

An hourglass-shaped graphic with a globe inside. The top bulb is dark blue with a lighter blue globe. The neck is a narrow, light blue channel. The bottom bulb is light blue with a darker blue globe. The entire graphic is centered on the page.

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Report RL30550

Biennial Budgeting: Issues and Options

James V. Saturno, Government and Finance Division

August 10, 2006

Abstract. This report provides background information on biennial budgeting, including a summary of past legislative history, pros and cons, and its use at the state level.

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Biennial Budgeting: Issues and Options

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August 10, 2006

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Summary

Difficulties in the timely enactment of budgetary legislation have long fueled interest in the idea that the congressional budget process could be better structured in a way that eases time constraints. The need for consideration of budget matters in the form of concurrent resolutions on the budget, reconciliation measures, tax measures, public debt measures, authorizations, regular appropriations, continuing appropriations, and supplemental appropriations has been criticized as time consuming, repetitive, and inefficient. One long-discussed reform proposal would attempt to remedy this by changing the budget cycle from one to two years.

Biennial budgeting is a concept that may include several variations. It may involve multiyear authorizations, two-year budget resolutions, or two-year appropriations, or some combination of the three. Most proposals incorporate all three factors.

Biennial budgeting has a long history at the state level. Although the trend since World War II has been for states to convert to an annual budget cycle, according to the National Conference of State Legislatures, 21 states currently operate with a two-year cycle, and some states operate with mixed cycles that put significant portions of their budgets on a two-year cycle.

In addition to congressional support, biennial budgeting has received support from the Reagan, George Bush, Clinton, and George W. Bush Administrations.

Proponents of biennial budgeting generally advance three arguments. They contend that a two-year budget cycle will (1) reduce congressional workload by eliminating the need for annual review of routine matters; (2) reserve the second session of each Congress for improved congressional oversight and program review; and (3) allow better long term planning by the agencies that spend federal funds at the federal, state, or local level.

Critics of biennial budgeting have countered by asserting that the projected benefits would prove to be illusory. Projecting revenues and expenditures for a two-year cycle requires forecasting as much as 30 months in advance (rather than 18 under an annual budget cycle). This would result in less accurate forecasts and could require Congress to choose between allowing the President greater latitude for making budgetary adjustments in the off-years or engaging in mid-cycle corrections to a degree that would effectively undercut any reduction in the workload or intended improvements in planning. Opponents also point out that annual review of appropriations requests is an important part of oversight that would be lost under a biennial budget with no guarantee that a separate oversight session would be effective. Furthermore, they argue that reducing the number of times that Congress considers budget matters may only raise the stakes, and thereby heighten the possibility for conflict and increased delay.

This report will be updated to reflect any changes in practice.

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Introduction

One of the chief congressional concerns about the budget process in recent years has been the amount of time it requires. The current process, which provides for consideration of various budget questions in the form of concurrent resolutions on the budget, reconciliation measures, tax measures, public debt measures, authorizations, regular appropriations, continuing appropriations, and supplemental appropriations has been faulted as repetitive and inefficient. This, in turn, has fueled interest in the idea that the congressional budget process could be better structured to promote a more efficient use of Congress's limited time.

Despite the perceived or actual permanence of much federal spending, the process of formulating, enacting, and executing budgets has remained characteristically annual. This annual budget cycle poses a dilemma for Congress. On the one hand, annual review of spending legislation can afford Congress the opportunity to maximize its influence concerning the operation of various programs and policies. On the other hand, many Members have expressed concern with the high percentage of congressional workload that is devoted to budgetary matters.¹

An annual budget cycle, however, is dependent on the timely enactment of budgetary legislation. Consideration of individual pieces of budgetary legislation is often closely linked to consideration of other pieces, so that delays in consideration of one measure may have an impact on the timing of consideration of all subsequent budgetary legislation. In recent years, final action on appropriations measures has occurred an average of 86 days after the start of the fiscal year on October 1 (see **Table 1**). The result has been frustration with the budget process and a desire to reduce the number or frequency of budget measures that need to be considered.

The budget process has sometimes been criticized as unnecessarily repetitive as well, with some questions being debated in various forms several times each year. Defense policy, for example, may be debated in terms of priority within the overall budget in the budget resolution, in terms of policy in an authorization measure, and in terms of funding levels on an appropriations bill, only to have it all repeated the next year. Rather than promote efficient consideration, critics contend, this repetition has contributed to the complexity of the budget process, as well as to inefficiency and delay.

