SENATE COMMITTEE ON THE BUDGET
BUDGET BULLETIN
CHAIRMAN MIKE ENZI | @BUDGETBULLETIN

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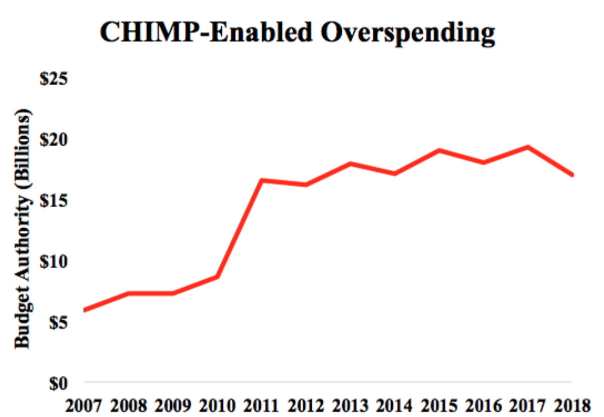
Changes in Mandatory Programs: An Overspending Tool

by Senate Budget Committee Republican Staff

The last decade brought a dramatic rise in the use of changes in mandatory programs, or CHIMPs, in annual appropriations bills. Through timing shifts or rescissions of mandatory funding that was not otherwise going to be spent, changes in mandatory programs have been used to create phony savings on paper that offset increases in discretionary spending. Although these illusory savings have been featured in the appropriations process for decades, the use of this gimmick spiked in 2011. This coincided with an increased push to keep the discretionary topline stable (fiscal year 2011's appropriation cycle culminated in a defense funding bill and year-long continuing resolution with anomalies) and the enactment of the Budget Control Act, which capped discretionary spending through fiscal year 2021.



For the past several years, temporary limitations on distributions from the Crime Victims Fund have served as the largest source of these artificial savings. The Fund collects various criminal fines and penalties and is directed under the authorizing statute to distribute its entire balance to crime victims each year. Recent appropriations acts, however, have limited annual distributions from the Fund, with the amounts withheld counted as reductions in spending. This sleight of hand simply shifts payments to the next year when the limitation expires and the Fund again must spend its entire balance. There is no net reduction in budget authority or outlays as a result of this timing shift, but it is scored as a savings – and not a small one either. The limitation on the Fund included in the Consolidated Appropriations Act, 2018, was scored as saving $10.228 billion, which was then used to offset additional spending in that bill.

Consolidated Appropriations Act, 2018
The Anatomy of the Fiscal Year 2018 Crime Victims Fund CHIMP (in millions)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
Budget Authority	-10,228	10,288	0	0	0	0	0	0	0	0	0
Outlays	-600	-1,023	-1,023	-184	1,023	1,084	723	0	0	0	0

Another large source of these phantom savings is the Children's Health Insurance Program, or CHIP. Though producing no net reduction in outlays – that is, actual money leaving the Treasury – the 2018 omnibus funding bill claimed nearly $3.7 billion in savings from rescinding CHIP funds that were unlikely ever to be spent, and another $3.1 billion from a one-year delay in spending from CHIP's Child Enrollment Contingency Fund. Combined, these two changes allowed for an additional $6.8 billion in discretionary spending in fiscal year 2018 while adhering to the statutory spending caps.

Consolidated Appropriations Act, 2018
CHIMPs with Budget Authority Reductions, but No Net Outlay Savings (in millions)

Provision	Budget Authority Reduction
One-Year Delay in Crime Victims Fund Payments	10,228
One-Year Delay in Child Enrollment Contingency Fund Spending	3,111
Rescission of CHIP Performance Bonus Payments	89
Rescission of CHIP Unobligated National Allotments	3,572
Total	**17,000**

Not all changes in mandatory programs in appropriations bills fit this gimmick profile. Some, though rare, produce real savings by rescinding funds that actually would be spent otherwise. Others, like the expansion of the Pell Grant program included in the 2017 omnibus appropriations package, increase mandatory spending.

