

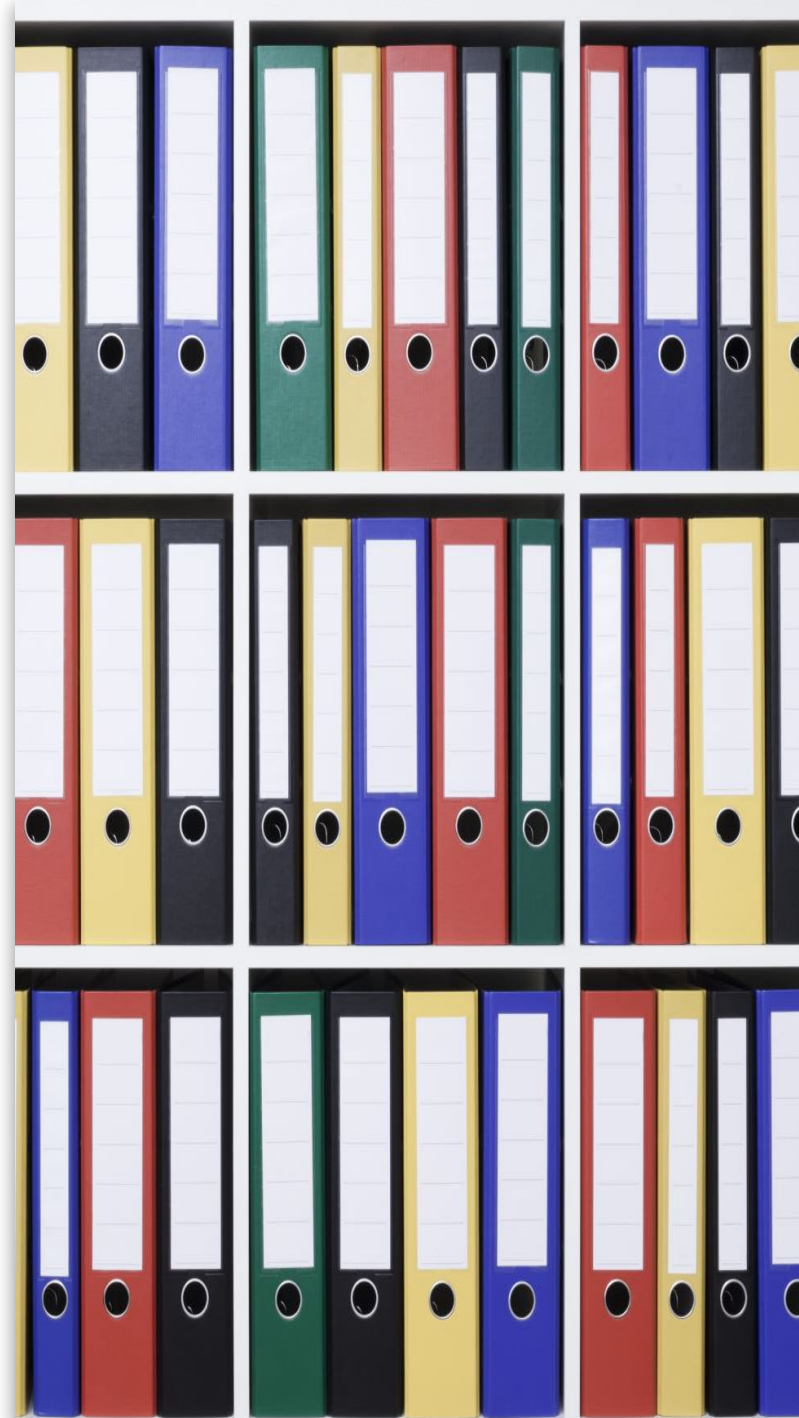
# **Reform for Results: The Need to Radically Reform the Federal Budget Process**