Table 1. Dates of Enactment of Last Regular Appropriations Legislation, FY1996-FY2006

Fiscal Year	Public Law	Date of Enactment	Days Late
FY1996	P.L. 104-134	April 26, 1996	209
FY1997	P.L. 104-208	September 30, 1996	0
FY1998	P.L. 105-118 P.L. 105-119	November 26, 1997	57
FY1999	P.L. 105-277	October 21, 1998	21
FY2000	P.L. 106-113	November 29, 1999	60

¹ This workload is illustrated by the number of budget related rollcall votes, as show in Norman J. Ornstein, Thomas E. Mann, and Michael J. Malbin, *Vital Statistics on Congress 2001-2002* (Washington: American Enterprise Institute, 2002), chap. 7.

Fiscal Year	Public Law	Date of Enactment	Days Late
FY2001	P.L. 106-553 P.L. 106-554	December 21, 2000	82
FY2002	P.L. 107-115 P.L. 107-116 P.L. 107-117	January 10, 2002	102
FY2003	P.L. 108-7	February 20, 2003	143
FY2004	P.L. 108-199	January 23, 2004	115
FY2005	P.L. 108-447	December 8, 2004	69
FY2006	P.L. 109-149	December 30, 2005	91

A number of possible reforms, such as automatic continuing resolutions, joint budget resolutions, or merging the authorization and appropriations processes, have been advanced, at least in part, in the hope that they could make the budget process operate in a more timely fashion. For example, advocates of an automatic continuing resolution argue that it could reduce deadline pressures in the appropriations process; those in favor of a joint budget resolution suggest that it would promote early agreement on budget priorities between Congress and the President; and some argue that a merged authorization-appropriations process could reduce the volume of legislation that needs to be considered in any given session of Congress. As a result, some see these and other proposed reforms as offering the potential to make the timely enactment of budget legislation easier, and therefore to make better budgetary outcomes more likely.

Another possible approach to addressing this concern is to change the budget cycle from one year to two years. By reducing the frequency of budgetary actions, and better separating their consideration, proponents of such a reform contend that Congress would be able to undertake each stage with more attention to detail.

Because budgeting for the federal government encompasses a number of processes, biennial budgeting can have several meanings. Biennial budgeting can involve two-year budget resolutions, two-year appropriations, and multiyear authorizations. Typically, biennial budgeting proposals include all three aspects, although proposals embracing only one or two are possible. Biennial budgeting proposals may focus on enacting budgetary legislation for two-year periods or for two one-year periods. In addition, biennial budget proposals typically require that executive branch planning and performance reviews be revised so that they be based on a two-year cycle.

Arguments Favoring and Opposing Biennial Budgeting

Arguments Made by Proponents of Biennial Budgeting

Supporters of biennial budgeting generally advance three arguments. They contend that a two-year budget cycle will (1) reduce congressional workload by eliminating the need for annual consideration of routine or repetitious matters; (2) allow Congress to reserve time to promote improved oversight and program review; and (3) allow better long-term planning by the agencies that spend federal funds, at the federal, state, or local level.

Advocates assert that reducing the number of times that Congress has to consider budget questions will reduce the percentage of congressional time consumed by the process. They assert that this would allow more time for Congress to conduct agency and program oversight. By effectively dividing each Congress into a budget year and an authorization/oversight year, a two-year cycle might reduce competition for Members' time and attention and allow for more effective use of authorizations to establish policy. Congress would not have to resort to appropriating in the absence of a current authorization as often, since the authorizations would not be crowded out of the congressional schedule by appropriations questions. Another anticipated benefit is that executive branch agencies, relieved of the need to develop and defend budget proposals as frequently, could better manage federal programs.

One of the chief arguments of proponents of biennial budgeting is that it increases certainty about the level of future funding and thus, allows better long-range planning by federal agencies and by state and local governments. The Reagan, George H. W. Bush, Clinton, and George W. Bush Administrations expressed support for biennial budgeting. The 1993 report of the National Performance Review (the Gore Commission) noted, "Considerable time could be saved—and used more effectively—in both the executive and legislative branches of government if budgets and appropriations were moved to a biennial cycle."² The Clinton Administration's final budget submission in 2000 reiterated its support for biennial budgeting.³ The George W. Bush Administration has also included support for biennial budgeting (as well as other budget process reforms) in the President's annual budget submission to Congress. The FY2004 Budget stated that:

... a biennial budget would allow lawmakers to devote more time every other year to ensuring that taxpayers' money is spent wisely and efficiently. In addition, Government agencies would receive more stable funding, which would facilitate longer range planning and improved fiscal management.⁴

Supporters point to the multiyear nature of the budget summit agreements between Congress and the President that have been a major part of the budget process for more than a decade as evidence of the efficacy of multiyear budgeting, and as a major factor in recent years for promoting more efficient consideration of budgetary legislation.

