THE A B C's OF THE FEDERAL BUDGET DEBATE

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by

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THE ABC's OF THE FEDERAL BUDGET DEBATE

It's all perfectly clear, isn't it?

Five months into the federal government's funding year, the Republican Congress and the Clinton Administration can't agree on a plan to balance the $1.5 trillion (that's eleven zeros or $1,500,000,000,000) annual federal budget in seven years. The U.S. government has maxed out its credit limit. And, to avoid going bust, it is issuing IOU's against its own employee retirement funds.

President Clinton, who promised to end Welfare as we know it, vetoed the Welfare Reform bill but said he would immediately sign a bill "that will really move people from welfare to work, and do the right thing by children." The Republican Congress is trying to use the annual budget 11reconciliation" process to balance the federal budget on its terms and to rewrite federal policies from health care to taxes.

And more than 200,000 employees in nine federal departments (including the Departments of Education, Housing and Urban Development, and Health and Human Services) are again in limbo, worrying that they may be locked out of their offices on March 16, 1996 if the Congress and Clinton Administration can't agree by then on what to do.

Got that?

If you're confused, join the crowd. Watching Washington these days is akin to trying to follow all the action at a six-ring circus, with issues and actors randomly jumping from ring to ring-and elephants and donkeys, all with sharp elbows, jockeying to become the preeminent ringmaster.

Amid this chaos, important decisions are being made that could affect the education, health and economic well-being of Americans for many years to come. So, let's stop for a minute to get a grip on just what is going on and what it might all mean.

If you strip away the complexities only a lawyer could love, it's as simple as A, B, C. Well, sort of.

"A" is for authorization

Also known as: authorizing legislation, re-authorization, enabling legislation

An authorization bill is a piece of legislation that creates new programs, or restructures or eliminates existing ones.

This includes childhood immunization, the school lunch program, maternal and child health programs, the Individuals with Disabilities Education Act (IDEA, the program for disabled children), higher education programs such as Pell Grants, job training and vocational education programs such as the Job Corps and the Job Training Partnership Act, and elementary and secondary education programs such as Title I and bilingual education.

All federal programs must have an "authorization" to exist. The specifics of each law are hammered out in what are called "authorizing committees," such as the Economic and Educational Opportunities Committee and the Agriculture Committee in the House of Representatives, and the Labor and Human Resources Committee and Banking, Housing and Urban Affairs Committee in the Senate.

Civics 101 tells us that the House and Senate must pass each bill by a simple majority, then work out their differences (through what is called a House-Senate conference committee) and present a single bill to the President. If the President signs the bill, it becomes law. But, if he vetoes it, the bill's supporters must muster a two-thirds majority in both houses of Congress to make the bill become law, overriding the President's veto.

One reason for the current legislative logjam is our divided government -- the GOP controls the Congress, and a Democrat is President. While the Republican-controlled Congress can easily come up with a simple majority of votes, they have a tough time peeling off enough Democrats to get the two-thirds majority needed to override a Presidential veto.

That's why the Republicans who run Congress have negotiated ad nauseam with the Clinton Administration on the balanced budget bill and hitched their budget plan to unrelated pieces of legislation like the debt ceiling bill. (See ... '"B' is for balanced budget bill" and 'D' is for debt ceiling" on pages 4 and 6.) They don't have the votes to do it the old-fashioned way.

While some programs are "permanently authorized," which means they go on forever unless or until they are abolished, many have time limits (often three, four or five years) and die unless Congress passes a bill in order for them to continue. While this "re-authorization process" used to be a fairly automatic if tedious process, Congress is increasingly using this window of opportunity to abolish or consolidate programs.

But getting a program on the books is only the first step. Nothing happens with any program unless Congress also antes up money to fund the program. Which brings us to '"E' is for entitlement" (see page 7) and...

"A" is also for appropriations

Also known as: funding bills, spending authority, budget bills, money bills

There are 13 annual funding (appropriations) bills that allow the federal government to spend money on specific programs. In addition, some programs, such as the highway system and the Superfund (toxic waste cleanup) program, are funded directly through taxes, not appropriations. Taken together, these appropriations and tax bills provide the money to operate the entire federal government.

Appropriations bills are **written and debated by the** 13 subcommittees of the House and Senate Appropriations Committees, only *after* an authorization is in place. (This caveat is sometimes finagled, so that money is appropriated even without an authorization.) *Tax bills*, in contrast, are written by the House Ways and Means Committee and the Senate Finance Committee.

Like authorization bills, each appropriations bill must either be passed by both houses of Congress and signed into law by the President -- or receive a two-thirds majority vote in Congress to become law over the President's veto.

