



Federal Budget Discipline and Reform: A Review and Discussion, Part 1

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On November 7, 2018, the Congressional Budget Office (CBO) reported that the total federal budget deficit for fiscal year (FY) 2018 was \$779 billion or 3.8 percent of gross domestic product (GDP) (CBO, [November 7, 2018](#)). This represented a \$113 billion increase in the deficit compared with FY 2017. Issues of federal budgeting—debt, deficit, spending and tax revenues—have been among the most consistently dominant issues in Washington DC for decades. They are also difficult to comprehend but have substantial implications. This article begins a series discussion of various issues regarding the federal budget, the debt and deficit and Congressional attempts at reform and discipline.

Background

Budgeting is considered the “life-blood of the government, the financial reflection of what the government does or intends to do” (Wildavsky, 1961). Repeated efforts by Congress to reform the federal budget and institute discipline on itself have been controversial; not the least of which because of the implications for Congress, sovereign power, policymaking and our system of government (Doran, 2018; Levinson and Sachs, 2015; Garrett, 2000; Kahn, 1986; Kamlet and Mowery, 1985). It is a matter linked directly to the Constitution and the enumerated powers of Congress; the powers to tax and spend public funds, as well as borrowing money, paying debts and the requirement that all spending be pursuant to appropriations (Stith, 1988).

As the life blood of government, budgeting occupies a central place in politics and policy because it involves and determines the distribution of scarce resources among the citizenry and competing interests. It is the process of collecting revenues from some among the citizenry and interests and distributing it among others. Because there are always more demands than funds available, budgeting also necessarily involves conflict among competing interests (Wildavsky, 1975). The farm bill, in fact, can serve as a window into this matter, providing specific examples—and some cautionary lessons—about

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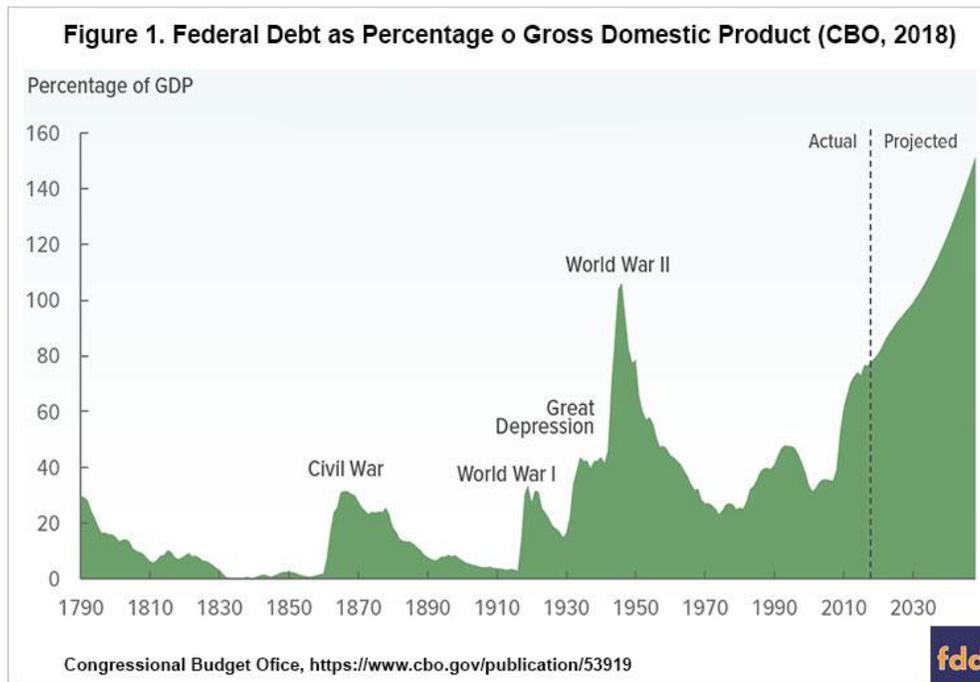
how budget discipline and reforms have impacted policies, policymaking, as well as the implications for the legislative process (Coppess, 2018).

To complete this background, Table 1 is a timeline highlighting some of the major budget legislation produced by Congress. It also summarizes some of the specific methods Congress has sought to put in place for budget discipline and reform. It is not an exhaustive list, nor is it intended to be, but rather a snapshot of key and relevant legislative efforts.