Philip Joyce, Roy Meyers, F. Stevens Redburn

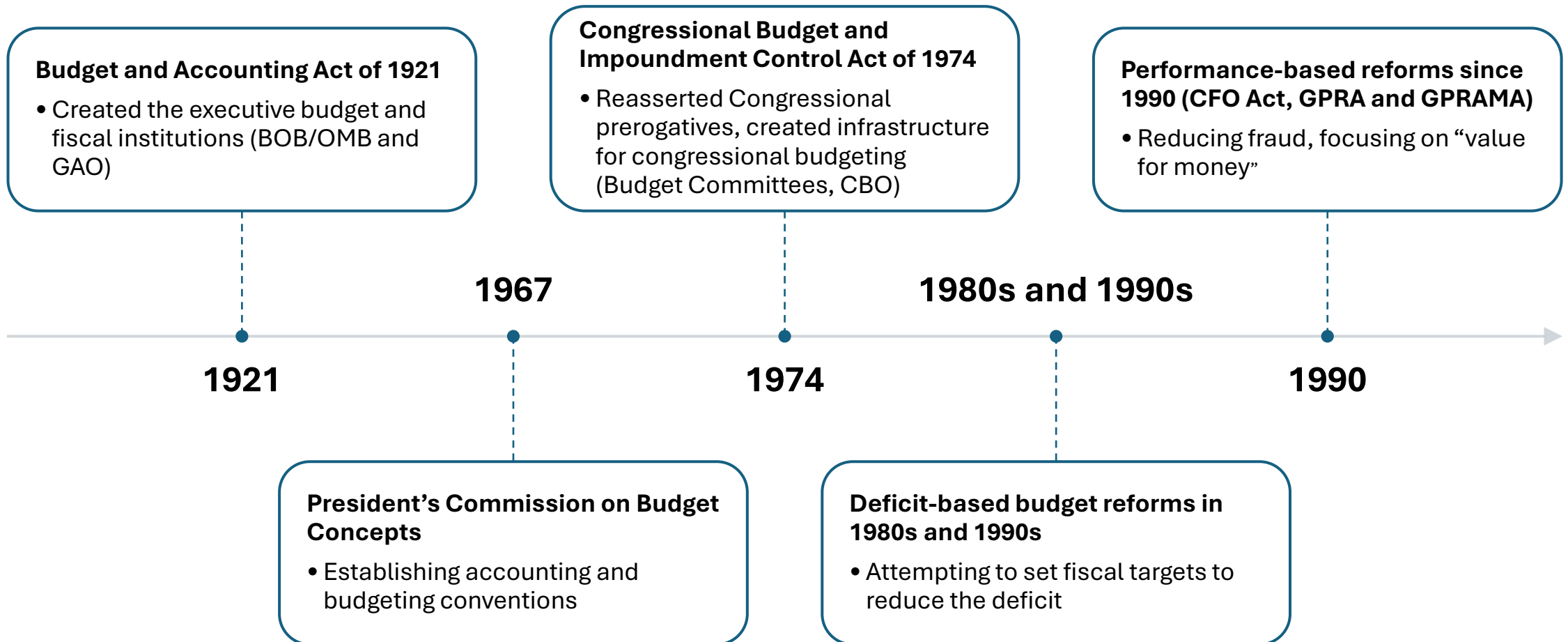
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# Organization

- Part 1
  - Past reform efforts and their goals
  - Major current problems in federal budgeting
- Part 2:
  - Ten standards for effective budgeting
  - How the US budget stacks up, historically and recently
- Part 3:
  - The need for a radical reform agenda
  - Key lines of inquiry for budget reform



# Major Reforms Since 1900 and Their Goals



# Federal Budgeting is Now Broken: Evidence

1. An exploding debt, with little attention to any overall fiscal goal
  - Debt has risen from less than 40% of GDP in 2008 to more than 100% of GDP
  - No current norms guiding overall fiscal policy
2. Lack of timeliness in the process, leading to “government by CR” and periodic harmful government shutdowns
  - NO budget deadlines are met—President’s budget, budget resolution, and (especially) appropriations
  - Contributes to both a reduction of government effectiveness and loss of public trust

