The Decline of Regular Order in Appropriations: Does It Matter?*

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December 12, 2014

Abstract

Key Words: appropriations process

*I thank Jeff Jenkins, Eric Patashnik, and the participants from the conference on Congress and Policy Making in the 21st Century.

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1 Introduction

Political scientists often teach a very idealized version of the congressional budget and appropriation process known as the "Regular Order." As codified in the Congressional Budget and Impoundment Control Act of 1974, the process should unfold in a very precise way. The president initiates the process by presenting a budget request for the following fiscal year on or before the first Monday in February. The action then moves to Congress where the House and Senate pass budget resolutions that contain spending allocations, known as 302(a), for each appropriation jurisdiction. According to the textbook, the House and Senate then will use a conference committee to iron out any cross-chamber differences. Following the passage of the budget resolution, appropriation committees formulate 302(b) suballocations for each subcommittee that then produces its own appropriation bill. These proposals come to floor as individual bills that contain only appropriations. Any House-Senate differences in their respective appropriation bills are ironed out in conference. After conference reports are passed, the president signs them into law well before the beginning of the fiscal year on October 1.[1]

But over the past several years, the process is best described as the "Regular Disorder." The president often misses the early February target for his budget request. With increasing frequency, the House and Senate fail to pass a budget resolution. Even when both chambers pass budget resolutions, conference committees are rarely convened so that the differences between the two resolutions are never reconciled. Over the past decade, very few appropriations bills have passed before the beginning of the fiscal year. More commonly, governmental activities are funded for many months through continuing resolutions (CRs). Occasionally, all federal spending for an entire year is provided under CRs. When appropriation bills do pass, they are often packaged together as omnibus bills that are nego-

[1]The fiscal year began on July 1 until 1977. See Tollestrup (2013) for a thorough discussion of these procedures.

tiated by party leaders and the president, thus circumventing the role of the appropriation committees. These omnibus bills have increasingly become vehicles for non-appropriation legislative initiatives.

In this chapter, I examine trends in what I will call the *procedural fiscal performance* of Congress and the president. In doing so, I evaluate several hypotheses about why the regular order in Congressional budgeting and appropriations has fallen into disuse. While the question has many angles and dimensions, I consider three aspects. First, I consider changes in the use of presidential budgets and congressional budget resolutions. When do presidents make their proposals? Do the House and Senate pass and reconcile resolutions? Then I consider the timing of the passage of appropriations bills and the use of continuing resolutions. Why is Congress more frequently tardy in passing appropriations and to what extent have continuing resolutions and omnibus bills become a substitute for the traditional 12 or 13 stand-alone appropriations.

Finally, I take up the question of the extent to which the decline of regular order has affected fiscal outcomes. Has the more irregular process undermined the ability of Congress and the President to manage the government's finances? Has it created more policy uncertainty that detracts from government performance and spooks private economic actors?

2 Some Hypotheses

There has been very little systematic work exploring why adherence to the regular order in fiscal policy making has declined so markedly. Many scholars, however, have noted substantial changes in a wide array of congressional practices that can be attributed to heightened levels of partisanship and ideological conflict in Congress.[2] But most of this

[2]Mann and Ornstein (2006), McCarty, Poole and Rosenthal (2006), McCarty (2007), Smith (2010), and Sinclair (2006).

work has focused on general legislative procedures and has not focused specifically on budget and appropriations processes.

In fact, there has been relatively little recent work on Congressional budget and appropriation politics. An important exception is Woon and Anderson (2012) who study the determinants of the timing of the passage of appropriation bills. Their focus, however, is using appropriation delay to test the implications of several policy bargaining models whereas mine is on how congressional performance has changed over time. Nevertheless, their study is extremely useful in addressing the declining adherence to the regular order. Several of Woon and Anderson's hypotheses suggest plausible mechanisms for the increased propensity of Congress to miss budgetary and appropriation deadlines.[3]

Their basic framework is a bargaining model with incomplete information. Such models predict that bargaining between pivotal actors may fail to produce a timely agreement if the preferences of those political actors diverge significantly.[4] Such a prediction suggests a connection between appropriation delay and rising levels of political polarization. Rising polarization leads to greater divergence between the President and Congress during divided government and greater divergence across chambers and appropriation committees when there is split party control of Congress. Moreover, due to the cloture rule in the Senate, appropriation gridlock may be larger as a result of polarization even during unified party government.[5]

Woon and Anderson also argue that budget enforcement rules such as those contained in the Balanced Budget and Emergency Deficit Control Act of 1985 (aka the Gramm-Rudman-Hollings bill) and the Budget Enforcement Act of 1990 help facilitate timely completion of

[3]In a recent paper, (Hanson 2013) argues that the Senate leaders of weak majority parties will depart from the regular order by combing several appropriation bills into an omnibus package. Such a maneuver helps insulate the package from minority party amendments. He does not, however, connect his theory to the central concern of this paper - delayed passage of appropriation bills.

[4]See (Cameron 2000) and (Cameron and McCarty 2004) for a discussion and other applications of policy bargaining with incomplete information.

[5]See Krehbiel (1998) and McCarty (2007).

appropriation bills. They argue such procedures contain enforced spending caps that reduce the discretion of Congressional majorities and appropriators. With less discretion, there are fewer incentives to engage in the tough negotiation strategies that lead to bargaining failure and delays. Below I will reexamine these hypotheses and explore whether they help account for changing congressional procedural fiscal performance.

I am unaware of any work in political science which examines whether procedural fiscal performance has a significant impact on fiscal outcomes such as spending levels or deficits. Despite popular concern about the impact of congressional dysfunction, the relationship between appropriation delays and fiscal outcomes is not clear. Because delayed appropriation bills generally lead to continuing resolutions that maintain spending at the previous year's level, delays in the passage of appropriation bills may have a dampening impact on spending and deficits. Alternatively, failures in appropriation bargaining might be symptomatic of strongly divergent spending priorities that can only be reconciled by higher levels of aggregate spending. McCubbins (1991), for example, argues that divided government combined with the clash of Republican priorities of tax cuts and defense spending and Democratic demands for social spending contributed to the large deficits of the 1980s.

