

STATEMENT OF CONGRESSMAN CHRISTOPHER COX

“Entitlements”: the word itself has become a yoke around the neck of any elected official who tries to address it. Surely, if we are entitled to something, we should receive it. It is our due. And woe betide anyone who threatens to deny us our due.

For many elected officials, this perspective has been a comforting one. If — so the reasoning goes — our constituents are *entitled* to something, we must, in good conscience, make sure they get it. And what better way to do that than to vote “such sums as may be necessary” to pay for these “entitlements” so that we don’t have to face the difficult decisions that their growth should demand.

And so, shielded from responsibility by this peculiar logic, our willingness to let government spending run unchecked has brought the national government to the very brink of economic catastrophe.

In 1963, almost three-quarters of all government spending was discretionary, subject to congressional spending decisions. Mandatory spending — that is, the cost of “entitlements” plus that of servicing the national debt — comprised less than a third of the budget.

But even 30 years ago, sober men and women were concerned that so large a proportion of the budget had been placed beyond Congress’s control. Those fiscal storm warnings of 1963 foretold a gathering wind of terrible ferocity which, for three decades, has been steadily gaining strength.

By 1973, just a few years after the passage of Lyndon Johnson’s “Great Society” social programs, mandatory spending had grown from 30 percent of the total budget to 45 percent. By 1983, it comprised more than half; today, it stands at 60 percent. And, if we continue on our present course, in only 10 years’ time that figure will exceed 70 percent.

In other words, at the beginning of the new millennium, barely a quarter of the Federal budget will remain under Congress’s control. Because uncontrolled social spending accounts for so much of the budget, everything else — from national defense to environmental protection — will have to fight for a sliver of the total spending.

While some even now wish to keep the Federal budget on autopilot, it is becoming increasingly evident to the public that the money is no longer available to pay for these huge and growing social spending programs. Despite changes — sometimes increases, sometimes cuts — in Federal tax rates, tax *collections* have remained stubbornly constant at about 20 percent of GDP since 1970. In all likelihood, therefore, there is simply no more revenue to be squeezed from the tax turnip. That’s because tax rate increases impair economic growth in the process, collecting a larger share of a constricted economic product. The central problem is not insufficient taxing, but overspending.

The result of congressional abdication of spending control over the lion's share of the Federal budget has been a widening gap between spending and revenue. The annual deficit (or loss) has grown relentlessly over the past 25 years from, on average, \$50 billion a year under Jimmy Carter, to \$150 billion a year under Ronald Reagan, and over \$200 billion under George Bush and Bill Clinton.

Some say these annual losses don't matter. But of course, they do: when government borrows to cover them, it saps the cash available to the private sector. This slows investment, raises interest rates, stalls growth, destroys jobs, and adds to the national debt — which, since it must be serviced, adds more to the mandatory spending now beyond our control. It's a vicious cycle from which current policy offers no escape.

There are, however, solutions, which require fundamentally *changing* current policy.

The first thing to do is to recognize the obvious — that our current entitlement system is not uncontrollable, as many on Capitol Hill would have us believe — it is simply *uncontrolled*. Entitlement programs vary, but they all have this in common: instead of getting a fixed dollar amount to spend each year, they get a blank check. Congress literally appropriates “such sums as may be necessary.” Then, at the end of the year, Congress feigns shock and dismay that programs with blank-check appropriations continue to run out of control. Blank-check appropriations, which are the defining characteristic of so-called entitlement programs, are fundamentally inconsistent with the concept of a budget. Blank-check spending is an abdication of fiscal responsibility that we can no longer afford.

Because blank-check appropriations are the *only* thing that so-called entitlement programs have in common, the only cross-cutting reform recommendation universally applicable to them is one to abolish the practice. All other “entitlement reforms” must proceed program by program. It would be fatuous, for example, to suggest that the same reforms needed in the Medicaid program would provide solutions to problems in the “Post-Vietnam Era Veterans Education” account. Yet there are literally hundreds of so-called “mandatory” accounts in the Federal budget. The following list was provided to the Entitlement Commission by the Congressional Budget Office (all the data are for fiscal 1993 and are net of any earmarked taxes):

“ENTITLEMENT” PROGRAMS THAT COST OVER \$10 BILLION PER YEAR

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| ■ Medicare | ■ Military Retirement | ■ Aid to Families with Dependent Children |
| ■ Medicaid | ■ Food Stamps | ■ Commodity Credit Corporation |
| ■ Unemployment Benefits | ■ Supplemental Security Income | ■ Veterans Compensation |
| ■ Civil Service Retirement | | |
| ■ Federal Disability Payments | | |

