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*CONGRESSIONAL TESTIMONY*

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**The Imperative of Spending  
Control**

**Testimony before  
The House Energy and Commerce Subcommittee on  
Oversight and Investigations**

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## Overview

- This hearing is precisely the kind of activity that should be going on much more broadly and regularly in Congress: budget oversight. Year after year, Congresses create new programs and expand government activities, but rarely go back to review how those things are working. Consequently, programs that are ineffective, inefficient, bloated, obsolete, or just plain unnecessary gain immortality—while Congress looks the other way. This hearing is a refreshing departure from that pattern, and some of my recommendations today aim at making it a model for other committees—to make a routine of the process you are pursuing today, as one step toward breaking the culture of spending.
- First, however, it is necessary to put this discussion in context. While no serious efforts toward reining in government spending should ever be dismissed, the items under consideration today are—to be candid—the barest minimum of what Congress should be considering.
- Fiscal year 2011 was the third consecutive year with a deficit exceeding \$1 trillion. Debt held by the public is roughly three-fourths the size of the entire economy. It cannot be said often enough that three large entitlement programs—Medicare, Medicaid, and Social Security—are increasingly dominating both the budget and the economy. Social Security is projected to grow at an average annual rate of 5.8 percent starting in 2013; Medicare at 6.3 percent; and Medicaid at 9 percent. By 2050, these three programs will by themselves absorb nearly one-fifth of total economic output, and all the historical annual average revenue intake of the federal government (18.2 percent of gross domestic product). It is no exaggeration to call this a crisis, and it must be addressed soon.
- The current Administration’s proposed discretionary terminations and reductions would total less than 2 percent of the fiscal year 2012 spending limit under the Budget Control Act, barely more than 1 percent of the projected deficit for 2012, and about one-half of 1 percent of total projected spending in 2012.
- The process of scouring the budget, line by line, searching for programs that can be struck out or reduced should be standard operating procedure for every administration and every Congress—something like what former Budget Committee Chairman Jim Nussle called “weeding the garden.” But that is just a fraction of what needs to be done to restore the fiscal health of the federal government.
- Second, Congress and the President should not ignore tools already available to control and reduce spending. If a President truly wants to cut spending, he or she has a powerful instrument called a veto. It is a broadsword, to be sure, and it can disrupt government activities; but that is exactly why it can be effective. Meanwhile, Congress should apply strong, enforceable caps on all spending—not

just discretionary. There is nothing like a firm limit on spending to get rid of waste and force choices among priorities.

- Other things Congress can do include (but are not limited to): (1) prohibit funding for any unauthorized appropriations; (2) amend federal laws that provide permanent or indefinite authorizations for federal programs or agencies; (3) close the “emergency” loophole; and (4) require 75-year projections of new programs to make clear the long-term impact of the Congress’s decisions. Such proposals have been around for years, even decades; it is just a matter of Congress acting on them.
- With regard to the specific matter of terminations and reductions, one way to institutionalize the practice would be to require such proposals in every President’s annual budget submission. Congress also could require administrations to formally account for the results of these proposals.
- Further, Congress itself should be engaged in the process. If the Administration is required to propose terminations and reductions, Congress should also be required to follow up with hearings such as this one. That would help promote the habit of spending reduction. Committees also should be required to account for how they dispose of any savings assumptions in the budget resolution. This does not mean committees have to adopt every budget proposal; but they should be required to consider them and respond.
- From time to time, Members of Congress complain they spend nearly all their time on the budget—and if you were to follow my recommendations here, that would be even truer. But I would say two things about that. First, if you believe, as I do, that budgeting truly is governing, then budgeting is the most fundamental exercise of your responsibilities. Second, considering the very real spending and debt crisis this country faces, I would hope all of you are willing to spend every minute of your time on the budget, until you get it sustainably under control. The stakes are as high as they have ever been, and the outcome truly does lie in your hands.

## **TESTIMONY**

Mr. Chairman, Madam Ranking Member, and subcommittee members, thank you for inviting me to testify here today. My name is Patrick Louis Knudsen. I am the Grover M. Hermann Senior Fellow in Federal Budgetary Affairs at The Heritage Foundation. Prior to joining Heritage, I served for a bit more than 20 years as policy director at the House Budget Committee—a position I held until just recently. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

### **Introduction**

Spending control has never been more important than it is today. All of you are well aware of the extraordinary deficit and debt crisis the government faces; and although you may differ on the causes of this problem, and how best to solve it, surely you all agree it must be addressed. My own view is that the root problem is spending. It is spending that creates the need for taxes and borrowing, and so curtailing the growth of spending is indispensable for shrinking deficits and debt. Therefore, if a President offers credible proposals to reduce spending, Congress should give them serious consideration.