A potential effect of budgetary dysfunction is the uncertainty that it creates for the economy. Baker et al. (2014) show that their measure of economic policy uncertainty has grown markedly over the past fifty years, more or less in tandem with increased levels of partisan polarization. They speculate that policy uncertainty and polarization are linked through the effect of polarization on the "capacity of policy makers to address pressing problems." Plausibly, delayed passage of appropriation bills may be one of the links between polarization and economic uncertainty. Unfinished appropriations may result in uncertainty about aggregate government spending and deficits as well as adverses effects industries that are heavily dependent on government contracts.

I now turn to documenting the trends in procedural fiscal performance, investigating

the hypotheses behind its deterioration, and evaluating its consequences.

3 Budget Proposals

In this section, I examine historical trends in the timing of presidential budget proposals and congressional budget resolutions. Currently, presidents are required to make budget proposals before the first Monday in February. That deadline has varied over time, however. The Budget and Accounting Act of 1921 set a deadline of the first day of the regular congressional session.[6] In the 1950s the deadline was changed to be proposed in the first 15 days of the session. In the 1980s, the deadline was moved up to the first Monday after January 3, but in 1990 the current rule of the first Monday in February was established.

Figure 1 demonstrates the timing of presidential budget requests since Fiscal Year 1923 (the first year such a submission was required under the Budget and Accounting Act of 1921). Note that budget submission delays were almost unheard of prior to the late 1970s.[7] In fact, the modal pattern of the 1950s and 1960s was for the budget to arrive on Capitol Hill a few days early except for the initial budgets of new administrations. But late budgets remain relatively rare. Other than the first budgets of new administrations, there have been five late budgets, including the last three. The timing of new administration budgets does not exhibit any clear trend.

While delays in the presentation of the initial budget have been rare, presidential administrations have not performed as well in meeting other deadlines required by law. Beginning with the Legislative Reorganization Act of 1970, presidents are required to submit a "Mid-Session Budget Review" to Congress with updated information concerning the ad-

[6]Before the passage of the 20th Amendment, regular congressional sessions typically began in December. So the budget request for fiscal year 1923 was due in December of 1921.

[7]The only exception was FY1955 when President Eisenhower missed the deadline by a single day.

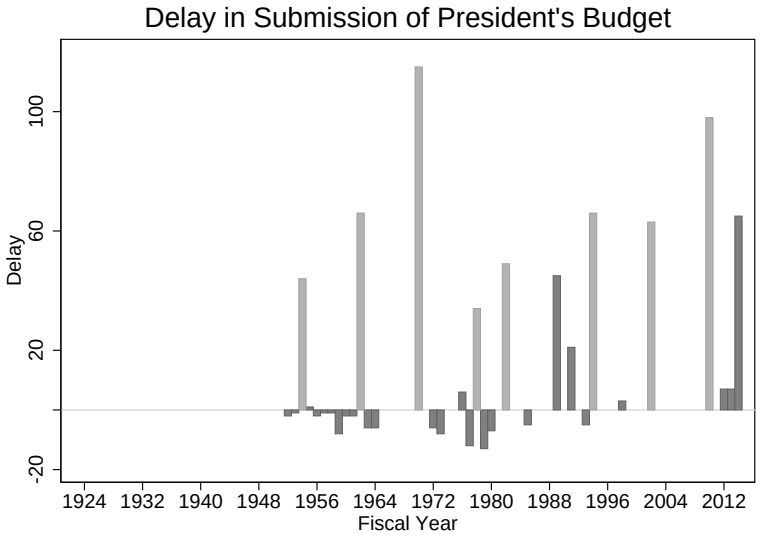

Figure 1: Each annual observation shows the number of days after the deadline that the president's budget is submitted. Negative numbers are early submissions. The lighter bars are the first budgets of new presidential administrations.

ministration's budgetary request.[8] This report is now due on July 15.[9]

Figure 2 reports the number of days beyond the deadline each review was submitted (negative numbers reflect early submissions). Clearly, substantial delays are common, including delays of up to 50 days and therefore arriving less than a month before the beginning of the fiscal year. There is no clear pattern to these delays, however. Long delays were uncommon until the 1980s under Ronald Reagan but rare under the both George Bushes. President Clinton's submissions were either very late or very early. Substantial delays have characterized the Obama Administration. In a later section I consider evidence of whether presidential delays in submitting the budget or the mid-term reviews delays the ultimate passage of appropriation bills.

In summary, delays in the submission of budget proposals are a fairly recent phenomenon

[8]P.L. 91-510, 84 Stat. 1140

[9]Prior to the change of the start of the fiscal year from July 1 to October 1 in FY1977, the deadline for the mid-session review was June 1.

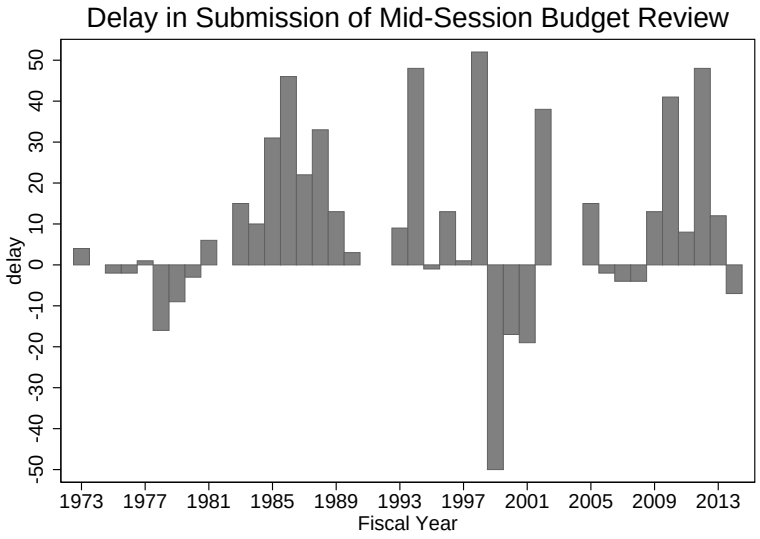

Figure 2: Each annual observation shows the number of days after the deadline that the president's mid-session review is submitted. Negative numbers are early submissions.

and so are unlikely causes of the longer term breakdown in the budget and appropriations process. Under the Obama Administration, however, an older pattern of delayed mid-session reviews was revived.

