate For Pay-As-You-Go Calculations, Report No. 20, Dec. 9, 1991.
30. Mid-Session Review, 1991, 12.
31. George Hager, "Supplemental Spending Bills Bolster OMB Budget Clout," *Congressional Quarterly* (July 6, 1991): 1821.
32. Howard Shuman, *Politics and the Budget, The Struggle Between the President and the Congress* (Englewood Cliffs, N.J.: Prentice Hall, 1992), 331.
33. George Hager, "Senate Reworks House's Math On Fiscal 1991 Spending Bill," *Congressional Quarterly* (March 16, 1991): 659.
34. Hager, "Senate Reworks House's Math On Fiscal 1991 Spending Bill," 658.
35. Lawrence Haas, "Widening a Budget Law Loophole," *National Journal* (March 23, 1991): 684.
36. Hager, "Senate Reworks House's Math On Fiscal 1991 Spending Bill," 658.
37. George Hager, "Conferees Bow to Administration On 'Dire Emergency' Measure," *Congressional Quarterly* (March 23, 1991): 730–31. This total excludes $655 million in the bill transferred from the Defense Cooperation Account, supplied by US allies in the Persian Gulf war.
38. Hager, "Supplemental Spending Bills Bolster OMB Budget Clout," 1820.
39. George Hager, "A Matter of Principle," *Congressional Quarterly* (April 6, 1991): 850.
40. Office of Management and Budget, Within-Session OMB Sequester Report to the President and Congress for Fiscal Year 1991, April 25, 1991.
41. Hager, "A Matter of Principle," 850.
42. The Chairman of the Senate Budget Committee, Senator Sasser, expressed shock at both the size of the increase in the deficit in the OMB Mid-Session Review and the acknowledgment that Treasury receipts were going to be $130 billion smaller than anticipated when the BEA was passed. The revenue loss, Sasser noted, "constitutes the entire amount of revenue we raised in the budget summit last year—the total tax package over which we shed so much blood." Statement of Chairman Jim Sasser, Senate Budget Committee, July 17, 1991.
43. OMB Final Sequestration Report to the President and Congress For Fiscal Year 1992, Jan. 13, 1992.
44. "Status of Appropriations as of December 6, 1991," *Congressional Quarterly* (Dec. 7, 1991): 3627.
45. "Economics and Finance," *Congressional Quarterly* (Dec. 7, 1991): 3566. The Budget Resolution was passed on May 21 in 1982 and May 24 in 1980. See Allen Schick, *The Capacity to Budget* (Washington, D.C.: The Urban Institute) 1990, 174, for a table on timing of passage of budget resolutions from 1980 to 1990.
46. "Appropriations '92," *Congressional Quarterly*, (Dec. 7, 1991): 3567.
47. Richard Fenno, *The Emergence of a Senate Leader, Pete Domenici and the Reagan Budget* (Washington, D.C.: Congressional Quarterly Press, 1991), 134.