Arguments Made by Opponents of Biennial Budgeting

Critics of biennial budgeting have countered with several arguments as to why some of the projected benefits could prove to be illusory. Reducing the number of times that Congress considers budget matters, they suggest, may only raise the stakes, and thereby heighten the possibility for conflict and increased delay. In addition, enacting a budget resolution and spending legislation every other year could be effective in reducing congressional workload or aiding longer-term planning only in the second year of the cycle. Even that benefit may not accrue

² U.S. Office of the Vice President, *Creating a Government That Works Better and Costs Less: Mission-Driven, Results-Oriented Budgeting*, accompanying report of the National Performance Review (Washington: GPO, 1993), p. 59.

³ U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2001, Analytical Perspectives* (Washington: GPO, 2000), p. 287.

⁴ U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2004, Analytical Perspectives* (Washington: GPO, 2003), p. 318.

without accurate budget projections. Making accurate projections of revenues and expenditures is always difficult, and, because a two-year cycle requires forecasting as much as 30 months in advance (rather than 18 under an annual budget cycle), biennial budgets would be more susceptible to error. Less accurate forecasting, they argue, could result in providing either too much or too little money for individual programs, and some fear that this would increase the need for supplemental appropriations or other adjustments that would effectively undercut any intended improvements in planning.

With only a limited ability to anticipate future conditions, critics argue that a two-year cycle could require Congress to choose between allowing the President greater latitude for making budgetary adjustments in the off-years or engaging in mid-cycle corrections to a degree that would nullify any anticipated time savings or planning advantages. Furthermore, they argue that annual review of appropriations requests is an important part of oversight that would be lost under a biennial budget, with no guarantee that committees would take advantage of a separate oversight session or that oversight separate from review of funding decisions would be as effective.

In addition, they contend that the institutional incentives for supporting two-year budgets can vary based on the expected budgetary outcome. A budget plan that would lock in an amount for the second year of a biennium will draw relatively little support from program advocates in a time of increasing budgets (because the program might receive more generous funding later), and, alternately, will draw relatively little support from program cutters in times of decreasing budgets (because the program would be somewhat insulated from possible later cuts). In other words, an action to lock in future budgetary resources may draw opposition when some decision makers believe that a “better” decision may be arrived at in the future.

Legislative History of Biennial Budgeting

Almost from the time the Congressional Budget Act was enacted in 1974, budget process reform has been a topic of congressional interest, and biennial budgeting was discussed at least as far back as the 95th Congress (1977-1978).⁵ Hearings on the subject of budget process reform have often included testimony concerning biennial budgeting. In addition, on several occasions, both the House and Senate have conducted hearings specifically on the topic of biennial budgeting.⁶ Congressional interest in biennial budgeting has also been demonstrated by survey findings⁷ and by the level of cosponsorship of biennial budgeting proposals.⁸

⁵ For a more detailed discussion of earlier consideration of biennial budgeting, see U.S. Congress, Senate Committee on Rules and Administration, *Improving the Operation of the Legislative Branch of the Federal Government, and for Other Purposes*, report to accompany S. 1824, 103rd Cong., 2nd sess., S.Rept. 103-297 (Washington: GPO, 1994), pp. 10-14.

⁶ Printed hearings specifically addressing the issue of biennial budgeting include U.S. Congress, House Committee on Government Operations, *The Vice President's National Performance Review—Recommending A Biennial Budget Process*, hearings, 103rd Cong., 1st sess., Oct. 7, 1993 (Washington: GPO, 1994); and U.S. Congress, Senate Committee on Governmental Affairs, *S. 261—Biennial Budgeting and Appropriations Act*, hearings, 105th Cong., 1st sess., Apr. 23, 1997 (Washington: GPO, 1997).