4 The Budget Resolution

After the president submits a budget, both chambers of Congress go to work on a budget resolution. Under "regular" order, both chambers pass resolutions and the differences are reconciled by a conference committee.

Congressional performance in this stage of the process shows clear deterioration over time. Figure 3 plots the number of stages successfully reached for each annual budget resolution. These possible stages are House passage, Senate passage, House passage of conference report and Senate passage of conference report. From 1976 to 1998, Congress successfully cleared all four of these hurdles. Since then there has been a completed budget

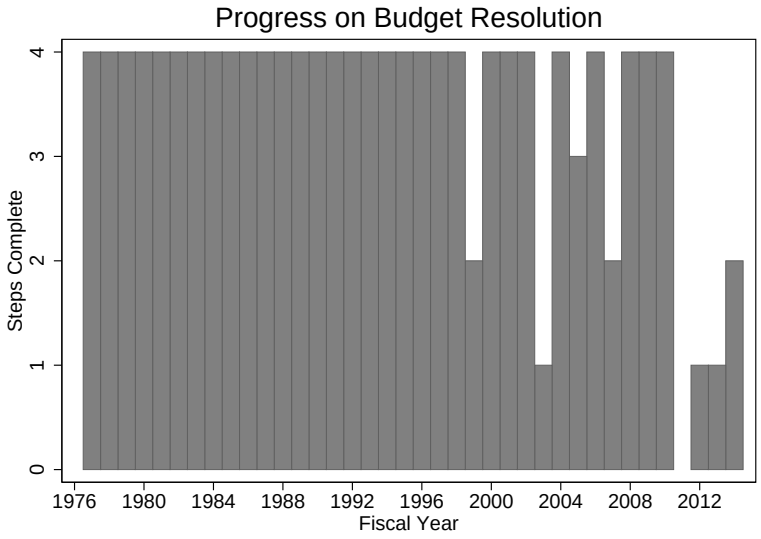

Figure 3: The progress of each annual budget resolution is scored from zero to four. Passage of an initial resolution by either chamber scores one point and the passage of a conference report by either chamber scores one point.

resolution in only 8 of 16 years. In 2011, neither chamber passed its own budget resolution.[10]

But other than the obvious time trend, no other clear pattern emerges. Divided or unified party government does not seem to play a role. The perfect success rate up to 1998 covers both divided governments (FY1977, FY1982-FY1993, and FY1996-FY1998) and unified governments (FY1978-FY1981 and FY1994-FY1995). The budget resolution survived split party control of Congress from FY1982 to FY1988. Since 1998, resolutions have both succeeded and failed during divided and unified governments, but have failed more often during unified governments. No split party congress over this period has successfully passed a budget resolution, however. Because the president's signature is not required and budget resolutions are not subject to filibuster, it is somewhat surprising that there are so many instances where single party control of Congress failed to result in a successful budget resolution.

[10]See Lynch (2013) for a discussion of the FY2011 budget politics.

5 Appropriation Bills

Under the "regular order," appropriators go to work to allocate funds according to the budget resolution.[11]

If appropriation bills are not passed by the beginning of the fiscal year, Congress and the president must agree to a continuing resolution (CR) or face a government shutdown such as the ones that occurred in 1995-1996 and 2013. Generally, CRs continue the funding levels of the previous fiscal year, but many also include some modifications of spending levels. CRs often contain changes to the authorizing statutes, and because they are often "must" pass legislation, unrelated legislation is often attached.[12]

Consequently, delays in the passage of appropriation bills and the resulting "governing by CR" has drawn wide concern. Late appropriation bills are said to create budgetary uncertainty for government agencies and private actors, reduce the ability to adjust to new spending priorities, undermine the role of committee expertise, and weaken fiscal governance.[13]

In this section, I consider the factors that lead to delayed passage of appropriation bills. Woon and Anderson (2012) conduct a very similar analysis, but the analyses differ in substantial ways reflecting different research concerns. Woon and Anderson (2012) use delay in appropriations to test a general theory of policy bargaining, whereas I am primarily concerned with explaining longer term changes in congressional behavior. Nevertheless, I draw heavily on their insights.

[11] If a chamber has not passed its budget resolution, it may pass a "deeming resolution" which contains temporary 302(a) allocations. See Lynch (2013). In 2011, the Senate passed neither a budget nor a deeming resolution.

[12] See Tollestrup (2013) p. 21 and White (1988).

[13] See White (1988), Devins (1988) and Hanson (2013).

5.1 Appropriation Delays

To measure the trends in the propensity to begin a fiscal year without completed appropriation bills, I compiled data on each regular appropriation bill for FY1974 to FY2013 from `http://thomas/loc.gov` and `http://www.gpo.gov`. To measure delay, I simply compare the date of final passage with the start date of the fiscal year. I consider an appropriation bill to have passed if it is signed by the president as a stand-alone appropriation bill or as a separate title of an omnibus appropriation bill. Thus, I do not count continuing resolutions that set fund levels for the remainder of the fiscal year. This is a departure from Woon and Anderson (2012). Because they are interested in measuring the duration of bargaining, they sensibly count year-long CRs as the culmination of the negotiations for the fiscal year. I, on the other hand, am interested in compliance with the regular order. So it is important to draw a distinction between passing appropriation bills and finishing the fiscal year under a CR. There are, however, some difficult coding decisions. In FY1987 and FY1988, omnibus appropriation bills were passed in the form of a CR so that changes to authorizing legislation to be included. I continue to count these as CRs rather than successful appropriation bills since the procedures deviated from the regular order.

My data is based on 512 possible appropriation bills from FY1974 to FY2013.[14] Of these, 408 were passed as stand-alone or omnibus appropriation bills. That leaves 104 "failures" – appropriation jurisdictions that were funded by CRs for the entire fiscal year.

Figures 4 and 5 present the distribution of appropriation delays in months.[15] Figure 4 presents the data for the entire sample. Appropriation delays are the norm. Fewer than 15% of all appropriation bills passed prior to the beginning of the fiscal year. The modal month of passage is during the third month of the fiscal year (currently December). But a substantial share of bills pass in months 4, 5 and 6.

[14] There were 13 possible appropriation bills from FY1974 to FY2005 and 12 from FY2006 to FY2013.

