The Decline of Regular Order in Appropriations

Nolan McCarty

April 6, 2015
Polarization in Congress

Polarization

r = .89

House
Senate


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Regular Order
Some Terminology

- $x = \text{Policy outcome}$
  - Policy uncertainty is the variance of $x$

- $p = \text{policy instrument}$

- $\omega = \text{state of world}$

Simple model of policy $\Rightarrow x = f(p, \omega)$
Policy Uncertainty

- Policy uncertainty (unpredicted variation is $x$ can be by associated with the following:
  - Unpredicted variation in $p$ that does not correspond to changes in $\omega$
  - Variation in $\omega$ that are not offset with changes in $p$

- Policy certainty is associated with
  - Stability in $p$ and $\omega$
  - Changes in $p$ that offset changes in $\omega$
Policy Uncertainty and Polarization

- Polarization without gridlock
  - Different parties target more distinctive $x$s
  - But each sets $p$ optimally to get its preferred $x$. Policy uncertainty reduces to uncertainties about future policy control

- Polarization with gridlock
  - Parties cannot agree to changes in $p$ to offset changes in $\omega$
  - Policy uncertainty becomes variation in $\omega$
Observations

- Very hard a priori to know which uncertainty is greater - depends on variation in $\omega$.
  - Under “normal times” the separation of powers looks like the way to go.
  - Not so great in a crisis

- Policy rules will be very hard to sustain in a polarized environment
With polarization, appropriations may create uncertainty for two reasons.

- Bargaining delay will produce uncertainty about the timing of appropriations and amounts (uncertainty about $p$)
- Gridlock may allow policy to be unresponsive to the state of the world ($\omega$)
The president presents a budget request on or before first Monday in February.

House and Senate pass budget resolutions that contain 302(b) allocations and a conference committee is used to iron out differences.

Appropriations committee sets sub 302(b) for each subcommittee that then produces its own appropriation bill. Bills come to floor as individual bills (and contain only appropriations).

House-Senate differences are ironed out in conference and bills pass before fiscal year begins on October 1.
The president presents a budget late or not at all; House and Senate may or may not pass budget resolutions.

Conference committees are rarely used and sometimes chamber differences are not reconciled.

Appropriation bills do not pass on time before October 1, resulting in a long sequence of continuing resolutions.

Multiple bills are packaged as omnibus legislation or year-long CRs. Lots of extraneous legislation is attached.

Omnibus and year-long CRs are negotiated by leadership and executive branch.
Delay in Submission of President's Budget

- Fiscal Year
- Delay in Submission

Delay in Submission of President's Budget

- Fiscal Year
- Delay in Submission

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Regular Order
Delay in Submission of Mid-Session Budget Review
Appropriation Delay

Distribution of Delays in Successful Appropriation Bills

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Regular Order
Appropriation Delays Since 2002

Distribution of Delays in Successful Appropriation Bills

Post 2002

Density

0

2

4

6

8

10

Months

0

2

4

6

8

10

Density

0.1

0.2

0.3

0.4

0

2

4

6

8

10

Months

Post 2002

Distribution of Delays in Successful Appropriation Bills

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Regular Order
Duration of Continuing Resolutions

Weighted by Appropriations Covered

Fiscal Year

Days


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Regular Order
524 possible appropriation bills from FY1974 to FY2014
429 successful bills (including those included in omnibus bills)
95 failures (CR for entire FY)
163 Continuing Resolutions from FY1974 to FY2014
Continuing appropriations for 1422 bills (many bills get multiple CRs)
Explanatory Variables

- **Polarization**
  - Across parties
  - Across branches
  - Across chambers

- **Budget rules and procedural adherence**

- **Economic conditions**

- **Other political factors**
Gramm-Rudman-Hollings of 1986
- Deficit targets enforced by sequester

Budget Enforcement Act of 1990
- Annual limits on discretionary spending
- Controls over increases in direct spending or decreases in revenues: “pay-as-you go” (PAYGO).
- Spending caps renewed in 1993 and 1997
- PAYGO ended in 2002

Budget Control Act of 2011
**Table: Preference Models**

<table>
<thead>
<tr>
<th>Model</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
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<tbody>
<tr>
<td>House-Senate Distance</td>
<td>-1.449</td>
<td>-3.311</td>
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<td></td>
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<td>Pres-House Distance</td>
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<td>-2.607</td>
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<td>(1.659)</td>
<td>(1.079)</td>
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<td>Pres-Senate Distance</td>
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<td>(1.075)</td>
<td>(1.060)</td>
<td>(1.060)</td>
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<tr>
<td>Maximum Distance</td>
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<td>-2.441</td>
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<td>Budget Enforcement Act</td>
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<td>Gramm-Rudman-Hollings</td>
<td>0.0941</td>
<td>-0.577</td>
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<td>(0.826)</td>
<td>(0.701)</td>
<td>(0.794)</td>
<td>(0.758)</td>
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## Table: Preference Models (cont)

<table>
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<tr>
<td>Lagged Surplus</td>
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<td>(0.0809)</td>
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<td>Lagged Growth</td>
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<td>Presidential Transition</td>
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<td>Presidential Election</td>
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<td>Delay in Budget Submission</td>
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<td>Delay in Mid-Session Report</td>
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<td></td>
<td>(0.952)</td>
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<td>Log-Likelihood</td>
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<td>-912.8</td>
<td>-898.3</td>
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</table>
Key Results

- Delays are considerably longer when there is inter-chamber and inter-branch conflict
- The BEA but not other regimes was associated with better performance
- Deficits are not associated with poor performance
- Performance in presidential election years is improved
- Mixed evidence on process
Outcomes

