Dead on Arrival

By THOMAS G. DONLAN

A BUDGET LOOKS FORWARD. IT'S A FINANCIAL PLAN for the coming year or more. Its usefulness depends on its credibility, and that goes double for the federal budget. If its estimates of revenues and spending are false or misleading, no one respects it. In the parlance of Washington, D.C., Congress declares it "dead on arrival."

Federal budgets have been arriving DOA for more than 25 years and the results are obvious. The respect shown to presidents' financial plans has shrunk to almost nothing, not just in Congress but in the executive branch as well.

The notoriously candid Republican senator from New Hampshire, Judd Gregg, greeted the release of the budget for fiscal 2009 by calling it "a pro forma budget." The term recalled Wall Street's delight during the 1990s with "pro forma" earnings reports from high-flying tech companies, which also bore little congruence with reality.

Gregg said the new budget showed no sign that the White House had worked very hard on it at all. And why should it? There was no sign of public reaction to the sudden increase in projected deficits.

Benign Neglect

The people and their tribunes in the media also ignore the White House policy initiatives that are supposed to be the meat of the annual budget message.

Reporters used to cajole their sources for a hint of the upcoming budget; obliging officials gave them little peeks and the resulting stories played on page one. Was the Department of Housing and Urban Development getting an extra $100 million for senior-citizen housing subsidies? Had the White House approved diverting $500 million in highway taxes to support mass transit?

Such revelations used to be important because they used to foreshadow nearly-certain legislative changes. Now they reflect empty bureaucratic rituals that lead nowhere, like cabinet meetings. In January, 2008, a budget leak was about as appealing for page one as an inside story about a successful counter-insurgency tactic in Iraq. The substance might be important, but editors believe that readers suffer from a surfeit of that kind of news, and they know that nothing important will result.

This disillusionment feeds back to the beginning of the process. If they can't get public attention with a budget story, officials will ignore the process.

The Real Action

The federal budget has been all but completely replaced by continuing resolutions and by omnibus appropriations. They are rarely reviewed or seriously considered as long as they provide spending like the last year's, with a little something added for inflation. Meaningful policy changes are written later, in the Office of Management and Budget and in the back rooms of Capitol Hill as supplemental and emergency appropriations, amendments and dubious statements of legislative intent that redistribute spending to favored constituencies.

The administration then handles "technical factors," which is bureaucracy-speak for budget-juggling to cover up the cost of policy changes. The administration discovers that its estimates of beneficiaries for some spending program were too large, or that revenues came in faster than expected.

When President Bush's budget for fiscal 2007 was published in January 2006, he forecast spending of $2.701 trillion, revenues of $2.444 trillion and a deficit of $257 billion. Then came supplemental and emergency appropriations for the global war on terror, disaster relief and veterans' relief. By the end of the fiscal year on Sept. 30, 2007, spending had been increased by policy and legislation by $183 billion.

But technical factors reduced spending $153 billion. Other technical factors increased revenues by $161 billion, more than offsetting $49 billion from reducing the Alternative Minimum Tax bite and making a few other tax changes. In total, technical factors reduced the deficit by $270 billion -- nearly 10% of total spending -- and cut the reported deficit to $175 billion.

Economic factors brought it down another $13 billion, to $162 billion.

It will take another huge dose of positive technical factors to offset the policy changes already in the works for fiscal 2008, now in progress, and fiscal 2009, which starts Oct. 1. Added spending for the wars in Iraq and Afghanistan, another protective adjustment to the Alternative Minimum Tax and an economic stimulus package have
already pushed the projected fiscal 2008 deficit from $239 billion to $410 billion.

The stimulus started as idle chatter worth about $50 billion around the time that the Iowa caucus campaign was heating up. By mid-January Congress and the White House had agreed on a $100 billion package, but they had different ideas of who should get the money, so it quickly grew to $150 billion to accommodate both sides. The final legislation called for $168 billion. One more solid piece of bad economic news, or a really bad day on Wall Street, could start the game over again, and the bidding is likely to put it up to $200 billion.

Wonderful. A record budget deficit is well within reach. All it takes is a little more indifference. Or, as President Bush declared, "This is a good, solid budget."

**The Big Picture**

For a more complete understanding of the depths to which federal finance has sunk, consult a new book out from Collins called *Where Does the Money Go? Your Guided Tour to the Federal Budget Crisis*. Authors Scott Biddle and Jean Johnson work on the distinguished Website Public Agenda, which provides resources for thoughtful citizens to use in understanding many of today's complex issues. The budget, of course, ought to reflect all contemporary issues in which the government has involved itself, and so it deserves a book by itself.

The authors define the nation's fiscal problems clearly. They cover the short-term imbalances between a complex tax system and a quixotic set of federal programs. They also explain the longer-term impossibility of paying all promised benefits to the baby boomers. And they put the blame where it belongs -- on us all. They ask their readers: "When was the last time you cast your vote for a candidate who campaigned on getting the country's finances back on the right track?"