

THE BROOKINGS INSTITUTION

FALK AUDITORIUM

A REFORM AGENDA FOR THE FEDERAL BUDGET PROCESS

FEATURING KEYNOTE REMARKS BY  
REPRESENTATIVE TOM PRICE (R-GA),  
CHAIRMAN OF THE HOUSE BUDGET COMMITTEE

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**PARTICIPANTS:**

**Welcoming Remarks:**

STUART BUTLER  
Senior Fellow, Economic Studies  
The Brookings Institution

**Keynote Speaker:**

THE HONORABLE TOM PRICE, M.D.  
Chairman, Budget Committee  
U.S. House of Representatives

**Panel Discussion:**

MAYA MacGUINEAS, Moderator  
President  
Committee for a Responsible Federal Budget

HARRY STEIN  
Director, Fiscal Policy  
Center for American Progress

JAMES WALLNER  
Group Vice President for Research  
The Heritage Foundation

DAVID WESSEL  
Director, Hutchins Center on Fiscal and Monetary Policy  
The Brookings Institution

PHILIP JOYCE  
Senior Associate Dean and Professor  
University of Maryland School of Public Policy

\* \* \* \* \*

ANDERSON COURT REPORTING  
706 Duke Street, Suite 100  
Alexandria, VA 22314

Phone (703) 519-7180 Fax (703) 519-7190

## P R O C E E D I N G S

MR. BUTLER: Good afternoon, everybody. My name is Stuart Butler.

I'm a Senior Fellow in Economic Studies here at the Brookings Institution, and I want to welcome you all to Brookings for this discussion on A Reform Agenda for the Federal Budget process.

I want to remind you all that this is being web cast, and so if you would just take a moment right now to either close off your phone, turn off your phone, or silence it, that would be pretty much appreciated.

We're pleased to be co-hosting this even with the Committee for a Responsible Federal Government, and the Committee's president, Maya MacGuineas will be moderating the panel that will take place in the second part of the program.

Maya, and I, and the other members of the panel are members also of the National Budgeting Roundtable that meets here monthly, and this is a bipartisan group of budget experts, former budget officials, and political scientists who focus on the budget process and how to reform it, including how to achieve reform through the political process itself.

And we do this because we like most people recognize that the budget process is a mess. It's a process marked by missed deadlines, by crises and deadlock, and meanwhile, it seems to be unable to tackle many of the critical problems facing our country and pursuing our national goals.

This failure, I think, contributes to the profound deep public suspicion and distrust of Washington that we've seen in the election and before that. But fortunately, some people are trying to do something about this, and so I am delighted to welcome to

Brookings Dr. Tom Price, who is Chairman of the House Budget Committee, to keynote this event.

This afternoon, he will be unveiling a set of draft proposals for a structural reform of the budget process, and the way congress enacts and put into place budgets for the United States.

Chairman Price is a physician. He has represented Georgia's 6th District since 2005, and since January of 2015, he has been Chairman of the House Budget Committee.

As Chairman, he's been strongly committed to budget process reform. In fact, in this congress he's held nine hearings on the topic before presenting these proposals today which has involved dozens of witnesses.

And, indeed, this strong commitment to budget process reform is why he is here with us today despite having a few other things on his mind, as you might imagine. As you know, Dr. Price was nominated just yesterday to be the next Secretary of the Department of Health and Human Services.

Dr. Price, I know your schedule is very tight. You only have a short time with us today, so I look forward to hearing your proposals on the budget process. Thank you.

CONGRESSMAN PRICE: Thank you, Stuart, so very, very much. Good afternoon all. It is wonderful to be able to join you today. I want to thank the Brookings Institution for hosting the event today, and thank the Committee for a Responsible Federal Budget for agreeing to co-sponsor this event. The scholars at Brookings and at the Committee, as well as the National Budget Roundtable have been part of the driving force, literally a driving force in this town behind an effort to reform the congressional

budget process, and I want to thank you so very, very much for lending your time and your expertise and your passion to this issue.

Budgeting isn't something that usually fills up rooms, so we're very excited today to have a full room.

Before I begin, I want to mention three specific things, items. One, I want to thank all of my budget staff who is here. They've done yeoman's work and incredible diligence in producing this product, and among those individuals is my colleague, Congressman Todd Rokita, from the great state of Indiana, former Secretary of State, Vice Chair on the Budget Committee.

Second is that I have a terrible cold, and I apologize for that which is why I just did a Todd Rokita in slow motion, and I've got a lozenge in, and I apologize for that. If I cough in the middle of it, I'll take a sip and put another lozenge in.

And the third is that as Stuart mentioned, I received some interesting news yesterday that has changed my world and life, and, consequentially my schedule. And so I am really pleased and excited about being here today and presenting this, but I will not be able to stick around afterward for a Q&A, and I apologize for that.

So we meet today less than one month after one of the most momentous presidential election outcomes most likely any of us have ever seen. A lot was said during the campaign, and a lot was said about the campaign. But one of the biggest take-aways that I see is this. And that is that the American people want change. They want real change. The American people are fully aware that government as we know it is not working well, and they want to shake things up in the system that we have here in Washington.

There are many reasons why, and no one person and no one party is responsible for the good or the bad or the ugly that we see coming out of Washington.

Let me submit, however, that a large portion of the gridlock that we see here in congress between the legislative and the executive branches comes squarely from a broken budget process. The work is not getting done. It's not getting done on time. And certainly not in anything approaching an orderly or efficient or accountable manner

In the last five years, only 1 out of 60, 1 out of 60 appropriations bills has been passed on time before the end of the fiscal years. And the government has been fully funded only once in the past 20 years on time.

To keep funding the government in 18 of the past 20 years, we've relied upon year-long continuing resolutions, basically a stopgap measure, or congress has adopted and the President has signed omnibus bills.

This is when Washington throws all of government spending into a giant package that is by design incredibly dense, challenging to comprehend in any expedient manner, and generally devoid of the level of transparency that the American people desire or expect.

In short, no way to run a government. And it's occurred under Republican control. It's occurred under Democrat control, and it's occurred under divided government. It doesn't matter who controls the levers of power when the system is flawed.

Two years ago when I sought the chairmanship of the House Budget Committee, I made it known to my colleagues in the House of Representative that the overhaul of the '74 Congressional Budget Act was an absolute priority.

And to that end, over these page two years, our committee has held as many as nine hearings on this specific issue. We've received testimony from over 30 witnesses. We've produced numerous working papers, white papers that many of you have seen, I trust, that document the challenges that we face and the solutions that are possible.

As members have become familiar with the process as it stands today through the development of two budgets resolutions and the ongoing appropriations process, there has been a near universal recognition that something has to change.

At the core of our efforts have been six principles, which speak to not only the failures of the current system that we aim to fix, but also to the additional successes that we aim to achieve under a new and improved budget process.

So today, I'm excited to provide an update on the progress that we've made in our committee toward achieving a substantial overhaul of the budget process, and to ask all of my colleagues in congress, friends in the policy community, the think tank community, who have fought long and hard about these issues. and the American people at large to review the work that we've done, and provide your feedback on these ideas.

First, enhancing constitutional authority. Fittingly, we ought to begin any discussion on budget process reform where it all began, our Constitution. Article I of the Constitution gives congress the power of the purse, the authority to determine the federal government's level of taxation and of spending.

Over the course of many years, and many congresses through both Republican and Democratic leadership, the legislative branch has ceded to much of it's budgetary authority to the executive branch. We've given the President and their regime

of regulators too much power which has weakened the representative framework of our democracy. This has got to stop.

First and foremost, when it comes to the budget of the United States, congress should go first with its proposal. Under the budget process reforms that we envision, lawmakers will continue to consider a congressional budget resolution with information gained from a current services account estimate from the executive branch prior to the President submitting his or her request.

Timing may seem like small distinction, but the current scenario where congress is essentially responding to the President's budget is completely backward, and antithetical to the Constitution's goals and framework.

Speaking of timing, we ought to align our fiscal year with our calendar year. That means that January is when it would all begin. That will better reflect the schedule of congress, and provide policymakers with more time to get their work done.

Further, we propose putting in place a plan to reduce spending on unauthorized programs. As substantial portion of federal spending goes to programs and agencies that congress has failed to authorize for years, sometimes even decades. That's a fundamental failure of oversight.

If congress wants to spend money on an idea, or an agency, or a program, it ought to explicitly and in a timely manner declare and justify its intention to do so.

Within this same framework falls the annual appropriations process and changes to the timing and design of how we keep the government regularly funded. Passing 12 individual appropriations bills all the way through congress has, as I stated earlier, failed to occur rather consistently for quite some time.

One solution that's garnered rather popular attention and acclaim is the idea of bi-annual budgeting dropping the goal of approving annual appropriations bills each year and, instead, spending the first year of congress dealing with budgetary matters and authorizing spending for two year so that the congress can spend more time on over sight in the latter half of the two-year cycle.

