



**Statement of Clinton T. Brass**  
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**Before**

**The Committee on Energy and Commerce**  
**Subcommittee on Oversight and Investigations**  
**U.S. House of Representatives**

**October 5, 2011**

**on**

**“Administration Efforts on Line-by-Line Budget Review”**

## One-Page Summary

The Subcommittee requested that this testimony discuss the Barack Obama Administration's "line-by-line" budget review and what it appears to entail. In addition, the Subcommittee expressed interest in discussion of how the line-by-line review may relate to additional topics. Finally, the Subcommittee requested that the testimony briefly identify policy options that Congress might consider to bring additional transparency to presidential budget proposals; enhance the credibility of the representations about performance that an Administration may make in these requests; and engage with agencies more systematically and effectively on topics like these.

Several caveats arguably are necessary when interpreting publicly available information that concerns this subject. It should be noted, for example, that formulation of the President's budget largely occurs outside of public view. As a consequence, it is frequently not possible to make definitive statements of how a process like this one is undertaken in any given year.

Even with these qualifications, analysis suggests that the line-by-line review appears to relate closely to annual development of the President's budget proposals, and may be another name for the Obama Administration's perspective on how it formulates the President's budget. The Administration has said the line-by-line review relates to specific budget cut proposals, but also has said the review relates more generally the Administration's views on how to allocate funds. The Obama Administration's issuance of a volume of proposed "terminations, reductions, and savings" among a President's budget proposals was not new. For example, the George W. Bush Administration released similar documents for President Bush's FY2006, FY2007, FY2008, and FY2009 budget proposals.

The testimony identifies some policy options for Congress and potential advantages and disadvantages.

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## Written Statement

Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee:

Thank you for inviting the Congressional Research Service to testify today at your Subcommittee's hearing. At CRS, I help cover several subjects, including the executive branch's role in the federal budget process, government performance issues, and congressional-executive relations.

The Subcommittee requested that CRS's testimony discuss the Barack Obama Administration's "line-by-line" budget review and what it appears to entail. In addition, the Subcommittee expressed interest in discussion of how the line-by-line review may relate to these topics:

- Administration proposals for "terminations, reductions, and savings" that are contained in a separate volume of the President's annual budget request;
- the processes and institutions that are involved in formulating the President's annual budget request; and
- practices by past Administrations.

Finally, the Subcommittee requested that CRS briefly identify policy options that Congress might consider to

- bring additional transparency to presidential budget proposals, including the outcomes of such proposals after Congress considers them;
  - enhance the credibility of the representations about performance that an Administration may make in these requests—for example, assurance that the representation that an Administration makes about a program's performance does so fairly, in the context of an agency's or program's statutory mission; and
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- promote more systematic and effective engagement between Congress and agencies on topics like these.

This testimony draws substantially from a memorandum that the Committee requested earlier and adds some discussion regarding how Congress might consider engaging with agencies.

## **Line-by-Line Budget Review and its Relationship to Other Topics**

First, the Subcommittee requested analysis of what the Obama Administration's line-by-line review appears to entail, and how the review may relate to other topics identified above. This analysis is based on statements that the Administration has used to characterize the line-by-line review, when the statements are viewed in context with institutions and processes that appear to have been involved, and also in context with long-standing budget practices in the executive branch.

Several caveats arguably are necessary, however, when interpreting publicly available information that concerns this subject. It should be noted, for example, that formulation of the President's budget largely occurs outside of public view. As a consequence, it is frequently not possible to make definitive statements of how a process like this one is undertaken in any given year. In addition, the Office of Management and Budget (OMB) closely manages and monitors the budget formulation process on behalf of the President to, among other things, prevent so-called "pre-decisional" information from leaving the executive branch.<sup>1</sup> OMB also may attempt to influence agencies in how they characterize problems and priorities in public documents.

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<sup>1</sup> U.S. Executive Office of the President, Office of Management and Budget (hereafter OMB), *Circular No. A-11, Preparation, Submission, and Execution of the Budget*, Section 22, August 2011, at [http://www.whitehouse.gov/omb/circulars\\_a11\\_current\\_year\\_a11\\_toc](http://www.whitehouse.gov/omb/circulars_a11_current_year_a11_toc). OMB has characterized its mission primarily as one of "[implementing] the commitments and priorities of the President" and "[implementing and enforcing] Presidential policy government-wide." See OMB, "The Mission and Structure of the Office of Management and Budget," at [http://www.whitehouse.gov/omb/organization\\_mission](http://www.whitehouse.gov/omb/organization_mission).

