THE NEW CONGRESSIONAL BUDGET PROCESS AND IMPLICATIONS FOR AGRICULTURAL FUNDING

by
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Congressional public policy decision-making may enjoy refreshing revisions if the new budget process indicates new thinking on Capitol Hill. This spring for the first time, Congress passed its own total budget figures for spending, revenues, deficit, and debt. Starting next year, Congress will decide budget priorities when it votes upon spending levels for each major governmental function in the budget.

Agricultural economists should be aware of the possible ramifications of the Congressional Budget and Impoundment Control Act of 1974 or Public Law 93-344, hereafter called the Budget Act, on funding of agricultural research and commercial farm policy programs. The new process could conceivably increase the political stakes for non-farm interests in farm policy decisions. Fortunately or unfortunately, control of public funds is a fundamental power of government. As the government's participation in agriculture policy and research funding continues, changes in the budget decision-making process impact upon agricultural economists.

Definition of Terms

Several terms need clarification to avoid reader misinterpretation. A program authorization means that Congress has approved a particular program, but it does not provide funds. Most legislative committees report bills to authorize a program. An appropriation, however, funds a program. Only the Appropriation Committee of the House or Senate may report an appropriation bill.

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FINANCE

Appropriations bills provide budget authority or authority to spend funds. An appropriation allows the appropriate agency to make outlays. Outlays are the actual expenditures of government.

Spending authority refers to government obligations, such as contract, borrowing, and entitlement authority. These "back-door spending" techniques differ from other government obligations in that they come into effect outside the appropriations process. While the Budget Act will require new contract and borrowing authority to be appropriated before making outlays, all existing contract and borrowing authority granted before implementation of the Budget Act and all exisiting and new entitlement authority will continue as spending authority. Spending authority in effect commits the government to subsequent appropriations. Deficiency appropriations for underestimated spending in entitlement programs must be passed later. Usually, spending authority jurisdiction lies with legislative rather than appropriations committees.

While the relationship of outlays to revenues creates budget deficit or surpluses, Congress directly controls only budget and spending authority. Budget and spending authority will not necessarily be spent in one fiscal year; therefore total outlays correspond to total authority over several years rather than a given year.

Changes in the Making

Many sceptics across the country, and particularly in Washington, label the new budget process a waste of time, and they feel it will do little to really improve congressional budget responsibility. Perhaps an abbreviated review of the Budget Act will indicate the apparent seriousness of this attempt at congressional control.[1/]

First, the Act establishes a new committee on the budget in both the House and Senate. Furthermore, the Act creates a new agency called the Congressional Budget Office (CBO) attached to Congress in the same way as the General Accounting Office, the Library of Congress, and the Office of Technological Assessment. Each of the committees expects to hire 60 to 70 staff persons and the CBO about 180 persons.

Second, the Act details much of the budget process complete with timetable and reports. The principal dates in the timetable appear in Table 1.

By November 10 each year, the President must submit a budget showing budget authority, outlay, and revenue levels for the next fiscal year based on a continuing level of services--the Current Services Budget.

Fifteen days after Congress starts a new session, the President must submit his budget, including all his proposed program changes.

By March 15 all committees and joint committees shall submit a report giving their views and estimates on programs within their jurisdiction complete with expected costs.

By April 1, the CBO must have submitted a report to both budget committees, outlining the ranges of possible congressional choices on total revenues, budget authority, outlays, and tax expenditures--the value of tax loopholes.

The Budget Committees have until April 15 to report their First Concurrent Resolution on the Budget to their respective house. This first budget resolution recommends target levels to guide the Appropriations Committee and other committees in allocating available funds and the House Ways and Means or Senate Finance Committee in adjusting revenues to meet outlays.

May 15 is significant for several reasons. Congress must complete action on the first budget resolution and its conference report by this date.

In addition, all House and Senate committees must report any bills and resolutions authorizing new budget authority for the coming fiscal year by May 15 each year. Congress may not vote on any spending authority, appropriation, revenue, or public debt bills before acting on the first resolution.

