

# BUDGET, FINANCE AND PUBLIC POLICY<sup>1, 2, 3</sup>

Professor McCann  
LSHV-401-01

Monday  
6:30-9:30 PM

## INTRODUCTION

The federal budget process is broken. The executive branch too often relies on ad hoc mechanism (Simpson-Bowles) and “emergency funding” (to fund the wars in Iraq and Afghanistan). Congress has great difficulty passing appropriations bill, is unable to address either tax or entitlement reform and has come to use the process as a club to force policy changes on the executive. Moreover, in the last 40 years, we have passed through a concern about the deficit in the 1980’s, trying to decide what to do with the surplus in the late 1990’s, a war footing, an economic/financial crisis of historic proportions and a debilitating debate over spending and taxes resulting in recurring fiscal crises.

Last July, we celebrated the 40<sup>th</sup> anniversary of the passage of the Congressional Budget Act and the general consensus was that whatever impact it may have had, it occurred early in the period and that the Act has been relatively ineffective for the last 15 years.

The financial management and budget execution processes are changing. The implementation of the Recovery Act and the continuing debt ceiling crises have renewed our focus on *execution* of the budget. Emphasis continues to be placed on performance measures in budgeting, transparency, prevention of fraud and abuse and the mechanics of budget execution.

These facts plus the fact that mid-term elections occur in November and a Presidential election is just two years away, mean that this is an ideal time to study the budget process.

The assignments listed in this draft syllabus involve a 2-3 page memorandum as part of an ongoing simulation. Also the class will be divided into groups and each assignment also included a group presentation to the class.

## STATEMENT OF HUMAN VALUES

While this course focuses on an administrative mechanism, it also deals with a series of critical value issues: 1.) The underlying values of our Constitution of distrust of executive power, emphasis on small government and the role of Congress; and 2.) The policy (value) biases of the budget process and, by extension, all administrative processes.

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### <sup>1</sup>Honor Code:

In the pursuit of the high ideals and rigorous standards of academic life, I commit myself to respect and uphold the Georgetown University Honor System: To be honest in any academic endeavor; and to conduct myself honorably, as a responsible member of the Georgetown community, as we live and work together.

### <sup>2</sup>Disabilities Statement:

If you believe you have a disability, then you should contact the Academic Resource Center ([arc@georgetown.edu](mailto:arc@georgetown.edu)) for further information. The Center is located in the Leavey Center, Suite 335. The Academic Resource Center is the campus office responsible for reviewing documentation provided by students with disabilities and for determining reasonable accommodations in accordance with the Americans with Disabilities Act (ADA) and University policies.

### <sup>3</sup>Liberal Studies Attendance Policy

Attendance to the first class meeting is mandatory. Absences are not expected and more than one excused absence may result in the withdrawal of the student from the course. More than two absences usually results in withdrawal from the course as sufficient contact hours would not be met to warrant the award of credit or grade.



## LEARNING GOALS AND OUTCOMES

This course deals with series major themes: 1.) The budget process itself; 2.) The relationship of policy (values) to process (budget); 3.) The efforts to mandate performance measures and transparency in the budget process; 4.) The relationship between the function of the Federal Government and the evolution of its budgetary system; and 5.) The short and long-term budget crises.

The Course will be given in a lecture/discussion format that focuses on the issues raised in the required reading. Students are expected to have read and understood assignments before class. The course also includes a series of papers or memoranda. For each assignment, one student will be required to make a formal presentation. In addition, there will be a class debate in which the class will be divided into “pro” and “con” teams debating the proposition “Tax Exemptions are a disaster as budget policy”

There will also be a mid-term and a final exam.

## GRADING

A student’s final grade is based on the class participation, presentation, papers/memoranda and the mid-term and final exams.

## REQUIRED READING

Schick, Allen. The Federal Budget: Politics, Policy, Process (Third Edition).

Bourdeaux, Carolyn, “The Problem with Programs: Multiple Perspectives on Program Structures in Program-Based Performance-Oriented Budgets,” *Public Budgeting & Finance*, Vol. 28, No. 2 (Summer 2008) pp. 20-47.

Bourdeaux, “Integrating Performance Information into Legislative Budget Processes,” *Public Performance & Management Review*, Vol. 31, No. 4, (June 2008) pp. 547-569.

Cogan, John; *The Dispersal of Spending Authority and Federal Deficits*, in Cogan, et al, *The Budget Puzzle*.

Courty, Pascal & Gerald Marschke, “Performance Funding in Federal Agencies: A Case Study of a Federal Job Training Program,” *Public Budgeting & Finance*, Vol. 23, No. 3 (September 2003), pp. 22-48.

Ho, Alfred, “Governance Challenges of the Government Performance and Results Act,” *Public Performance & Management Review*, Vol. 30, No. 3 (March 2007) pp. 369-397.

Joyce, Phillip, et al, “Does more (or even better) information lead to better budgeting? A new perspective” *Journal of Policy Analysis and Management*, Vol. 27, No. 4, (Fall 2008), pp. 945-960.

Muris, Tim; *The Uses and Abuses of Baselines*, in Cogan, et al, *The Budget Puzzle*.

Penner, Rudolph, “Dealing with Uncertain Budget Forecasts,” *Public Budgeting & Finance*, Vol. 22, No. 1, (Spring 2002) pp. 1-18.

