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Republicans Change Budget Rules to Fit Their Policies of the Moment

In the conference agreement on the fiscal year 2016 budget resolution, Republicans continue to unilaterally change the budget process to advance their policy goals. Despite claims to tamp down on gimmicks, their changes actually weaken budget discipline and transparency. They fail to address the biggest budget process issue facing us: discretionary caps that are too tight. There is no way to keep spending at the post-sequester caps without undermining national security and gutting important domestic investments that drive economic prosperity.

Abuses the Overseas Contingency Operations (OCO) designation — The agreement makes a mockery of the budget process by providing \$187 billion above the President’s request for OCO with the intention of using the funds for unrelated defense needs. This signals Republicans’ willingness to make the OCO budget a permanent slush fund to bypass defense caps rather than amend them in law in a transparent manner. Just one year ago, House Republicans criticized the abuse of the OCO loophole in their budget report, stating that it “undermines the integrity of the budget process” and that the Budget Committee would “oppose increases above the levels the Administration and our military commanders say are needed to carry out operations unless it can be clearly demonstrated that such amounts are war-related.”

Pushes to not count costs of extending expiring tax provisions — A policy statement in the conference agreement calls for changing the score for extending expiring tax provisions. Under current scoring rules, if legislation extending tax provisions reduces revenues it is charged with a cost (if it increases revenues, the score shows savings). Under pay-as-you-go, this cost must be offset by either increases in other revenues or reductions in mandatory outlays. Ironically, the Majority, which seeks to balance the budget, wants to extend revenue provisions costing billions of dollars without providing any offset. They want to have this both ways in their budget: they do not offset the provisions but they also do not show that the provisions would add to the deficit. If they accurately reflected their policy of not requiring offsets for extension of existing tax provisions, their budget would not achieve balance.

Cooks the books on dynamic scoring — The conference agreement includes a requirement that the House use “dynamic scoring” to measure the budget impact of major bills, as envisioned in the House Rules that Republicans put in place earlier this year. Dynamic scoring involves the incorporation of the macroeconomic effects of legislation into its official score. These effects are highly uncertain but likely to be modest if properly estimated. But many outside groups have presented fanciful scores suggesting that Republicans’ proposed tax cuts would have dramatic impacts. The new scoring rule could open the door to Congressional Republicans

mandating the use of wildly optimistic methods and cost estimates. The fact that the resolution simultaneously asserts that it assumes \$1 trillion or more in tax cuts, no tax increases, and no changes in total revenues implies that it also assumes dramatic and unrealistic savings from dynamic scoring.

Unfairly changes scoring rules for credit programs — The conference agreement adopts the use of so-called “fair value” scoring in the House for enforcement purposes at the discretion of the Budget Committee Chair. For the Senate, the conference agreement provides for “fair value” estimates for informational purposes only. Some prominent budget experts oppose this new approach, arguing that it does not accurately reflect the government’s costs and risks for credit programs, the two largest of which are Federal Housing Administration loans and student loans. “Fair value” scoring assumes an additional cost of risk to all loans that will make federal credit programs appear to be more expensive than they are in the federal budget, making it harder to undertake new initiatives in these programs to help families struggling to pay for education or buy a home. But Republicans in the House and Senate failed to agree, creating the situation where legislation could have one official score for the House using “fair value” estimates and a different official score for the Senate using the scoring methodology mandated under budget law.

Limits options to fix Social Security’s disability insurance (DI) shortfall — Matching the change in House rules made earlier this year, the budget incorporates new requirements for legislation addressing DI’s future insolvency. The conference agreement will prevent Social Security from using even a penny of its existing resources to prevent cuts in disability benefits unless Congress also approves benefit cuts.

Limits use of CHIMPs — The conference agreement limits the use of certain changes in mandatory programs (CHIMPs) in appropriations bills. Any savings from reducing direct spending in appropriations bills is recorded as discretionary and creates space under the caps to fund additional priorities. The agreement limits these CHIMPs in 2016 and 2017 to \$19.1 billion, roughly the level used in 2015, and then reduces it further in 2018 and 2019. By 2019, the total value of CHIMPs is capped at \$15 billion. Limiting CHIMPs will make it that much harder to adequately fund important investments within tight discretionary limits.

Creates directed scoring — The agreement directs new scoring procedures in a few specific areas, presumably to make certain policies easier or harder to enact. For example, it directs that scoring of a change from a \$1 note to a \$1 coin be based on net present value over 30 years rather than on a cash basis as current rules would dictate. This would allow future savings from reduced printing costs to be captured in the score. On the other hand, it requires that any savings from increasing guarantee fees charged by Freddie Mac and Fannie Mae not be counted in a bill score. Budget process rules were designed to create a uniform and fair way to assess costs associated with legislation; manipulating the rules only for particular policies makes it impossible to weigh the merits of competing priorities.