“ENTITLEMENT” PROGRAMS THAT COST OVER \$1 BILLION PER YEAR

- Earned Income Tax Credit
- Railroad Retirement
- Child Nutrition
- Federal Employees Health Benefits
- Veterans Pensions
- Education Loans
- Social Services Block Grant
- Foster Care and Adoption Assistance
- FSLIC Resolution Fund
- Resolution Funding Corporation
- Rehabilitation Services and Disability Research
- Agriculture Conservation Reserve Program
- Tennessee Valley Authority
- U.S. Postal Service
- VA National Service Life Insurance
- Nutrition Assistance for Puerto Rico

“ENTITLEMENT” PROGRAMS THAT COST OVER \$500 MILLION PER YEAR

- Black Lung Disability Payments
- VA Guaranty and Indemnity Program
- VA Readjustment Benefits
- Special Benefits for Disabled Coal Miners
- AFDC Work Programs
- Health Insurance Supplement to Earned Income Credit
- Bonneville Power Administration
- Commodity Credit Corporation Loans
- Farm Programs for “Strengthening Markets, Income, and Supply”
- Claims and Judgments Against the U.S. and Relief Acts
- Rural Development Insurance
- DOT Retirement Pay

“ENTITLEMENT” PROGRAMS THAT COST OVER \$100 MILLION PER YEAR

- Civil Liberties Public Education
- National Flood Insurance
- Mineral Leasing Payments
- Foreign Service Retirement and Disability
- GSA Federal Buildings Payments
- Interim Assistance to States for Legalization
- DOJ Asset Forfeiture Program
- U.S. Forest Service
- Immigration Examination
- FHA Risk Insurance Account
- Agriculture Cooperative Work Program
- Sport Fish Restoration
- Foreign Military Loans
- Rural Housing Insurance
- Army Conventional Ammunition Working Capital Program
- DOD Education Benefits
- Mutual Mortgage and Cooperative Housing Insurance
- CIA Retirement and Disability
- Judiciary Salaries and Expenses
- United Mine Workers of America Combined Benefits
- Low-Rent Public Housing
- Federal Crop Insurance Corporation
- Strategic Petroleum Reserve
- DOJ Crime Victims Payments
- Commissioned Officers Retirement and Medical Benefits
- Job Training Assistance
- Farm Credit System Financial Assistance
- Vaccine Injury Compensation
- VA Loan Guarantees
- Housing for the Elderly and Handicapped
- Post-Vietnam Era Veterans Education

“ENTITLEMENT” PROGRAMS THAT COST OVER \$50 MILLION PER YEAR

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| ■ VA Burial Benefits | ■ Farm Credit System Payments | ■ Fees and Expenses of DOJ Witnesses |
| ■ Payments to Territories | ■ Tribal Economic Recovery Payments | ■ Pennsylvania Avenue Development Corporation |
| ■ Rural Telephone Bank | ■ Water Resources Appropriations | ■ Railroad Unemployment Insurance |
| ■ DOD Foreign National Employees Separation Pay | ■ Regional Development Appropriations | ■ Ocean Freight Differential |
| ■ IRS Forfeiture Fund | ■ Compensation of Members of U.S. House of Representatives | ■ Washington Area Transit Authority Interest Payments |
| ■ Cooperative Endangered Species Conservation | ■ Rural Housing Insurance | |

“ENTITLEMENT” PROGRAMS THAT COST OVER \$25 MILLION PER YEAR

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| ■ VA Servicemen Group Life Insurance | ■ Colorado River Dam, Boulder Canyon Project | ■ Judiciary Office Building Development and Operations |
| ■ Health Professions Graduate Student Loans | ■ Agriculture Restoration Fund | ■ VA General Post Fund |
| ■ SBA Business Loans | ■ Migratory Bird Conservation | ■ Navy Management Payments |
| ■ Agriculture Temporary Assistance | | ■ Federal Retirement Thrift Investment Board |

“ENTITLEMENT” PROGRAMS THAT COST OVER \$10 MILLION PER YEAR

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| ■ Bureau of Reclamation | ■ Agricultural Credit Insurance Program | ■ College Housing and Academic Facilities Loans |
| ■ Commerce Department Information Products and Services | ■ SBA Pollution Control Equipment | ■ Independent Counsel |
| ■ DOJ Public Safety Officers' Benefits | ■ Payments to Copyright Owners | ■ OPM Life Insurance Benefits |
| ■ Rural Electrification and Telephone Loans | ■ Compensation for Members of the U.S. Senate | ■ Treasury Coinage |
| ■ Veterans' Life Insurance | ■ Agriculture Special Milk Program | ■ Rural Development Loans |
| | | ■ Range Land Improvements |
| | | ■ Direct Student Loan Demonstration Program |

Entitlements, like all other spending, must be brought under budgetary control. That is why the most significant and serious proposed reforms in the Entitlement Commission Staff Report are those outlined in option #45. These are the same reforms contained in H.R. 2929, the Cox-Stenholm Budget Process Reform Act, introduced in the 103rd Congress with nearly 200 cosponsors.