## MATERIALS AVAILABLE VIA THE WEB

Broadbuss, Matt and Edwin Park, *SCHIP Financing Update: In 2007, 17 States Will Face Federal Funding Shortfalls of \$921 Million in Their SCHIP Programs* [<http://www.cbpp.org/files/6-5-06health2.pdf>]

CFO Council, *Implementation Guide for OMB Circular A-123* [[http://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a123/a123\\_appx\\_a\\_implementation\\_guide.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/OMB/circulars/a123/a123_appx_a_implementation_guide.pdf)]

Committee for a Responsible Federal Budget, *Understanding Dynamic Scoring*.  
[[http://crfb.org/sites/default/files/Understanding\\_Dynamic\\_Scoring.pdf](http://crfb.org/sites/default/files/Understanding_Dynamic_Scoring.pdf)]

Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, [[http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook\\_7-29.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook_7-29.pdf)]

Congressional Budget Office: *Comparing Budget and Accounting Measures of the Federal Government's Fiscal Condition*.  
[<http://www.cbo.gov/ftpdocs/77xx/doc7701/12-07-FiscalMeasures.pdf>] [Blackboard]

Congressional Budget Office, *Fair-Value Accounting for Federal Credit Programs*  
[[http://www.cbo.gov/sites/default/files/cbofiles/attachments/03-05-FairValue\\_Brief.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/03-05-FairValue_Brief.pdf)]

Congressional Budget Office, *Historical Effective Federal Tax Rates*.  
[[http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/100xx/doc10068/effective\\_tax\\_rates\\_2006.pdf](http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/100xx/doc10068/effective_tax_rates_2006.pdf)]

Congressional Budget Office, *Sequestration Update Report: August 2014*  
[<http://www.cbo.gov/sites/default/files/cbofiles/attachments/45630-Sequestration.pdf>]

Congressional Research Service, *The Debit Limit: History and Recent Increases*. [[http://assets.opencrs.com/rpts/RL31967\\_20100908.pdf](http://assets.opencrs.com/rpts/RL31967_20100908.pdf)]

Congressional Research Service, *Budget "Sequestration" and Selected Program Exemptions and Special Rules* [<http://fas.org/sgp/crs/misc/R42050.pdf>]

Congressional Research Service, *Foreign Holdings of Federal Debt*,  
[<http://www.fas.org/sgp/crs/misc/RS22331.pdf>]

Congressional Research Service; GAO: Government Accountability Office and General Accounting Office, [<http://fas.org/sgp/crs/misc/RL30349.pdf>]

Congressional Research Service, *Budget Sequesters: A Brief Review*  
[<http://www.fas.org/sgp/crs/misc/RS20398.pdf>]

Congressional Research Service, *The Constitutionality of Federal Grant Conditions after 'National Federation of Independent Business v. Sebelius'* [<http://theincidentaleconomist.com/wordpress/wp-content/uploads/2012/07/CRS-Federal-Grants-R42367-clean.pdf>]

Congressional Research Service; *Tax Expenditures: Trends and Critiques*  
[[http://assets.opencrs.com/rpts/RL33641\\_20060913.pdf](http://assets.opencrs.com/rpts/RL33641_20060913.pdf)]

Government Accountability Office, *Data Transparency Oversight Needed to Address Underreporting and Inconsistencies on Federal Award Website* [<http://www.gao.gov/assets/670/664536.pdf>]

Government Accountability Office, *Principles of Federal Appropriations Law (Red Book)*  
[<http://www.gao.gov/special.pubs/d04261sp.pdf>]

Government Accountability Office, *Standards for Internal Control in the Federal Government* [<http://www.gao.gov/special.pubs/ai00021p.pdf>]

Government Accountability Office, *State and DOD Need to Assess How the Foreign Military Financing Program for Egypt Achieves U.S. Foreign Policy and Security Goals*, April 2006 (GAO-06-437) [<http://www.gao.gov/assets/250/249655.pdf>]

Rosalind S. Helderman, Rosalind S., *Prosecutors use McDonnells' friends, aides as witnesses against couple*, The Washington Post, August 10, 2014 [[http://www.washingtonpost.com/local/virginia-politics/prosecutors-use-mcdonnells-friends-aides-as-witnesses-against-couple/2014/08/09/402efb4a-1fcd-11e4-ab7b-696c295ddf1\\_story.html?hpid=z3](http://www.washingtonpost.com/local/virginia-politics/prosecutors-use-mcdonnells-friends-aides-as-witnesses-against-couple/2014/08/09/402efb4a-1fcd-11e4-ab7b-696c295ddf1_story.html?hpid=z3)]

HRSA, *Managing Unobligated Balances Summary*  
[<http://bhpr.hrsa.gov/grants/medicine/technicalassistance/taunobligatedbalance.pdf.pdf>]

Kessler, Glenn, *Elizabeth Warren's claim that the U.S. earns \$51 billion in profits on student loans*; Washington Post [[http://www.washingtonpost.com/blogs/fact-checker/post/elizabeth-warrens-claim-that-the-us-earns-51-billion-in-profits-on-student-loans/2013/07/10/7769a3c2-e9b8-11e2-aa9f-c03a72e2d342\\_blog.html](http://www.washingtonpost.com/blogs/fact-checker/post/elizabeth-warrens-claim-that-the-us-earns-51-billion-in-profits-on-student-loans/2013/07/10/7769a3c2-e9b8-11e2-aa9f-c03a72e2d342_blog.html)]

Lindbloom, Derek, *The Budget Reconciliation Process*.  
[[http://www.law.harvard.edu/faculty/hjackson/ReconciliationByrd\\_35.pdf](http://www.law.harvard.edu/faculty/hjackson/ReconciliationByrd_35.pdf)]

Londoño, Ernesto & Holly Yeager, *In Debate Over Military Aid to Egypt, Contractual Issues Loom Large for U.S.* [[http://www.washingtonpost.com/world/national-security/in-debate-over-military-aid-to-egypt-contractual-issues-loom-large-for-us/2013/07/25/9d0834c0-f4a5-11e2-aa2e-4088616498b4\\_story.html](http://www.washingtonpost.com/world/national-security/in-debate-over-military-aid-to-egypt-contractual-issues-loom-large-for-us/2013/07/25/9d0834c0-f4a5-11e2-aa2e-4088616498b4_story.html)]