In light of today's immense budget challenge, this hearing—which amounts to budget oversight—is precisely the kind of activity that should be going on much more broadly and regularly in Congress. Year after year, Congresses create new programs and expand government activities, but rarely go back to review how they are working. Consequently, programs that are ineffective, inefficient, bloated, obsolete, or just plain unnecessary gain immortality—while Congress looks the other way. This hearing is a refreshing departure from that pattern, and some of my recommendations today aim at making it a model for

other committees—to make a routine of the process you are pursuing today, as one step toward breaking the culture of spending.

Similarly, over the years various administrations have proposed terminations and reductions, and in some cases have done so repeatedly. But there tends to be inadequate follow up, unless the administration chooses to report the results. During the Bush Administration, only once, in 2005, did the Administration present a summary of what had happened with its recommendations. The Obama Administration has summarized the results of its proposals annually, but it may be difficult to confirm those accounts independently. In any case, all too often the recommendations end up just collecting dust on a shelf somewhere.

Moreover, the current Administration's proposals are deeply inadequate, considering the more than trillion-dollar deficits the government is running these days.

While your interest is mainly on the programs and agencies within your jurisdiction, mine is on the budget in general. Consequently, I view what you are doing as a potential model for other committees, and as a practice that should become a regular part of the budget process. My recommendations today, therefore, speak to that broader subject.

### **The Depth of the Budget Crisis**

Before describing those recommendations, however, I feel obliged to put this discussion in context. One should not dismiss any earnest effort to cut government spending. But to be candid, the amounts under consideration here today pale in comparison to the huge spending and deficit crisis the government faces. Fiscal year 2011 was the third consecutive year with a deficit exceeding \$1 trillion. Debt held by the public is roughly three-fourths the size of the entire economy. It cannot be said often enough that three large entitlement programs—Medicare, Medicaid, and Social Security—are increasingly dominating both the budget and the economy. Social Security is projected to grow at an average annual rate of 5.8 percent starting in 2013; Medicare at 6.3 percent; and Medicaid at 9 percent. By 2050, these three programs will by themselves absorb nearly one-fifth of total economic output, and all the historical annual average revenue intake of the federal government (18.2 percent of gross domestic product). It is no exaggeration to call this a crisis, and it must be addressed soon.

The Administration's proposed discretionary terminations and reductions would total about \$18 billion.<sup>1</sup> That is not an insignificant figure. But it represents less than 2 percent of the fiscal year 2012 spending limit under the Budget Control Act, barely more than 1 percent of the projected deficit for 2012, and about one-half of 1 percent of total projected spending in 2012. The previous Administration in 2005 proposed \$15.8 billion in terminations and reductions—slightly more than one-half of 1 percent of total spending that year.

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<sup>1</sup>Office of Management and Budget, *Fiscal Year 2012 Terminations, Reductions, and Savings: Budget of the U.S. Government*, at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf> (October 4, 2011)..

Now, to offer another contrast. During a previous Congress, the House Budget Committee Chairman proposed a list of discretionary spending reductions totaling \$100 billion over 5 years, or about \$20 billion a year. The year was 1995, when total federal spending was about \$1.5 trillion—less than half of what it is today.

Again, this is not to dismiss any serious spending reduction efforts. It is simply a reminder that these are very small steps compared to the huge challenge Congress faces. Proposing terminations and reductions in government programs should be standard operating procedure, but far more needs to be done to restore the government's fiscal health.

### **Use the Tools Already Available**

Second, while you are examining ways to make the process more transparent and credible, bear in mind that nothing can substitute for real action to reduce spending—and there are mechanisms already available, on both ends of Pennsylvania Avenue.

One is the President's veto. If a President really wants to terminate or reduce specific programs, he or she can prove it with a veto of any bill that fails to do so. During the current Administration, the President has vetoed only one appropriations bill—and that was because the bill did not spend enough. President Bush vetoed only two appropriations bills in eight years—and only once because a bill spent too much.<sup>2</sup> The veto may be a blunt instrument, and may threaten to disrupt government services. But if a President really wants spending reductions, the veto is a way to get them.