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Even with these qualifications, analysis suggests that the line-by-line review appears to relate closely to annual development of the President's budget proposals, and may be another name for the Obama Administration's perspective on how it formulates the President's budget.<sup>2</sup>

The first mention of plans for a line-by-line review appeared during the 2008 presidential campaign and subsequent transition.<sup>3</sup> In a transition document, the incoming Administration characterized the upcoming review as "an exhaustive line-by-line review of the federal budget," in which the Administration would "work to eliminate government programs that are not performing, and demand that new initiatives be selected on the basis of their merits -- not through a political process that rewards lobbyists and campaign donors."<sup>4</sup> This language suggested the review would focus not only on identifying budget cuts, but also more generally on how to allocate funds. During the transition, President-elect Obama announced that an OMB official, the deputy director for management, would have a role in the review.<sup>5</sup>

It was not immediately clear what the incoming Administration considered a "line" to be. The federal appropriations process focuses on lump-sum appropriations that are enacted into law for specifically stated purposes.<sup>6</sup> Multiple programs or organizations may be funded by a single lump-sum appropriation. Historically, public sector budgeting also has used a form of budgeting called "line item" budgeting, which shows allocations of funding for a program or agency that is broken out into categories ("line items") like salaries and rent. At the federal level, supporting information may be provided by an agency to the President and Congress that breaks down a budget account into so-called object classes, which are

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<sup>2</sup> For discussion and analysis of how the line-by-line review has appeared to fit within the Obama Administration's agenda for government performance, see CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass (available upon request).

<sup>3</sup> *Ibid.*, pp. 4-5.

<sup>4</sup> See Obama-Biden Transition Team, "Agenda: Ethics," at [http://change.gov/agenda/ethics\\_agenda/](http://change.gov/agenda/ethics_agenda/).

<sup>5</sup> CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 5.

<sup>6</sup> In the annual appropriations process, these lump-sum appropriations typically take the form of unnumbered paragraphs of statutory text, including in each paragraph an amount of budget authority that is to be provided to an agency or program, along with any restrictions or directions Congress may have. A paragraph also may be called an "appropriation account."

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similar to these line item categories.<sup>7</sup> It is possible that the “line-by-line” expression was intended to refer to object class information, but it also appears to be possible that the expression may have been metaphorical in nature, to communicate that an extensive review would occur without omitting any program or agency from scrutiny.

On February 26, 2009, OMB released an initial budget overview for FY2010, acting on behalf of the President.<sup>8</sup> A more detailed submission of proposals was expected later in the spring.<sup>9</sup> In the meantime, the overview described some of the new Administration’s priorities and plans. The overview argued for “investing taxpayer dollars in efforts and programs with proven records of success and reallocating or cutting programs that do not work or whose benefits are not worth their cost.”<sup>10</sup> In support of that objective, the Administration said it had begun an “exhaustive line-by-line review of the Federal Budget.” The Administration said it would release related proposals in the full FY2010 Budget and in subsequent years. Meanwhile, the document identified several cuts and savings proposals that would be articulated in more detail in the Administration’s full budget submission.<sup>11</sup>

On May 7, 2009, the Administration issued a document that proposed program “terminations, reductions, and savings” (hereafter *FY2010 TRS Document*).<sup>12</sup> The Administration characterized the *FY2010 TRS Document* as “the first report” from the line-by-line effort, and also as identifying “programs that do not accomplish their intended objectives, are not efficient, or that replicate efforts being completed by another

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<sup>7</sup> Object class information for the President’s most recent budget proposal may be found on OMB’s website at <http://www.whitehouse.gov/omb/budget/Supplemental>, under the heading “Supporting Documents.”

<sup>8</sup> OMB, *A New Era of Responsibility: Renewing America’s Promise* (Washington: GPO, February 26, 2009).

<sup>9</sup> The statutory deadline for submission of the President’s annual budget proposal to Congress is no later than the first Monday in February each year. However, recent Presidents have delayed submitting their first full budget proposals until the spring following their inaugurations. For discussion, see CRS Report RS20752, *Submission of the President’s Budget in Transition Years*, by Robert Keith.

<sup>10</sup> OMB, *A New Era of Responsibility: Renewing America’s Promise*, p. 34.