Moynihan, Donald *The problem at the VA: 'Performance Perversity'* [<http://www.latimes.com/opinion/op-ed/la-oe-moynihan-va-scandal-performance-perversity-20140602-story.html>]

OMB; Implementation Guidance for the American Recovery and Reinvestment Act of 2009; P.L. 111-5. [[http://www.whitehouse.gov/omb/assets/memoranda\\_fy2009/m09-15.pdf](http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-15.pdf)]

Samuelson, Robert J., *Budget policy as prayer* [[http://www.washingtonpost.com/opinions/robert-samuelson-budget-policy-as-prayer/2014/07/20/f4a0ddb2-0edb-11e4-8c9a-923ecc0c7d23\\_story.html](http://www.washingtonpost.com/opinions/robert-samuelson-budget-policy-as-prayer/2014/07/20/f4a0ddb2-0edb-11e4-8c9a-923ecc0c7d23_story.html)]

*Spending for the General Welfare: Scope of The Power* [<http://law.onecle.com/constitution/article-1/18-spending-for-general-welfare.html>]

United States Congress, *GPRRA Modernization Act of 2010, Report of the Committee on Homeland Security and Governmental Affairs, United States Senate to accompany HR 2140.* [<http://www.gpo.gov/fdsys/pkg/CRPT-111srpt372/pdf/CRPT-111srpt372.pdf>]

DRAFT

# COURSE OUTLINE

January 19<sup>TH</sup>

Class #1

## Introduction, Course Requirements, Constitutional and Historical Background

Readings:

Robert J. Samuelson, *Budget policy as prayer*

[[http://www.washingtonpost.com/opinions/robert-samuelson-budget-policy-as-prayer/2014/07/20/f4a0ddb2-0edb-11e4-8c9a-923ecc0c7d23\\_story.html](http://www.washingtonpost.com/opinions/robert-samuelson-budget-policy-as-prayer/2014/07/20/f4a0ddb2-0edb-11e4-8c9a-923ecc0c7d23_story.html)]

James Thurber, *Agony, Angst, and the Failure of the Supercommittee*, Extensions, Summer 2012. Carl Albert Congressional Research and Studies Center, University of Oklahoma. [<http://www.american.edu/spa/ccps/upload/Agony-Angst-and-theFailure-of-the-Supercommittee.pdf>]

### Summary of Readings & Class Discussion

This session begins with the usual first class administrative activities. Immediately following, there will be a discussion of “What happened in the budget this week?” Students are expected to come to class each week prepared to discuss budgetary events that have occurred during the week. These issues should go well beyond the normal congressional action that will occur during the semester. The topics might include budget execution, audit and investigation reports and other less obvious issues relating to the budget.

The Samuelson and Thurber readings are a good introduction to the relationship of process to policy in budgeting – please review it before class.

#### DISCUSSION TOPICS FROM THE READINGS

- Samuelson’s makes a point of the change attitude concerning deficits during the Kennedy/Johnson administration? Why do you think it occurred and what are its implications?
- Can Samuelson’s critique be read as arguing that there has been too much openness, too much “participation”? Why? Or Why not?
- Does Thurber’s piece change your opinion?
- Both Samuelson and Thurber discuss the relationship of politics to budgeting – what is it?

### Assignments & Presentations

See Assignment Memorandum I (Baselines) [[Blackboard](#)]

January 26<sup>TH</sup>

Class #2

## Budget Terms and Concepts

Readings

Schick, pp. 1-83

Joyce, Phillip. 2011. *The Congressional Budget Office, Honest Numbers, Power and Policymaking*. Chapter 3 (“Macrobudgeting”)

Muris, *The Uses and Abuses of Budget Baselines* [[Readings Disc](#)]

Congressional Research Service, *Baselines and Scorekeeping in the Federal Budget Process*. Report 98-560, [[http://www.senate.gov/CRSReports/crs-publish.cfm?pid=%26\\*2%3C4Q%5CC%3B%0A](http://www.senate.gov/CRSReports/crs-publish.cfm?pid=%26*2%3C4Q%5CC%3B%0A)]

## Budget Terms and Concepts (Cont.)

Congressional Budget Office, What Is a Current-Law Economic Baseline?  
June 2005 [<https://www.cbo.gov/sites/default/files/economicbaseline.pdf>]

### Summary of Readings & Class Discussion

This week's readings continue our focus on the terms and concepts of budgeting.

Professor Schick's chapter is on the scope of the budget, defining terms and the history of the budget process in the U.S. In addition to the text in the book, please review carefully the "boxes" in his chapters. They contain examples of documents from the budget process and "case studies" that are very helpful in understanding the process and will, on occasion, be discussed in class.

Professor Joyce's chapter discusses the founding of the Congressional Budget Office and its role in the various significant budget actions during the 40 years of its existence.

Professor Muris' article directly raises the issue of the policy impact of baselines. It is a chapter from a 1994 book, *The budget Puzzle* and, on the surface, a defense of the Reagan budgets. However, I have asked you to read it because it is an excellent discussion of the relationship between policy preferences and baselines. Similar, but less well articulated criticisms have been raised concerning baselines by commentators and critics across the political spectrum.

This second session, again, will begin the question "What happened in the budget this week?"

#### DISCUSSION TOPICS FROM THE READINGS

- What does Professor Joyce's chapter tell you about how Congress operates and its acceptance of change?
- What is the conclusion from Professor Joyce's, Thurber's and Samuelson's articles concerning budget process reform?
- What is the difference between "discretionary" and "mandatory" accounts?
- What is a current law baseline?
- What are Muris' complaints about baselines? Do you think that a "liberal" would also have complaints?
- According to Schick, why were budgets balanced during the 19<sup>th</sup> & early 20<sup>th</sup> century? Do those conditions still exist?