Bi-annual budgeting, while a popular concept, I don't believe will solve in and of itself all of our budgetary woes. However, the concept has received broad bipartisan support.

What we propose is dividing 12 appropriations bills into two trenches. Six in the first year, six in the second year of the congress each funding government functions in their area on a biannual basis.

We ought to see how it works, and reevaluate at a later date, and that review process should include the requirement that the Governmental Accountability Office prepare a report on the effectiveness of the biannual budget process.

Meanwhile, a prohibition on long-term continuing resolutions is an absolute must. Congress should never forfeit its budgetary responsibilities by passing a stopgap measure that covers more than a year of governmental activity.

At the same time, congress ought to expand the use of its budgetary authority by allowing for multiple, multiple reconciliation bills to be considered under a single budget resolution increasing the opportunity for policymakers to pursue multiple major reforms within each of the three reconciliation categories of spending revenue and debt.

Second area, strengthening budget enforcement. Of course, a budget that is not enforced is worth less than the paper that it's printed upon. Right now budget

rules and restrictions are easily circumvented often through gimmicks or outright waiving of enforcement measures.

We should empower policymakers to prohibit such actions. There should be unequivocal opposition to any efforts by congress to use gimmicks to declare it is offset spending when, in fact, it's done little more than clever accounting.

We have to eliminate the opportunity for congress to pursue spending and tax legislation when there's no budget in place. This not only makes sense from a budget enforcement perspective, but it also helps insure that congress is exercising its responsibility to establish broad fiscal policy in line with the priorities adopted by congress.

However, there can be no real budget enforcement if too much of the spending is outside of the purview of the budgeting process. Congress needs to look at the whole picture so it's got a complete understanding of government spending and obligations.

At the same time, we should broaden the base of programs that are subject to automatic budget enforcement procedures, and funding for emergencies should be truly that, funding for an emergency for defined relatively short amount of time, and not become a long-term line item in the budget.

Third is reversing the bias toward higher spending. One of the more fundamental challenges that we face under the current budget process is the inherent bias in the system for ever higher spending. The baseline that congress uses for its budget projections, the amount against which any change is measured or compared assumes that government programs which are scheduled to expire, and automatic spending programs like Medicare which are headed for insolvency, are simply a part of

permanent spending obligations and, therefore, do not have to be accounted for, or subject to the same level of scrutiny as other federal spending measures.

Meanwhile, programs funded annually through the regular appropriations process are automatically assumed to be given a pay raise due to inflation. This assumed automatic plus up is unnecessary, and the baseline shouldn't prejudge congressional decision-making on spending increases.

What is necessary for all lawmakers to consider is the cost of not just implementing a given program, but the cost of borrowing if need be to fund that program.

Right now, interest payments on the government's debt is completely missing in the CBO cost estimates of new legislation, and we think it's important to change that.

Additionally, committees considering legislation that will have an impact on the nation's fiscal outlook ought to have the estimate of the impact of that legislation in hand before they go to markup or approve or disapprove the legislation.

Quite often, members don't have that information available to them on the cost of the potential legislation until it's too late in the process.

Fourth, controlling automatic spending. For all the time and attention that they receive, the appropriations bills that Congress is supposed to pass each year represent only a fraction, and it's a decreasing fraction of the government's annual spending.

Two-thirds of current expenditures are dedicated to a relatively small number of automatic spending programs on the mandatory side like Medicare, and Medicaid, and Social Security, and other mandatory programs which are not subject to annual appropriations, and, therefore, operate largely outside of the control of Congress.

In a few short years, over 75 percent of the annual budget will be consumed by automatic spending, meaning that congress will have less and less control over the spending that occurs. That means that the American people will have less control over how their hard earned tax dollars are being allocated. This is unwise, it's irresponsible, and its unsustainable.

To establish control over this spending, first and foremost, we ought to prohibit congress from creating new automatic spending programs that are not included as part of the annual budget resolution. This doesn't preclude congress from at some point agreeing to create a new automatic spending program, but it would insure that the conversation begins within the context of a budget and the nation's fiscal health.

Right now, there exists no reputable process in place to establish enforcing spending limits. Sure we've got the statutory caps that are in place right now on discretionary spending, but they're not part of any long-term strategy for economic growth or for national security.

Meanwhile, we have uncontrolled automatic spending programs that are eating up an ever increasing percentage of yearly annual tax revenues. It's an unsustainable trajectory.

We need a system that gives congress the opportunity to establish spending limits, and to put those limits into law, and to do so within the construct of the annual budget resolution. When congress adopts a budget resolution to govern its appropriations process, there ought to be away to spinoff or an opportunity to send to the president for his or her signature a joint resolution that would put in law limits on spending based on the parameters that are established in that budget resolution.

One way to lessen the burden automatic spending is placing on our budget is to bring back more programs under the umbrella of annual appropriations process. This could be done by establishing a commission similar to the military's Base Realignment and Closure, a BRAC commission, that would evaluate each automatic spending programs and which ones ought to be transitioned over to the discretionary side of the ledger.

Congress would then have the opportunity to vote up or down for or against the Commission's recommendations. In each of these instances Congress, the people's representatives, would have a say in the treatment of our automatic spending programs. That really is key since many of these programs are critically important to the health and economic security of the American people.

Fifth, increasing transparency. Nothing says good government like transparency, a little sunshine. A representative democracy must be open and accountable to the people, and that's why in our budget process reforms we put a premium on transparency.

The American people should know where their tax dollars are being spent, and they should not have to be a budget analyst to figure it out. The congress and the executive branch should provide a description of their budget to the general public in language that is easy to understand and scrutinize and searchable.

We also believe in bringing the facts to congress so that it acknowledges the reality of where our nation stands from a fiscal standpoint. That's why the reforms that we are proposing would require the Comptroller General of the United to deliver an annual fiscal state of the union addressed to congress and the country so we're all

provided with regular updates on the significant challenges from a fiscal standpoint facing our nation.

Transparency should also flow to those that are developing and implementing regulations. Every administration relies on regulations to implement its agenda, and support the legislative work on Congress.

Moving forward, however, we ought to account for the impact of those regulations, and that's why we're calling for a regulatory budget to catalog the costs of proposed regulations, and the aggregate impact of the regulatory state on the health and wellbeing of our nation.

And then finally, insuring fiscal sustainability. While the budget process is on the surface about the year-to-year funding of the federal governments operations and agencies, the ultimate goal of any budget ought to be long-term financial stability, putting our nation on a financial trajectory that will insure future generations inherit a country that is fiscally sound, economically confident, and globally competitive.

Shortsighted thinking or short-term solutions will by definition fail to get us there, and that's where we currently are. That's why a new budget process ought to insure the relative long-term fiscal health of the country by focusing on the nation's debt obligations over the coming decades.

Specifically, we ought to adopt a series of long-term declining debt targets, enforceable by enhanced reconciliation. Should that fail, there must be an automatic enforcement mechanism so that we are putting ourselves on a path to ensure that we leave our kids and our grandkids a brighter future.

The changes that are needed can be as simple as implementing a rule in law against increasing long-term spending to the more complex reforms like requiring

risk-based discount rates when evaluating the government's credit and insurance programs, or the revolutionary idea of changing the debt limit calculation to not a dollar value as a limit as it is today, but the level of debt as a percentage of the economy, as a percentage of the gross domestic product.

Shortsighted thinking in Washington is one of the biggest threats to insurance a sustainable, healthy fiscal outlook. Anything and everything that we can do within the budget process to force policymakers to consider the long-term consequences of their actions and their decisions will go a long way toward insuring America as a vibrant economy, and a secure future.

For all of our efforts to incorporate the input of members and policy experts from outside congress, we recognize in this process that there will be other solutions that could contribute greatly to improving the nation's fiscal outlook. And that's why we propose establishing a special commission tasked with reviewing different budget concepts so that we're incorporating an outsider perspective into the conversation.

Specifically, such a commission would examine and report to congress on how portfolio budgeting and capital budgeting systems could be implemented at the federal level, and how they might ultimately foster balancing the budget.

The ideas that I've discussed here, and others are included in the discussion draft for budget process reform that our committee is releasing today, and each of you will have the opportunity to pick up a copy on your way out.

We invite anyone to share their insights and input, and to take part in this important initiative. There are items within our proposal that are certainly controversial, or may elicit serious concerns, and that's fine. That's healthy. We ought to have that discussion. We welcome any and all feedback.

At the end of the day, our motivation is not the process, but the product. How do we create a system with checks and balances that will insure we are producing solutions that make our government more efficient, effective, and accountable to the American people?

The congressional budget process is really just a means to an end. The end if a nation that is fiscally sound, economically healthy, safe and secure, and full of opportunity.

And today's budget process is failing the American people and our nation, and we must, and we can turn that page. And, hopefully, this proposal provides the impetus for getting us moving in a better direction.