In the Senate, two points of order guard against the misuse of changes in mandatory programs to increase spending in appropriations measures, and both, if raised, require 60 votes to waive. A point of order under section 314 of the fiscal year 2009 budget resolution has been used to curtail the use of changes in mandatory programs that increase spending. Spending CHIMPs often begin after the budget year to escape cap and allocation enforcement. In addition, section 4102(b) of fiscal year 2018 budget resolution caps the total value of "gimmicky" changes in mandatory programs that can be included in appropriations measures each fiscal year.

Changes in Mandatory Programs Points of Order

Section 314 of the fiscal year 2009 budget resolution (S. Con. Res. 70) prohibits the consideration of appropriations measures that contain changes in mandatory programs that meet the following conditions:

1) They would increase budget authority in at least one of the nine years after the budget year and over the total of the 10 years;
2) They would increase net outlays over the nine years following the budget year; and
3) The sum of such changes would increase net outlays over the nine years following the budget year.

This point of order is not applicable to changes in mandatory programs enacted in each of the three years prior to the budget year. It is surgical, meaning only the offending provision would fall if successfully challenged.

Section 4102(b) of the fiscal year 2018 budget resolution (H. Con. Res. 71) prohibits the consideration of full-year appropriations measures that contain changes in mandatory programs that do not reduce outlays if enacting that measure would cause the total value of such changes to exceed an annual limit. This limit has gradually decreased, from $19.1 billion in fiscal year 2016 to $15 billion in fiscal year 2019.

Oversight Focus: Financial Management Failings

The Chief Financial Officers Act of 1990 requires the Office of Management and Budget to develop an annual executive branch financial management status report and a government-wide five-year financial management plan. Such reports are essential to improving the responsible stewardship of taxpayer dollars, but the Office of Management and Budget failed to produce them from 2010 through 2017. Chairman Enzi recently wrote to OMB Director Mick Mulvaney for an update on the agency's efforts to produce and publish the 2018 report and five-year plan. A five-year government-wide financial management plan with a comprehensive financial approach, including milestones and implementation costs, is critical to improving the way federal agencies manage taxpayer funds.

Currently, several major financial management issues are preventing a complete analysis of the federal government's finances. These include the federal government's inability to adequately account for and reconcile intragovernmental activity and balances between federal entities and serious financial management problems at the Department of Defense that have prevented its financial statements from being auditable. Recently, the Pentagon's Inspector General found numerous problems in the Defense Department's financial statements, including almost $1 billion in Defense Logistics Agency inaccuracies. Meanwhile, the department is on track to spend more than $900 million on audit-related programs in fiscal year 2018.

Overall, these financial management weaknesses affect the federal government's ability to measure reliably the full cost of its programs; impair the federal government's ability to adequately safeguard assets and properly record transactions; and hinder the federal government from having reliable financial information to operate in a strategic and cost-effective manner. Diligent oversight efforts by OMB and Congress will continue to be critical to improving government-wide financial management.

IN CASE YOU MISSED IT…

- Senate committee passes Enzi disaster spending accountability and oversight measures.
- On June 6, 2018, Chairman Enzi filed a new budget scorekeeping report in the *Congressional Record* – the fourth for this year.
- Chairman Enzi recently wrote to the co-chairs of the Joint Select Committee on Budget and Appropriations Process Reform about the benefits of biennial budgeting and appropriations.