## February 2<sup>ND</sup>

Class #3

### Budget Terms and Concepts II

#### Readings

Bourdeaux, Carolyn, "The Problem with Programs: Multiple Perspectives on Program Structures in Program-Based Performance-Oriented Budgets," *Public Budgeting & Finance*, Vol. 28, No. 2 (Summer 2008) pp. 20-47.

Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, Chapter 1 (*The Long-Term Outlook for the Federal Budget*)

[[http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook\\_7-29.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook_7-29.pdf)]

United States Congress, *GPR Modernization Act of 2010, Report of the Committee on Homeland Security and Governmental Affairs, United States Senate to accompany HR. 2140*. Pp 1-22.

[<http://www.gpo.gov/fdsys/pkg/CRPT-111srpt372/pdf/CRPT-111srpt372.pdf>]

## Budget Terms and Concepts II (Cont.)

### Summary of Readings & Class Discussion

Our initial reading begins a theme that runs through the course – performance measurement and the use of performance data in budgeting. During the semester we will try to look at both its promise and the limitations. Professor Bourdeaux' article focuses on the budget process in Georgia and is intended to show how process rules can expand or inhibit the role of critical budgetary actors; in this case the legislature. I have also included the Senate report on the GPRA modernization act – one of the major pieces of legislation attempting to apply performance measurement to federal programs.

I have also assigned CBO's July long term budget forecast. It is clear that the projections will have a substantial impact on the budget process; as it relates to discretionary and mandatory spending and revenues in both the short and medium term

We also continue to review the concepts that underlie the budget process. In particular, we will look at the process of budget formulation and analysis. In the assigned readings *The Federal Budget* centers on the political aspects of the budget process.

#### DISCUSSION TOPICS FROM THE READINGS

- What is driving the debt and deficit according to CBO?
- What types of programs have carried the burden of deficit reduction?
- What are the policy implications for those charged with the implementation of federal programs – both defense and non-defense?
- In Georgia (Bourdeaux) what are the conflicting goals between the legislature and the executive concerned with performance? Do the same issues impact GPRA?
- How does the structure of the budget affect the power of the legislature to impact the budget?

### Assignments & Presentations

See Assignment Memorandum II (Departmental Budget) [[Blackboard](#)]

**February 9<sup>TH</sup>**

Class #4

### Budget Formulation in the Agencies I

#### Readings

Schick, pp. 84-98

Myers, Roy T and Irene Rubin, "The Executive Budget in the Federal Government: The First Century and Beyond," *Public Administration Review*, Vol. 71 (May/June 2011), pp 334-344

Minarik, Joseph, *How Tax Reform Came About*, Bipartisan Policy Center (1987), pp. 1-16 [<http://bipartisanpolicy.org/wp-content/uploads/sites/default/files/TRA86.How%20Tax%20Reform%20Came%20About.pdf> ]

*Business Week*. How Clinton's Health Plan Got That Way [<http://www.businessweek.com/stories/1993-09-26/how-clintons-health-plan-got-that-way>]

Penner, Rudolph, "Dealing with Uncertain Budget Forecasts," *Public Budgeting & Finance*, Vol. 22, No. 1, (Spring 2002) pp. 1-18.

Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, Chapter 2(*The Long-Term Outlook for Major Health Care Programs*) [[http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook\\_7-29.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook_7-29.pdf) ]

## Budget Formulation in the Agencies I (Cont.)

### Summary of Readings & Class Discussion

This week's readings in Professor Schick's book deals with budget formulation in the departments and agencies, particularly as it relates to discretionary, appropriated accounts. The readings by Meyers and Rubin outline the history of the executive budget, a practice which has only been in effect since 1921.

One of the points of this week's session is that there are very different and varied processes for formulating the budgets for mandatory programs and changes in revenues. They are quite different from those for discretionary programs. The Minarik and *Business Week* articles discuss the formulation of specific revenue and mandatory proposals. Please do not get bogged down in the policy arguments or editorial comments. Focus, instead on the process described for the formulation of the revenue and healthcare proposals and the difference between these and the annual "budget" process.

The article by Dr. Penner, although dated, still represents the best discussion of the factors that cause budgetary projection errors and their impact on public policy. Finally the remainder of the readings in the CBO long term projections relate to the demands that will be placed on the budget by health care programs.

#### DISCUSSION TOPICS FROM THE READINGS

- What is the Budget and Accounting Act of 1921 and why is it important?
- What is meant by an "executive budget?"
- What is different about the process described by Professor Schick for discretionary accounts and Dr. Minarik/*Business Week* description of the development of the reform proposals for revenues and healthcare?
- What are the factors the Dr. Penner sees and causing uncertain budget forecasts

## February 16<sup>TH</sup>

Class #5

### Budget Formulation in the Agencies II: The Role of OMB

#### Readings

Schick, pp. 98-117

Johnson, Bruce. From Analyst to Negotiator: The OMB's New Role, *Journal of Policy Analysis and Management*. Vol. 3. No. 4. (Summer, 1984). pp. 501-515.

West, William F. "Neutral Competence and Political Responsiveness: An Uneasy Relationship." *Policy Studies Journal*. 33 (May 2005). pp. 147-160

Radin, Beryl A. 2000. Intergovernmental Relationships and the Federal Performance Movement. *Publius: The Journal of Federalism* 30:1-2 (Winter/Spring 2000) pp. 143-157.