Table 1. Major Federal Budget Legislation	
Legislation	Summary
Budget and Accounting Act of 1921	Unified federal budget; created Bureau of Budget and General Accounting Office
Public Law 76-201 (1939)	Aggregate debt limit set at \$45 billion
Congressional Budget and Impoundment Control Act of 1974	Created modern Congressional budget process, House and Senate Budget Committees, and Congressional Budget Office (CBO)
Omnibus Budget Reconciliation Act of 1981	First use of 1974 reconciliation procedure to require committees to reduce spending over multiple fiscal years, including for mandatory entitlement spending
Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings)	Strengthened budget process, including by requiring deficit reduction and imposing deficit neutrality; created enforcement mechanism through automatic cuts known as sequestration
The Budget Enforcement Act of 1990	Established deficit reduction procedures and caps; established the Pay-As-You-Go (PAYGO) process to impose deficit neutrality requiring new spending or revenue decreases to be offset
Line Item Veto Act (1996)	Created line item veto authority for President; declared unconstitutional by Supreme Court 1998
Public Law 107-312 (2002)	Effectively terminated the PAYGO requirement (Restored by 110th Congress, 2007-2008)
Budget Control Act of 2011	Established caps on discretionary spending for 10 years; enforced through sequestration (50% defense; 50% nondefense) to achieve \$1.2 trillion in reductions
American Taxpayer Relief Act of 2012	Postponed Sequestration to March 1, 2013
Bipartisan Budget Act of 2013	Adjusted (increased) spending caps for FY 2014-2015
Bipartisan Budget Act of 2015	Adjusted (increased) spending caps for FY 2016-2017; extended sequestration
Bipartisan Budget Act of 2018	Adjusted (increased) spending caps for FY 2018-2019

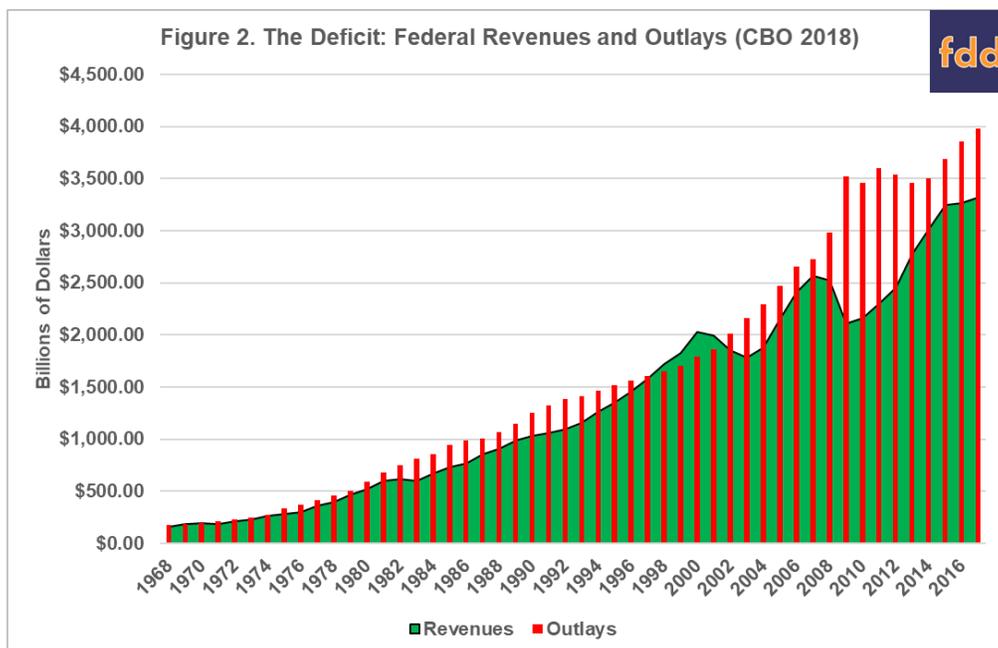
Discussion: Federal Budget Basics

The federal budget is measured in trillions of dollars, which can be difficult to conceptualize. CBO reported in June that federal budget deficits and the federal debt would increase over the next 30 years with expectations that it will reach the highest level of national debt in history as measured against GDP (CBO, June 26, 2018). Figure 1 is CBO's chart of federal debt held by the public as measured as a percentage of GDP from its June report. The chart covers the entire history of federal debt, from the nation's founding and through CBO's projections for the future.