Let me once again thank Brookings and the Committee for Responsible Federal Budget for their sponsorship and inviting me today. Thank you so much. God bless. (Applause)

MR. BUTLER: Thank you very much indeed, Mr. Chairman. Thank you for laying out these very comprehensive proposals, and as you said there are copies at the back for everybody to have a look at when they come out, when they leave.

I know you have to leave, and I know you have time for just one quick question from the moderator. I know also that given at this early stage in the nomination process it can't be about HHS or Healthcare.

So let me ask you this. You have been the driving force on the House side of discussions of budget process reform as evidenced from your comments here today. If things go as you hope, you will be through the process, and you will be leaving the congress and the Committee.

In that eventuality, how can you assure us that the momentum for budget process reform is going to continue in the House?

CONGRESSMAN PRICE: Right. It's a great question, and the good news is, is that this isn't just a Tom Price effort. This effort grew from frustration, literally on both sides of the aisle about the budget process. There isn't anybody that's happy with what's been happening from an appropriations and budget process in congress over the past couple of decades.

And so the work product that we produced today is from our committee staff, and the input that we had from members, and from folks in the think tank community, and ideas that we had.

But we're not wedded to just that, and that's the good news because what we want is the input from everybody. I believe that there will be somebody if I'm given the privilege of moving to a different position that there will be somebody or bodies in the House of Representatives who will pick up the mantle.

This is so important. This is so incredibly important. The House Republican Conference has embraced the idea of budget process reform, and so I have all the confidence in the world that what will happen moving forward is that, hopefully, this will begin that serious discussion so that within the next two years, we'll be able to have a piece of legislation that we can move through the Congress of the United States.

MR. BUTLER: Well, I hope you're right about that. And thank you again for coming this afternoon.

CONGRESSMAN PRICE: Thank you. Thank you all. Take care.  
(Applause).

MR. BUTLER: Please be seated. Remain seated for a moment.

And I have great pleasure in handing over to Maya MacGuineas of the Committee for a Responsible Federal Budget, who is the, as I said the co-host of this meeting today. And, please, if the panelist will start to come up, and Maya.

Maya has been in charge of the Committee since 2003, and she's focused on budget process issues, and the budget, and economic issues for many, many years. And not just at the Committee, but at the New America Foundation, and earlier at the Brookings Institution.

So I'm pleased to hand over to her to conduct the panel.  
Thank you.

MS. MacGUINEAS: Thank you so much. Thank you, Stuart, for putting this panel together.

Okay, camera people, you cannot leave. I know you're here for budget process. (Laughter). Great to have so many cameras interested in budget process.

Okay. Well, I'm really excited to lead the discussion with a great panel, but, also, a really great product from Dr. Price and his staff from the Budget Committee that's here that's put together something I really think is worth discussing.

Many, many times budget process, I'm going to be honest, is used to avoid talking about the policies. A lot of people use it to avoid actually confronting the fiscal policies that we're going to have to grapple with.

And that's not the case in this process I believe. It's actually put together -- I think the other thing that you sometimes see with budget process is it becomes kind of a random grab bag of just all sorts of ideas that have been sitting on shelves for two decades. They throw them in there.

But this is actually, I think, and I'd be interested to hear what the panel thinks, kind of a thought out whole process where the budget would be looked at more comprehensively, and it's a chance to address some of the questions that Dr. Price brought out whether it's missed deadlines, to gimmicks, to poor fiscal outcomes.

And so I think there's a real method to it, and I think it's a beginning of confronting all those policies. I also think that Dr. Price has a lot of credibility on this because he has also worked deeply in the policies that are affected by the parts of the budget that he's looking at to reform. So it's not instead of. It's in addition to. And I think he has a lot of credibility on that.

So we have a great panel today. We're also going to have time to have a discussion with the audience because I see a lot of budget experts here today.

So I'm just going to quickly go down -- I think everybody knows who we have, but James Wallner from the Heritage Foundation, Harry Stein from the Center on American Progress, Phillip Joyce from the University of Maryland Public Policy School, and David Wessel from here at Brookings.

Also, this is the kind of moderator I am. I'm going to ask those broad questions, and I encourage you to answer whatever question you've been asked, you wish you'd been asked instead of a specific one. I think we should just have a discussion, and I think you guys can jump in and talk with each other as well.

But I guess I would start with it is important when you're thinking about budget process what problem are you trying to solve. And there are plenty of people who say, you know, it's not the process that's the problem. It's the -- what do they say? Oh, the problem's the problem. Not the people. Sorry. It's the problem that's the problem.

I think there's a lot of problems with the process, but do you think the process needs to be reformed, and what are the biggest problems that you would want to solve through budget process reform? I'll start with James.

MR. WALLNER: Well, first, thank you to Brookings, Stuart, and Maya, and the Committee for a Responsible Federal Budget.

I want to commend Chairman Price and the Budget Committee for putting together a great proposal. There's a lot of really good ideas there, a lot of refreshing stuff to see.

I would just start off by saying I might be one of the people who thinks that the process is a bit of the problem, but the people or the problem is also the problem, so maybe it's good to start with me.

MS. MacGUINEAS: Okay.

MR. WALLNER: But, you know, I'd like to just take a step back and share with you how I try to approach these issue and assess the future effectiveness of any proposed reforms.

And I think that does require us first asking what do we mean when we think about and talk about the budget process. And for me that's just a set of rules and procedures that governs how Congress makes fiscal decisions at least in theory. Right? And it comes from the same place that all of the other rules in congress come from. Article I, Section 5, the Rules of Proceedings clause in the Constitution.

And the reason why I think that's important is that the implication of this is that factors that are negatively impacting the budget process should also show up

elsewhere. And I think if we were to ask any of you in the audience, you would likely say that nothing in how congress is making decisions today is actually working very well.

And I think that's not a coincidence. I think a lot of the same factors that are negatively impacting the budget process are negatively impacting the legislative process more generally.

And this reflects, I think, a more general inability to form sufficient coalitions that are willing to take the votes necessary to pass public policy on a sustained basis. I mean, that's the fundamental problem we're looking at today.

So it isn't a rules problem *per se*, although that's certainly part of it, and I think the rules can be more rational and more efficient, but it's a problem of political will. Pure and simple. That's it.

And the reason why we're talking about budget process reform so much lately is the problem has gotten bigger, and it's gotten harder for members of congress in both parties to show some sort of willingness to tackle that problem. And so here we are.

I would just say that the effectiveness of these proposed reforms should be assessed in this light. That doesn't mean that reforms that don't increase the political, the cost of ignoring the problem are bad, but it's not necessarily going to solve the problem.

So biannual budgeting, it makes a lot of sense, but we're not passing appropriations bills in the House and Senate for a lack of time. I mean, I think it's important to keep that in mind. You know, broadening the programs that are subject to automatic budget enforcement also a very good idea, but the current automatic budgeting enforcement of the Budget Control Act, a narrower subset of less salient programs isn't being allowed to go into effect. We typically waive it. It's another thing to keep in mind.

So, again, these problems, I think are very important. They're very good proposed reforms to tackle the problems we have, but we need to keep in the back of our mind that it's a fundamental lack of political will on both sides of the aisle to tackle the long-term fiscal problems of this country that is leading us to have this discussion.

MS. MacGUINEAS: Thank you. Harry.

MR. STEIN: I think it's a good question. And I think that to me when I look at budget process reform, I don't think that fundamentally the budget process is the problem. I think that the budget and the budget process currently can work when members of congress want it to work, and when they're able to work together.

But that said, there are certainly issues with the budget process, and there's ways to make it work better. I think that one example in here that I think is positive from Chairman Price's proposals is eliminating the term limits for members of the Budget Committee. I honestly did not know that rank and file members of the Budget Committee were term limited. I think that generally term limits make it harder (inaudible) on the issues that the work on, and I think that's a good first step, and, hopefully, it leads towards getting rid of the term limits more generally on committee chairmen as well in the House, which I think would for the same reason be a positive step forward.

But the fundamental thing that I want to ask on budget process reform, and government reform more generally is does this make government more responsive, accountable, and transparent for the American people?

As Chairman Price said, we just had an election where it's very clear that people feel like Washington isn't hearing them, and the want to do things differently. And I think it's important to note here that there's actually some very good political science research that shows that those people are right.

Martin Dillance and Benjamin Page did a study a few years ago looking at this, and there's this really depressing quote in there that after you control for the preferences of wealthy Americans and the preferences of interest groups, ordinary Americans seem to have absolutely no impact, at least nothing statistically significant and observable on public policy. And that should be phenomenally depressing, and we should have a budget process that works to solve that problem.

Now, unfortunately, and I think the most important of Price's proposals that these are going in the wrong direction, and this was the having caps on debt as a share of the economy, the decline over time, and are enforced by across-the-board spending cuts. So basically, sequestration, but sequestration for Medicare, Medicaid, and Social Security.

Those programs are extremely popular with the American people. The American people support expansion over cuts for Social Security. They support protecting Medicare over cutting Medicare to reduce the deficit. The wealthiest Americans have the opposite opinion. They tend to support cuts over expansion. They tend to support cuts to Medicare to reduce the deficit.