[15] In both figures, a delay of zero is assigned to any bill passed prior to the start of the fiscal year.

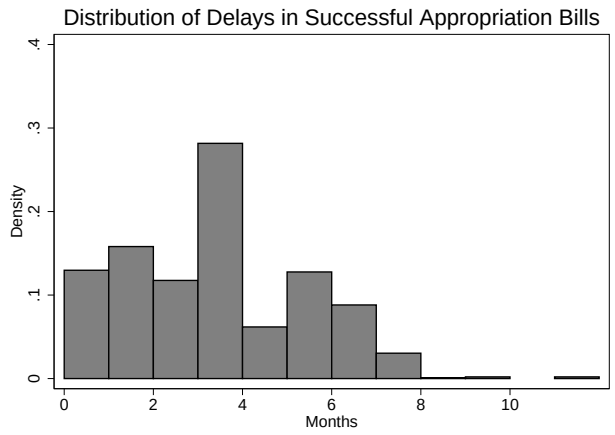

Figure 4: **Distribution of Delays in Successful Appropriation Bills: 1974 -2013**

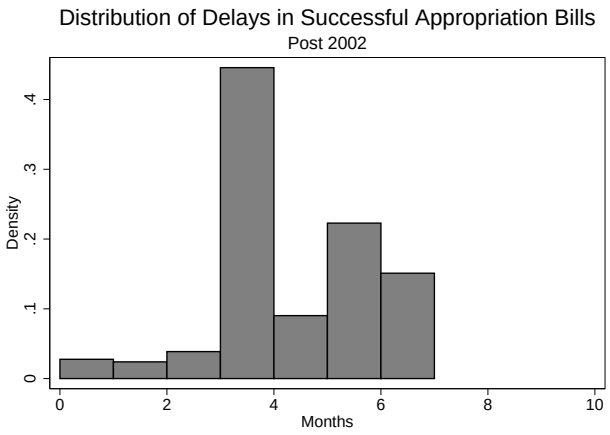

Figure 5: **Distribution of Delays in Successful Appropriation Bills: 2002 -2013**

Figure 5 shows the distribution of delays since 2002. Clearly, delays have become much more common. Very few appropriation bills have been completed on time since 2002 and the frequency of delays exceeding two months has gone up dramatically.

Figure 6 presents the trends in appropriation delay in a different way. The figure plots the percentage of the 12 or 13 appropriation bills that have passed prior to each month since 1984. A lowess line has been added to aid in identifying the trends. The increased frequency of spending much of the fiscal year without appropriations. Over the past few years, there have been very few months for which more than 40% of the appropriation bills were in effect. But the figure also demonstrates that the current period of poor performance is not unprecedented. Delayed appropriation bills were also quite common in the 1980s.[16] These non-monotonic trends suggest that the current difficulties are more than simply a reflection of longer term trends such as partisan polarization.

Not surprisingly, these patterns of late appropriation bills generate patterns in the usage of continuing resolutions. But as Figure 7 shows there are substantial differences in the

[16]The number of months without appropriation bills in the 1980s is clearly increased by my decision not to treat the spending packages of FY1987 and FY1988 as successful appropriation bills. But because those packages were substantially delayed, the figure would not look qualitatively different if I treated those cases as omnibus appropriations rather than year-long CRs.

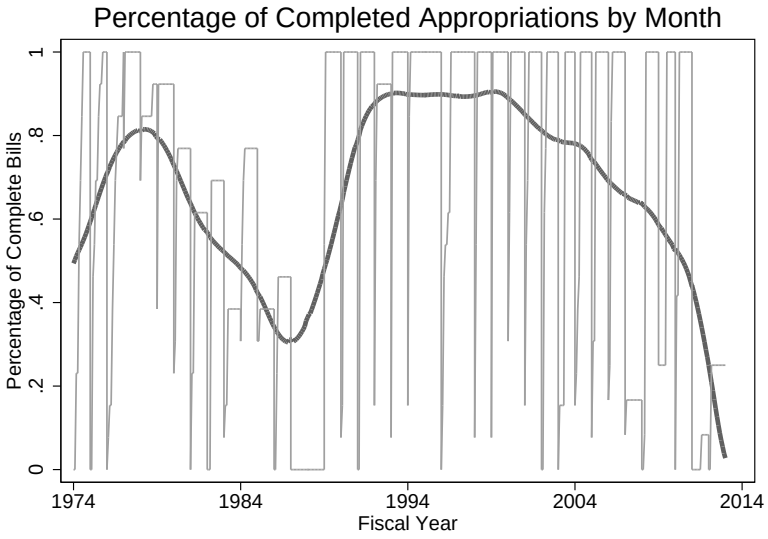

Figure 6: **Completed Appropriations by Month** The level of the line reflects the proportion of appropriation bills that have been completed in each month of the fiscal year. The darker line is a lowess smoother.

usages of CRs that are not quite accounted for by delayed appropriation bills. In the 1970s, CRs were less numerous but longer than those of recent years. This reflects the fact that CRs were more often used as a mechanism for crafting omnibus legislation that included appropriation and authorization legislation than as stop-gap measures when appropriation bills were not passed on time. In the 1990s, the low point for appropriation delays, CRs were frequent but very short in nature. But over the past decade, CRs were frequently employed and have increased markedly in duration. From FY1991 through FY2002, the median CR lasted only 7 days. Since FY 2003, the median has been 21 days.