Another tool is spending caps. If you are trying to eliminate unnecessary spending, or force choices of priorities, placing a firm limit on how much you can spend—and sticking with it—is a fine way to do it. These caps must be enforceable, and should apply to all spending, not just discretionary.<sup>3</sup>

Here are some other steps:

- 1) **Unauthorized Appropriations.** Every year, the Congressional Budget Office publishes a report on appropriations for programs whose authorizations have expired. The most recent report, published in January this year, reflects \$42 billion worth of non-defense appropriations whose authorizations were to expire on September 30.<sup>4</sup> These programs are being funded through the continuing resolution. The budget law

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<sup>2</sup>See Kevin R. Kosar, *Regular Vetoes and Pocket Vetoes*, Congressional Research Service, October 18, 2010, at <http://www.fas.org/sgp/crs/misc/RS22188.pdf> (October 4, 2011).

<sup>3</sup>See Brian M. Riedl and Alison Fraser, *Four Principles of Budget Process Reform*, Heritage Foundation Backgrounder No. 1746, April 8, 2004, at [http://s3.amazonaws.com/thf\\_media/2004/pdf/bg1746.pdf](http://s3.amazonaws.com/thf_media/2004/pdf/bg1746.pdf) (October 4, 2011).

<sup>4</sup>Congressional Budget Office, *Unauthorized Appropriations and Expiring Authorizations*, January 2011, at [http://www.cbo.gov/ftpdocs/120xx/doc12044/01-14-UAEA\\_Approps.pdf](http://www.cbo.gov/ftpdocs/120xx/doc12044/01-14-UAEA_Approps.pdf) (October 4, 2011).

should be amended to strictly prohibit appropriations for such programs. Then Congress would have to reconsider these authorizations and decide whether they should continue. That would force a regular review that could help weed out the obsolete, the unnecessary, and the ineffective.

- 2) **Permanent Authorizations.** A similar idea that Heritage has recommended in the past is to “amend existing laws that provide permanent or indefinite appropriations for federal agencies or programs (including entitlement programs).”<sup>5</sup> Again, this would force a regular review of these programs, providing opportunities to eliminate or reduce those that deserve it.
- 3) **Emergencies.** Congress also should close the emergency loophole. Every year there are weather events or wildfires that require immediate funds for relief. The specific events obviously are not predictable—that is what makes them emergencies. But the fact that such events will occur is entirely predictable, and, for the most part, even a ballpark estimate of what they will cost. Various budget process reform bills and budget resolutions have proposed creating a kind of rainy-day fund for such events. Implementing this idea would prevent Congress from exploiting such must-pass bills as vehicles for other non-emergency spending. Clearly, an extraordinary event such as Hurricane Katrina might be an exception to this idea. But even in those cases, Congress could try to offset at least part of the cost. More recently, in the continuing resolution, there were Members who actually defended their refusal to offset less than \$1 billion for the Federal Emergency Management Agency (FEMA) disaster relief fund for fiscal year 2011. One Member even said such offsets would be a “radical departure” from past practice. But perhaps such a radical departure is exactly what is needed.
- 4) **Long-Term Projections.** As described in a Heritage Foundation backgrounder earlier this year: “To make the budget process more visible, understandable, and accountable to the American people, Congress should estimate and publish the projected cost over 75 years of any proposed policy or funding level for each significant federal program.”<sup>6</sup>

### **Breaking the Culture of Spending**

Those things said, even small proposals to reduce spending deserve serious consideration. To that end, certain budget procedures, built on transparency and accountability, can reinforce efforts at spending control. Developing some deliberate and systematic method of tracking termination or reduction proposals would help change the culture of spending in Washington. The current Congress has taken valuable steps toward reversing the

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<sup>5</sup>David S. Addington, “Don’t Raise the Debt Limit Without Getting Spending Under Control,” Heritage Foundation *Backgrounder* No. 2549, April 21, 2011, at <http://www.heritage.org/Research/Reports/2011/04/Dont-Raise-the-Debt-Limit-Without-Getting-Spending-Under-Control>.

<sup>6</sup>Addington, “Don’t Raise the Debt Limit Without Getting Spending Under Control.”

inertia that tends to make government programs immortal, and keeps spending rising. But that zeal comes and goes from Congress to Congress; it is necessary to find ways to make it permanent.

