Question of Senator Grassley for Dr. Holtz-Eakin on the Budget Process

Dr. Holtz-Eakin, I think most people would agree that the budget process is broken. Under the leadership of the Democrats, the Senate went four years without ever producing a budget resolution. Even when we have statutory caps, as we do under the Budget Control Act of 2011, Congress has undermined or raised those caps.

Do you think that Congress can muster the will to balance the budget or rein in budget deficit deficits in the absence of a constitutional amendment? Secondly, could you describe how the budget process might be affected if we have a balanced budget?

The present budget process does not deliver a plan for discretionary spending, mandatory spending, revenues and borrowing that adds up and is agreed upon by the House, Senate and White House. Instead, (including debt service) over two-thirds of the budget is on autopilot and is driving the federal government toward a fiscal crisis.

I see no reason why budgets cannot be developed under a balanced budget amendment. The primary objection by many opponents is that a balanced budget amendment would require a damaging and immediate fiscal consolidation. This fails to acknowledge the reality that it would take years for ratification and the phase-in after ratification. This additional time would permit Congress and the administration to develop a coherent budget trajectory that would adhere to a future balanced budget requirement.

Senator Jeff Sessions

Questions for the Record

Douglas Holtz-Eakin, Ph.D.

1. According to the CBO Outlook released in January, CBO determined that in FY2016, the budget deficit will be $544 billion, or 2.9% of GDP. This represents a $105 billion increase from the FY2015 deficit of $439 billion. CBO notes that this will be the first time the deficit has increased year over year since 2009. Furthermore, CBO now projects deficits more than tripling, from $439 billion in 2015 to $1.37 trillion by 2026, with trillion dollar deficits returning by 2022 – three years earlier than prior projections.

Please describe with specificity why you believe that the passage of a Balanced Budget Amendment can help alter our nation's spending course, given these staggering CBO projections?

Congress deliberates on an annual basis only over one-third of the federal budget. Mandatory spending and net interest are essentially on autopilot. On the other side of the ledger, the tax code has gone largely unreformed since 1986. Recent examples of Congressional budget resolutions have provided pathways to balance and tax reform, and in less time than would likely be required to ratify and implement the BBA before this committee. Pursuing the reforms set forth in these budget resolutions *would place the nation on path to balance and obviate the concerns of a precipitous fiscal consolidation under a balanced budget requirement. A balanced budget requirement would provide the needed legal and political imperative to embark on a similar pathway.*

2. What specific language do you recommend be included in the text of any balanced budget amendment to provide for alternative spending scenarios? For instance, our nation is currently faced with threats from many sources (ISIS and Russia for instance), so what language should be included that would allow policymakers flexibility in addressing these scenarios?

The BBA legislation before this committee contemplates the need for flexibility in addressing national security crises and allows for a waiver of the BBA requirement with a 3/5 Congressional vote. This is an important safeguard that would allow the U.S. to address threats to national security with the assent of Congress.