# Federal Budgeting is Broken (2)

3. The norms of budgeting, reflected in relations between the branches, have collapsed
  - Presidential executive orders as a substitute for legislating
  - Unilateral executive actions, most specifically impoundments, threaten the congressional “power of the purse”
4. Improved information has not led to improved fiscal outcomes or desired improvements in government performance
  - CBO and GAO now provide the Congress with better data, but are frequently ignored
  - Reforms such as GPRA have substantially improved the availability of performance data, but these data have often been ignored by Congress and the White House

# How Should We Address These Problems?

- Deciding how to deal with these, and other challenges, requires us to ask a simple question—**What do we expect an effective budget process to do?**
- The question is simple, but answering it requires analysis of the myriad things that we expect the budget process to accomplish
- Our approach is to then start with a comprehensive listing of the norms for a well-functioning budget process
- Only then can we identify where we are falling short, and what to do in response

# Budgeting academics and practitioners have long asked: What is a good budget process?

- Answers framed as variants of rationalism, or in contrast, Wildavsky's incrementalism
- My 1996 article: "Is There a Key to the Normative Budgeting Lock?," *Policy Sciences*, 29: 171-188, recategorized such arguments into ten standards useful for budget process evaluation
- Updated last fall on Substack:  
<https://roytmeyers.substack.com/p/stop-them-before-they-budget-again>
- Describes historical attainment of each standard and changes during the Trump administration

# ***Comprehensive***—the budget includes all uses of the government’s financial resources

- Historical: pretty good
  - + Presidential budgets: unified budget framework; limited off-budget activities
  - low transparency of tax expenditures
- Trump:
  - no complete budget submitted in 2025
  - unusual “deals” with federal government taking equity stakes



# ***Legitimate***—important budget decisions are made by legally responsible authorities

- Historical: Congress constitutionally assertive under Article One
  - + Appropriations directives usually followed by executive branch
  - + Impoundment Control Act structured process for requesting cancellations of appropriated spending
  - Appropriations micromanagement reduced desirable executive flexibility
- Trump:
  - Executive orders in lieu of appropriations and authorizing legislation
  - Many illegal impoundments; pocket rescissions
  - Hidden apportionment data until court order
  - DOGE actions violated appropriation, personnel, and reorganization laws

# ***Honest***—budgets are based on accurate accounting and unbiased projections

- Historical: pretty good
  - + CBO and economic statistics agencies highly trusted; much of OMB's microbudgetary work restrained agencies
  - accounting challenges for unique government functions; gimmicks still used for budget resolutions; unjustified presidential macroeconomic optimism
- Trump:
  - Unrealistic macro assumptions in Budget and Mid-session Review; OBBBA baseline gimmicks
  - IGs and BLS head fired; unjustified criticism of CBO and GAO; will the next CG be independent?
  - Constant administration-wide lying; extensive patrimonial corruption

# ***Transparent***—budgets are understandable without intensive effort

- Historical:
  - the congressional budget process is excessively complicated
  - jargon such as “reconciliation” is contrary to standard English usage
  - there is no easy-to-read “citizens’ budget”
- Trump:
  - no *Analytical Perspectives* in 2025, so missing important data
  - DOGE web site was rife with falsehoods and disconnected from budget concepts
  - Executive tariff policy not integrated into budget process; greatly exaggerated claims of how tariffs will fund various policy initiatives

# ***Timely***—regular budget tasks are completed when expected

- Historical: abysmal record, similar to that of a poor country rather than what should be expected from the richest country in the world
  - presidential budget requests increasingly late
  - unenacted budget resolutions
  - late appropriations; frequent continuing resolutions
  - all this results in unnecessary budget execution uncertainty and costs
- Trump
  - More of the same, despite "unified government"