The Budget Process Reform Act will bring entitlement spending under control by *abolishing* the notion of “entitlement.” It will require that every Federal program except Social Security and interest on the debt be funded through the annual appropriations process, not through blank-check spending of “such sums as may be necessary.” Congress and the President will be required to decide each year on specific spending totals for these Federal programs. And program administrators will be given statutory

authority to adjust eligibility criteria, benefit levels, or both to see to it that the particular program spends exactly the amount approved by Congress.

In addition to abolishing blank-check appropriations for entitlement programs, the Commission's Staff option #45 and H.R. 2929 propose several other important budget reforms that will together establish an orderly system within which today's entitlements will be subject to real budget discipline. Congress would still be able, if it so chose, to increase spending. But it would have to *choose* to do so — and do so knowingly, publicly, and accountably.

In place of the current non-system, which encourages runaway spending, the Cox-Stenholm Budget Process Reform Act will create an effective budget process that does each of the following:

- Encourages early consultation and cooperation between Congress and the President;
- Produces decisions on overall budget levels early in the budgeting year;
- Is evenhanded with respect to the President and Congress, not giving either an advantage in dealing with the other or in establishing spending priorities;
- Ties each individual spending decision to an overall, binding budget total;
- Requires explicit decisions on spending levels for all Federal programs, not just those arbitrarily deemed “controllable”;
- Prevents actual or threatened annual shutdowns of the Federal government;
- Is as simple as possible in concept and means of implementation, so that the process is clear and understandable to Congress and the public;
- Does not raise difficult questions of constitutionality;
- Contains a bias in favor of spending restraint that can be overcome only if both the President and Congress wish to do so; and
- Protects individual Members of Congress against the political fallout from tough spending decisions, by placing the burden of cutting spending on the process rather than on specific legislators.

Most people and organizations use budgets as planning and forecasting tools. By its very nature, a budget must be adopted *before* the spending it is meant to control. The Federal government, however, routinely fails to adopt its budget on time, in advance of spending bills. In fact, the Federal budget process often isn't completed until the same time that all of the underlying spending bills are finished — often well into the very fiscal year for which the appropriations are required.

The misuse of budgets in Federal financial planning has even corrupted the language. Ask anyone in Washington, D.C., what is the budget for AFDC, and they'll tell you how much we're currently spending on AFDC. Federal “budgets” have no significance independent of the appropriations process itself.

The first and most fundamental reform of the Budget Process Reform Act, then, is that Congress will be required to budget first, and spend second. Specifically, the Act requires that Congress enact a simplified budget, in the form of a legally binding joint resolution (as opposed to the present nonbinding concurrent resolution), *before* any spending legislation can even be considered.

By deciding on overall budget totals instead of individual programs, it is much more likely that Republicans and Democrats in the Congress can come to agreement. Likewise, since the budget will be a joint resolution with the force of law, the budget would be presented to the President for his signature or veto, and would thus be more likely to reflect a decision on overall government spending that combines the priorities of both the President and Congress.

Second, the Budget Process Reform Act contains enforcement mechanisms to keep Congress within budget ceilings for all spending except Social Security and interest on the debt.

Third, the Act provides a sustaining mechanism that would be triggered in the event Congress and the President fail to act, so that the Federal government will not be shut down because of political deadlock.

These are the basic elements of the Budget Process Reform Act, which together will bring long-overdue discipline to congressional fiscal management. Here, in more detail, is how the Act will work:

Budget First, Spending Second: The Budget Process Reform Act would require that Congress enact a legally binding budget (in the form of a joint resolution) by May 15 of each year. Until the budget is signed into law, no authorization or appropriations bill could come to a vote in either the Senate or the House, or in any committee. The budget would set ceilings on all Federal spending (except Social Security and interest on the debt) for the coming fiscal year.

One-Page Budget: Unlike the current system, in which the “budget” is so detailed it looks like several phone books, the Act calls for a budget that will fit on a single page — setting specified ceilings on government spending within the 19 summary categories currently used in the budget. Because the budget would contain only 19 numbers, it is far more likely that the Congress and the President could agree at this high level of abstraction on how much the Federal government should spend in the ensuing fiscal year. Numerous government programs and activities would be aggregated within each category, so that wrangling over the more detailed breakdown presently required in the President’s budget submission could be avoided. (The President’s budget in its present form would continue to be provided, but only after passage of the budget law. Just as now, the Congress would not be bound by its specifics.)

The result would be the establishment of a binding budget, jointly reached by the Congress and the President early in the budgeting year.