Now, people can disagree on this from a policy standpoint, but that's where people stand, and we should note here there's no fiscal arithmetic that forces cuts to these programs. You can stabilize the debt as a share of the economy over the next 30 years entirely with tax increases, and we would still be a low tax country by international standards.

Now, you don't have to support that policy, but to say that we have to cut Medicare because of fiscal math is simply not true.

And what worries me about what Chairman Price has laid out here is it sets up a system where members of congress can vote for large tax cuts, and then they can vote to reduce the debt, and they never actually have to vote on cutting Medicare, and Medicare, and Social Security.

So, for example, President Trump, President-Elect Trump has proposed tax cuts that cost roughly \$6 trillion over ten years. I ran the math on this during the election. Paying for those with an across-the-board cut requires \$1.7 trillion in cuts to Social Security, \$1.1 trillion in cuts to Medicare. You would reduce the average monthly Social Security benefit, which is only about \$1,200 a month. You would reduce that by about 170 a month. These are people with disabilities, retirees, and fixed income, and you're going to take away \$168 a month from the very low amount of money that they have.

Again, people can disagree on the policy of that, but they should have to vote on that, and what this is doing is it's creating a process where the accountability for that choice is divorced from the people who are making it. And I think that's a fundamental mistake for budget process reform.

So I'll start by just not amplifying very much by just saying I agree with the prior two speakers that the fundamental problem that we have is not primarily a problem with the structure of the budget process. It's a problem with the operation of the budget process, which does not mean that there are not reforms of the budget process that could create incentives for the budget process to operate in a sort of different and more timely way.

The second thing I will say is that this a serious effort. That there were these nine hearings that were held, and I testified at three of those hearings, which is not what makes it a serious effort, by the way, but it doesn't hurt.

VOICE: The other six hearings were horrible --

MR. JOYCE: Right. Exactly. Right. I'm not sure if I'm three of the 30 witnesses, or only one, but my point is that based on the number of members that were in attendance, the kinds of questions that were asked, you know, these were, this was a serious effort, and I think this is, as Maya suggested, a proposal that hangs together which doesn't necessarily mean you need to agree with all of it. It simply means that often you do get a sort of hodgepodge of different ideas that are thrown together as if they are a unified proposal. I actually think this is a unified proposal.

If I were going to identify the things, and I think some of them are things that this proposal really does address that are the most fundamental problems with the budget process, I guess I could list ten or fifteen, but I'll stop with two, and those two would be the timeliness of the process, and I think if we want to talk about trust in government, why would the citizens trust a government that has only managed to enact appropriations bills on time four times in the last 41 years.

You know, they may not know exactly what's going on, but every time a new spate of stories comes out about how we have to have a budget agreement on appropriation bills by X date, or we're going to have a government shutdown, at some point it doesn't matter whether we actually have a government shutdown or not. It just sort of demonstration that the congress and the President can't do their job.

So to the extent that anything in here is creating incentives for the congress to actually get its work done on time, I think that's actually, the most important thing that could be done.

The second is on this question of whether we should have targets or not, I think the question of where the target should be as Harry suggests, there should be a lot of debate on that.

The question about whether there should be a target, I'm sort of on the side of saying that we ought to know where we're trying to get to, and that a lot of countries around the world have what's usually referred to as a fiscal rule, and a fiscal rule simply means that we have an overall sort of macro level goal for where we want the budget to get to. And whether that is a percentage of GDP, or something else, it would be useful to know where we are trying to hit.

And then there can be all kinds of debates about how it is that we get there. We don't necessarily have to get there by cutting spending. We could get there by increasing taxes.

But if you had some kind of consensus, which we lack and we have lacked for a long time on what the overall goal for the budget process ought to be, I think that would move us a long way toward at least knowing where we're trying to get to, and then figuring out how we're going to get there.

And I'll stop there and save my other comments for later.

MR. WESSEL: Well, thank you all. I'm tempted to say I agree with everything and we should go home. So I don't think that the, I think that the reason we worry about this is not because the process is messy.

If we had a budget outcome that we were more comfortable with, we would tolerate a messy process. I think a lot of us are uncomfortable with a process, as Congressman Price said, where an increasing fraction of the federal budget is kind of on auto pilot, although I think, and contrary to what the Chairman said, congress and often does tinker with Medicare and Medicaid, so it's not like they really don't have any power, but in general, too much of the budget is not getting annually reviews, and too much of the pressure on the budget are things that we think of as investments in the future. So there is a problem with the outcome which then should lead us to look at the process.

Secondly, I do think that if congress wanted to make the current process work, they could. And I think it's nice, but naive to think if we had just different rules, and some of these are very complicated, that somehow congress will say, aha, well, we really meant to play by the rules. Now that you've made them complicated, and a little bit stricter, and put all these laws in place that now we're going to behave. I just don't think it's going to work that way.

Third, I do think that Congressman Price and the people who worked on this thing did identify a number of issues that really need to be addressed, and one of them, as has been said is an absolute lack of long-term focus which I don't look at as necessarily a question of too much spending or too little spending, but just that we don't seem to be able to look beyond the next, you know, Congress thinks they've succeeded if they avoid a shutdown. Does not seem like a very high bar for a representative democracy.

Phil and I and a number of other people have done a little book on thinking more about the long-term that we're going to discuss tomorrow at the Bipartisan Policy Center, and so I think they're right to focus on this.

But we had the luxury of being able to look through this to say I studied it would be a strong exaggeration. I just want to pick on a couple of things to call them to your attention. One is, it's very nice to say that if we moved and started the budget years of January 1st, that would give congress more time, and they would work that.

Let's remember that congress moved the deadline, the beginning of the fiscal year from June 1st to September 1st because they said it would give them more time. And so I'm a little skeptical that just if you move the thing three months that some way everything will be an orderly process. I'm trying to imagine what election time would be like in years where they hadn't finished the budget. Do we have this bizarre situation where they are refusing to vote on this because they don't want to do it before the election? So I'm worried about that.

Secondly, I'm trying to imagine President Trump coming into office and being told, by the way, boss, you can't do anything about spending and taxes for 2017, and for half the appropriation bills you can't do anything for 2018. I don't think the President would be happy with that. That obviously isn't Congressman Price's concern, at least not for a couple of weeks. But I don't actually think the American people would be, I think when the American people have a presidential election and the president runs on a program, they don't want to be told, oh, because we set up this rule, they can't do anything for two years.

And just one more thing, Maya, and then, because there are some other issues that are really interesting and important in here. One of this is Congressman Price when he talked to us about the budget process was very clear that he was looking for a neutral process, one that was not sort of pro-Republican or pro-Democrat.

And I worry about whether we've really achieved that here. Make two observations. One is if you define the process, and Harry pointed this out, as too much spending, and you basically bias the thing against raising taxes even if people in America would be willing to pay more taxes to get more spending then you don't have really a neutral process.

And secondly, I feel like this is a nice conversation but completely divorced from reality when it looks like, according to Leader McCarthy and others, congress is just going to repeal the ACA with one reconciliation bill and do a big tax cut with another reconciliation bill so they don't have to really deal with getting with very many Democrats in the Senate.

So it kind of feels like we're going to dismantle much of President Obama's doing and half of the New Deal on the way, and then we'd like to have this level playing field thing.

So I think that the, it's a little bit in contrast with the spirit of the times that seem to be I won the presidency. The Republicans have the majority in congress. We're going to do stuff and the Democrats better get out of the way because we found a way, one that the Democrats have used successfully, I would admit to avoid needing to get a bipartisan consensus.

MS. MacGUINEAS: Okay, a lot of good facts there, and I have a couple I'm going to share, but just so you know my next two questions coming out will be one. Is there something you really think we should do to the budget process that isn't in here that you would recommend? For instance, you all talked about long-term budgeting, other things you would want to see more of.

And two, I'd like to dive a little bit deeper into the issues of baselines, which was one of the pieces that's interesting in this, just a couple of facts because I was listening to all of you with really good comments.

One thought I have is that actually I think after this election it's a really important time in this country for rules and institutions, and things, and systems that people feel are fair because we have a more polarized, partisan, really tough environment than I think any of us have seen in quite some time, and we need people to have faith in the processes of government even as our politicians are kind of figuring out how they're going to work through things together.

And so I think the importance of budget process being something that is understood and followed on a regular basis is critically important. So I think that this is maybe a tough time to get it done, but a potentially really important time for a very strong budget process.

I was thinking about what's the most important priorities that you want it to address are. One, I'm not sure, this one may, it may address this. I'm not sure. But a whole piece of budgeting that I think is really missing is an evaluating our national priorities and figuring out what our biggest priorities are.

Portfolio budgeting is one area that they talked about which I think would go forward and address that. And I think if you have baselines that less biased in one direction or another that gives you more choices and more chance to revisit the national priorities.

But I would love to see a process that focuses budgeting on what it's supposed to, establish what your national priorities are, put in place a plan for them, put in place a plan to fund them.