- Does the decline in regular order correlation with higher or lower spending?
- Does the decline in regular order contribute to higher deficits?
- Does the decline in regular order create policy uncertainty?
- Does the decline in regular order adversely affect administration?
### Table: Effect of Completed Appropriations on Change in Surplus

<table>
<thead>
<tr>
<th></th>
<th>Start of FY</th>
<th>Month 2</th>
<th>Month 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lagged Surplus</td>
<td>-0.241</td>
<td>-0.245</td>
<td>-0.242</td>
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<tr>
<td></td>
<td>(0.0762)</td>
<td>(0.0765)</td>
<td>(0.0763)</td>
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<tr>
<td>Percentage Complete</td>
<td>0.0750</td>
<td>0.270</td>
<td>0.0979</td>
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<tr>
<td></td>
<td>(0.570)</td>
<td>(0.602)</td>
<td>(0.556)</td>
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<tr>
<td>Growth Rate</td>
<td>1.231</td>
<td>1.223</td>
<td>1.236</td>
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<tr>
<td></td>
<td>(0.230)</td>
<td>(0.219)</td>
<td>(0.217)</td>
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<tr>
<td>BEA 1990</td>
<td>0.595</td>
<td>0.496</td>
<td>0.585</td>
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<tr>
<td></td>
<td>(0.463)</td>
<td>(0.506)</td>
<td>(0.468)</td>
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<tr>
<td>N</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.577</td>
<td>0.579</td>
<td>0.577</td>
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</tbody>
</table>
Complete Appropriations and Outlays

Appropriations Timing and Change in Total Outlays

Change in Outlays as % of GDP

Percentage of Appropriation Bills Complete in First Three Months of FY

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Regular Order
## Table: Effect of Completed Appropriations on Change in Outlays

<table>
<thead>
<tr>
<th></th>
<th>Start of FY</th>
<th>Month 2</th>
<th>Month 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lagged Spending</td>
<td>-0.238</td>
<td>-0.236</td>
<td>-0.238</td>
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<tr>
<td></td>
<td>(0.0652)</td>
<td>(0.0656)</td>
<td>(0.0652)</td>
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<tr>
<td>Percentage Complete</td>
<td>0.0521</td>
<td>0.120</td>
<td>0.0733</td>
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<tr>
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<td>(0.333)</td>
<td>(0.352)</td>
<td>(0.324)</td>
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<tr>
<td>Growth Rate</td>
<td>-0.800</td>
<td>-0.801</td>
<td>-0.797</td>
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<tr>
<td></td>
<td>(0.134)</td>
<td>(0.128)</td>
<td>(0.127)</td>
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<tr>
<td>BEA 1990</td>
<td>-0.504</td>
<td>-0.543</td>
<td>-0.514</td>
</tr>
<tr>
<td></td>
<td>(0.262)</td>
<td>(0.289)</td>
<td>(0.265)</td>
</tr>
<tr>
<td>N</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.633</td>
<td>0.634</td>
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</table>
Policy Uncertainty

- Index of search results from 10 large newspapers (USA Today, the Miami Herald, the Chicago Tribune, the Washington Post, the Los Angeles Times, the Boston Globe, the San Francisco Chronicle, the Dallas Morning News, the New York Times, and the Wall Street Journal).

- Articles containing the term ‘uncertainty’ or ‘uncertain’, the terms ‘economic’ or ‘economy’ and one or more of the following terms: ‘congress’, ‘legislation’, ‘white house’, ’regulation’, ‘federal reserve’, or ‘deficit’.

- Index has been shown to correlate negatively with investment and economic performance.
Policy Uncertainty

Fiscal Year

Policy Uncertainty

Policy Uncertainty - News Based

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Policy Uncertainty and Appropriation Delay

Appropriations and Uncertainty

Percentage of Complete Bills

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Table: Effect of Completed Appropriations on Policy Uncertainty

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
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<tbody>
<tr>
<td>Percentage Complete</td>
<td>-19.92</td>
<td>-21.64</td>
<td>-12.14</td>
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<tr>
<td></td>
<td>(5.295)</td>
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<tr>
<td>Polarization</td>
<td>109.1</td>
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<tr>
<td></td>
<td>(28.13)</td>
<td>(28.46)</td>
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<tr>
<td>International Conflict</td>
<td>43.16</td>
<td>40.49</td>
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<td></td>
<td>(8.327)</td>
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<tr>
<td>Lagged Surplus</td>
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<td></td>
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<td>(0.696)</td>
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<tr>
<td>Lagged Growth Rate</td>
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<td>(3.140)</td>
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<tr>
<td>N</td>
<td>357</td>
<td>357</td>
<td>339</td>
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<tr>
<td>R-Squared</td>
<td>0.0383</td>
<td>0.136</td>
<td>0.258</td>
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</table>

Data from Baker et al (2013)
Appropriation Delay and Agency Turnover

Predicted Probability of Leaving for the Private Sector

From Federal Employment Viewpoint Survey 2010-2014
Although there were rough patches in appropriation politics in earlier era, there is some evidence that polarization has contributed to a less functional budgetary process.

There appears to be an association with unfinished appropriation bills and Davis et al's measure of policy uncertainty.

- While there may be issues with causal interpretation, the magnitude is large enough to be associated with substantial macroeconomic effects
- Difference between 0 and 100

Polarization has a large direct effect on uncertainty (.6)

Very preliminary evidence that policy uncertainty may have a negative effect on administrative capacity