The Act’s requirements, if followed, will end the current chaos of the budget process. But experience has shown that Congress will seek ways to avoid — if not simply violate — any legal requirement aimed

at promoting fiscal responsibility. To make sure that Congress can't escape the discipline of the new budget process, the Act contains several enforcement mechanisms that, in effect, lock the doors on all the exits — and even deny Congress the tools to pick the locks. These enforcement mechanisms will end the sad spectacle of congressional law-breaking, making it far more likely that Federal spending will be contained within the agreed-upon ceilings. They are the heart of the Budget Process Reform Act.

The Two-Thirds Requirement: First, Congress would be permitted to enact spending legislation in excess of the budget ceilings only by a supermajority vote — two-thirds of both Houses. Such a requirement would be constitutional: Article I, section 5, cl. 2 of the Constitution gives each House of Congress the power to determine its own rules. And although unprecedented in statute, two-thirds majorities have been required by the rules of the Senate. Senate Rule 22, for example — as amended in 1949 — required the affirmative vote of two-thirds of the entire membership to end a filibuster.

The requirement of a supermajority for spending outside of a budget would provide a strong incentive for both the President and Congress to reach agreement on the budget, since neither — although perhaps for different reasons — would wish to be in the situation where all spending requires a supermajority vote. It would also provide a powerful tool to hold the Congress to the budget choices it makes. Thus, for example, if Congress wished to enact an appropriation which, together with other appropriations in the particular budget category, would exceed the budgeted ceiling for that category, this would subject all appropriations in that category to a two-thirds vote. Likewise, if Congress and the President failed to enact a budget, then all authorizing and appropriating legislation would require a supermajority for passage. The only way to adopt spending proposals by simple majority would be to authorize and appropriate within the ceilings of a duly enacted budget law.

No More Blank Checks: The Act will require Congress to determine the desired level of spending for each Federal program except Social Security and interest on the debt. Open-ended, “blank-check” appropriations for entitlement programs, which authorize the spending of “such sums as may be necessary,” would be banned.

Under the current system, any Member of Congress who seeks to cut spending on entitlements must introduce legislation and obtain an affirmative vote to do so. But anyone who wishes to increase spending on any program with an open-ended appropriation need only sit back and watch it go. By requiring the Congress to decide how much it is willing to spend on a program during the coming fiscal period, the new Act will level the playing field for spending cuts and spending increases. At the same time, it should be emphasized, requiring fixed-dollar appropriations for all Federal programs will not in any way mandate reductions in any particular entitlement programs. Congress would be able to decide to spend as much as it wants on entitlement programs. It would simply have to make that decision with each budget.

Currently, all persons or units of government who meet an entitlement program's eligibility requirements receive benefits to which they are “entitled” — regardless of the aggregate cost in any fiscal peri-

od. But under the Budget Process Reform Act, the heads of the relevant cabinet departments and agencies are authorized to adjust benefit levels and eligibility requirements whenever projected entitlement spending exceeds the dollar amount actually appropriated by Congress.

Line-Item Reduction: If Congress spends in excess of its own budget, the President would be granted “line-item reduction” authority. That is, the President could pare back the over-budget portion of any spending to the level set by Congress in its own budget. The President’s reduction could be overridden by Congress through legislation expressly disapproving the specific rescission. This “line-item reduction” authority is applicable only to the over-budget portion of the proposed spending. In the event that Congress failed to adopt any budget at all, the President would get the same authority to cut back any spending in excess of the previous year’s levels.

Line-item reduction is different than, and in this context, preferable to, a line-item veto. A veto gives the President the power to eliminate an entire category of program with the stroke of a pen. But a line-item reduction would give him the power to reduce over-budget programs to the level budgeted by Congress.

To maintain the integrity of congressional control over the legislative process, the Congressional Budget Office, not the Office of Management and Budget, would be the “scorekeeper” for determining whether particular authorization and appropriations measures are consistent with the budget.

No More Budget Act Waivers: In recent years, one of the most notorious ways that Congress has cheated the budget process is to “waive” the requirements of the 1974 Act. In recent years, half of all rules adopted by the House waived the Budget Act. Under the Budget Process Reform Act, waivers will be subject to a two-thirds vote of both houses.

Avoiding Government Shutdowns: Finally, the Act provides a safeguard against the contingency that on October 1, the beginning of the fiscal year, Congress has failed to complete action on appropriations for all or part of the budget. In that case, the previous year’s funding level would automatically be reappropriated for the upcoming fiscal year. This “automatic continuing resolution” would apply to all spending, except Social Security and interest. An added virtue of this sustaining mechanism is its bias in favor of spending restraint. If no action is taken, spending does not increase from year to year.

Today’s system mocks the concept of budgetary discipline by treating runaway entitlement spending as “uncontrollable.” Through the Budget Process Reform Act, we can bring entitlement programs under budget control. This is, by far, the most important thing Congress can do to address the serious problem of runaway entitlement spending that this Commission has been asked to address. ★