To give an example of the difference between an authorization bill and an appropriations bill: The Head Start program is *authorized* by the House Economic and Educational Opportunities Committee and the Senate Committee on Labor and Human Resources. Money to fund the program year-to-year, on the other hand, is *appropriated* by the "Labor, Health and Human Services, Education and Related Agencies" Appropriations Subcommittees in both the House and Senate. (The shorthand name for this appropriations bill is the "Labor-HHS Appropriations Bill.")

Some appropriations bills are for just one department; others are for several. For example, a single bill (the "Labor-HHS Appropriations Bill") contains funding for programs in the Departments of Labor, Education, and Health and Human Services. Another, the NA-HUD Appropriations Bill," contains funding for the Departments of Housing and Urban Development and Veterans Affairs as well as such independent agencies as the Consumer Product Safety Commission and NASA.

Major chunks of the federal government shut down this past fall and over the Christmas holidays because the appropriations bills that allow these agencies to spend money were not finalized before the beginning of the new fiscal year (October 1, 1995). The President vetoed some of these bills because of provisions objectionable to him. And Congress has yet to send one important bill; the "Labor-HHS Appropriations Bill," to the President.

If appropriations bills are not enacted into law before a new fiscal year starts on October 1, Congress and the Administration can avoid a government shutdown by enacting short-term "continuing resolutions" until they can agree on the appropriations bills. (See "'C' is for continuing resolution" on page 5.)

"B" is for balanced- budget bill

Also known as: budget reconciliation bill, omnibus budget bill, seven-year balanced budget plan, OBRA (Omnibus Budget Reconciliation Act)

This year, because the Republican Congress put its Contract-with-America plan to balance the budget in seven years into the annual budget reconciliation bill, these two terms (balanced budget and budget reconciliation) have become synonymous.

The budget reconciliation bill is important and unusual in that it can simultaneously force legislative changes in many programs-from tax to spending-in one fell swoop, circumventing the normal legislative process. It avoids the cumbersome if very democratic process of requiring that specific programmatic changes be voted on separately, after wending their way through the many Congressional committees that have responsibility for authorizing programs.. For example, the balanced budget bills proposed by the President and the Congress contain tax cuts, and restructure and trim such programs as Medicare, Medicaid, Welfare (AFDC) and farm price supports.

The budget reconciliation bill is designed to implement the broad spending priorities and ceilings that Congress outlines in its annual ***budget resolution.*** A major political as well as practical difference between these two mechanisms is that the budget *reconciliation bill* requires Presidential approval while the *budget resolution* does not.

The balanced budget (budget reconciliation) proposals of both the President and the GOP-controlled Congress promise to balance the annual federal budget in seven years. However, skeptics, such as *Washington Post* editor Jodie Allen, chide both sides for, like Scarlet O'Hara, thinking about the consequences tomorrow. For example, both postpone the deepest cuts until after the Year 2000-and after the next Presidential election.

Speaking of tomorrow, it is important to remember that the balanced budget plans Congress and President Clinton are proposing would, if successful, *simply keep the national debt from becoming larger.* They would not decrease the debt that the country has already accumulated.

Finally, unlike other pieces of legislation, where failure to act means that programs stop or the government defaults on its loans, the major repercussions of not passing the balanced budget (budget reconciliation) bill are political, not programmatic.

"C" is for continuing resolution

Also known as: C.R., stop-gap funding, short-term funding, temporary spending measure

A continuing resolution is a short-term funding measure that keeps federal agencies operating, even though regular appropriations bills have not become law. The current federal funding year (fiscal year 1996) started on October 1, 1995. Since then, there have been more than a half dozen continuing resolutions to keep the federal government operating.

Continuing resolutions, like authorization and appropriations bills, must go through the regular legislative process (being passed by both houses of Congress and signed by the President). But, since they are by nature temporary, they typically blitz through the normally snail-like legislative process, usually the night before the money runs out, with the frenzy of an all-nighter before a term paper is due. This year the continuing resolutions have been caught up in the larger political struggle over policy priorities and balancing the federal budget.

The current continuing resolution, enacted at the end of January, is keeping nine federal departments open through March 15, 1996, mostly at reduced funding levels. For example, programs in the Departments of Education, Labor, and Health and Human Services are funded for the amount they got last year or the amount in the House-passed bill or Senate-passed bill, whichever is less. Programs the Congress wants to kill or shrink, such as Americorps and Cops on the Beat, will get up to 75 percent of what they got last year.

However one might gauge the value of any specific program, the state and local chaos caused by this federal budget flakiness is hard to ignore. States don't yet know what federal funding they can count on. School districts trying to finalize their budgets for next year don't know whether or not they will have federal money to hire teachers and aides for Title I, bilingual education and special education. Private charities and human service agencies that provide health and social services to the poor must pay their staff and renew their leases with no assurance that they will eventually get paid. And Superfund contractors have had to put plans to clean up new toxic waste sites on hold.