Appropriations and other committees must report and Congress must act on all spending authority and appropriation bills by the seventh day after Labor Day. Thus, each house has from May 15 to near the middle of September to receive bills from committees recommending spending and budget authority and pass on them.

By September 15, Congress must complete action on the second budget resolution, including any necessary conference to settle differences between the House and Senate. This resolution readjusts the budget to reflect changed economic and/or political conditions. Since the second budget resolution occurs after passing all the bills granting budget and spending authority, the resolution may direct changes in each of the authority, outlays, revenues, deficit, or debt or some combination thereof. If changes occur, the resolution should direct the respective committee (e.g., Appropriations or Ways and Means) to suggest revisions in individual bills already passed within the limits of the resolution.

The respective committee or committees must respond with their suggestions in time for Congress to complete the reconciliation by September 25. During the reconciliation, the Budget Committees receive the suggestions when more than one committee is involved.

Congress may not adjourn until completing the second budget resolution and the reconciliation. After completion of the reconciliation, it shall not be in order for either house to consider any bill, amendment, or resolution that would either increase budget authority or outlays above or decrease revenues below the budget levels.

The new fiscal year begins on October 1. A transition period between July 1 and October 1, 1976 accommodates the change in fiscal year.[2/]

The Budget Act further requires estimates for the current year and the next four years in each new budget resolution and in all proposed legislation containing new budget authority or changes in tax expenditures. Each budget must estimate the value of tax expenditures by functional areas. In addition, the Budget Act makes contract and borrowing authority subject to annual appropriations and requires most entitlement programs to be passed before January 1 in the prior fiscal year or after passage of the first budget resolution (May 15).

Generally, the Budget Act requires the Congress to establish an overall spending plan or a budget of its own and to adopt individual spending authority, appropriation, and revenue changes within that plan. Furthermore, the spending pattern addresses national priorities through comparing and adjusting major parts of the budget.

This process hardly appears on close examination as congressional failure to accept responsibility. Perhaps the winds of change around Capitol Hill are serious.

The Problem

The Budget Act gained approval at a time when Congress began to get particularly concerned about governmental control and balance of power between the Executive and Legislative branches. Both liberals and conservatives wanted a stronger voice in regulating governmental activity. The Watergate crisis and appropriation impoundment fights spawned additional congressional aggressiveness (Gross, pp. 1-3).

Failure of the budget process may raise risks far greater than Congressmen realized when the Act passed. First, when projections include only the Administration's proposed fiscal year 1976 program changes, the revised President's Mid-Session Review of the 1976 Budget (pg. 23), reveals that the federal government will spend $482.8 billion in 1980. Revenues, if there are no changes in tax rates or size of loopholes, will be $504.8 billion based on an assumed 5.1% unemployment rate. The 1980 $22.0 billion surplus is the first budget in the black in the forseeable future. This means that unless Congress and the President resuffle priorities or reconsider the tax structure no surplus money will be available for new programs like National Health Insurance until 1980 and then only in limited amounts, if no new economic disasters arise! Until the Budget Act, Congress lacked a comprehensive planning mechanism to compare and reshuffle priorities on spending and taxing.

A second concern has been the disconnected and fragmented appropriation process. Appropriations were proposed and passed without weighing the impact of individual programs on the government's total expenditures. By never voting on the total budget for any given year, Congressmen avoided the political consequences of the budget deficit.

Third, congressional budget actions perpetuated spending patterns that circumvented the normal appropriations process. Through technical budget techniques such as contract authority, borrowing authority, and entitlement legislation, Congress continued to allow as much as 75% of the budget to be uncontrollable "under existing law." Congress could make marginal adjustments for only one-fourth of the budget outlays via the annual appropriations process. Furthermore, Congress regularly failed to pass appropriation measures until well into the affected fiscal year (Gross, p. 2).