Moynihan, Donald *The problem at the VA: 'Performance Perversity'*

[<http://www.latimes.com/opinion/op-ed/la-oe-moynihan-va-scandal-performance-perversity-20140602-story.html>]

Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, Chapter 3 (*The Long-Term Outlook for Social Security*)

[[http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook\\_7-29.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook_7-29.pdf) ]



## Budget Formulation in the Agencies II: The Role of OMB (Cont.)

### Summary of Readings & Class Discussion

This week continues our focus on the formulation of the President's budget in the executive branch; this time providing a description and appraisal of the role of the Office of Management and Budget.

The Johnson and West article deals with the new and enhanced role for OMB. This new role is a result of the ongoing changes in the nature of the Presidency, partisanship and the relationship between the executive and legislative branches. The article by Dr. West deals with the internal difficulty of trying to maintain a culture of "neutral competence" and the increasing requirements to be an active participant in the political process.

Continuing our discussion of both performance budgeting and the profound impact of networked or indirect government, I have assigned an article by Professor Radin. In it, she discusses the fact that programs are implemented through grants passing through multiple levels of government. Private for-profit and the not-for-profit agencies are often the final recipient of funds and are the direct provider of service to the beneficiary/recipient/client. She raises many issues of how performance budgeting can work in this environment.

#### DISCUSSION TOPICS FROM THE READINGS

- What are the two conflicting mandates of OMB and what do you think are their implications on the agency's effectiveness? On its employees?
- What are the factors that have strengthened the role of OMB?
- What are the limits on the gathering of performance information where state and local governments are "pass through" agencies?
- Is there such a thing as too much emphasis on performance? If so, what are its implications?
- In programs such as those described in the Radin article, where does the "federal budget" end, where do the concerns of federal program officials end?

### Assignments & Presentations

See Assignment Memorandum III (Congressional Budget Process) [Blackboard]

**February 23<sup>RD</sup>**

Class #6

## The Congressional Budget Process

### Readings

Schick, pp. 118-142,

Committee for a Responsible Federal Budget, *Understanding Dynamic Scoring* [<http://crfb.org/document/report-understanding-dynamic-scoring>]

Congressional Research Service. 2013. *Budget "Sequestration" and Selected Program Exemptions and Special Rules*. R42050 pp.1-10.

[<http://fas.org/sqp/crs/misc/R42050.pdf>]

Bourdeaux, "Integrating Performance Information into Legislative Budget Processes," *Public Performance & Management Review*, Vol. 31, No. 4, (June 2008) pp. 547-569.

## The Congressional Budget Process (Cont.)

### Summary of Readings & Class Discussion

This week we transition from the budget process in the executive branch to the role of Congress and the Congressional budget process. Congress' role is rooted in the Constitution which specifically addresses appropriations, financial reporting and revenue legislation. This week's concentration is on the Congressional Budget process. It was established in 1974 in an attempt to control spending – a problem that had grown due to the disconnect between spending and revenue committees and the rise of entitlement spending. The reading in *The Federal Budget Process* is deals with this process. A second readings focus on an issue that is continually raised in the budget process – dynamic scoring.

The third reading deals with “sequestration” – a process that, in the absence of Congressional action, will impact federal programs and management for the foreseeable future.

Finally, I have assigned an additional article by Professor Bourdeaux on the integration of performance information into the legislative process. The Achilles heel of performance has been the failure of legislatures to adopt this reform. Professor Bourdeaux deals with this issue.

#### DISCUSSION TOPICS FROM THE READINGS

- What caused Congress to create its own budget process?
- Should the President be able to sign or veto the budget resolution? – would it make it easier or harder to pass?
- Why do you think Congress has allowed sequestration to be implemented, which all admit is the worst possible way to budget?
- From the reading on dynamic scoring and from the reading in Professor Joyce's book during week 2, is this approach helpful in projecting spending and revenues? If so, why? If not, why not?

### Assignments & Presentations

See Assignment Memorandum IV (Reconciliation) [[Blackboard](#)]

**March 1<sup>ST</sup>**

Class #7

## The Congressional Budget Process II

### Readings

Schick, pp. 142-161,

Lindbloom, Derek, *The Budget Reconciliation Process*. [[http://www.law.harvard.edu/faculty/hjackson/ReconciliationByrd\\_35.pdf](http://www.law.harvard.edu/faculty/hjackson/ReconciliationByrd_35.pdf)]

Congressional Research Service. 2010. *The Budget Reconciliation Process: The Senate's "Byrd Rule."* RL 30862. [<http://democrats.budget.house.gov/sites/democrats.budget.house.gov/files/documents/reconciliation.pdf>]

Dauster, Bill. 1998. The Monster That Ate the United States Senate. *Public Budgeting and Finance*. Vol.18. No.2. (Summer 1998) pp .79-82

### Summary of Readings & Class Discussion

This week we continue our discussion of the budget process in Congress. The readings and discussion encompass two elements. The first is the process by which Congress sets its own budgetary targets including both the mechanism itself and its breakdown over the last 20 years. The second element is the reconciliation process. Reconciliation, at times, has been an essential mechanism for the adoption of spending and revenue reforms. Its utility has waned in recent years as ideological splits and other forces have hamstrung Congress. While the use of reconciliation has declined, it is a tool that is always available to Congressional majorities and may well be used again. As such, a basic understanding of the process and its implications is important for those interested in budget process *and* those interested in policy.

## The Congressional Budget Process II (Cont.)

As usual, Professor Schick's reading provides an overview of the process. The Lindbloom and CRS articles provide more depth on reconciliation. The article by Dauster provides an alternative perspective rooted in the culture of the United States Senate.

### DISCUSSION TOPICS FROM THE READINGS

- What is the Reconciliation process and why does it impact the Senate more than the House?
- What was Senator Byrd's problem with reconciliation and what, in essence, does the Byrd rule accomplish?
- What was the Byrd rule's role in the adoption of the Affordable Care Act?
- What is Dauster's critique and do you agree with it?