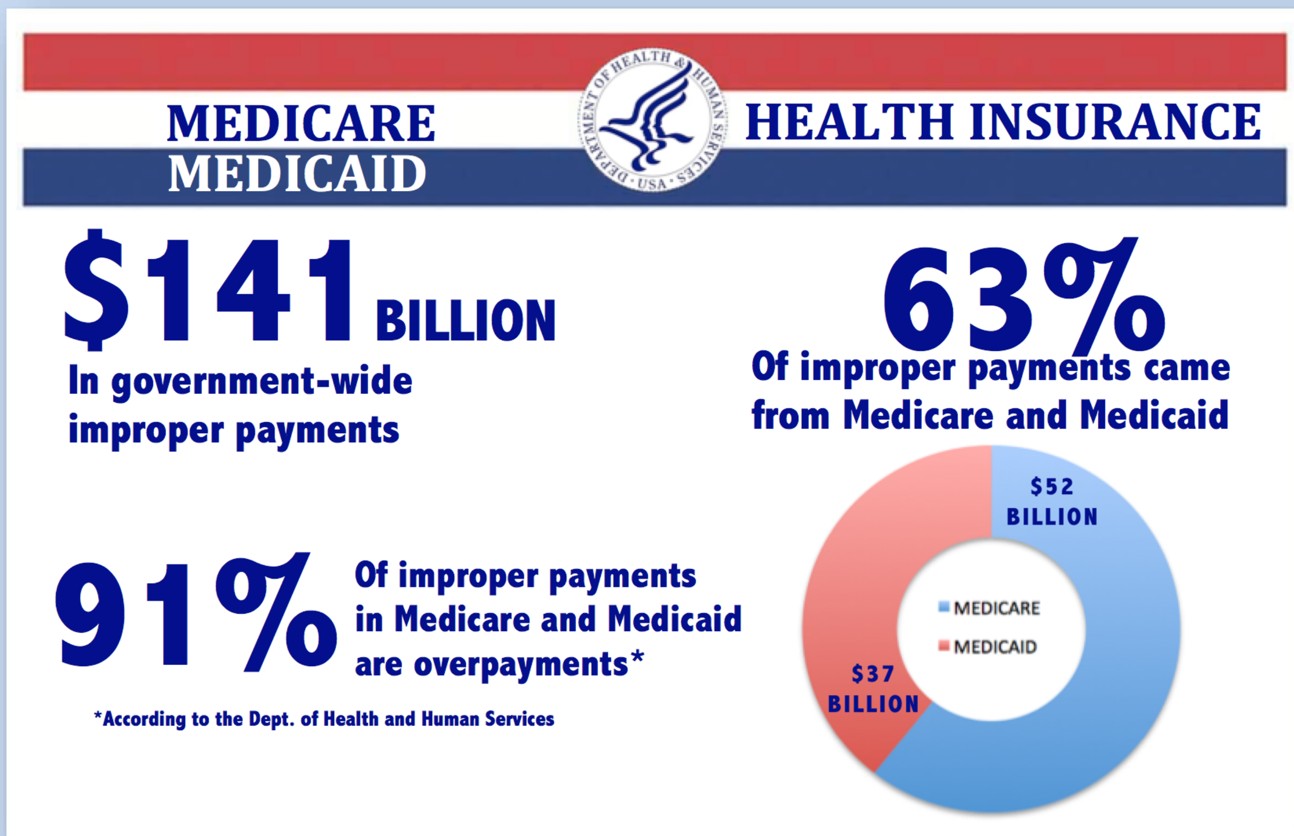
BUDGET$PEAK

Budget Authority & Outlays

Budget authority is the legal authority for the federal government to enter into financial obligations. Outlays are the actual expenditure of funds by the federal government to fulfill its financial obligations. Examples of outlays include dispensing checks, disbursing cash, and electronically transferring funds. Outlays may cover prior or current fiscal year obligations, settling unpaid balances while providing for current funding needs.

Improper Payments - Medicare and Medicaid

Taxpayers are footing the bill for hundreds of billions of dollars in improper government payments each year, and Medicare and Medicaid are responsible for most of these added costs. The Government Accountability Office (GAO) estimates that in fiscal year 2017 government-wide improper payments totaled $141 billion, 63 percent of which came from the Medicare and Medicaid programs, and that more than 90 percent of improper payments are overpayments. Despite facing insolvency in 2026, Medicare made $52 billion in improper payments; Medicaid, $37 billion. Republican members of the Senate Budget Committee recently called on Health and Human Services Secretary Alex Azar to address this issue.



Have a tip about federal taxpayer dollars being wasted or mismanaged? You can report it directly to the Senate Budget Committee by emailing Oversight@budget.senate.gov. Your personal information will be kept confidential and will only be used to contact you, if necessary, for additional information about the tip.