<sup>11</sup> *Ibid.*, pp. 34-36.

<sup>12</sup> OMB, *Terminations, Reductions, and Savings—Budget of the U.S. Government, Fiscal Year 2010* (Washington: 2009), at <http://www.gpoaccess.gov/usbudget/fy10/browse.html>.

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initiative and [as recommending] these programs for either termination or reduction.”<sup>13</sup> By the Administration’s count, the document proposed 121 cuts or restructurings totaling “approximately \$17 billion.” Typically, each item corresponded to only a portion of the funding within a budget account. Each item in the volume included a brief justification, but in many cases did not provide detailed information about the relevant budget account or entity within an agency that was the subject of attention. OMB released a more detailed *Budget Appendix* the same day, with account-by-account budget proposals from the Administration, but generally without explicit reference to the *FY2010 TRS Document*. Executive branch agencies also submitted to Congress their considerably more detailed budget justifications. Generally speaking, these justifications are reviewed and modified by OMB to be consistent with the President’s policy preferences.

In subsequent years, the Obama Administration released additional *TRS Documents* for the FY2011 and FY2012 budgets. In these and other Administration budget documents, references to the line-by-line review often referred to budget cutting proposals. However, it is not clear that there is necessarily a one-to-one correspondence between the line-by-line review and the proposals included in the *TRS Documents*. More generally, it is also not clear if there is a one-to-one correspondence between the line-by-line review and proposed cuts. As noted above, the Administration had made previous statements that the review also focused on allocation of funds, including allocations based on what it characterized as merit and evidence.<sup>14</sup> In addition, proposals associated with the line-by-line review were sometimes couched as being driven not by performance, but by fiscally difficult times and a need for “shared sacrifices.”<sup>15</sup>

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<sup>13</sup> *Ibid.*, p. 1, and OMB Web page, “Terminations, Reductions and Savings,” at <http://www.whitehouse.gov/omb/budget/TRS/>.

<sup>14</sup> The Obama Administration has previously identified two types of evidence: (1) evidence about “what works and what does not”; and (2) evidence that “identifies the greatest needs and challenges.” See CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 25.

<sup>15</sup> OMB, *Terminations, Reductions, and Savings—Budget of the U.S. Government, Fiscal Year 2012* (Washington: 2011), p. 1, at <http://www.whitehouse.gov/omb/budget/TRS>.

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The Obama Administration's issuance of a volume like the *TRS Document* among a President's budget proposals was not new. For example, the George W. Bush Administration released similar documents for President Bush's FY2006, FY2007, FY2008, and FY2009 budget proposals.<sup>16</sup> Generally speaking, these kinds of budget documents have been produced by Presidents dating back to President Ronald Reagan, if not before, in a variety of configurations.<sup>17</sup> These documents have highlighted some, but not necessarily all, of the President's proposals to cut or modify federal programs and agencies, or to redirect priorities to align with the President's policy preferences.<sup>18</sup> Typically, these kinds of documents also have *not* been followed by subsequent publications that showed, in detail, the extent to which Congress adopted the President's recommendations. Instead, most were silent on the topic of congressional actions, although a handful of them portrayed limited information about congressional actions from a previous year, without supporting detail.<sup>19</sup> One exception appears to have occurred in 2005, when the Bush Administration reportedly released to some media outlets a retrospective, 85-page volume indicating how Congress acted on the President's termination and reduction proposals for FY2006.<sup>20</sup> Apparently, this volume was not posted on a publicly accessible, government website.

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<sup>16</sup> Each was titled *Major Savings and Reforms in the President's 200x Budget*, with "x" corresponding to the last digit of the relevant fiscal year. PDF versions of these volumes are located at <http://www.gpoaccess.gov/usbudget/browse.html>.

<sup>17</sup> For example, see U.S. President Ronald W. Reagan, *America's New Beginning: A Program for Economic Recovery*, February 18, 1981 (Washington: GPO, 1981) [President Reagan's initial FY1982 budget revision, after his transition from the Jimmy Carter Administration]; (2) OMB, *Fiscal Year 1982 Budget Revisions, Additional Details on Budget Savings* (Washington: GPO, Apr. 1981) [a subsequent FY1982 budget revision]; (3) OMB, *Budget of the United States Government, Fiscal Year 1983* (Washington: GPO, 1982), pp. 5-42 and 5-106; and (4) OMB, *Major Policy Initiatives, Fiscal Year 1987* (Washington: GPO, [1986]), pp. 91-110.

