

**Testimony of Congressman Paul Ryan WI-01**  
**Rules Committee Hearing:**  
**Subcommittee on Legislative and Budget Process**  
**Thursday, March 11, 2004**

Madame Chairwoman, I want to thank you for having this hearing on Budget Process Reform and allowing me to participate.

Wisconsin families and businesses know the value of setting budgets and sticking to them. We know that it's wise to plan ahead for emergency expenses by setting aside money, whenever possible, for a "rainy day." And we recognize that if we spend \$500 or \$5,000 more than we did last year, we are spending more in both cases – not less. Washington needs to adopt these common-sense approaches to the federal government's budget.

For decades, the process that Congress and the President use to spend taxpayers' money has been broken. It includes many incentives to overspend and tricks for exceeding budget spending caps, and it doesn't provide a clear picture of the government's full debts and liabilities. Even when many lawmakers agree on the need to restrain spending, the current system makes it extremely difficult to reach this goal.

Just as private businesses must be accountable to their shareholders, the government should be accountable to taxpayers for how much it spends and how it spends.

Together with several colleagues, I have introduced legislation HR 3800 that would overhaul the federal government's budget process, make it easier to reduce unnecessary spending, and clean up the government's accounting practices. So far, we've gained the support of over 65 cosponsors.

**Stop excessive government spending and clean up government accounting.**

In 2003, the federal government ran a deficit of \$374 billion. Based on Congressional Budget Office (CBO) estimates, including the unexpected costs of increasing national security and stabilizing our economy, the federal government is on track to reach government surpluses by 2012. However, even this less-than-optimal timeframe hinges on Congress's ability to control spending.

The past five years, FY2000-FY2004, were some of the highest spending years in American history. If you took the total amount of federal spending in 2003, \$2,156,536,000,000, in \$1 bills, it would stack halfway to the moon, weigh 10 times as much as the Sears Tower, and blanket the state of New Jersey. Less than half of the increase in spending since 2001 can be attributed to defense and the attacks on September 11, 2001. The rest went toward a myriad of small- and medium-sized government programs.

Additionally, the federal government is as guilty as some large companies have been when it

comes to fudging the books and accounting mistakes. When determining the federal budget overall, the government uses accounting tricks to make it more difficult to determine true spending levels. For example, Social Security and Medicare surpluses are used to balance the budget. The inclusion of these funds in our balance sheet gives Congress cover to keep spending after discretionary funds are gone. Further, Congress can break its own spending rules by declaring appropriations an “emergency,” even when they are not.

Our proposal takes key steps to improve the government’s accounting practices. It would do away with “baseline budgeting,” a policy that has allowed people to distort the reality of spending hikes and claim that scaled-back increases in spending are “cuts.” The legislation we are pushing for would also require agencies to live up to the same standards as private-sector businesses, by requiring a full accounting of the government’s share of the accruing costs of pensions, retired pay, and retiree health benefits. This would not change retirees’ benefits, but it would make the federal government more accountable for the benefits it owes its employees. If corporations adopted the accounting standards now used by our government, the accountants at Enron would look like saints.

### **Fix the budget process.**

The biggest obstacle facing government officials when prioritizing spending decisions is the budget process. Changing the tax and spend nature of Congress is one of my highest priorities. Right now, there is little motivation to reduce spending. In the House of Representatives, 16 committees authorize spending and one appropriates, which means that every Member of Congress has a hand in the spending process at some point. The Committee on Appropriations has 13 subcommittees overseeing each of the 13 appropriations bills. Each subcommittee has the incentive to spend as much as it can because any money not spent by one subcommittee must be spent by another. According to current budget rules, spending during the appropriations process cannot be saved and returned to the taxpayer or used to pay down government debt; it can only be spent. I believe Members of Congress should be able to cut money from appropriations bills through the amendment process and return it to taxpayers. Our legislation would create new accounts that enable Members of Congress to target overspending and redirect the savings to deficit reduction or tax relief.

This legislation (H.R. 3800) takes a critical first step by giving the budget the force of law. Today, the budget resolution that Congress votes on early in the year is non-binding and does not require the President’s signature. In other words, it amounts to a guideline instead of a law. Our bill would change that, compelling Congress and the President to agree on a budget before they start spending money.

Currently the budget process allows for supplemental emergency spending, which is money spent above annual budget caps. Under the current budget process, the definition of “emergency” is subjective. Emergency spending is not necessarily sudden, urgent, unforeseen and temporary, as it should be defined. Nor does the process allow for a point of order if an emergency spending item violates common sense. Instead, it allows supplemental bills to be loaded up with non-emergency spending, such as increased support payments to

mohair wool and peanut farmers. Even if these initiative were valid spending items, they should be decided during the normal appropriations process and not passed under the guise of emergency spending.

Under our legislation, Members of Congress could no longer dodge spending restraints by designating spending as “emergencies.” Real emergencies would be covered under the rainy day fund, and all spending from that fund must qualify as sudden, urgent, unforeseen and temporary (for example, tornadoes, floods, terrorist acts, etc.)

However, with the current one-year budget process cycle, it is hard to determine what is necessary spending and what is not. Many states like Wisconsin work under a biennial (two-year) budget, which gives legislatures time to focus on government performance reviews and increased oversight of agency efficiency. Currently, Congress does not have the time to review how taxpayer money is spent. A biennial budget for the federal government would allow Congress to appropriate in one year and conduct oversight hearings the next. A longer budget process would ensure that taxpayer money is being spent effectively, without agency duplication or waste.

HR 3800 allows for a biennial budget where spending would be set in the non-election year and Congress would dedicate the second year of each session to conducting oversight. Overall, Congress does a miserable job of overseeing how well or poorly government agencies perform.

A better budget process would also allow enhanced rescission for the President. In other words, the President could carve out pork and send it back to Congress to be voted on again – separate from the appropriations bill in which it was contained. While this would be a painful process for legislators accustomed to bringing home the bacon, Members of Congress who request funds for legitimate district projects, on the other hand, would have an easy time defending their appropriation requests.

In addition, our bill would create enforceable caps to help rein in growing federal spending. With these caps in place, spending could only increase to account for inflation or, in the case of entitlement benefits, to factor in the growing population as well as inflation.

I have introduced legislation with Congressman Hensarling, Chocola, and Cox, the Family Budget Protection Act (HR 3800), to fix many of the problems associated with the congressional budget process, including the ones listed above. I will continue to fight for responsible spending and greater accountability for taxpayer money sent to the federal government.

Bringing discipline to the budget process and restraining federal spending are essential steps toward eliminating the deficit and improving the health of our economy. We face major challenges in the coming years, from winning the war on terrorism to making sure Social Security and Medicare are ready for the retirement of the baby boom generation. Spending wisely is critical to strengthening the economy and helping us address these

challenges. I will continue to fight for the fiscal discipline taxpayers deserve as I work to move our bill through Congress.