6 The Correlates of Appropriation Delay

I turn now to developing a statistical model of the factors that correlate with the delayed passage of appropriation bills. To facilitate the ease of interpretation, I model the probability of reaching agreement in fiscal month t conditional on not reaching agreement prior

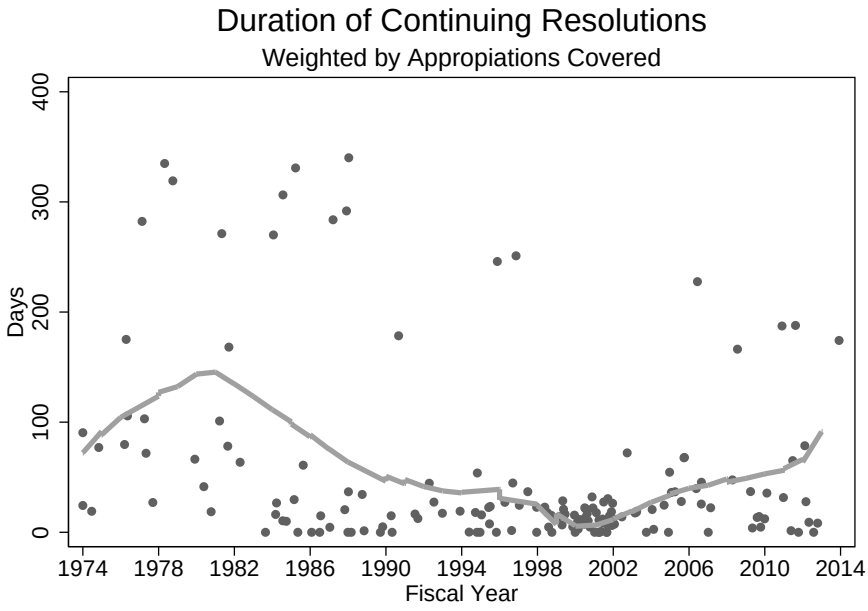

Figure 7: **Duration of Continuing Resolutions FY74 to FY13.**

to month t. The simplest way to estimate this model is to specify a logit model on all of the observations of incomplete appropriation bills. For example, suppose the Defense appropriation bill passes in November of FY t (the second month of the fiscal year). Then the data set would contain three observations for the Defense appropriation bill at t: one each for pre-October, October, and November. The binary indicator for completing an appropriation for these observations would be 0, 0, and 1, respectively. All monthly observations for the Defense appropriation bill after November are dropped from the data set.

To capture time dependence in a flexible way, I include fixed effects for each month of the fiscal year. These fixed effects capture the baseline "hazard rates" for each month independent of the covariates.[17] I also include fixed effects for each appropriation jurisdiction.[18]

[17]My approach, therefore, is roughly equivalent to the Cox Proportional Hazard model.

[18]The jurisdiction fixed effects help control for how the content and programs in each area may induce more or less conflict in bargaining. See Woon and Anderson (2012).

6.1 Preference Divergence

Woon and Anderson (2012) present a formal model and evidence that demonstrates that appropriation bills are more likely to be delayed as a result of divergent preferences across those who are negotiating. I will measure preference divergence in two ways. First, I use "common space" DW-NOMINATE to compute measures of the preference differences across chambers and branches.[19] I use four separate measures: the average distance between the House and Senate, the average distance between the House and President, the average distance between the Senate and President, and the maximum of these distances. As a robustness check, I also use partisan indicators for preference divergence using measures such as divided government and split party control of Congress. To capture the possibility that the partisan indicators might represent greater divergence in recent years due to partisan polarization, I interact them with polarization measured as the average distance between the two parties in the House on the common space DW-NOMINATE scores.

6.2 Budgetary Enforcement Rules

Budget enforcement rules may also play a role in congressional performance on appropriations. Rules may support prompt action on appropriations in a variety of ways. Rules that reduce the discretion of appropriators may serve to minimize the probability of bargaining failure by reducing the scope of conflict. Internal procedures may also provide incentives for appropriation committees to be first- or last-movers depending on enforcement rules.

I test for the effects of two different budget enforcement regimes. The first is the Balanced Budget and Emergency Deficit Control Act of 1985, better known by the names of its Senate co-sponsors Gramm-Rudman-Hollings (GRH). The key mechanism underlying GRH was specified deficit targets enforced by cross-the-board sequester. As a deficit cut-

[19] Poole (2000).

ting tool, *GRH* has generally been deemed a failure, but it did set a precedent for reducing the discretion of appropriators.[20]. *GRH* may also have perversely enhanced the incentives to delay reporting appropriation bills out of subcommittee. Former appropriations subcommittee chair, David Obey warned

> so long as Gramm-Rudman is on the books there is an incentive for every committee around here not to bring their bill out to floor, because even if they cut their own bill and meet the spending limitations required under a budget resolution, that does not guarantee that every other committee will perform, and so they can wind up having their bill cut twice.[21]

Therefore, any effect of *GRH* in reducing the scope of legislative conflict may have been offset by this last-mover advantage. I include an indicator for fiscal years 1985 to 1990 to capture the net effects of *GRH*.

Following the failure of the *GRH* mechanisms, Congress passed the Budget Enforcement Act of 1990 (*BEA 90*). The *BEA 90* had three important features: adjustable deficit targets, annual limits on discretionary spending, and statutory 'pay-as-you go' (PAYGO) rules that require offsetting tax increases or spending cuts for measures that increase the deficit.[22] The discretionary spending caps were renewed in 1993 and 1997. PAYGO was extended in 1997, but ended in 2002. Therefore, I include an indicator for the fiscal years 1991 to 2002 to capture the effects of the *BEA 90*.

[20] Schick (2008)

[21] 134 CONG. REC. H68-69 (daily ed. Feb. 2, 1988) from Devins (1988).

[22] Unlike legislative rules-based PAYGO which are enforced by points of order, statutory PAYGO measures are enforced by the Office of Management and Budget which is empowered to employ sequesters to offset violations.

6.3 Fiscal and Economic Conditions

The timing of appropriation bills may also be influenced by current fiscal and economic conditions. Large deficits may increase the salience of conflicts over spending priorities and contribute to delayed passage. Conversely, periods of economic growth produce more resources for the government and may lessen conflict over spending. To capture these effects, I include two variables: the federal budget deficit from the previous year and the GDP growth rate from the previous quarter. My expectation is that deficits reduce the likelihood of passage in a given month while GDP growth increases it.

6.4 The President

I also include a number of controls to capture the presidential impact on the process. As discussed above, presidents may be responsible for poor procedural performance by delaying budgetary submissions and reports. So I include two variables measuring the number of days the administration misses the deadline for the initial budget proposal and the deadline for the mid-session review.[23] Clearly, however, one must be careful in interpreting the correlations between these variables and delayed appropriations as causal. Presidents may delay proposals and reports based on expectations of conflict or there may be omitted variables correlated with both delayed presidential action and delayed congressional action.