<sup>18</sup> Some proposals have appeared repeatedly in such compilations.

<sup>19</sup> The Obama Administration's *FY2012 TRS Document*, for example, said "[w]hile recent administrations have seen between 15 and 20 percent of their proposed discretionary cuts approved by the Congress, the Administration saw 60 percent of its proposed discretionary cuts become law for 2010" (p. 1). The George W. Bush Administration's *FY2007 Major Savings and Reforms* document said with respect to FY2006 that "[t]he Congress answered the call for restraint and accepted 89 of the President's 154 proposals for a total savings of \$6.5 billion" (p. 3).

<sup>20</sup> See blog entry for December 23, 2005, titled "WH Touts Budget Successes," at <http://hotlineblog.nationaljournal.com/archives/2005/12/>. Related PDF files, apparently released by the Bush Administration, are posted online at <http://hotlineblog.nationaljournal.com/save1.pdf>, and <http://hotlineblog.nationaljournal.com/save2.pdf>. The first document, "save1.pdf", was posted on the OMB website and is now archived at [http://georgewbush-whitehouse.archives.gov/omb/pubpress/2005/fact\\_sheet\\_restraining\\_spend\\_122205.pdf](http://georgewbush-whitehouse.archives.gov/omb/pubpress/2005/fact_sheet_restraining_spend_122205.pdf).

Representations that an Administration makes in these documents about the performance of an agency or program may provide information that not all observers would necessarily perceive to be complete or fair. Past experience in the federal budget process suggests that a President may, in some cases, make representations about performance from the perspective of one definition of “success,” while omitting any mention of other perspectives.<sup>21</sup> During the George W. Bush Administration, for example, federally supported vocational education could have been rated either effective or ineffective, depending on whether “success” was defined as increased earnings for education recipients, on one hand (effective), or increased incidence of seeking higher education, on the other (ineffective).<sup>22</sup> Consequently, when the President or his or her Administration make representations to Congress about performance for a particular policy or program, Congress may consider whether the definition of success that is being used, such as a goal, reflects congressional intent for the underlying program (e.g., as expressed in statute) and the major perspectives that the program’s broader community of stakeholders may have, or reflects a less comprehensive perspective.

Congress has indicated in statute that when agencies set goals and arguably thereby define success, the agencies are required to do so after consulting with Congress and stakeholders. Specifically, under the GPRA Modernization Act of 2010 (P.L. 111-352), executive branch agencies are required to develop four-year strategic plans that identify goals and objectives. When developing these plans, the law states that an agency “shall consult periodically with the Congress, including majority and minority views from the appropriate authorizing, appropriations, and oversight committees, and shall solicit and consider the views and suggestions of those entities potentially affected by or interested in such a plan.”<sup>23</sup> The statute

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<sup>21</sup> See CRS Congressional Distribution Memorandum, *Obama Administration Agenda for Government Performance: Evolution and Related Issues for Congress*, January 19, 2011, by Clinton T. Brass, p. 31.

<sup>22</sup> See discussion of contrasting definitions of success for federally supported vocational education in CRS Report RL33301, *Congress and Program Evaluation: An Overview of Randomized Controlled Trials (RCTs) and Related Issues*, by Clinton T. Brass, Erin D. Williams, and Blas Nuñez-Neto.

<sup>23</sup> 124 Stat. 3867; 5 U.S.C. § 306(d).

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additionally says that consultations are required to take place “with the appropriate committees of Congress” at least once every two years.

## Potential Issues for Congress

The Committee also requested that this testimony briefly identify some policy options that Congress might consider to bring

- additional transparency to presidential budget proposals, including the outcomes of such proposals after Congress considers them;
- enhanced credibility to representations that an Administration may make in such requests regarding how an agency or program has performed; and
- more systematic and effective engagement between Congress and agencies on topics like these.

CRS takes no position on whether these options are advisable, in comparison to the status quo.

However, some potential advantages and disadvantages may be identified for each option that is considered.