# ***Cooperative***—budgeting does not dominate other important decision processes

- Historical: getting worse each year
  - excessive time spent on budgeting without resolution crowds out other processes: authorizations, oversight
  - excessive influence by party leaders reduces committee influence, expertise, and commitment
- Trump:
  - *One Big Beautiful Bill* says it all
  - The threat to the Fed's independent conduct of monetary policy risks fiscal dominance

# ***Perceptive***—budgets consider the long-term as well as the short-term

- Historical: mixed
  - + credit reform improved accounting for loans
  - but there is still confusion about how to best invest in and account for physical and human capital
  - +/- expansion of the budget horizon to ten years increased recognition of future, but also enabled gimmicks
  - frequent avoidance of entitlement sustainability problems
- Trump
  - ongoing disruption of personnel has led to extensive losses in agency capacities

# ***Judgmental***—budgets seek ways of obtaining the most effects for the least costs

- Historical: mixed
  - + OMB budget reviews often promote value for money
  - + as has Government Performance and Results Act implementation in the executive branch
  - +/- Traditional reviews by committees sometimes helpful, but missed opportunities because of rejection or underuse of GPRA information
  - Fragmented and overlapping committee structure and related enforcement procedures limit desirable restructuring of policy portfolios
- Trump:
  - President-dominated agenda features desire for vengeance over considered use of policy evidence

# ***Constrained***—budgets limit the amount of money that need be acquired by the government

- Historical: worrisome growth by steady trend and by step increases
  - + flexible fiscal policy has responded to shocks
    - exploding debt dynamic now on the horizon, with no commitment to head it off
    - instead, recurrent debt ceiling showdowns present financing and macroeconomic risks
- Trump:
  - OBBBA caused another step increase in baseline debt, matching Biden era policy



# ***Responsive***—budget policies match public preferences

Historical--the hardest standard to judge, due to:

- public confusion about the results of budget decisions, and who made those decisions
- public preferences often reveal time inconsistency: unwillingness to conserve now for future benefits
- partisan motivated reasoning
- + thermostatic responses in some elections

Trump:

- Implementation of Project 2025 agenda has driven approval ratings to low levels
- Populist correctives occasionally thrown again the wall (e.g., \$2000 checks)

# **Budget experts should help persuade politicians to strengthen budgetary norms**

- Should focus reform efforts on those standards with the worst attainment, weighted by relative importance and by probability of adoption
- Must be aware of potential tradeoffs: e.g., increased perceptiveness can reduce public transparency
- But reforms also can generate synergies: e.g., better judgmental budgeting promotes constraint
- Medium-term successful reform is partly conditional on whether Republican legislators will reject Trumpian patrimonialism and return to their party's roots
- And partially conditional on what will be the Democrats' reform agenda if and when they take control of government

## The Next Stage

Goal: To develop big ideas for comprehensive reform of the federal budget process that will –

- Address major weaknesses in the current process
- Within the constraints of Constitutional structure, institutional and individual capacity, politics.

*How do we organize to do this?*

# Lines of Inquiry

- 1. How can Congress and the President collaborate to enact timely budgets in an era of political polarization and given institutional obstacles? (*timely; cooperative*)**

# Lines of Inquiry

**2. How can the public be given a meaningful role in formulating budgets – one that yields an informed consensus on how to deploy resources to meet large policy challenges and rebuilds legitimacy and trust? (*transparency; responsiveness*)**

**3. How can budget decisions be informed by evidence and a strategic approach to achieving the highest policy priorities and preparing for/dealing with future emergencies? (*perceptive; judgmental; constrained*)**

# Lines of Inquiry

4. Once budgets are enacted, how can the executive be held accountable for following the law and achieving promised results as the budget is executed? (*honest; legitimate*)
5. How can the executive be given the tools and flexibility needed to effectively implement enacted budgets and manage for results? (*comprehensive*)



# **An Invitation**

We hope others will join us by:

- Offering big ideas for reform
- Joining our deliberations
- Reaching out to others