⁷ For example, 85% of Representatives and 87.5% of Senators responding to a 1987 survey indicated that they agreed or strongly agreed with the idea of appropriating on a two-year schedule. *Congress Speaks—A Survey of the 100th Congress* (Washington: Center for Responsive Politics, 1988), pp. 34.

⁸ For example, H.Res. 396 (106th Congress) was introduced by Representative David Dreier on Nov. 18, 1999 with 245 cosponsors, expressing the sense of the House in favor of biennial budgeting legislation.

In recent years, House jurisdiction over budget process reform generally has been shared jointly by the Committees on Rules and the Budget; both have considered the issue of biennial budgeting. In the 107th Congress, the Committee on Rules reported H.R. 981, providing for a biennial budget,⁹ but the legislation was not considered by the House. No other biennial budget proposal has been reported to the House, although in the 106th Congress the House considered biennial budgeting as an amendment to a comprehensive budget process reform measure.

In the Senate, prior to the 109th Congress, jurisdiction over the budget process was shared jointly by the Committees on Governmental Affairs and the Budget, under a standing order of the Senate (first agreed to August 4, 1977, and discontinued as of January 2005).¹⁰ The order provided that if one committee reported a measure, the other had 30 days to report or be discharged from further consideration. Jurisdiction over the budget process is currently in the jurisdiction of the Senate Budget Committee. Biennial budgeting measures were reported on several occasions in the Senate, including, most recently, S. 92 in the 106th Congress, however no biennial budgeting measures have been considered by the full Senate.

Biennial budgeting has also been considered by a number of federal committees and commissions organized to study possible procedural or structural reforms of Congress, the budget process, or both. In addition to the Gore Commission (noted previously), the National Economic Commission¹¹ and the Study Group on Senate Practices and Procedures (also known as the Pearson-Ribicoff Commission, after former Senators James Pearson and Abraham Ribicoff) recommended a form of biennial budgeting. The Pearson-Ribicoff Commission recommended that Congress consider half of the regular appropriations bills each year.¹² In 1993, both the Senate and House members of the Joint Committee on the Organization of Congress included proposals for a two-year budget cycle in their recommendations to their respective chambers (S.Rept. 103-215, vol. 1, and H.Rept. 103-413, vol. 1). In the Senate, these recommendations were subsequently introduced as S. 1824, referred to the Committee on Rules and Administration, and reported in 1994 (S.Rept. 103-297). It is notable that in contrast to the comprehensive approach to biennial budgeting taken in most biennial budgeting proposals, S. 1824, as reported, included two-year budget resolutions and multiyear authorizations, but not two-year appropriations.

In addition to being included in various hearings on the general subject of budget process reform over the years, biennial budgeting has been the specific focus of hearings and legislation on several occasions, notably in the Senate. On three occasions the Senate Governmental Affairs Committee has reported a biennial budgeting measure: in the 100th (S. 2478, S.Rept. 100-499), 101st (S. 29, S.Rept. 101-254), and 105th (S. 261, S.Rept. 105-72) Congresses.

⁹ U.S. Congress, House Committee on Rules, *Budget Responsibility and Efficiency Act of 2001*, 107th Cong., 1st sess., H.Rept. 107-200 Pt. II, Nov. 14, 2001 (Washington: GPO, 2001). The House Budget Committee had previously reported the measure with no biennial budgeting provision. See U.S. Congress, House Committee on the Budget, *Commission on Federal Budget Concepts Act of 2001*, 107th Cong., 1st sess., H.Rept. 107-200 Pt. I, Sept. 5, 2001 (Washington: GPO, 2001).

¹⁰ This change was provided for under the terms of S.Res. 445 (108th Congress).

¹¹ U.S. National Economic Commission, *Report of the National Economic Commission* (Washington: GPO, 1989), p. 11.

¹² U.S. Congress, Senate Committee on Rules and Administration, *Report of the Study Group on Senate Practices and Procedures*, committee print, 98th Cong., 2nd sess., S. Prt. 98-242 (Washington: GPO, 1984), p. 21.

The most recent biennial budgeting measure to be reported in the Senate is S. 92 (106th Congress). On January 19, 1999, S. 92, the Biennial Budgeting and Appropriations Act, was introduced in the Senate by Senator Pete V. Domenici, and referred jointly to the Committee on Government Affairs and the Committee on the Budget, pursuant to the order of August 4, 1977. The two committees held a joint hearing on January 27, 1999, on the subject of biennial budgeting.¹³ S. 92 was subsequently considered by the Committee on Governmental Affairs on March 4, 1999, and ordered reported with an amendment (a complete substitute making a number of technical corrections). A written report was filed on March 10, 1999 (S.Rept. 106-12).