And so I think this does this somewhat. Maybe could do it more.

The other one that I have obviously concern about is the fiscal outcomes, and I am really interested in the debt targets as a piece of this. I think the debt targets, I agree, and I'll talk about this in a minute with your concern today.

But I think having a fiscal target to start with, exactly like you said, Phil, is a necessary part of a budget. It seems to me kind of crazy to try to put budgets out there that don't have any place where they're going. There's no forcing mechanisms for even evaluating tradeoffs which are exactly what budgets are supposed to do.

And just like having debt targets as a share of GDP is important, I really like that it switches the debt ceiling to look as that as a share of GDP which is the right way to think about it, I think.

But I think having the sequester like if you fail to hit your debt targets it's only spending cuts. I'm all for broadening the base. I don't think putting Medicare and Social Security in there is a bad thing. I think it's part of what needs to happen along with revenues.

You can have to two kinds of sequesters. One where you have a punishment that nobody wants, both sides want to avoid it, so they are incentivized to fix it. We thought we had that with the sequester. It turns out we didn't, so maybe we don't understand what people are willing to do to not make those hard choices. Or, two, to have a sequester that would actually get to those debt targets through a reasonable method.

But I certainly think having kind of a biased, a one-sided approach to fixing it if you miss your debt targets doesn't make any sense at all. And I thought Harry's

explanation of you could have huge tax cuts and then never vote for a cut, cuts in entitlement spending would not make this very plausible to begin with.

You want budget rules to be bipartisan. You want both sides to adopt them, and both sides to think that the rules are fair, and (inaudible).

But I do think it's a really interesting time for a whole fresh start for a budget process. It's not necessarily even that the process would be so much better than the old one. If we followed it, the old one would be fine. But sometimes you just need a reset, and it feels like the budget we need a major reset right now.

Okay. so back at to questions. What do you wish that the Committee did include or would include this and very open to other idea as well? And if you have any thoughts on baselines, which is something that's been debated for many, many years, I'd love to hear them.

VOICE: Well, I think it's a great question. The Committee did put a white paper, a working paper on this. I think it was a very helpful paper as well. You know, again, I just want to take a step back and I think you're absolutely right. I think we should think big at least in terms of assessing what kind of system we want.

There's no reason to necessarily be bound by the existing status quo. This requires us to think through what kind of process we want. What kind of things we value? There's a tension between do you want a more deliberative decision-making process that may be politically incorrect (inaudible) for its members. They got to take tough votes, right?

But it does deliberate. It does (inaudible) stable outcomes. But it's going to be more difficult to get change, and it may take a while. Or do you want a less deliberative, more secretive process that protects members politically (inaudible),

encourages them to take some of these tougher decisions, but, and, yes, you know, get decisions more quickly, but they're going to be less stable and maybe more one-sided.

But the fundamental problem that we have right now, and again, it's not just budget, it's within all areas in congress in my opinion, is that, and I think you see this in the election in what motivated millions of Americans around this country is that they're not seeing their claims adjudicate in the halls of congress, on the floors of the House and Senate. They're just not seeing it.

They're being told lots of stuff when their politicians, when their candidates are there asking for their vote but when it comes to congress, they're told well we can't do this because this will happen, or we can't do that because that bad thing will happen and all this other stuff, and it's frustrating.

And so I think having this, you know, thinking through this process, and it may not be the most glamorous thing, but I do think it's important that we think through what kind of process we want, and what kind of things we value.

And, yes, it may make members of congress a little less secure electorally, but the last time I checked, this place wasn't designed, congress wasn't designed so that members could come back year and year and year on an easy basis. It's designed to represent the people.

And I think it's clear that the people aren't getting what they want right now. So I would just leave it at that.

VOICE: Okay. I think you ask good questions. I'm going to let someone else weight on the baselines. Have some thoughts on it, but I trust the other people more.

I think one thing I really like, which I said, is to have some kind of long-term goal, but I don't think it's sufficient to say we have a long-term goal of debt to GDP, and everything else doesn't matter. So, for instance, in the Australian long-term budget review thing, they talk about goals for other things as well. So I think it's important to put the budget in the context of economic policy in general because the goal is not to have (inaudible), and Congressman Price said this very well at the end, it's not only to have a fiscally sustainable budget. It's to have a growing economy and equal opportunity for social mobility and stuff, so I think if we're going to do long-term planning, we have to have something more than just say all that matters is the debt to GDP.

The second thing and one thing that worries me a little bit, I confess I don't quite understand all the mechanisms here so I maybe be a little bit unfair is, but we've learned the hard way that automatic stabilizers in the budget are really important. That you want some spending and expand when the economy hits a rough spot, and then contracts when the economy gets better.

We have some automatic stabilizers. I think some of us feel that one of the lessons of the Great Recession is we didn't have enough, and that we ought to be thinking about expanding those because we can't count on congress to do fiscal stimulus when it's needed, and also that doesn't always trigger off when the economy gets better.

So I would want to make sure that any budget process we did didn't stop us from using federal programs as automatic stabilizers. That is, more people are going to be on food stamps when we have a great recession. And more people are going to be on Medicaid when we have a great recession. And we might want to think about creative ways to get more monies to state and local governments to offset the cutbacks when their revenues go down.

If you think of everything as we've got to put a cap on everything because otherwise it's out of control, I worry that we will be setting ourselves up to make the business cycle much more severe than it is, and it invites then congress to, you hope that congress will waive those things when we have another great recession, but I'm not sure that that's actually going to put us in a better place.

MS. MacGUINEAS: And I just want to say to the staff of the budget committee that if there are things that you feel like, oh, my gosh, I need to clarify how this works, at any point just flag me and you can jump in and say, oh, we do have automatic stabilizers, we have ways that during recessions (inaudible), because I know in other countries when they have these kinds of targets, they certainly take the business cycle into account.

MR. STEIN: Yeah, it's always a really fun day when a (inaudible) gets to agree with something that the Heritage Foundation said, and the point that --

VOICE: Does this happen often to you, Harry?

MR. STEIN: Most fund days, you know, you're going to (inaudible). One thing I think is really important is the idea that the process should, people should be able to see the process adjudicating competing claims, and they don't see that enough.

One thing that I think that is important in these discussions is that probably it needs to be broader beyond budget process and to think overall about congressional process. I think a lot of the problem with not seeing claims adjudicated is when amendments aren't allowed and so there's just one vote and members have no opportunity to offer amendments. This is not a partisan problem. Republican shut Democrats out, Democrats shut Republicans out of the amendment process, but I think it a problem for governance.

I think that one of the -- I have no objection and I think it's a good, absolutely is a good thing to be clear when you're discussing your budget what your fiscal goal is and what your other goals are.

So when the president's budget comes out, you can see in there where his budget would go with debt as a share of the economy over time, and when congress puts its budget out, you can see where at least the totals go. There's less policy behind a budget resolution, but the goal, but the fiscal goal that they're trying to reach. And you can see also undercurrent now where we're going now, and that's a good thing.

Where I think you don't see claims adjudicated well, and where the process starts to break down is when you start to voicing those questions from the question of how we get there, and that to me is the problem with an enforceable goal with any sort of automatic procedures. I mean, I think, certainly, it's a much more biased goal when it's only across-the-board spending cuts, but I don't want to see across-the-board tax increases either. I want to see members of congress think through the Tax Code and identify policies that work to get to the fiscal situation and to support the government that they want to support.

And when you divorce these decisions from each other, it's easy to vote for a goal, and then say, we'll figure out later how to get there. And at the core of a lot of this is, I think, this theory that congress doesn't compromise because they're not being forced to enough. And I think that's probably incorrect.

And, in fact, we tested this. We tested this as Maya alluded to, with the sequester, and actually before that even.

In 2011, President Obama, I think it was a mistake to do this, used the debt limit as an opportunity to try to force a grand bargain on debt reduction. That didn't work. Instead,

we got the Budget Control Act, which had discretionary spending caps which aren't really address the drivers of the debt.

And then the sequester process that was supposed to be so horrible that it would force the super committee to design something better. They didn't. We got sequester instead. I don't really think sequester for Social Security, Medicare, or for that matter, middle class taxes is a great way to go in the future.

And something that I wish I did see in here, I do agree that thinking about that as a share of GDP is the way to think about it. And it's good to see Chairman Price and the Budget Committee thinking about ways to make the debt limit more rational.

I would be concerned with doing that, but in a world where you're in a recession and GDP is shrinking, you may hit the debt limit even if you don't increase debt in nominal terms, and so you're increasing the likelihood of a default crisis at exactly the worse time to be dealing with that.

What I would much rather see here, there's no reason for the debt limit. There's no purpose that that serves. If you vote for spending and you vote for revenue policies, there shouldn't be any question that you're then going to pay the bill when those come due.