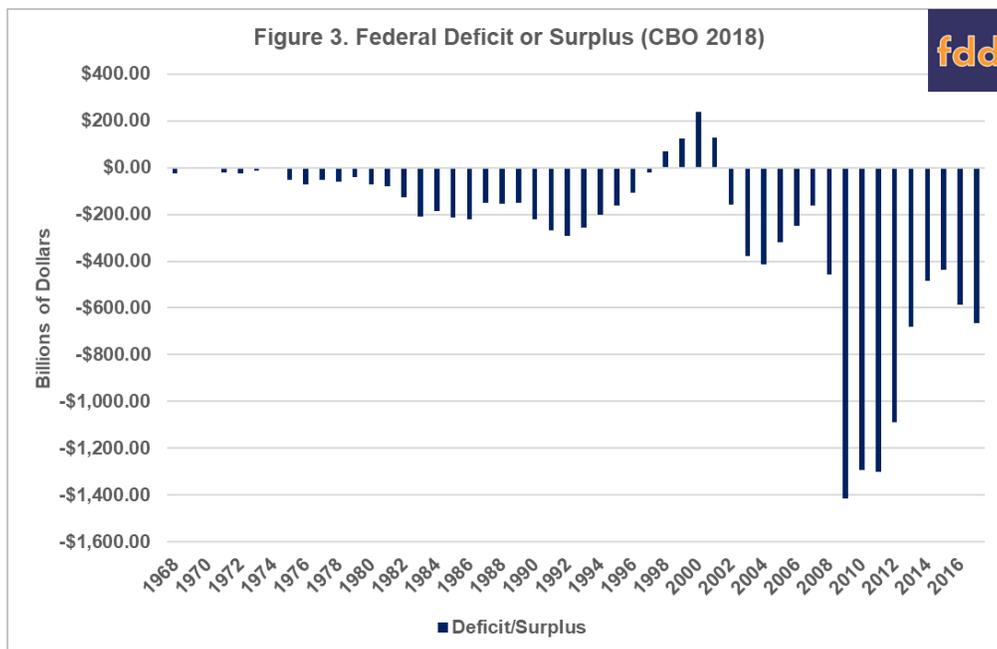


(1) The Deficit

The federal deficit is simply the difference between revenues (e.g. taxes) and outlays or spending, where outlays exceed revenues. Figure 2 illustrates revenues and outlays from the historical budget data reported by CBO in April 2018 (CBO, [April 2018](#)).

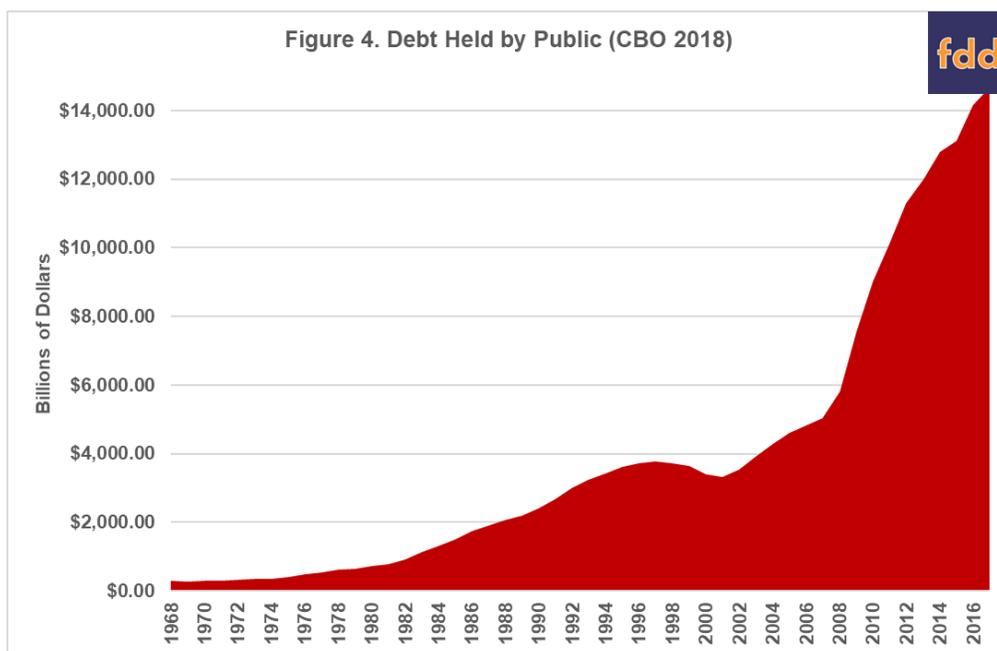


Where spending (outlays) exceeds revenues in any fiscal year, the federal budget runs a deficit. Figure 3 illustrates the deficit or surplus from the CBO historical budget data. As is evident, surplus has been rare in recent times; since 1968, CBO reports surplus only in FY 1998 through FY 2001. Figure 3 also highlights the substantial impact the Great Recession of 2008 had on the federal deficit.



(2) The Debt

The federal debt is the accumulation of deficits over multiple fiscal years. Figure 4 illustrates the federal debt held by the public as reported by CBO.



Related to the debt is the debt limit or the debt ceiling: the statutory limit on the total amount of debt that the U.S. Treasury can have outstanding at one time (or borrow) to cover the existing obligations of the U.S. government ([31 U.S.C. §3101](#); U.S. Dept. of the Treasury, [Debt Limit](#)). The debt limit was extended by the Bipartisan Budget Act of 2018 through March 2, 2019, and is currently \$14,294,000,000,000 ([P.L. 115-123](#); [Bipartisan Policy Center](#)). Congress first imposed a debt limit in 1917 in conjunction with raising funds for World War I and created the statutory debt limit in 1939; the first limit was \$45 billion (Austin, 2018; Austin, 2015).

Concluding Thoughts

It may be all-too-easy to jump to conclusions from these initial perspectives and this brief review of budget issues. The numbers on deficit and debt alone would appear to call into question the effectiveness of budget discipline, control or reform. There is, however, much more to the picture. The federal budget is a massive and complex matter that has vast implications for the Nation and all federal policies. Future articles in this series will explore further aspects of the federal budget, the budget process and Congressional attempts to reform it.

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