In the House, the Rules Committee held a series of hearings on biennial budgeting beginning on February 16, 2000, and continuing on March 10 and March 16, 2000.¹⁴ In addition, the House subsequently considered biennial budgeting as an amendment to H.R. 853 (106th Congress), the Comprehensive Budget Process Reform Act. The amendment was rejected, 201-217.¹⁵ Subsequent hearings by the House Budget Committee on the subject of budget process reform also touched on the issue of biennial budgeting, but no measure was reported.¹⁶

Types of Biennial Budgeting

Biennial budgeting as a concept has many permutations, and may include any of the following: a requirement for multiyear authorizations, two-year budget resolutions, and two-year appropriations. Biennial appropriations may refer to all appropriations being enacted for a two-year period, all appropriations being enacted for two succeeding one-year periods in a single measure, or even a system under which some appropriations are enacted for either a two-year period or two one-year periods in each year of a two-year cycle. These components may be adopted individually or in concert, and may be applied under a variety of schedules. Because of this, biennial budgeting may have different meanings for different people.

Multiyear Authorizations

Many biennial budgeting proposals require that all authorizations be enacted for periods longer than one fiscal year. Under current practice, many authorizations are already enacted for multiyear periods. The chief exceptions to this are the Department of Defense and Intelligence authorizations which are considered annually. Most proposals also divide action so that authorizations are scheduled to be considered in the second year of each Congress, separate from consideration of regular appropriations measures. One proposed benefit of multi-year authorizations is that the authorizations could be in place before the appropriations process got under way, providing for smoother working relationship between authorizers and appropriators.¹⁷

¹³ U.S. Congress, Senate Committees on Budget and Governmental Affairs, *To Consider Budget Process Reform*, hearings, 106th Cong., 1st sess., Jan. 27, 1999, S.Hrg. 106-24 (Washington: GPO, 1999).

¹⁴ U.S. Congress, House Committee on Rules, *Biennial Budgeting*, hearings, 106th Cong., 2nd sess., Feb. 16, Mar. 10, and 16, 2000 (Washington: GPO, 2000).

¹⁵ See vote no. 186 in the *Congressional Record*, vol. 146 (May 16, 2000), p. 7978.

¹⁶ U.S. Congress, House Committee on the Budget, *Federal Budget Process Structural Reform*, 107th Cong., 1st sess., July 19, 2001 (Washington: GPO, 2001).

¹⁷ Rep. William H. Natcher testified in 1993 that requiring multiyear authorizations, to be enacted the year before appropriations measures, would serve the Congress well. U.S. Congress, Joint Committee on the Organization of Congress, *Budget Process: Testimony of Hon. William H. Natcher*, hearing, 103rd Cong., 1st sess., Mar. 11, 1993 (continued...)

One chief concern regarding a multiyear authorization requirement is that unless supported by biennial appropriations, they may lack the degree of certainty required to achieve the promised benefits of long range planning.

Although the requirement for multiyear authorizations is often advanced as a relatively minor aspect of a biennial budgeting, such a system could have major repercussions with regard to those specific issue areas where it would have impact. For example, Congress has operated under the presumption that the Defense and Intelligence authorizations are sensitive to myriad foreign policy issues and that these need to be addressed every year.

An attempt to experiment with two-year authorizations for the Department of Defense in the 1980s proved unsuccessful. This failure has sometimes been partly attributed to the fact that the experiment was not part of a comprehensive move to biennial budgeting and was not supported by two-year appropriations, but another contributing factor was that it was overtaken by other budgetary decisions. The deficit reduction concerns that led to a late 1987 budget summit between Congress and President Reagan also effectively required the second year of the two-year authorization to be amended extensively. Given this experience, support for two-year defense authorizations waned.¹⁸

As proposed in S. 92 and H.R. 3586 (106th Congress), biennial budgeting would establish a “budget year” and an “authorization/oversight year” for each Congress. This proposed division could augment the separation of authorizations and appropriations currently embodied in House and Senate rules, and it could enhance the perceived difference between authorizations and appropriations that some Members feel has been weakened in recent decades.¹⁹ However, it is possible that the result could instead be an erosion of the separation between authorizations and appropriations. Since there might not be any opportunity to consider authorizing legislation in the first year of a Congress, Members may feel it necessary to use appropriations bills as legislative vehicles to revise policy questions immediately through appropriations bills, rather than have to wait for the second authorization/oversight session.