Presidential transitions may also affect the procedural fiscal performance. Such transitions may be times of greater than normal policy change which may generate more conflict and complexity in fiscal policy making. But transitions may also correspond to presidential "honeymoons" where deference to presidential priorities might facilitate quicker action on appropriations. While I lack a clear prediction about the direction of the correlation, I include an indicator for the first fiscal year of a new presidential administration. For

[23]Because these variables are highly skewed, I set all 0 and all negative values to 1 and take the natural logs of number of days.

similar considerations, I also include an indicator for the six months prior to a presidential election.

6.5 Results

Tables 1 and 2 report the estimates from the preference- and party-based models, respectively. I begin with the preference model. In model 1, separate coefficients are estimated for the distances between the House and Senate medians, the President and the House median, and the distance between the President and the House median. When all three of these distance measures are included, none are statistically significant. But because all of these distance measures are highly correlated, multicollinearity is clearly an issue. Therefore, models 2-4 include a single preference measure. In each model, the preference measure has a statistically significant negative coefficient. To gauge the substantive magnitudes of these effects, consider a appropriation bill that would have a monthly conditional probability of passage of .5 at the minimum of the distance measure. Model 2 suggests that moving to the maximum value of the House-Senate difference would reduce the monthly probability of passage of that benchmark bill to .11. The respective values for the maximum values of the President-House and President- Senate distances are .11 and .22. In model 5, I replace the individual measures with the maximum of the three distances. The estimate of the maximal difference has an effect almost equivalent to that of the President-House distance.

Table 2 presents results from the party model which are quite complementary. In model 6, the presence of a split party Congress or divided government reduces the likelihood of successful passage. If an appropriation bill has a monthly probability of passage of .5 under a single party congress (unified government), it has only a .28 (.33) probability under split party control (divided government). Party polarization is also associated with a reduction in the likelihood of passage. An appropriation bill that passed with .5 at the minimum level of polarization is predicted to pass with probability of .30 at the maximum value. In model 7, I

add an interaction between divided government and polarization. This coefficient suggests that polarization has enhanced the negative effect of divided government on procedural performance.[24] At the lowest level of polarization, the coefficient on divided government is a negligible -.144 (a .03 effect at a baseline of probability of .5). But at the maximum value of polarization, divided government leads to a .18 passage probability in situations where unified government would have produced a .5 monthly passage probability. Unlike the results using ideological distances, the estimated effects of party control and polarization are not very robust to inclusion of the measures for presidential budget delays (models 8 and 9). This suggests that at least part of the impact of divided government and polarization is produced by the president's behavior on the mid-session review.

I turn now to the findings on budget enforcement rules. Like Woon and Anderson (2012), I find that the Gramm-Rudman-Hollings procedures had no effect on procedural performance. But I find a large and robust impact of the 1990 Budget Enforcement Act. Based on these estimates, the effects of the BEA are large enough to raise the monthly passage probability from .5 to more than .8. But we must be concerned about the possibility that the BEA indicator is simply proxying for other unmeasured features of the 1990s. To test this possibility, I consider a number of placebo dates by shifting the twelve year window forward and backward from the actual dates of FY1991 to FY2002. Based on the estimated log-likelihood and the magnitude of the placebo BEA coefficient, the best fitting twelve year window is FY1989 to FY2000. That the improved performance came before the BEA, suggests that factors other than the BEA may also have played a role in the procedural performance of the 1990s.[25]

The estimated effects of fiscal and economic conditions are also quite consistent across

[24]Due to the multicollinearity generated by the interaction, the coefficient on the interaction effect falls just short of statistical significance. But divided government, polarization, and the interaction are highly significant jointly.

[25]Importantly, when the dates are backshifted two years, they capture the last two years of the *GRH* regime. So it is also possible that *GRH* had a lagged effect on procedural performance.

Table 1: Preference Models

	Model 1	Model 2	Model 3	Model 4	Model 5
House-Senate Distance	-1.815	-4.612			
	(1.946)	(1.750)			
Pres-House Distance	-2.410		-2.729		
	(1.739)		(1.133)		
Pres-Senate Distance	0.306			-1.814	
	(1.076)			(1.131)	
Budget Enforcement Act	1.413	1.232	1.502	1.456	1.433
	(0.466)	(0.401)	(0.417)	(0.404)	(0.410)
Gramm-Rudman-Hollings	0.226	-0.462	0.483	0.236	0.346
	(0.844)	(0.691)	(0.750)	(0.730)	(0.709)
Lagged Surplus	0.0492	0.00807	0.0675	0.0763	0.0797
	(0.0791)	(0.0690)	(0.0786)	(0.0902)	(0.0811)
Lagged Growth	0.328	0.258	0.334	0.255	0.312
	(0.194)	(0.204)	(0.195)	(0.188)	(0.183)
Presidential Transition	-0.391	0.228	-0.544	-0.211	-0.454
	(0.971)	(1.072)	(0.918)	(1.012)	(0.921)
Presidential Election	1.105	1.026	1.136	1.103	1.117
	(0.472)	(0.446)	(0.476)	(0.495)	(0.495)
Delay in Budget Submission	0.234	0.100	0.276	0.217	0.257
	(0.254)	(0.276)	(0.238)	(0.249)	(0.238)
Delay in Mid-Session Report	-0.300	-0.217	-0.354	-0.366	-0.334
	(0.143)	(0.129)	(0.123)	(0.129)	(0.119)
Maximum Distance					-2.549
					(1.015)
N	2284	2284	2284	2284	2284
Log-Likelihood	-851.2	-860.8	-853.5	-867.9	-854.7

Standard errors in parentheses

Probit models of the probability of successful passage of appropriation bill in month t conditional on not passing by end of month *t-1*. Month and jurisdicion indicators not reported.