And it used to be that the debt limit was basically a way to embarrass the party in charge, but ultimately we always pass the debt limit, and it changed into something that was actually taken as a hostage, frankly, where there was something then that you had to get in return. That's, I think, very dangerous. We almost defaulted several times in the last couple of years, and I think that we need to just get out of that situation not just for the next administration, but for future administrations, and whether

that means getting rid of, abolishing the concept of the debt limit all together, or going to some sort of rule where, I think, Senator McConnell did fund this in the past where the President can authorize a debt limit increase without congress. Congress has an opportunity to disapprove, but there's no hostage taking, there's no brinkmanship.

And I think again you're linking the decisions of spending revenue and debt together rather than saying we're going to have a vote just on debt without acknowledging the policies that got us (inaudible).

MS. MacGUINEAS: Before you go on, because I want to just disagree with you on one thing because I think it's more interesting to have a panel (inaudible) disagreement.

But I think I disagree with you, and I may be wrong, but I don't think congress does make many hard decisions unless they're forced to these days. I feel that the way we legislate is by last minute or almost crisis. And so I think sometimes what we're trying to do is create action-forcing moments.

And if you look at like last year I wasn't fans of either of the bills because they added to the debt tremendously, but we had an SGR fix, and we had (inaudible) extenders. Those only came because deadlines are hitting. Again, we added to the debt and I wasn't the biggest fan, but I'm trying to think of when recently congress has made any hard choices, fiscal improvements without some kind of forcing mechanism.

MR. STEIN: So, yeah, I think that most Americans when we talk about trust and confidence in government don't want to see more SGRs, more fiscal cliffs, more threats of government shutdowns through defaults, and I think that's even quite a positive thing, but over the course of the Obama administration enough of these cliffs have been resolved that we no longer have to have two budget baselines. We just have one

baseline and that works. There's no longer a need for an alternative fiscal scenario, and I hope that it stays that way that current law is basically reflective of where we think we're going to, where we think current laws actually are.

To give an example for where congress has made tough choices without being forced to, the Affordable Care Act. This was a law that there was no forcing mechanism there, but it expanded health insurance coverage, 20 million more people have health insurance, and hard choices were made to pay for that.

The law reduced deficits. It's, in fact, done that, and that deficit reduction grows over time. An amazing thing is between the Affordable Care Act and the overall slowdown in healthcare cost growth which seems to be at least partially due to the ACA, but also just the reforms that the ACA made directly in Medicare in particular, total spending on federal health programs in 2016 is less than CBO thought it was going to be in 2009.

Now, think about how amazing that is. In 2009, we're just talking about Medicare and Medicaid. So now we've got Medicare and Medicaid and the Affordable Care Act and a huge coverage expansion, and we're spending less money than we thought we would and covering 20 million more people.

And that required hard choices. I just saw an ad today encouraging congress to repeal demonstration programs that are being under the Affordable Care Act, and the advocate of the Affordable Care Act took a lot of flack for the cuts in Medicare that were made in that law. I think what you saw there were genuinely hard choices, and people can oppose those choices, and oppose the Affordable Care Act, but I think that that represented real lawmaking when congress had a desire to do it.

MS. MacGUINEAS: Phil. And then I'm going to hope to get the Congressman to weigh in, if he wants to.

VOICE: The only one in congress here.

MR. JOYCE: So in terms of just following up on that directly, in terms of things that I would do differently, or things that I would add to this here, one of them does have to do with the debt ceiling, and I agree completely with Harry that I would just get rid of the debt ceiling. And whatever we think about action-forcing mechanisms, and whether they're a good thing, playing Russian Roulette with the U.S. economy is not a good action-forcing mechanism.

So I think what they are doing here is a sort of step in the right direction, but I would go all the ways and just get rid of the debt ceiling.

The second thing I would do which goes a little further than what they're going here is I like the idea of not having term limits for Budget Committee members. I would go further. I would suggest that elsewhere making what are now the Budget Committee's committees are national priorities and have them include the chairs and ranking members of the other major committees in the congress. I mean, I think it's actually a good thing. If what are now the budget committees are going to be setting priorities for the congress, then they ought to include the people who have the most stake in that, and I think those are the chairs and ranking members of the Committees.

The third thing that is not directly addressed here, and might be addressed by the Commission on Budget Concepts, which, by the way, I think is a great idea, is I don't see any mention of tax expenditures here.

And I think that focusing on tax expenditures, focusing on the transparency of tax expenditures which are now way less transparent than spending, we can do things to the Tax Code and nobody knows that we've done it, whereas, spending is very transparent. I would like to see that addressed more directly.

I did want to take you up on your offer to say something about baselines because, and I'm going to do something that may just be telling of the time I spent at CBO, but I'm going to defend baselines.

And I think the things that are said here may be true, which is that there may be some tendency for baselines to sort of drive spending up. Baselines serve a useful purpose, and that useful purpose is answering the questions what are we actually doing in terms of our ability to finance current policy?

Many of the same people who want to get rid of baselines also I think would say if we froze the defense budget in nominal terms from this year to next year that we would have less defense capability next year than we have this year. And that to me is the purpose of a baseline is saying how much would it cost us to continue to do the same things that we're doing now.

And so in that sense baselines are a very useful concept. They're not unique to the congress and to the federal government. This is a standard thing to do in budgeting. The ask the question how much is it going to cost us next year to continue doing the things that we're doing right now.

MS. MacGUINEAS: Okay. So baselines (inaudible). And, David, still no comments on baselines for you?

MR. WESSEL: No, I agree. I agree with, no, I agree with that. I think that, you know, to say that we're not going to address the baseline for inflation is basically to misuse the most economically meaningful way of measuring what current services are.

MS. MacGUINEAS: Do we have mics for questions and answers. Oh, I'm going to go ahead and force you to answer something (laughter) that you (inaudible) and then we'll open it up for Q&A?

CONGRESSMAN ROKITA: Well, I want to thank everyone for being here. Todd Rokita, vice chairman of the Budget Committee, and speaking perhaps on behalf of the staff, I would concur with Dr. Price. You know, this is going to be, this is a serious effort, as you say. I suspect it's going to be a permanent effort. Speaking as a rank and file person in congress basically, there is a lot of energy behind this, and a lot of interest to get it done.

Knowing that, this is a discussion draft, and I appreciate everyone's feedback so far, and I appreciate the questions that are sure to come. There might be stuff added to this by rank and file and others. There might be stuff taken away.

Regarding the term limits and appointments. Let's remember that the Budget Committee didn't exist before the Budget Act in '74. And I am, my term of art is true budgeteer. I've been in congress since, I came in the wave of 2011, and I've been on the Committee for six years. I intend to stay not as an appointment of another committee.

So there might be something that I might want to add to it. Not only do we got to red rid of the term limits, but maybe we've got to have a true budget committee sans appointments. I don't know if that would go far. But I think that would -- remember,

the appointments were there to make sure that the Budget Committee, this new creature, didn't get too out of hand.

MR. WESSEL: You mean the appointments made by the Rules Committee and Ways and Means?

CONGRESSMAN ROKITA: Correct. And Appropriations, I believe.

MR. WESSEL: And Appropriations, yes.

CONGRESSMAN ROKITA: So but definitely with -- appreciate your comments on getting rid of term limits.

You know, I'm a debt ceiling, and on deadlines generally. I mean, let's not forget Congress is a reflection of you. Everyone sat here and talked about congress in the third person, but we are a reflection of the country. And guess what? We're human. And because we're human, we react to deadlines just like each of you do in your professional academic career, so I think deadlines to your point, Ms. Moderator, are a good thing.

And with regard to the debt ceiling, you know, I don't look at it as holding things hostage. I don't look at it as reckless. I look at it as forcing us to the table. And perhaps we wouldn't need a debt ceiling if we weren't the world's reserve currency. (inaudible) limited in that sense.

But because we can print money at will, and because we are least ugly at the dance, you know, the world dance, and who knows if that's been change or not, we get away with a lot more than others do. And I think a debt ceiling, or perhaps there's other ideas and reforms, and I love the ideas and reforms that are in here, are a way to approach it, but I think that they're needed.

And with regard to tax expenditures and the bias towards getting spending down and your fear of that we're not going to appropriately address tax expenditures, otherwise known as confiscations of people's property, I would say that when you look at the debt ceiling and see, or the (inaudible) and see that it's near vertical, I'd love to see your numbers, but I disagree with them, Harry, that you can tax people enough.

Yeah, you can tax people enough to stabilize the debt for the next couple of years, but not ultimately. In fact, I believe you can confiscate 100 percent of the value of what people produce in goods and services, and at a point you're still not going to be able to pay off the debt or get it down to a reasonable level without reforming the spending.

So from a congressman's perspective, that's how we're coming at this. Not from the bias of one political ideology over another, but to address what we see as ultimately the real problem which is spending not revenue. Thank you.

MS. MacGUINEAS: Thank you. Are there other questions that people want to jump in right now? I see a hand back there. Yes, you. Mic is coming to you. And introduce yourself, please.