The use of appropriations bills to include authorizing language, or to bypass separate authorizing language altogether, could become a significant concern in any circumstances under which it was desirable to consider policy questions in the first year of a Congress, and thus undercut the intent of the proposed bifurcation. For example, changes in the international climate could require a reassessment of priorities for defense or foreign operations spending, or changes in the economy could spur the need for a reevaluation of domestic policies without respect to whether it was the first or second year of a Congress. The incentive could be especially great when an election signals a dramatic shift in national policies and lawmakers want to address those issues, as the Reagan Administration did in 1981, the Clinton Administration did in 1993, or House Republicans did in 1995 with the Contract With America.

(...continued)

(Washington: GPO, 1993), p. 5.

¹⁸ David C. Morrison, “Two at a Time,” *National Journal*, vol. 21, no. 35 (Sept. 2, 1989), p. 2172; and Robert J. Art, “The Pentagon: The Case for Biennial Budgeting,” *Political Science Quarterly*, vol. 104, no. 2 (summer 1989), pp. 193-214.

¹⁹ As illustrated by testimony on budget process reform on several occasions in recent years. One example is the extensive testimony before the Joint Committee on the Organization of Congress in 1992.

Two-Year Budget Resolutions

Since the enactment of the Congressional Budget Act in 1974, the budget process has centered around the concurrent resolution on the budget, which sets aggregate budget policies and functional priorities for Congress. The budget resolution is used to coordinate the various budgetary actions that are to be taken over the course of a session of Congress. Proposals to convert the budget process to a two-year cycle likewise typically involve a process centered around a two-year budget resolution.

Although the budget process is characteristically annual, there are a number of aspects that encourage Congress to look beyond a single fiscal year. In particular, Section 301(a) of the Congressional Budget Act currently requires that the budget resolution include binding figures for the upcoming fiscal year, plus planning levels for at least each of the four ensuing fiscal years. In recent years, budget resolutions have typically included planning levels beyond the minimum number required by the Congressional Budget Act. For example, the budget resolution for FY2004 (H.Con.Res. 95, 108th Congress) included planning levels through FY2013. The Budget Act also provides for the enforcement of the five-year totals for revenues and direct spending, and allows multiyear reconciliation instructions. In addition, the Senate's Pay-As-You-Go point of order (Section 505(a) of H.Con.Res. 95, 108th Congress, the FY2004 budget resolution) prohibits the consideration of revenue or direct spending legislation that would increase or cause an on-budget deficit for the first year covered by the budget resolution, the total for the first five years, or the total for the second five years.²⁰

Proponents of biennial budget resolutions suggest that both Congress and the President would benefit by extending the binding levels to two years, adopting the broad outlines of fiscal policy only once each Congress. As Joseph White of the Brookings Institution stated in testimony before the Joint Committee on the Organization of Congress in 1993, "Annual fights about priorities between the same Congress and President do nobody any good."²¹ Additionally, Congress was unable to adopt a budget resolution in 1998, 2002, 2004, and 2006, and has had to use some other means to coordinate and enforce budgetary actions in those years.²² Proponents of a two-year budget resolution argue that this recent experience demonstrates that it is not necessary to adopt a budget resolution every year, and that a two-year budget resolution would better reflect current practice.

Opponents, however, contend that by providing Congress with the opportunity to participate in setting fiscal policy, budget resolutions have served a useful purpose, and that the inability to adopt a budget resolution has been a portent of further budgetary battles throughout the year, rather than an indication that Congress is still in agreement on the policies that were adopted in the previous year. They further contend that while fiscal policy can be set for two-year periods, it is potentially subject to considerable uncertainty, and that eliminating an opportunity to either alter or confirm current policy makes the process weaker.

²⁰ For more on the PAYGO point of order, see CRS Report RL31943, *Budget Enforcement Procedures: Senate Pay-As-You-Go (PAYGO) Rule*, by Bill Heniff Jr.

²¹ U.S. Congress, Joint Committee on the Organization of Congress, *Budget Process: Testimony of Hon. Anthony Beilenson and a Panel of Experts*, 103rd Cong., 1st sess., Mar. 23, 1993 (Washington, GPO, 1993), p. 82.