Table 2: Party Models

	Model 6	Model 7	Model 8	Model 9
Split Congress	-0.906	-0.844	-0.654	-0.622
	(0.440)	(0.457)	(0.447)	(0.459)
Divided Government	-0.675	2.856	-0.860	1.598
	(0.466)	(2.516)	(0.456)	(2.384)
Polarization	-3.040	-0.249	-1.596	0.241
	(1.683)	(2.860)	(2.114)	(2.824)
Budget Enforcement Act	1.426	1.543	1.658	1.718
	(0.395)	(0.400)	(0.439)	(0.439)
Gramm-Rudman-Hollings	-0.521	-0.530	0.126	0.0636
	(0.740)	(0.742)	(0.801)	(0.808)
Lagged Surplus	0.0861	0.116	0.0552	0.0767
	(0.0559)	(0.0616)	(0.0708)	(0.0706)
Lagged Growth	0.281	0.299	0.239	0.253
	(0.175)	(0.175)	(0.214)	(0.210)
Presidential Transition	0.531	0.568	-0.0587	0.0147
	(0.394)	(0.414)	(1.055)	(1.101)
Presidential Election	0.663	0.741	0.877	0.914
	(0.450)	(0.435)	(0.438)	(0.427)
Polarization x Divided		-5.020		-3.464
		(3.516)		(3.229)
Delay in Budget Submission			0.213	0.194
			(0.271)	(0.279)
Delay in Mid-Session Report			-0.247	-0.229
			(0.140)	(0.140)
N	2284	2284	2284	2284
Log-Likelihood	-856.7	-852.8	-845.1	-843.2

Standard errors in parentheses

Probit models of the probability of successful passage of appropriation bill in month t conditional on not passing by end of month *t-1*. Month and jurisdiction indicators not reported.

the preference and party models. I find no evidence that the magnitude of the previous years surplus or deficit has any impact on the timing of appropriation bills. Economic growth, however, does correlate with good procedural performance. A one percent increase in the GDP growth rate from the previous quarter is sufficient to raise the monthly passage probability from .5 to .57. There is little evidence that performance is either promoted or impeded during the first fiscal year of a new administration. But Congress appears to be somewhat more efficient in the months surrounding presidential elections.

Finally, I turn to the evidence that presidential delays affect congressional performance. Submission delays of the original budget do not slow down the timing of appropriations. In fact, there is a positive probability between the delay in initial submission and the monthly probability of passage (although the standard error of this estimate is large and the effect is not statistically significant). The delay in the mid-session report does have a negative and statistically significant effect. A one-standard deviation increase in the (log) delay is associated with a .10 drop in the monthly probability of passage if the baseline is .5. But I should repeat the caveat that such estimates may not reflect causal effects if both the president and Congress are responding to some omitted variable.

7 Does It Matter?

Despite recent concerns about Congress's recent proclivity to "govern by CR", there is little systematic evidence of its consequences on fiscal or economic outcomes. In this section, I provide some preliminary evidence for two possible effects. First, I examine whether procedural performance has any clear impact on Congress's ability to control fiscal outcomes such as spending or the deficit. Second, I consider whether poor procedural performance might create economic uncertainties that affect the broader economy.

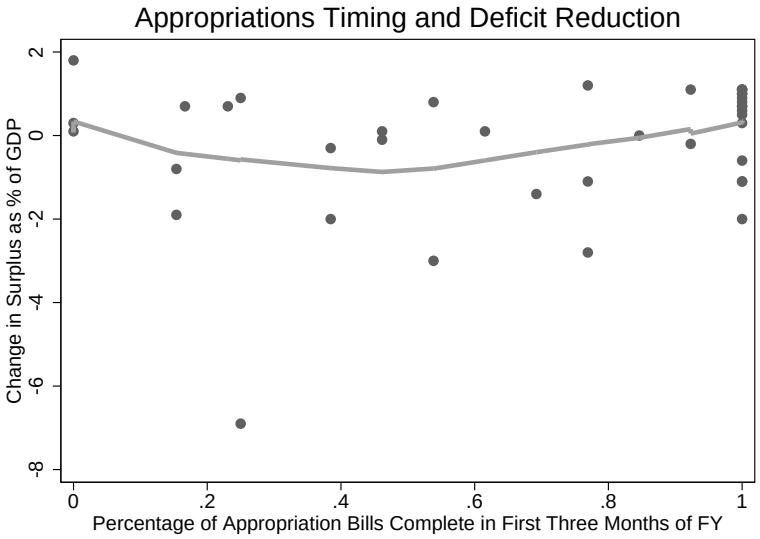

Figure 8: Complete Appropriations and Deficits

7.1 Delayed Appropriations, Deficits, and Spending

To evaluate whether procedural performance affects Congress's overall fiscal management, I estimate some simple lagged dependent variable models. Because I am constrained by a relatively short annual time series, I am unable to estimate more complicated dynamic models. I consider three different measures of annual procedural performance: the percentage of appropriations completed by the beginning of the FY and the percent completed by second and third months of the fiscal year. As additional controls, I include the GDP growth rate and an indicator for the Budget Enforcement Act of 1990.

I begin by examining whether there is a connection between fiscal performance and the changes in the government surplus or deficit. Figure 8 plots the bivariate relationship between the annual change and surplus and the percentage of appropriation bills completed by the third month of the fiscal year. Clearly, there is no strong relationship. Significant deficit reduction coincides with both good and bad procedural performance.

Table 3 reports the regression results for the change in government surplus. Controlling for the lagged surplus and economic growth, the coefficient on completed appropriations

is positive indicating a positive relationship between procedural performance and deficit reduction. But the coefficients are imprecisely estimated and the relationship falls well short of standards for statistical significance.[26]

Table 3: Effect of Completed Appropriations on Change in Surplus

	Start of FY	Month 2	Month 3
Lagged Surplus	-0.179	-0.185	-0.188
	(0.0702)	(0.0695)	(0.0699)
Percentage Complete	0.334	0.621	0.559
	(0.530)	(0.561)	(0.537)
Growth Rate	1.292	1.300	1.319
	(0.213)	(0.201)	(0.199)
BEA 1990	0.534	0.357	0.450
	(0.429)	(0.466)	(0.432)
N	39	39	39
R-Squared	0.631	0.639	0.638

Standard errors in parentheses

OLS estimates of the effects of completed appropriations on yearly change in surplus. Different models capture completion rates at different points in the fiscal year.

Of course, surpluses and deficits are functions both of spending and tax policy. So I now consider whether spending, the area most under the control of the appropriators, correlates with their performance. Figure 9 plots the bivarate relationship between annual change in total federal outlays (as a percentage of GDP) and the percentage of complete appropriation bills. Again there appears to be no strong relationship. This is confirmed by the regression results presented in Table 4. The coefficient estimates show that spending decreases slightly when more appropriation bills are completed. But the estimates are very imprecise and not statistically significant.