Mostly as a response to these problems and as a reflection of the political climate favoring congressional challenges to the President, Congress passed the new budget legislation in June 1974, and President

Nixon signed it July 12, 1974. Much of the Act is operable this year for the fiscal 1976 budget. However, next year, fiscal 1977, the Act will be in full force.

Congressional Actors in the Budget Process

The Budget Committees of each house have the responsibility for preparing a congressional budget reflecting the priorities and total spending desires of the Congress. In fulfilling this responsibility, the Committees may make continuing studies of the budgetary impact of existing and proposed legislation, evaluate and coordinate tax expenditures (tax loopholes) with direct budget outlays, and review the operations of the CBO. The Committees have jurisdiction over any bill, resolution, or amendment that deals with the overall budget guidelines. Thus, the Committees preside over total spending and revenue limits and spending allocations by functional areas in the budget (Budget Act, secs. 101-102).[3/]

Both the Presidential and congressional budgets separate budget authority and outlays into categories for each major function of government. Table 2 is a list of all 16 functions in the 1976 budget. As one of the sixteen functional areas, agriculture includes only the income stabilization and the research and services programs of the U.S. Department of Agriculture. The food stamp program is in the income security function along with other welfare programs. The International Affairs function includes the Food for Peace, P.L. 480 program, and the Natural Resources, Environment, and Energy function includes the forestry and conservation programs. In fact, U.S. Department of Agriculture programs can be found in nine of the sixteen functional areas (U.S. Budget, pp. 211-221).

The importance of the functions arises when setting budget priorities. The budget authority and outlays for each function will reflect the congressional sense of priorities. Changes in those priorities can be manifested by adjusting spending for each function.

As one of their principal tasks, the Budget Committees must suggest priorities by recommending function spending targets. Currently, the committee faces the real world problem of just how to recommend priorities. Each function and major program within the function may be compared according to performance criteria such as impact on unemployment, inflation, average personal income levels, income distribution, gross national product, balance of payments, or others. Broad-based social indicators acceptably valid across all functions in the budget would be immensely helpful.

Serious debate will occur, for example, when the House or Senate Budget Committees favor spending increases for a "jobs" program reducing unemployment by one percent and increasing the consumer price index by one percent during one year over a research program having no significant impact on either unemployment or inflation. Furthermore, Congressmen are elected by districts and not nationally, so even if the priority questions can be answered nationally, all members of the Congress will not necessarily desire the same budget priorities. While the Budget Committee staffs may provide facts on economic, social, and political indicators, actual priorities will have to wait for political decisions by the elected decision-makers. Currently, the methods of generating those facts are under discussion.

This budget by functions means that Congress will now be comparing expenditures for agriculture against expenditures for defense, income security, veterans, manpower, and other identifiable programs. This type of direct comparison has never before been made by Congress.

The CBO (Congressional Budget Office) is a new arm of Congress intended to work with the budget committees in developing budget information and to conduct long-range studies of budgetary behavior and problems. Although the CBO did not operate this past spring, the Budget Act gives it the responsibility to provide Congress information on the budget as well as taxing and spending legislation, keep score of appropriations and revenues in relation to the congressional budget, and report to the budget committees on fiscal policy and national priorities for the next fiscal year (Budget Act, sec. 202).

As committees report bills with budget authority for new programs to Congress, the CBO must help appraise budget costs for the proposal's first five years, compare the costs to the latest budget resolution, and estimate impact on state and local governments. The CBO also makes five year projections and budget resolution comparisons for bills changing tax expenditures (Budget Act, sec. 308).

Implications for Agricultural Funding

Undoubtedly, if the Congress effectively disciplines itself to its own schedule and if Congressmen accept the implied responsibility to control governmental expenditures through these mechanisms, there will be some important implications for agriculture funding. This paper suggests a few of them.

First, the Budget Committees create another hurdle that must be negotiated in implementing new major agriculture programs. In order to include the new program within the budget the Committee and Congress must consider the additional costs. Continuing programs stand a good chance of inclusion in the budget resolutions, but new or changed programs will be subject to closer scrutiny.