Since the Labor-HHS Appropriations Bill is stuck in the Senate, with sincere promises of a filibuster but not the 60 votes to break it, it is quite possible that there will be still more continuing resolutions to keep these departments (Education, Health and Human Services, and Labor) operating after the ides of March, perhaps until fiscal 1997 begins next October 1.

"D" is for debt ceiling

Also known as: *debt limit, borrowing authority*

Think of the debt ceiling as the federal government's credit card limit.

The debt ceiling bill allows the federal government to borrow more money-something it has to do when it is spending more than it is taking in. Without this authority, the federal government cannot write new checks and will go into default.

The first federal budget to run at a deficit was in 1792 and there have been deficits in half of the federal budgets since then, mostly in times of war or recession. However, the size of the annual deficit skyrocketed in the 1980s under President Reagan.

Until recently, passing a bill to extend the debt ceiling was a pretty routine and boring non-event. No longer.

Last fall, the federal government bumped up against its spending limit. In a high-stakes game of chicken, the Republicans added many of the balanced budget provisions that the President opposed to the debt ceiling bill, thinking he would blink first, making the GOP balanced budget plan law.

The President didn't blink and instead vetoed the bill.

With no increase in the debt limit, Treasury Secretary Robert Rubin, unable to do the normal thing and sell Treasury Bonds to raise money, finessed the situation by borrowing against federal government employee retirement funds. Now, Secretary Rubin says the credit of the U.S. government will turn into a pumpkin on February 29 unless Congress passes and the President approves a new debt ceiling bill.

The stakes are high: if the credit rating of the U.S. is lowered even a teeny **bit, the cost** of financing the national debt will increase by zillions, making it still harder to balance the federal budget.

Stay tuned....

"E" is for entitlement

Examples are: *Social Security (income for the elderly), Medicare (health care for the elderly), Medicaid (health care for the poor), unemployment insurance, farm price supports, Aid to Families with Dependent Children (AFDC), Food Stamps (food assistance for the poor), student loans, and the Earned Income Tax Credit (a refundable tax credit for working poor families)*

Entitlements are federal programs that guarantee a certain level of benefits to people or other entities that fit criteria set in law. They are like other programs in that they are created by Congressional authorizing committees, but different in that they are automatically funded each year.

Entitlement programs add up to big money: *they now account for about half of our country's $1.5 trillion budget.*

Some entitlements must go through the annual appropriations process; others are permanently appropriated. But, unlike "categorical" federal programs where services run out when the money runs out, the cost of entitlement programs is not constrained by the annual appropriations process. Appropriated entitlements sometimes require "supplemental appropriations" (that is, more money) after the fiscal year is already underway.

Since anyone who meets the criteria receives benefits, entitlement programs can cost a lot more than originally anticipated. For example, if an unexpected recession puts people out of work and causes more families to slip into poverty, the cost of such income-based programs as Medicaid, AFDC and Food Stamps goes up. And Social Security and Medicare costs will skyrocket as Baby Boomers age.

Reducing the cost of an entitlement program (by, for example, raising the age at which someone can get Social Security) is politically difficult. In 1990 Congress acted to curb these costs indirectly by enacting a pay-as-you-go provision. "Pay-go" requires that policy changes increasing the cost of an entitlement program be offset with either revenue increases (also known as taxes) or decreases in the cost of another entitlement program. "Pay-go" is an important sub-theme of the balanced budget debate because of the difficulty in getting Republicans and Democrats to agree on just where the needed offsetting revenue would come from.

Much of the debate over the balanced budget bill and Welfare Reform has been about whether to change several programs-including AFDC and Medicaid-from entitlements for poor families into block grants to states. These programs (unlike Social Security and Medicare) require states to kick in part of the cost.

Turning AFDC and Medicaid into block grants to states would help the federal government control its costs. With block grants, each state, not the federal government, would be responsible for extra costs if there were a recession.

And finally...

The current political shenanigans provide fodder to the already profound disillusionment of the American people with government. Only two out of five eligible voters actually cast ballots in the last election (November 1994). And today only one in four Americans trust government to do the right thing all or most of the time, down from three in four in 1964, according to a recent survey by *The Washington Post,* Harvard University and the Kaiser Family **Foundation.**

The American public seems primed to give anyone they see associated with the current budget stalemate an "F **for failure,"** something that has both Democrats and Republicans squirming as they ponder the latest polls.

As the dust settles, it is important to remember that the current budget
battle is not really about which side can best manipulate arcane
legislative processes. Rather, it is about to ' ugh and fundamental choices:
what is sufficiently in the national interest for the federal government to
foot the bill?

So, the real answer to this budget mess may have to wait until November of 1996. In what is likely to be the most important election in decades, voters will have clear choices about the role they want -- or don't want government to play in their lives.

Maybe then things really will be perfectly clear.