MATON: Hi. My name is Maton (phonetic 18:44:1). I'm just a student in the area. I have a quick question, but just before that I wanted to jump in response to what the Congressman just said.

I deeply respect and appreciate all your years of service for both your constituents and the American people, but I take a slight offense with sort of the comparison of this budget deadline in comparison to normal budget deadlines. I think, you know, the sort of like we're human. Sort of sounds like an excuse for such an

important thing as, you know, was mentioned at the beginning, this is one of the most important things that congress does. So that was just a quick note.

But I was wondering if the panelist could talk about the political realities of increasing the number of discretionary categories. I am, you know, I don't appreciate that so much of the spending is outside of the purview of the budget process, but I worry that increasing it just adds to an already complicated process that seems to barely get done as it is. Thank you.

MS. MacGUINEAS: (inaudible) when I was just a student I even knew about discretionary spending so (laughter).

CHAIRMAN ROKITA: I would just say that with regard to the number of discretionary bills, I mean, we're talking about 12. There's nothing magical or holy about 12 appropriations bills. So I think that's one thing to keep in mind too. I mean, we really need to step outside the box and think through how we structure these decisions. I think the deadlines are good. I think that the debt ceiling represents an inflection point that forces people both out in the country, and their representatives in congress to make these tough decisions, and as long as those are made in a very transparent way, I think that's a good thing, and we need more of that kind of stuff.

And I think that recognizing -- basically, we need more conflict in the budget process, I think. But it's important how that conflict is arrived at. It needs to be open and transparent so that people can see what their representatives are doing, what they are advocating for, and how they're voting on things. And then they can weigh in on the back end and say, yes, we love congressman X because he voted for Y, or, no, we really don't like him, and we think he should not come back.

Congress doesn't give them that option in part because they're not demanding it. So it's not just congress' fault. I would completely agree with that. I think there's a lot of good proposals in here that help increase transparency in the process that can help to achieve that kind of debate. But until we have that kind of debate, none of this stuff matters. It just doesn't. It's not going to get anywhere because congress is going to keep responding to the signals that the people are sending them which is to not take these tough decisions.

VOICE: I think there is one thing we should point out that's directly responsive to your question that, you know, people may not know that's in here which is that this would establish a commission to recommend converting mandatory spending programs to discretionary programs.

And so you say whatever you like about that idea, and, of course, we don't know which programs, whether that's Medicare, Medicaid, Social Security. We would wait for the commission. But if you want conflict in the budget process, that'll get it for you.

If you have to debate every year what the sort of level of spending is going to be for Medicare or Medicaid or Social Security, you will have your wish.

CONGRESSMAN ROTIKA: And I would just say one other thing speaking to the capacity issue, and this definitely gets you conflict. It's been done once before although for the wrong reasons at the turn of the 20th century, but the Appropriations Committee doesn't need to have responsibility for every discretionary bill. We may not even need an appropriations committee. There's nothing magical that the appropriators appropriate and the authorizers authorize.

At the turn of the 20th century, the House and Senate, I believe, I know the Senate, got rid of the Appropriations Committee, and gave a subcommittee on appropriations for each of the authorizing committees.

Now, I'm not sure if that's the best way forward or not. These are the kinds of things that we need to think through when we are trying to design a system that can speak to the problems that we have to address.

VOICE: I used to work for a member of the Appropriations Committee, so I wasn't sure of authorizing committees (laughter).

CONGRESSMAN ROTIKA: you would like to authorize as well.

VOICE: Yeah.

MS. MacGUINEAS: (inaudible 18"48:20) that's a funny joke. Harry, please go on.

MR. STEIN: No. I think that it's worth backing up though and saying why is this the case? Why are more resources flowing through mandatory spending and also tax expenditure? One reason is that we've, congress has decided years ago to establish programs that do that. So I get a little bit annoyed when I see pie charts that start in 1965 and then go to 2015 and say, wow, mandatory spending has really grown.

Well, we passed Medicare and Medicaid in 1965, and unless the argument is we shouldn't have Medicare and Medicaid, but that's what's going on.

Now, there's also some mandatory programs that could very easily be discretionary. There's also some discretionary programs that could probably be mandatory, that basically congress just funds them year to year based on whatever is needed on more or less an entitlement basis.

I think it's worth figuring out is there a way to rationalize that, but I think the reason that you're seeing more spending go through the, more programs go through the mandatory side is because congress has enacted caps on discretionary spending that are too low, and because they've done that, money finds a way, and one that it does that is that when you're saying, okay, we want more money for medical research.

Well, there's just not enough money under the spending cuts right now for discretionary spending to do that, so we have to make it mandatory if we're going to be sure that that money is actually going to make it to institutions like NIH.

And this is also the concern with tax expenditures. If you have caps on discretionary spending that don't reflect national needs, and the if you have tax on mandatory spending that make it harder to do things through the mandatory side of the budget, there's always tax breaks, and, in fact, you see congress doing this anyway.

And again, I think the Congressman is right that this is a reflection of the American people to the extent the people have an aversion to spending, but they want to see things done, tax breaks are a way to provide government resources to particular activities and claim to not be increasing spending. I don't think there's a functional difference between whether a government subsidy is handed out via a spending program or a tax break.

The main concerns here with tax breaks is that they tend to be skewed towards those at the top just because of the nature of Tax Code. But there's nothing inherently wrong with tax breaks where they make sense, but the point, the (inaudible) is absolutely right. They tend to get a lot less, be done with a lot less transparency than spending programs.

In fact, I'd be very nervous about a system where the only way for congress to respond to the needs of the American people is with more tax breaks.

MS. MacGUINEAS: And Stuart Butler and I will be publishing a paper shortly that tries to think about how you get at a compromise on this, which is not that mandatory spending would be treated as discretionary spending, and authorized and appropriated every year, but also wouldn't go unchecked as it does now unless there is an effort to do something where you would actually have to consider the budget, look at the long-term budget, take an affirmative vote to approve where things are, and regularly go back and check that the track is one that congress approves of.

So congress will kind of own at least this trajectory instead of having it go. And on this, we would also include tax expenditures meaning the deductions, exemptions, exclusions, those things that are about a trillion dollars' worth of lost revenue because they are built into the Tax Code and more like spending programs.

So I'm not sure that we have to have all the details figured out, but it's one of those ideas that I think people, it builds off a big project that was one here where a number of people from Brookings, and Heritage, and others came up with this idea to take more ownership of that portion of the budget.

Is there another question? Yes, right there.

SISTER FRIEDMAN: My name is Sister Rochelle Friedman. I work for the Coalition on Human Needs. I feel like whenever we talk about budget there's one big looming thing that we don't acknowledge. There is a lot of very well-funded, big efforts in this country, and a whole group of people that believe we need a smaller government. Therefore, we have a sense that any -- this group loves it when people take a no new tax pledge. I'm not going to raise taxes.

For many of us who work in the low income community, we know that the safety nets are so critical to people in our nation that are really hurting. And so I just want to say that it grieves me greatly that a lot of these well-funded efforts are making real headway into our government and into people's minds.

Even when I look at people who voted for our president-elect, a lot of those people I think voted frankly against their own best self-interest, and fed right into that smaller government concept. But we need government to do some things that charities can't do, and that people many of them can't do for themselves.

MS. MacGUINEAS: Question for the panel on top of that, or more of a --

SISTER FITZERALD: I would just appreciate any comment or feedback.

MR. STEIN: I think that's such an important point, and so often when we have these conversations about budget, we divorce them from the actual people and the actual things that we're talking about. And I think that that's, when that's done, and this is what I meant in my opening comments, I think that that's a world when we're having a conversation that only an audience at the Brookings Institution understands, that's a world where the wealthy, and special interest, and well-funded groups can influence the process to the greatest extent when the American people don't really understand what's going on here.

If the presentation is instead here's my idea to cut Social Security and Medicare and safety net programs, I think that the American people view that very differently than here's my presentation on how to reduce the long-term debt (inaudible) by automatic spending cuts, but they're functionally the same conversation. It's just one the American people understand, and the other one they don't.

And I think that whenever we can make the budget conversation about real people, that's where (inaudible). Even when we're talking about process. Even when this gets arcane, the more that it's about real people -- and to go to the point about that a lot of this is low tax and no tax groups, around the point I made earlier, right now we're the fifth lowest tax country among advanced economies according to the IMF, about a 35.

And by the way, some of the ones that are below are things like Hong Kong and Singapore, which are naturally not terribly comparable anyway.

Our 30-year fiscal (inaudible) according to CBO is 1.7 percent of GDP. So if we reduce the annual budget deficit by 1.7 percent of GDP, debt to GDP in 2046 equals the same amount that it does now.

If we were to do that deficit reduction entirely with tax increases, and we don't have to, but if we did that, our tax rating would be the sixth lowest out of the 35 advanced economies that the IMF looks at.

Not to say that that's not going to be a meaningful change in tax burdens, but it's simply not true that we can't still have human need programs, Social Security, and Medicare. It's a relatively modest tax increase in the context of where other countries, other advanced economies are.

