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STATEMENT BY JIM HORNEY AND ROBERT GREENSTEIN ON THE SENATE BUDGET COMMITTEE PLAN

The budget plan being unveiled today by Senate Budget Committee Chairman Kent Conrad represents a fundamental and important change in budget policy. In contrast to budgets of recent years that simply assumed that new entitlement spending and tax cuts would be financed by additional borrowing, the Conrad plan requires that even widely popular expansions of entitlement programs and tax cuts be offset by reductions in other entitlement spending or increases in other taxes.

Some early news accounts of Chairman Conrad's plan seem to have missed this key point by focusing instead on the failure of the proposed budget resolution to specify exactly what offsets will be used to pay for the program expansions and tax-cut extensions that are assumed in the plan (and specified in several "deficit-neutral reserve funds"). This represents not only a misreading of the big picture, but also a misunderstanding of the role the budget resolution plays in the Congressional budget process — particularly the role of the budget resolution under a Pay-As-You-Go regime.

By the design of those who drafted the Congressional Budget Act in 1974 (and those who have modified it in the years since), the budget resolution is *not* a detailed budget plan like the President's budget. A budget resolution is, instead, a vehicle that allows the Congress to set and enforce overall targets for federal spending and revenues, to indicate Congressional budget priorities in broad terms, and to serve as a blueprint for the consideration of subsequent legislation that fills in the details of the budget. The Budget Committees are not allowed to use the budget resolution to dictate to other committees exactly what actions they should take on the budget. The Budget Act does not even allow the Budget Committee to determine how overall discretionary funding will be distributed among the various Appropriations Subcommittees.

When the Pay-As-You-Go requirement helped turn deficits into surpluses in the 1990s, budget resolutions regularly included so-called "deficit neutral reserve funds," which indicated a commitment to enactment of certain high-priority program expansions or tax cuts, but allowed legislation to achieve those goals to go forward *only* if the costs of the legislation were offset. Consistent with the role of the budget resolution in the Congressional budget process, those reserve funds leave it to the committees with jurisdiction over those programs and taxes to determine the details of the program increases or tax cuts and to produce the entitlement reductions or revenue increases to pay for them. With the renewed commitment to Pay-As-You-Go, it is appropriate that budget resolutions rely once again on deficit-neutral reserve funds to identify high-priority goals and accommodate legislation to achieve those goals, while maintaining the requirement that even legislation to achieve high-priority goals must be paid for.

Instead of being criticized for not laying out a budget that details how initiatives identified in the budget resolution should be paid for, Chairman Conrad should be commended for sticking with his commitment to Pay-As-You-Go in the face of pressure to allow popular initiatives (including an expansion of farm programs that are so important in his home state of North Dakota) to go forward without offsets and thereby add to the serious budget problems that face the nation in coming decades. The real test of the commitment of this Congress to Pay-As-You-Go will come later, when the legislation providing for assumed program expansions and tax cuts is considered, but the development of a budget resolution that reinstates the Pay-As-You-Go requirement and adheres to it is a crucial step in the return to fiscal responsibility.