**March 8<sup>TH</sup>**

Class #8

## Congressional Action-Authorizations and Appropriations

### Readings

Schick, pp. 214-274

Congressional Research Service. 2014. *The Congressional Appropriations Process: An Introduction*. R42388. pp. 1-10, 16-22. [<http://www.senate.gov/CRS-Reports/crs-publish.cfm?pid=%260BL%2BP%3C%3B3%0A>]

McCann, *Forms of Appropriation*, Part I, Discretionary Appropriations [[Readings Disc](#)]

Congressional Research Service, *Omnibus Appropriations Acts: Overview of Recent Practices* (April 23, 2013) RL32473 [[http://www.thompsoncoburn.com/Libraries/Alerts/CRS\\_Report\\_for\\_January\\_Wonkology.pdf](http://www.thompsoncoburn.com/Libraries/Alerts/CRS_Report_for_January_Wonkology.pdf)]

Speech by Senator Robert Byrd, on the Omnibus Consolidated and Emergency Supplemental Appropriations for Fiscal Year 1999--Conference Report (Senate - October 20, 1998) [Page: S12699] [[Readings Disc](#)]

Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, Chapter 4 (The Long-Term Outlook for Other Federal Noninterest Spending) [[http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-Term-BudgetOutlook\\_7-29.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-Term-BudgetOutlook_7-29.pdf)]

### Summary of Readings & Class Discussion

This session looks at the process, and some of the issues surrounding Congressional consideration of discretionary appropriations.

Dr. Schick's chapter and the CRS publication on the appropriations provide an overview. As you will note in the readings, Congress has increasingly turned to omnibus appropriations bills and the CRS report and the speech by Senator Byrd discuss the implications of this practice.

Finally, the chapter the Long Term Budget outlook provides CBO's projections for all other spending beyond Health and Social Security. As such, it outlines the environment, for the next several years, in which most budget decisions will be made.

### DISCUSSION TOPICS FROM THE READINGS

- Why separate authorization from appropriations process?
- What is Byrd's point?
- Beyond Byrd, what is wrong with the way omnibus appropriations have been carried out over the last 20 years

March 15<sup>TH</sup>

Class #9

## Congressional Action-Authorizations and Appropriations II

### Readings

Schick, pp. 191-213

Joyce, Phillip. *The Costs of Budget Uncertainty: Analyzing the Impact of Late Appropriations*. Washington, DC. IBM Center for The Business of Government. 2012 [<http://www.businessofgovernment.org/report/costs-budget-uncertainty-analyzing-impact-late-appropriations>]

McCann, *Forms of Appropriation*, Part II, Mandatory Appropriations [[Readings Disc](#)]  
Cogan, John; *The Dispersal of Spending Authority and Federal Deficits*, in Cogan, et al., *The Budget Puzzle*. [[Readings Disc](#)]

*Spending for the General Welfare: Scope of The Power* [<http://law.onecle.com/constitution/article-1/18-spending-for-general-welfare.html>]

Congressional Research Service, *The Constitutionality of Federal Grant Conditions after 'National Federation of Independent Business v. Sebelius'* [<http://theincidentaleconomist.com/wordpress/wp-content/uploads/2012/07/CRS-Federal-Grants-R42367-clean.pdf>]

Appropriations Limitation & Public Policy [[Readings Disc](#)]

### Summary of Readings & Class Discussion

This week we continue the discussion of discretionary appropriations. Congress has increasingly relied on long-term continuing resolutions as it attempts to resolve a range of policy differences. Professor Joyce's piece deals with the implication of this trend on programs and on the career public service.

The Cogan chapter in *The Budget Puzzle* is a study of the relationship between budgetary discipline and the dispersion of spending authority among legislative committees. While the chapter focuses on Congress, the generalizations have applicability to all legislative bodies.

The readings for this week also deal with the power of Congress under its authority to condition the spending of funds. These issues are almost always present in funding legislation and significantly complicates passage. Yet, the exercise of this authority basic to the Constitution's separation of power structure. The OneClec article and the CRS report deal with these issues. I have also included examples of these appropriations limitations.

Your paper of the Affordable Care Act provides an insight into the passage of mandatory legislation. Please remember that legislation such as the ACA both establishes the structure and legal authorities of programs *and* provides funding for them.

#### DISCUSSION TOPICS FROM THE READINGS

- What is the impact of lengthy CR's?
- How was the ACA passed? Was it a spending bill? What role was suggested for reconciliation and what role did it actually play?
- Why is the "power of the purse" important?
- What are the limitations on Congress' ability to control the use of funds? How do they relate to the Delegated Powers (Article I, §8)
- What is Cogan's thesis? Does it make sense?

March 22<sup>ND</sup>

Class #10

## Congressional Action-Revenues and the Debt Limit

### REVENUES

#### Readings

Schick 162-190

Congressional Research Service; *Tax Expenditures: Trends and Critiques*  
[[http://assets.opencrs.com/rpts/RL33641\\_20060913.pdf](http://assets.opencrs.com/rpts/RL33641_20060913.pdf)]

Congressional Budget Office, *Historical Effective Federal Tax Rates*  
[<http://www.cbo.gov/sites/default/files/43373-06-11-HouseholdIncomeandFedTaxes.pdf>]

Congressional Budget Office, *The 2014 Long-Term Budget Outlook*,  
Chapter 5 (*The Long-Term Outlook for Federal Revenues*)  
[[http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook\\_7-29.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook_7-29.pdf) ]

Minarik, Joseph, *How Tax Reform Came About*, Bipartisan Policy Center  
(1987), pp.16-23. [<http://bipartisanpolicy.org/wp-content/uploads/sites/default/files/TRA86.How%20Tax%20Reform%20Came%20About.pdf>]

### THE DEBT AND DEBT LIMIT

Congressional Research Service, *The Debit Limit: History and Recent Increases* [[http://assets.opencrs.com/rpts/RL31967\\_20100908.pdf](http://assets.opencrs.com/rpts/RL31967_20100908.pdf)]

Congressional Research Service, *Foreign Holdings of Federal Debt*,  
[<http://www.fas.org/sqp/crs/misc/RS22331.pdf>]

### Summary of Readings & Class Discussion

#### REVENUES

The first segment of this week's session deals with revenues. The readings include a chapter from Professor Schick which generally describes the Congressional process for adopting revenue legislation and issues surrounding it. I have also asked you to read a CRS report on tax expenditures. In both this reading and Dr. Schick's please reflect on how tax expenditures are similar to entitlement spending and how they are different.