²² See CRS Report RL31443, *The "Deeming Resolution": A Budget Enforcement Tool*, by Robert Keith.

According to supporters, the experience with presidential-congressional budget summits in the 1980s and 1990s has demonstrated the effectiveness of establishing a multiyear framework for the budget. Notably, the 1987 agreement between Congress and the Reagan Administration, the 1990 agreement with the Bush Administration, and the 1993 and 1997 agreements with the Clinton Administration have all been built around the projected future impact of a budget plan. Subsequent budget resolutions, and budget implementing legislation, have generally adhered to these agreements. By institutionalizing this arrangement, advocates of biennial budgeting hope to duplicate its perceived success.

Some opponents, and some proponents of biennial budgeting as well, however, argue that the lessons to be learned from successful executive-congressional summits are somewhat narrower. Opponents suggest that while these occasional summits have proved useful in the context of facilitating the following year's budget process, it would not be possible to institutionalize the process. They suggest that the political and budgetary context that brings Congress and the President to the bargaining table is also necessary to ensure a commitment to implementing the outcome. Some proponents feel that a biennial budget resolution should only be adopted within the context of an overall move to a two-year cycle. Without biennial implementation, they argue, a biennial budget resolution would not present sufficient certainty for long term planning, significant savings in congressional workload, or provide additional time for oversight.

Two-Year Appropriations

The most controversial aspect of biennial budgeting proposals is, arguably, a two-year cycle for appropriations. Most proposals would require all regular appropriations measures to be considered in the first year of each Congress, either for a single two-year fiscal period, or for two one-year periods. In both cases Congress would not need to act on appropriations during the second year of each Congress, except for emergency and other supplemental appropriations needs. Some proposals in the past have opted, instead, for a process that would stretch out the current process so that while the appropriations process could begin in the first session of a Congress, the fiscal biennium would not begin until October 1 of the second year. This would give Congress and the President a period of 20 months, rather than the current eight months, to negotiate appropriations details. Under such proposals, Congress would still not need to act on appropriations in the off year, except for emergency or supplemental appropriations.

Most proponents of biennial budgeting contend that two-year appropriations are an essential part of any biennial budgeting system. In their view, it is primarily the annual nature of the current appropriations process that produces the strain on the current system. They assert that a major benefit of biennial appropriations would be that during the two years for each Congress, there would be a year in which routine appropriations actions could be avoided. Although emergency and other supplemental appropriations actions might be necessary in the off year, they believe that the net effect of this change would still be a reduction of congressional workload, and would free up enough time for Congress to conduct more meaningful program reviews. For the executive branch, as well as for state and local governments, biennial appropriations would be beneficial, they argue, because they would provide sufficient certainty to allow for better long term planning. Finally, proponents also suggest that reducing the number of times in which Congress and the President must confront each other over budget priorities would allow for better overall comity between the two branches.

Current practice already includes a number of the devices proposed as part of a biennial budgeting system. For example, appropriations currently provide for both advance appropriations

to become available in future fiscal years, and budget authority available for periods of longer than a single fiscal year for a number of programs. In the view of opponents, however, making these practices mandatory for all programs will not result in greater benefits. It is not, they contend, routine appropriations that cause conflict and delays in the budget process, so widening these practices to mandate their use for all programs every other year would not result in any significant improvements in the process. Conflict and delay occur because of a lack of consensus on non-routine matters, either within Congress or between Congress and the President. Attempting to resolve these issues for two years at a time, they assert, would simply raise the stakes and thereby heighten the possibility for conflict and increased delay. In addition, they argue that it is the impending start of the fiscal year on October 1 and the anticipation of a new budget submission by the President the following February that force action. Without these deadlines, it is possible that it could take the full two years for Congress and the President to produce a budget, making projections of a year devoted to oversight less likely.

Critics of two-year appropriations also point out that budget forecasts are prone to error, and that with a total budget in excess of \$2 trillion, even small errors in terms or percentage can result in significant errors in terms of dollars of revenues or expenditures. Projecting revenues and expenditures for a two-year cycle requires forecasting as much as 30 months in advance (rather than 18 under an annual budget cycle). Even if routine appropriations could be considered every other year, with only a limited ability to anticipate future conditions, critics argue that a two-year cycle would inevitably result in incorrect funding decisions. Whether the result was to provide too much or too little funding for individual programs, it could necessitate Congress choosing between allowing the President greater latitude for making budgetary adjustments in the off years, or themselves engaging in mid-cycle corrections to a degree that would nullify any anticipated time savings or planning advantages.

