

## **BASELINE BUDGETING VS. ZERO-BASED BUDGETING**

### **INTRODUCTION**

The Congressional Budget Office (CBO) publishes baseline budgets that project the amount of money the government will receive in taxes and the amount it will spend, according to current law, for the next ten years. Congress uses these estimates when it's making decisions for discretionary or mandatory programs. Baseline budgeting leads to increased spending, inefficient programs, and misleading claims of savings

Zero-based budgeting is an alternative that does not assume automatic increases in funding. Advocates of this approach believe it is better suited to promoting efficiency and controlling the cost of federal programs.

### **HOW DOES BASELINE BUDGETING WORK?**

The Balanced Budget and Emergency Deficit Control Act of 1985 prescribed the rules for calculating the receipts, spending, and discretionary outlays for a fiscal year. The law defines baseline budgeting as a process that uses last year's budget as a benchmark for future spending. economic growth (1).

#### **Problems with Baseline Budgeting**

- 1. Higher Spending:** Baseline budgets assume that the size of federal programs will grow each year. So, even if Congress does nothing, Americans will have to pay more for government programs. When new programs are created, they become part of the baseline, resulting in higher costs for the next year.
- 2. Inefficient Programs:** Under baseline budgeting, Congress only needs to approve changes to last year's budget rather than approving each item for the next year. This means agencies aren't motivated to make their programs more effective in the future. If they spend more, they'll simply receive more funding next year. As a result, many ineffective programs are extended. Each year government auditors find countless programs that don't work yet still receive taxpayer dollars.
- 3. Misleading Claims of Savings or Cuts:** Baseline budgeting allows politicians to make misleading claims about savings and to demonize reductions in the rate of increase as "slashing spending." Even when Congress claims they're cutting spending or finding savings, they're often only talking about reductions in increases.

### **WHAT IS ZERO-BASED BUDGETING?**

Zero-based budgeting is an alternative that allocates funding based on program efficiency and necessity rather than historical spending. Zero-based budgeting starts the budget process at a baseline of zero and rejects the idea that program should always receive at least what they have in the past. Instead, each program must justify its existence. Every federal program or agency must analyze its operations and provide Congress with reasons why and how much funding it should receive.

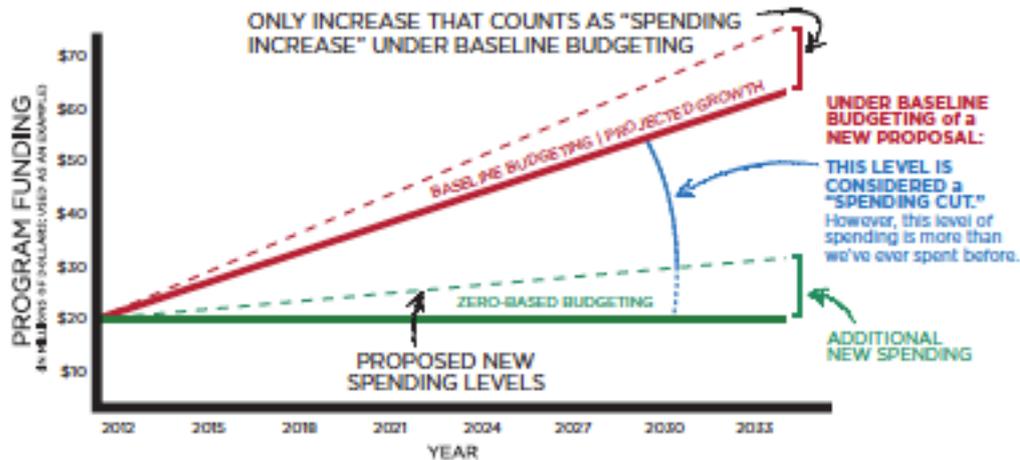
### **QUICK FACTS**

- Baseline budgeting allows policy makers to claim credit for spending cuts without making real cuts.
- Zero-based budgeting requires that policy makers justify their spending choices annually providing real oversight to the budgeting process.

### **NOTABLE & QUOTABLE**

"Under zero-based budgeting, every program and expenditure is reviewed at the beginning of each budget cycle and must be justified in order to receive funding. No spending is taken for granted."

- **Randy Hultgren,**  
Representative (R-IL)



### Benefits of Zero-based Budgeting

1. *Cost Saving:* Zero-based budgeting encourages Congress to only pay for necessary and efficient programs. Rather than accepting automatic increases in government spending, programs are individually evaluated to determine their funding needs. This will limit spending growth.
2. *More Efficient Government:* Zero-based budgeting forces agencies and bureaucrats to analyze their operations on a regular basis. They must submit statements to CBO regarding the priority of each function of a program, and a description of what can be deleted, added, or revised. This gives agencies a better idea of what will make their programs efficient.
3. *Government Accountability:* By creating a budget from a baseline of zero, Congress and the President will be held more accountable. Elected officials will no longer be able to claim “cuts” when they are actually increasing spending. As a result, the budget process will become more transparent and reliable.

### CONCLUSION

Baseline budgeting gives Congress a skewed means by which to analyze the effects of legislation on the budget, creating a variety of problems such as increased spending, inefficient programs, and misleading claims of savings. As long as the process simply ties spending to previous outlays and current legislation, we must be wary of using it to draw conclusions about our fiscal health. Instead, zero-based budgeting is a tool we could use to encourage federal programs and agencies to be more accountable and efficient.

#### Endnotes:

1. Bill Heniff Jr. Baselines and Scorekeeping in the Federal Budget Process, CONGRESSIONAL RESEARCH SERVICE (Dec. 2006) (online at <http://democrats.rules.house.gov/archives/98-560.pdf>)

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