The ideas I am suggesting here may sound technical, and they fall in the arcane realm of budget process (which the House Budget Committee is currently exploring). But they boil down to a fairly simple premise: How to make a regular practice of the kind of oversight taking place here today? The principal aim is to make specific program terminations and spending reductions a regular part of the budget discussion—and to hold the administration, and yourselves, accountable for the outcomes.

### **Building on the Bush Administration Model**

The subcommittee staff has pointed to a December 2005 publication by the Bush Administration titled, *Major Savings in the 2006 Budget: Results*.<sup>7</sup> It describes what happened with 154 terminations or reductions in non-defense discretionary programs the President proposed in his fiscal year 2006 budget. To my knowledge, this is one of the few examples of a follow-up to such recommendations. It contains a good deal of useful information. It provides summaries of proposals that were accepted, in whole or in part, and the savings amounts involved. It gives a breakdown by agency. It also gives an item by item presentation. This is a fine model for the kind of accounting an administration could conduct regularly. One useful addition might be an assessment of recommendations that were *not* accepted.

To make this a regular and more meaningful practice, Congress should find some means of requiring it; and one good way to do that is to put it into law. As one example, Congress could modify Chapter 11 of Title 31—which identifies required contents of the President’s budget—to add (1) that the President’s budget should regularly include programs recommended for termination or reduction; and (2) that the budget also include an accounting of the disposition of proposals made in the prior year’s budget submission. That would make this procedure—having the administration recommend terminations and reductions, and accounting for the results—a regular, annual practice. Surely this would be reasonable even if the budget were in balance. After all, with the thousands of programs operating in the government, there must be plenty that can be reduced or terminated because they are unsuccessful or inefficient, or have served their purpose; it is a practice former Budget Committee Chairman Jim Nussle would compare to weeding the garden. Just as surely, the Office of Management and Budget has all the data it needs to identify and track these proposals.

An additional option would be to amend the Budget Act to require all committees of jurisdiction to account for how they disposed of the President’s termination recommendations. Committees already are required to report Views and Estimates; this would be an expansion of that concept. The requirement could be satisfied either through oversight hearings such as this one, or by reports submitted to the Budget Committee, and

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<sup>7</sup>Executive Office of the President, *Major Savings in the 2006 Budget: Results*, December 22, 2005, at <http://hotlineblog.nationaljournal.com/save2.pdf> (October 4, 2011).

made available to the public. The main point is to induce the committees of Congress to follow through with these proposals in some respect—much as this subcommittee is doing today. Again, the point is to break the culture of spending, and replace it with a constant, regular practice of seeking out programs that can be terminated or reduced.

### **Applying Similar Practices to Congress**

Another useful step would be for Congress to apply similar disciplines to itself, by requiring more deliberate responses to the budget resolution.

This year's House budget resolution assumed a broad range of significant policy reforms—including some for Medicare and Medicaid that would matter to this committee. But the budget contained no reconciliation instructions, and so no committee was compelled to address the proposals one way or another.

It has long been a frustration among budgeteers—and I am one of them—that when the Budget Act was adopted in 1974, it created a weak budget resolution. Stripped down to its essentials, the resolution really consists of nothing more than a few broad numbers backed by a handful of enforcement mechanisms that can be waived fairly readily. Any assumptions underlying the budget levels are nothing more than illustrative; they are merely the Budget Committee's recommendations. Even if reconciliation is applied, compelling committees to meet specified savings targets, the policies chosen are entirely up to the authorizing committees.

Of course, that arrangement came about deliberately: Authorizing committees did not want to cede their authority to this new entity of the Budget Committee. But the regrettable outcome is that proposals incorporated in the budget resolution can simply be ignored—and all too often are.

So my suggestion is this: Create a requirement that, before the start of the new fiscal year, committees of jurisdiction must report how they disposed of proposals in the budget resolution—or what alternative policies they applied to meet their allocations. Again, this should be a regular practice, and it could be achieved with a modest amendment to the Budget Act. The proposal does not force committees to accept specific policy recommendations in the budget. It requires only that they account for how they responded, so they cannot simply ignore the budget that has passed in the Chamber. I believe this would strengthen the meaning of the budget resolution itself, and would increase accountability on the part of committees.

### **Summary**

From time to time, Members of Congress may complain they spend nearly all their time on the budget—and if you were to follow my recommendations here, that would be even more true. But I would say two things about that. First, if you believe, as I do, that budgeting truly is governing, then budgeting is the most fundamental exercise of your responsibilities. Second, considering the very real spending and debt crisis this country

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