The Budget Committees may decide to leave out funding for an authorized or proposed program. Programs not in the budget resolution will be more difficult to fund. Through the second budget resolution the Budget Committees may recommend cuts or additions in appropriations, spending authority or revenue bills already passed.

Secondly, arguments supporting a program may necessitate revised emphasis. Additions or changes in agriculture funding will have to be compared against changes in other functional areas or the deficit (assuming no surplus). Each bill is more visible. As a result, compared with the past a broader base of interests will be concerned with each issue affecting the budget. This may mean that in order to gain acceptance of agricultural programs, coalitions in Congress must be formed across a broader base of interests to pass programs.

A third implication of the Budget Act develops from the increased visibility of budget deficits. Increasing the budget deficit may be one of the arguments used successfully against programs not in the budget. Along with general concern about the economy, and the uncertainty of true farm program costs, the size of the budget deficit attracted considerable concern last spring during debate on the 1975 Emergency Farm Bill. Significantly, as the budget deficit received increased visibility and raised larger political risks, the farm bill faced decreased support.[4/]

This year three important votes on the farm bill in the House highlight the vote changes. The first was the initial passage of the bill in the House by 259 to 162 (Congressional Record, p. H2073). The second vote, 248 to 166, came after the House-Senate Conference to reconcile their differences (Congressional Record, p. H3071). And the third vote, 245 to 182, occurred when attempting to override the President's veto (Congressional Record, p. H3944). The Senate overwhelmingly supported the bill.[5/] On each of these House votes successively fewer members supported the bill. During the debate on overriding the veto, the opposition argued principally that this bill would increase an already large budget deficit "busting the congressional budget" (Congressional Record, p. H3929-30, 3937). This phenomenon offers at least a partial explanation for the President's refusal to administratively increase the loan rates for corn and wheat when he vetoed the bill. The congressional budget should make deficits and other consequences of new programs more visible than in the past.

Fourth, the Budget Act prescribes the timetable for making funding decisions. For each program needing new authorization, the appropriate legislative committee must report the bill before the first budget resolution passes (May 15). The appropriation bill or final passage of most entitlement programs must wait until after the first budget resolution passes. Consequently, new or renewed programs should be planned and recommended to the Congress earlier than in the past.

Section 607 of the Budget Act, for example, requires the executive branch to make legislative recommendations one year in advance; therefore, if the Administration chooses to recommend a new farm bill to take effect for fiscal year <u>1978</u> that proposal should be submitted by May 15, <u>1976</u>--next spring.

The Budget Act requires new legislation for continuing programs to extend the authorization for at least two years. The failure to submit the legislative requests on time may meet stiff congressional resistance. Changes in farm programs or changes in major research projects with the exception of last-minute oversight, must be anticipated a year and a half before any outlays will be made.

Fifth, consideration of tax expenditures as part of the budget process may help convince Congress of the serious need for major tax reform. Changes in investment credit, deductible pension funds, and capital gains treatment could change the profit picture for farmers as much as revisions in farm program supports. To the extent that the new congressional budget process increases their visibility, these tax expenditures may be more subject to change and debate.

Sixth, the requirements of the Budget Act may suggest research topics. Agricultural programs need assessment mechanisms to determine the return on the investment of budget outlays. Tax expenditures of all agricultural related groups must be fairly assessed while considering some of the special business problems of each (e.g., farmers). In general, improved information systems (e.g., data collection and analysis) could be used by the Budget Committees because they would facilitate more valid comparisons with other functions in the budget.

Perhaps there are other implications of this new congressional budget process that will have even greater impact on public decision-making. Seventh, if the Congress continues to accept the responsibility to vote on total expenditures and establish spending priorities, many of the fundamental allocation decisions may shift to the legislation branch from the President. In recent decades Congress has been unwilling to make these decisions on broad national priorities, thus, the decisions have been inevitably thrust upon the President. Perhaps the President will find increasing difficulty either vetoing or altering spending patterns from a clear-cut plan of priorities established by the elected Congress.