With enactment of the Budget and Accounting Act of 1921,<sup>24</sup> now codified in part at 31 U.S.C. § 1105, Congress required the President to annually submit a consolidated budget proposal to Congress. This statute currently goes into some detail regarding the information that the President is required to submit.<sup>25</sup>

Notably, the statute does not require the President to submit a document like the Obama Administration’s *TRS Document* or the Bush Administration’s *Major Savings and Reforms*. Rather, Presidents have

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<sup>24</sup> For more information about the act, see CRS Report RL30795, *General Management Laws: A Compendium*, by Clinton T. Brass et al., pp. 98-102.

<sup>25</sup> The required components have increased in number over time. In a 1989 report, the General Accounting Office (now the Government Accountability Office) identified 53 such provisions. See U.S. General Accounting Office, *Budget Issues: The President’s Budget Submission*, GAO/AFMD-90-35, October 1989, p. 5.

produced such documents at their discretion. Separately, the GPRA Modernization Act of 2010 (P.L. 111-352), which amended the Government Performance and Results Act of 1993 (P.L. 103-62), included a provision to require an agency to annually “identify low-priority program activities based on an analysis of their contribution to the mission and goals of the agency and include an evidence-based justification for designating a program activity as low priority” (codified at 31 U.S.C. § 1115(b)(10)).

If Congress deemed it advisable to increase the transparency regarding presidential proposals to significantly increase, cut, or modify an existing program or activity and what happened afterward, Congress might consider options to bring additional structure to how the President, OMB, and agencies implement the statutes cited in the preceding paragraph. For example, Congress might require that an annual accounting of what Congress has done with prior year Administration proposals for major increases or decreases be included in future budget submissions, along with more detailed information about relevant budget accounts and organizational units, to help make congressional policymaking and oversight easier, when considering such proposals.

To enhance the credibility of any such representations, Congress might also consider providing some structure regarding how agencies or OMB make determinations of “low-priority program activities.” Among other options, the statute might be modified to require that an agency’s analysis of a program’s success be based on the agency’s statutory mission and related congressional intent, to address the possibility that a presidential budget submission may include information about performance that primarily reflects the President’s policy preferences and omits other information. The term “evidence” as used in the GPRA Modernization Act also might be further defined to produce information that may be helpful to Congress.

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Finally, Congress might consider options that relate to how its committees engage with agencies on topics such as budgeting and performance. For example, a committee might consider directing agencies under its jurisdiction to begin systematic and periodic consultations with the committee. For agencies that have multiple committees of jurisdiction, a committee might furthermore attempt to hold such consultations jointly with other committees, in order to foster collaboration within Congress and reduce an agency's workload. These consultations might concern any of several subjects, including the selection of agency goals, methods for assessing performance, improvements in performance, organizational learning, reprogramming of funds, and management of major risks. In the face of constrained staff resources within congressional committees, Congress might also consider involving key stakeholders and the public in agency processes such as agency goal-setting, to help the committees to focus their resources on key items of interest. For example, if an agency were required to publish draft goals and objectives in the *Federal Register* for public notice and comment, Congress might be able to more systematically enlist stakeholders' expertise in helping Congress to detect if an agency or the President implements policy in a way that is unintended or undesirable, or if a program could be designed or implemented in a better way. Assisted in this way, Congress then may use various tools to engage on the subject.<sup>26</sup>

Nevertheless, options such as these may be perceived as also bringing some disadvantages. For example, efforts to increase transparency or enhance the credibility of budget and performance presentations may cause additional workload for agencies and OMB. In addition, the President may prefer to have his or her budget requests be as unencumbered as possible, with fewer statutory requirements from Congress.

Consequently, options like these may entail difficult trade-offs.

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<sup>26</sup> See Mathew D. McCubbins and Thomas Schwartz, "Congressional Oversight Overlooked: Police Patrols versus Fire Alarms," *American Journal of Political Science*, vol. 28, no. 1 (February 1984), pp. 165-179. One scholar has argued that laws like the Administrative Procedure Act (codified at 5 U.S.C. § 551 et seq.) and Government Performance and Results Act require agency processes to embrace values such as open information, participation, and representation. According to this view, the laws impart legislative values into how agencies exercise delegated legislative authority. See David H. Rosenbloom, *Building a Legislative-Centered Public Administration: Congress and the Administrative State, 1946-1999* (Tuscaloosa, AL: University of Alabama Press, 2000).

These options are a sampling of a broader number of options that might be considered, if they were of further interest. In the meantime, Mr. Chairman, I would be happy to answer any questions that you, the Ranking Member, and Members of the Subcommittee might have. Thank you.

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