One of the ongoing debates, almost since the inception of the graduated income tax in 1916, has been whether the burden of taxes falls fairly on various income groups within our society. The CBO reading provides data and analysis on this issue and raises the issue of how the term "progressive" is defined as it relates to the tax system.

I have also included a reading dealing with who owns the federal debt. Please pay particular attention to which countries own the debt and the possible implications of that ownership.

I have also assigned the chapter in CBO', *The 2014 Long-Term Budget Outlook*, on federal revenues.

Finally I have assigned a brief description of the passage of the Tax Reform Act of 1986. Please pay particular attention to the difference in the process. We saw several weeks ago, that the process of formulating this piece of legislation in the executive branch (and by implication, revenue legislation generally) is quite different from the rigid formulaic rules for discretionary appropriations. This article makes the same point about congressional consideration of revenue proposals.

## Congressional Action-Revenues and the Debt Limit (cont.)

### THE DEBT AND DEBT LIMIT

The next issue in our discussion of the Congressional role in the budget process is the debt limit. While many observers have decried the requirement for debt limit increases, there are historical reasons for its existence. Also the limit, with its “must pass” requirement, has become a legislative headache and many tools have been attempted to get around the requirement.

Two reports from CRS on the debt and the debt limit include a general discussion of the history of the debt limit and a report on the foreign ownership of U.S. debt.

#### DISCUSSION TOPICS FROM THE READINGS

- What are the similarities between tax expenditures and mandatory spending? What are the budget implications?
- What conclusions are to be drawn from the CBO article on the distribution of tax burdens?
- What trends, if any, do you see in the materials presented in the CBO revenue projections?
- How does the process of passing revenue legislation (again, budgetary legislation) differ from other budget legislation?
- Why do we have a debt limit and does it have any utility at all?

**March 29<sup>TH</sup>**

Class #11

### Budget Execution

#### Readings

Schick, pp. 275-289

Government Accountability Office, *Principles of Federal Appropriations Law* (Red Book) pp. 5-67 – 5-75. [<http://www.gao.gov/special.pubs/d04261sp.pdf>]

HRSA, *Managing Unobligated Balances Summary*

[<http://bhpr.hrsa.gov/grants/medicine/technicalassistance/taunobligatedbalance.pdf.pdf>]

Matt Broaddus and Edwin Park, *SCHIP Financing Update: In 2007, 17 States Will Face Federal Funding Shortfalls of \$921 Million in Their SCHIP Programs* [<http://www.cbpp.org/files/6-5-06health2.pdf>]

Center on Federal Financial Institutions. A Primer on Credit Reform [[Readings Disc](#)]

#### Summary of Readings & Class Discussion

Budget execution is where funds are actually spent, revenues actually collected and programs actually implemented. As with the other phases, the processes of implementing budgets are different for appropriated accounts, mandatory programs and revenues.

This session begins with an overview including the processes of obligating and expending funds, internal procedures to assure accuracy and prevent fraud and the external oversight of the process. A particular emphasis is on the very specific rules for the obligation of funds subject to annual appropriation.

Professor Schick's materials provide an overview of the processes of budget execution. Recently, increased focus has been placed on the expenditure of fund. In some cases, such as pay, obligation and expenditures are a relatively straight forward processes. However, with grants, construction and other accounts, outlays can serve as a surrogate measure for progress, if not performance.

Continuing our theme that various forms of “networked” government changes everything, there are two readings: one from a Health Resources and Services Administration technical assistance document and one from an advocacy group warning of the imminent loss of federal funds.

The execution and accounting for federal loans and loan guarantees is a completely different process and uses a completely different accounting mechanism. I have assigned a “primer” from the Center on Federal Financial Institutions.

## Budget Execution (Cont.)

### DISCUSSION TOPICS FROM THE READINGS

- What are apportionments, Allotments? Why are they important?
- What are the sensitivities around reprogrammings?
- In credit reform, should the re-estimates of subsidy costs of loans be permanent indefinite outside of budget caps or should they require an appropriation and be charged against overall caps?
- Why are outlays important and what can they tell you?
- How can credit reform data also serve as a surrogate for performance?

## Assignments & Presentations

See Assignment Memorandum VI (The Anti-Deficiency Act) [[Blackboard](#)]

**April 5<sup>TH</sup>**

Class #12

## Internal Controls and oversight

### Readings

Schick, pp. 289-303

Anti-deficiency act violations

GAO, *Information Sharing...Needs to More Accurately Account for Federal Funding Provided to Centers*, pp. 1-6, 37-42. [<http://www.gao.gov/assets/670/666760.pdf>]

Government Accountability Office, *Standards for Internal Control in the Federal Government* [<http://www.gao.gov/special.pubs/ai00021p.pdf>]

### Summary of Readings & Class Discussion

This class focuses on the internal and external processes to assure the accuracy of expenditures and oversight. Professor Schick's readings again provide the overview,

Congress has placed major responsibilities for assuring the proper and lawful expenditures of funds within agencies. The readings on the Anti-deficiency Act include three reported violations; one showing the non-financial aspects of Anti-deficiency Act violations, one a simple over-obligation and one showing the interaction of over-obligation with the OMB apportionment process. I have also included the recent GAO finding of a violation of the Anti-deficiency Act in the release of both Sgt. Bowe Bergdahl and several prisoners at Guantanamo.