Biennial Budgeting in the States

Perhaps because many Representatives and Senators have government experience at the state level, state practices are often cited in deliberations on budget process reform. In particular, 21 states operate under a two-year budget cycle (see **Table 2**), and this experience is cited by many in discussing the applicability of biennial budgeting to the federal government.

However, state experience does not provide any single answer concerning biennial budgeting. Some states that operate under an annual cycle have significant portions of their budget enacted on a two-year cycle. Missouri enacts its operating budget on an annual cycle, but its capital budget on a biennial cycle, while Kansas budgets for some regulatory agencies two years at a time within the overall context of an annual budget. Conversely, some states with biennial cycles do a significant portion of their budgeting on an annual basis. Arizona law requires that most state agencies be funded on a biennial cycle, but also requires some to be funded annually, whereas Virginia enacts a biennial budget that is routinely amended during the session when the budget is being executed. Minnesota considers both its operating and capital budgets on two-year cycles, but in different years. As a result, supporting examples can be found both for and against adopting a two-year cycle at the federal level.²³

²³ Ronald K. Snell, "Annual vs. Biennial Budgeting: No Clear Winner," *Spectrum*, vol. 68 (winter 1995), p. 23.

One argument of opponents of a two-year cycle has been that the trend among states has been to shift from biennial to annual budget cycles, particularly in those states with larger populations. This trend, opponents suggest, demonstrates that biennial budgeting represents a way of budgeting less applicable to modern circumstances. In support of this they point out that in 1940 only four (of 48) states operated with annual budget cycles. Most states operated with biennial budget cycles because the state legislatures only met every other year. Today, with the prevalence of annual sessions, 29 states use annual cycles, including eight of the 10 most populous states.²⁴ However, the changes have not all been in favor of annual budgeting. At least four states (Hawaii in 1967, Nebraska in 1987, Connecticut in 1991, and Arizona in 1999) have switched to biennial budgeting after extended periods in which they used an annual cycle, and several others (Indiana, Minnesota, and Wisconsin) returned to biennial cycles after brief experiments with annual budgets.

One of the chief arguments of opponents is that biennial budgeting would inevitably lead to greater authority for the President. Again the experience at the state level is inconclusive. A two-year budget cycle can be coupled with varying degrees of executive branch discretion and authority. For example, Arkansas, with a biennial budget, has far stricter limits on the governor's authority to transfer funds or cut spending unilaterally than does South Carolina, with an annual budget.²⁵

The natural tension between the desire for longer planning horizons and the increasing inaccuracy of budget projections when stretched over longer periods is not solved at the state level. The same basic system of funding stability and incremental budget changes that characterizes federal budgeting operates at the state level. Few programs are subject to sweeping changes in any given year, regardless of the budget cycle, suggesting that the need for a longer budget cycle to ensure better planning, and fears of the inadequacy of assumptions about the future are both overstated.

²⁴ California, Florida, Georgia, Michigan, New Jersey, New York, and Pennsylvania all operate with annual cycles, whereas Ohio and Texas operate with biennial cycles.

²⁵ Snell, "Annual vs. Biennial Budgeting: No Clear Winner," p. 23.

Table 2. States With Annual and Biennial Budgets

Annual Budget with Annual Legislative Sessions	Biennial Budget with Annual Legislative Sessions	Biennial Budget with Biennial Legislative Sessions
Alabama	Arizona	Arkansas
Alaska	Connecticut	Montana
California	Hawaii	Nevada
Colorado	Indiana ^a	North Dakota ^a
Delaware	Kentucky	Oregon ^a
Florida	Maine	Texas ^a
Georgia	Minnesota ^a	
Idaho	Nebraska	
Illinois	New Hampshire ^a	
Iowa	North Carolina ^a	
Kansas	Ohio	
Louisiana	Virginia	
Maryland	Washington ^a	
Massachusetts	Wisconsin	
Michigan	Wyoming ^a	
Mississippi		
Missouri ^b		
New Jersey		
New Mexico		
New York		
Oklahoma		
Pennsylvania		
Rhode Island		
South Carolina		
South Dakota		
Tennessee		
Utah		
Vermont		
West Virginia		

Source: National Conference of State Legislatures.

- a. These states enact consolidated two-year budgets; all other states with biennial budgets enact two annual budgets simultaneously.

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