And finally, congressional budget priority decisions could foster an executive and/or congressional reorganization according to the functional areas. Importantly, President Nixon's cabinet proposals suggested just this type of reorganization plan (Office of Management and Budget, 1974). Successful administration requires flexibility to use programs to meet the broad goals of government. To the extent that the functional areas separate and identify the most important goals and to the extent that executive departments direct their efforts toward particular goals, executive administrators may unknowingly work for control by functional areas rather than the present departmental jurisdictions.

Likewise, over time, internal pressures may help congressional committee jurisdictions evolve to pattern after the functional areas. Transferring the budget figures from functions to separate committees or Appropriation subcommittees may prove too formidable to continue in confusion.

Many ramifications of this new congressional budget process may be difficult to anticipate. New precedents are set daily as the process continues through its first cycle. The process is just beginning to be institutionalized and the true parameters of the process are unknown. However, even if only clearer aspects of the congressional budget process work as expected, agricultural economists should take notice because the time when congressional decisions comparing agricultural research to B-1 bombers and other programs may not be far ahead.

Table 1.

CONGRESSIONAL BUDGET PROCESS
Timetable

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 first concurrent resolution on the budget to their Houses.
May 15.........................	Committees report bills and resolutions authorizing new budget authority.
	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.

Table 2.

FUNCTIONAL AREAS IN 1976 BUDGET

National Defense

International Affairs

General Science, Space and Technology

Natural Resources, Environment, and Energy

Agriculture

Commerce and Transportation

Community and Regional Development

Education, Manpower, and Social Services

Health

Income Security

Veterans Benefits and Services

Law Enforcement and Justice

General Government

Revenue Sharing and General Purpose Fiscal Assistance

Interest

Undistributed Offsetting Receipts

Footnotes

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1. Perhaps placing the executive budget process in perspective with the congressional process would be helpful. The executive branch begins budget planning more than a year before the outlays may be used. For instance, planning for the FY1976 budget began in the spring of 1974. Examiners in the Office of Management and Budget (OMB) evaluate programs, identify issues, make budget projections, and present plans in initial form to the Director of the Office of Management and Budget. The Director, together with the Secretary of the Treasury and the Chairman of the Council of Economic Advisers make recommendations to the President about overall estimated revenues and outlays.

By June, or one year in advance, the President offers general budget and fiscal guidelines. These policy guidelines are in turn given to the agencies in the preparation of their budgets.

In the fall, the Office of Management and Budget reviews the agency budget submissions and recommends funding levels to the President. In December and January the President makes final adjustments. Near the end of January or the beginning of February the President presents his budget to the Congress. At this point the formal congressional budget process begins.

2. Federal fiscal years have run from July 1 to June 30 and are referred to in terms of the year in which they terminate, thus, FY1976 runs from July 1, 1975 to June 30, 1976. Starting with FY1977, however, federal fiscal years will run from October 1 through September 30.

3. In order for the new congressional budget process to work, many individuals and committees must be heard and made a part of the process. Appropriation committees, traditionally hold the responsibility for allocating budget authority. The House Ways and Means Committee and the Senate Finance Committee maintain considerable authority on revenue legislation. All the legislative authorizing committees watch funding for programs in their areas of responsibility. If the new congressional budget process will ever be a success, the members and staff of the Budget Committee must coordinate all the areas of expertise and the sense of the Congress when they recommend the budget to their respective house.

The Budget Committees add a new area of responsibility not served by other committees. Conceptually, setting broad guidelines, appropriating, and generating revenues are separable tasks requiring interaction, but not interference.

4. The 1975 Emergency Farm Bill was not passed over the Presidential veto. Arguments on the House floor reflected strong interest in the budget implications of the bill. See the Congressional Record (pp. H3928-45).

5. On initial passage, the Senate voted 57 - 25 in favor of a more costly version of the bill (Congressional Record, p. S5044). The Conference report was accepted by voice vote (Congressional Record, p. S6000). Since the House failed to override the President's veto, the Senate never tried.

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