In our final look at issues related to budgeting in a networked environment, I am asking you to read portions of a GAO report on funding fusion centers. Again, try to see the general issues of trying to track federal funds when the activity receives support from multiple governmental sources.

I have also included a reading from GAO on the standards for internal controls, a critical part of the process of oversight of the use of federal funds.

### DISCUSSION TOPICS FROM THE READINGS

- What is the importance of the Anti-deficiency Act?
- What is an internal control?
- Whose responsibility is it to assure that federal funds are spent according to law and good practice?
- What does the A-123 process attempt to achieve?

**April 12<sup>TH</sup>**

Class #13

## **Chief Financial Officers Act/Government Performance and Results Act/ Transparency**

### Readings

Schick, pp. 305-320

Joyce, Philip. "The Obama Administration and PBB: Building on the Legacy of Federal Performance-Informed Budgeting," *Public Administration Review* 71 (May/June 2011), 356-367. (Also Penner & Moran comments)

United States Senate, Committee on Homeland Security and Governmental Affairs Committee on Homeland Security and Governmental Affairs, Digital Accountability and Transparency Act of 2013. pp. 1-6

[<http://www.gpo.gov/fdsys/pkg/CRPT-113srpt139/pdf/CRPT-113srpt139.pdf>]

Federal Funding Accountability and Transparency Act Of 2006, Report of The Committee on Homeland Security And Governmental Affairs United States Senate To Accompany S. 2590. pp. 1-5.

[<http://www.gpo.gov/fdsys/pkg/CRPT-109srpt329/pdf/CRPT-109srpt329.pdf>]

### Summary of Readings & Class Discussion

Congress continually tries to improve federal financial management and to prevent waste, fraud and abuse. Last week we focused on an early effort – the Anti-deficiency Act and the more recent Federal Manager's Financial Integrity Act (A-123)

This session focuses on several additional important pieces of legislation relating to financial management within the federal government. The CFO Act attempts to improve performance by creating CFO's in each department and agency and began the process of departments preparing audited financial statements. The Federal Funding Accountability and Transparency Act of 2006 and the DATA Act of 2014 took another tack by focusing on increasing transparency. Access to data, it is thought, will disclose problems and allow those outside of government to access, analyze and search data. In addition, we will consider for the final time the promise and limitations of performance budgeting through Professor Joyce's article.

#### DISCUSSION TOPICS FROM THE READINGS

- What has the CFO act accomplished?
- Do you think broad, easy access to financial data will improve the management of federal programs?
- What do you think is the future of performance measurement and basing budgets on performance?
- With a broad range of federal programs operating through networks where funds pass through many layers before reaching the agency that implements the programs – are these reforms relevant?

**April 19<sup>TH</sup>**

Class #14

## **Budget Reform & Other Issues**

### Readings

Schick pp. 304-20

Joyce, Chapter 8

Congressional Budget Office, *The 2014 Long-Term Budget Outlook*, Chapter 6 (The Economic and Budgetary Effects of Various Fiscal Policies) [[http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook\\_7-29.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45471-Long-TermBudgetOutlook_7-29.pdf)]



## Budget Reform & Other Issues (Cont.)

Sloan, Allan, Bailout Highly Profitable for Taxpayers, When You Look at the Right Numbers, *Washington Post*, January 4, 2015. [[http://www.washingtonpost.com/business/economy/bailout-highly-profitable-for-taxpayers-when-you-look-at-the-right-numbers/2015/01/01/dc2a05a6-8fa5-11e4-a412-4b735edc7175\\_story.html](http://www.washingtonpost.com/business/economy/bailout-highly-profitable-for-taxpayers-when-you-look-at-the-right-numbers/2015/01/01/dc2a05a6-8fa5-11e4-a412-4b735edc7175_story.html)]

Rivlin, Alice. "Rescuing the Budget Process," *Public Budgeting & Finance* 32, Number 3 (Fall 2012), pp. 53-56.

Joyce, Phillip, *et al.* "Does More (Or Even Better) Information Lead to Better Budgeting? A new perspective" *Journal of Policy Analysis and Management*, Vol. 27, No. 4, (Fall 2008), pp. 945-960.

### Summary of Readings & Class Discussion

In this "wrap-up" to our discussions to the federal budget process we consider a range of issues. First, the final reading from the CBO *Long-Term Budget Outlook* discusses the implications of various fiscal policies. The reading also emphasizes that since 1950 budgeting has taken on a third role. Budgeting has always focused on the simple funding of programs and, in our Constitutional system, an integral part of the "checks and balances." In 1950 spending and revenues stabilized at between 17% and 20% of GDP (from previous levels of 5% or below). At these levels, spending and revenue decisions can have profound impact on the economy and fiscal policy has become a major concern in budgeting.

The Sloan article raises a series of issues related to the emergency responses to the financial crisis of 2008-9. The article directly addresses how we should account for "expenses" and "returns" from many of these extraordinarily actions.

Dr. Rivlin's article is one of many attempting to deal with our Nation's fiscal problems and the breakdown of the budget processes through process reform.

Finally, concluding our discussion of performance budgeting, I have included Professor Joyce's article raising the question of whether more information provides better budgeting.

#### DISCUSSION TOPICS FROM THE READINGS

- What are the long term implications of running large deficits?
- Is Sloan's discussion relevant to a discussion of budgeting and why, or why not?
- Dr. Rivlin and Dr. Schick both discuss various structural changes that may improve budgeting. What do you think of them?
- What is the conclusion from Professor Joyce's article?