VOICE: But I think -- look. I think that -- what concerns me is I don't think we can do this all on the spending side, and I don't think we can do it at all on the tax side. I think it's going to take both. I think pretty much everybody knows that.

What concerns me is that we don't want to have a process that allows one of two really bad outcomes. You can have low taxes and high spending. That's about outcome. And you can have the opposite.

But the trouble is we need to find a way to match our spending and our taxes. Now, what the budget process is about is saying to people if we want to have these programs, and many of us do, then we have to be willing to pay the taxes to support them.

And if we're not willing to pay the taxes to support them, then we have to accept less government.

And what the budget process has allowed to happen is a divergence and getting an unsustainable thing. And so that's why I think, that's what this whole exercise is about, trying to force that choice.

People have different tastes about whether they want to have a smaller government, lower taxes, bigger government, higher taxes, but we have to find a way to make that decision in a way that's more orderly than we do now.

MS. MacGUINEAS: Yes. And just to kind of concur with that, connecting this to people' is incredibly important, but people want Social Security and Medicare, and they also don't want a huge debt, and they also don't want huge taxes. And so the question is how you have all those questions put together.

And just on here, you can do it on taxes which I think you can, but I think the argument, if I understood it there that you gave, probably was a little misleading because to stabilize the debt where it is today is, of course, twice what it has been on average in the country as a share of the economy so that might not be the fiscal goal that everybody would pick.

I would agree that revenues could get you there at some point. They'd have to keep going on though to keep up with healthcare.

MR. STEIN: And I don't mean to advocate that that should be --

MS. MacGUINEAS: One last question and that's it.

MR. STEIN: -- the solution. And, in fact, and I agree that you can do, I think especially make more progress on the healthcare side. (inaudible) Affordable Care, by the way, would be going in exactly the wrong direction given the high flow healthcare costs have been growing.

But the point is that even if you did it entirely on the tax side, which I don't think you have to do, you can still sustain all these programs. There's no need to dismantle them to get --

MS. MacGUINEAS: But I think we're all saying that you want a budget process where those choices are transparent and actually made.

MR. STEIN: Yeah. But I didn't say that you need to make, that needs to be conducted to what decisions are you actually making, and just setting a goal without saying and here is how we get there disconnects the one piece of this which everyone (inaudible) more or less from how do you get there.

On the question of how much debt reduction to do, when to do it, what the appropriate level of debt to GDP is, let's remember, these are questions that very smart economists disagree on, and there are reasonable arguments out there that is flower adjustment to traded up the GDP ratio from it's current path is actually the right course.

The former CBO Director Dormendorf, and Marie Sheiner did a paper on just this point.

Other economists disagree, but I think that makes sense for the political system to hash out based on what people want, and people have been clear on this.

When you ask them do you want cut Social Security and Medicare to reduce the deficit, unless you're one the wealthiest Americans, you tend to say no.

MS. MacGUINEAS: Question back here, and I'm going to make one more comment (inaudible) we're switching from what we thought was going to be more of a democratic, probably more of a democratic White House than a republican White House, one of the things you often see is people arguing for different trajectories depending on what policies would get us there. So my guess is a lot of people who said it's okay to a higher debt level when they thought it was going to come from more spending may not be as sympathetic to that debt trajectory if it comes from tax, and vice-versa.

Fiscal hypocrisy is not above us. So I just --

MR. WESSEL: It's bipartisan, nonpartisan --

MS. MacGUINEAS: Try to remember that everybody loves increasing the debt when it's for their favorite programs. Oh, Jim.

MR. WESSEL: Wait for the mic.

MS. MacGUINEAS: I'm sorry. I just wanted to let Jim be --

MR. WALLNER: I have a loud voice so I probably don't need this.

MR. WESSEL: But not for the people who are watching on t.v.

MS. MacGUINEAS: There's cameras everywhere, Jim.

MR. WALLNER: Just a few technical issues on the proposal. On the procyclical, there are a number of ways that we would retain procedures through low growth. We would retain procedures for a conflict, the ability to suspend any limits.

And furthermore, when we talk about everything being in play, we're not necessarily saying that any enforcement has to be across the board, some uniform percentage. We're not precluding congress from making decisions. Some programs, you know, shouldn't be proportionately addressed.

We're simply saying that everything should be part of the dialog and the discussion on the budget. We shouldn't artificially pass along, say, some program's last budget that is part of what we do. It has an impact on capital markets. We're saying it should all be part of the discussion.

On the debt targets, I just want to emphasize the fact that by virtue of the fact that we've highlighted these debt targets, we're being neutral as to how congress gets there. What the fiscal policy is. What the mix of discretionary, mandatory changes are. We're not prejudging that.

We're simply saying, we're putting in a market that (blank tape).

MR. WESSEL: Hold the mic closer to your mouth.

MR. WALLNER: Okay. Okay. Another thing. When we talk about the debt limit, I want to point out that part of this proposal is that as long as Congress and the federal government as a whole are within the targets that are established by law, there is no need to raise the debt limit.

So it's going in the direction of what some of you have just advocated. You know, it is sort of a median. I mean, it still leaves congress with the ability, if they want to change the debt level up or down, but this is sort of predicated on the assumption congress and the president agree to a trajectory, and if they do and they stay within that trajectory, they shouldn't have to continually act to raise the debt limit.

And on the baseline, you focused on the discretionary side of the baseline, and whether it was realistic to assume that discretionary spending is held flat.

Well, the concept that's in laws is supposed to be current law, and that is we reflect spending and revenue levels at what they are in law, and in a pure current law perspective appropriations would be zero, and, obviously, we don't think that's realistic, and we think it's a closer approximation of what current law is to leave it at what the most recent level that congress enacted.

And I think what's really important to look at is what we do on the mandatory side of the equation. And on the mandatory with respect to the baseline because here all we're saying is that we should have parity in the baseline. You want it to reflect likely trajectory of what'll happen if you don't change policy, but you don't want to have in rules like we do now that have separate rules for treating revenue that expires, and spending that expires.

And all we're saying is they ought to be treated on a comparable basis. And we do it one way. You could do it another way. But we're simply saying that there needs to be parity.

So there's not -- I don't think there really a bias in there.

And then the last point is on the discretionary and the mandatory. All we're saying is that there should be the ability to address spending to the extent that you can on a comparable basis. Symmetry. Mandatory and discretionary.

We don't have the symmetry with mandatories that we do now with discretionary, and we're simply coming up with a device. This is similar to what Jean Stirley and --

MS. MacGUINEAS: Rudy Penner.

MR. WALLNER: -- Rudy Penner have talked about. Developing a process where we can look at mandatories on an annual basis. It doesn't pre-judge where we set that. And we're not saying they have to be set here as opposed to there. We're simply saying congress should have some comparable basis to be able to look at both sides of the equation.

And for Appropriations alumni, I might point out that in a process where many of these mandatory programs look, walk, and talk like a discretionary program, but they're mandatory because they're funded outside the limits, we would hold those harmless. We're saying maybe those programs should be moved to the discretionary side, but we're presuming there would be an adjustment in the resources for that.

The point isn't to squeeze out those priorities. It's simply to put them in a box where as much as we can all funding is part of a set of tradeoffs in the federal budget process.

And I talk too much and my boss is getting --

MS. MacGUINEAS: Yeah. We have negative time, and I'm sorry if I made you stand up and sit down. So that -- so quick question and really quick answers.

VOICE: I'm Carl Poser, and I'm one of the people. If we're going to think long-term about the budget 10, 20, 30 years, it's a good idea. Shouldn't there be an alignment between what you're talking about and the way the rubber hits the road, and that's when Congress looks at a bill and does a cost estimate of the legislation, and, you know, the 10-year window they now use. Shouldn't they be asked to do maybe not the same kind of analysis in detail, but some thinking about the longer term, especially if they anticipate like the kind of issues as a policy consultant that I work on, long-term care, retirement, you know, and I was give you an example of the Class Act that's funded 70

percent of the ACA which generated money for ten years and then it blew up a unitarily sound program, that could have used --

VOICE: Sorry. You'll be happy with page 23, which has a rule against long-term spending and suggest that CBO look out 40 years before it does any kind of increase in mandatory spending.

So I'm glad I won't have to do a 40-year estimate of anything at CBO, but the Committee is definitely thinking along those lines.

VOICE: Well, let me just add to that as an alumnus of CBO that (a) that should worry them, and (b) that, you know, you know we, there's a long history that the further out you go, the more uncertain the estimates become. So we have to be careful that we're not basing policy on bad numbers

MR. STEIN: And I don't think CBO does that with (inaudible) estimates on things where that's particularly relevant - immigration reform, and I think the ACA also, and I'd rather than doing year because of this issue. They'll do a 10-year lump sum score, and I think it's a good approach in cases where it makes sense.

MS. MacGUINEAS: Okay. Thank you so much to our audience for coming. Thank you Rupina, and thank you (inaudible) and Brookings. (Applause).

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