While I do not report the results, the null findings hold even when spending is narrowed to changes in discretionary spending. I also considered whether poor procedural perfor-

[26] Although Figure 8 suggests the possibility of a non-linear relationship between procedural performance and the change in deficit, there is no evidence in favor of a quadratic specification.

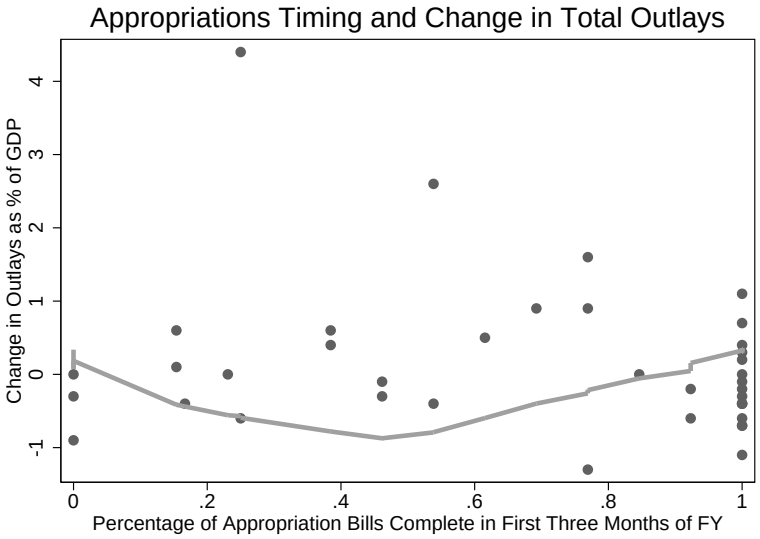

Figure 9: Complete Appropriations and Spending

mance led to large changes (positive or negative) to deficits and spending. But there is no systematic correlation between completed appropriation bills and the absolute change in deficits or spending.

In summary, there is very little evidence that procedural performance has a systematic impact on fiscal outcomes (at least at the level of annual spending and deficit levels).

7.2 Policy Uncertainty

I now examine the suggestion of Baker et al. (2014) that governmental dysfunction contributes to policy uncertainty. To address this question, I use a measure of policy uncertainty developed by Baker, Bloom and Davis (2013) that utilizes media coverage of the economy. Their index is based on search results from ten large newspapers. [27] An article is treated as an indicator of policy uncertainty when it contains the term 'uncertainty' or 'uncertain', the terms 'economic' or 'economy' and one or more of the following terms:

[27]The newspapers are the *Boston Globe*, *Dallas Morning News*, *Los Angeles Times*, *Miami Herald*, *New York Times*, *San Francisco Chronicle*, *USA Today*, *Wall Street Journal*, and *Washington Post*.

Table 4: Effect of Completed Appropriations on Change in Outlays

	Start of FY	Month 2	Month 3
Lagged Spending	-0.198	-0.199	-0.200
	(0.0609)	(0.0612)	(0.0612)
Percentage Complete	-0.0953	-0.0765	-0.0854
	(0.315)	(0.338)	(0.321)
Growth Rate	-0.825	-0.833	-0.835
	(0.126)	(0.121)	(0.119)
BEA 1990	-0.508	-0.503	-0.508
	(0.246)	(0.273)	(0.252)
N	39	39	39
R-Squared	0.677	0.677	0.677

Standard errors in parentheses

OLS estimates of the effects of completed appropriations on yearly change in total outlays. Different models capture completion rates at different points in the fiscal year.

'congress', 'legislation', 'white house', 'regulation', 'federal reserve', or 'deficit.' Because this policy uncertainty index has been shown to correlate negatively with investment and economic performance, a connection between it and appropriation delays could indicate the macroeconomic costs of poor procedural budgetary performance.

Figure 10 plots the monthly policy uncertainty from 1985 to 2012. The figure identifies several periods of high economic uncertainty, the late 1980s and early 1990s, the period around 9/11 and the Afghan and Iraq Wars, and the period since the financial crisis. As we have seen, the first and third of these periods are also periods of procedural dysfunction. So a correlation between delayed appropriations and uncertainty is plausible. Figure 11 explores this possibility by plotting the percentage of completed appropriation bills against the policy uncertainty measure. The lowess line shows a slight decline of uncertainty in months with a greater percentage of completed appropriation bills.

To investigate this relationship further, Table 5 reports several simple regression models of monthly measures of policy uncertainty on the percentage of completed appropriation

bills. Model 1 is the bivariate relationship between uncertainty and completed appropriations. The results indicate that the uncertainty index is about 15 units lower in months where all appropriation bills have been enacted than one where government is completed funded by CRs. Using the findings of Baker, Bloom and Davis (2013), I can quantify the economic magnitude of this effect. Based on results of a vector auto regressive model, they report that a 90 point increase in policy uncertainty leads to a 2.3% annualized decline in GDP. A simple extrapolation suggests that the difference between 0 and 100% completion is .4% of annualized GDP: a modest but noticeable effect.[28]

In model 2, I add two additional variables. First, at the suggestion of Baker et al. (2014) I include the measure of congressional polarization to rule out the possibility that the effect of procedural performance is simply capturing the overall effect of political polarization. Second, I control for the clear effects of international conflict on the uncertainty measure.[29] The estimated coefficient on completed appropriation is slightly larger than that of model 1. The coefficient on polarization is also negative and statistically significant as predicted by Baker et al. (2014). These findings indicate that polarization may have an effect on economic policy uncertainty beyond its effect on procedural performance. Not surprisingly, there is more economic policy uncertainty during periods in which the U.S. is involved in international conflicts.

Model 3 considers the possibility that it is the economic and fiscal factors associated with procedural performance that are driving economic policy uncertainty. Therefore, measures of the lagged budget surplus and the lagged quarterly GDP growth rate are added. The inclusion of these variables reduces the coefficient on completed appropriations significantly, but the effect size remains an economically meaningful difference of .2% of GDP between a fully-funded government and one operating on continuing resolutions.

[28]This calculation is simply suggestive. Neither Baker, Bloom and Davis (2013) nor my estimates are clearly causally identified.

[29]My conflict measure is coded 1 for the duration of the Gulf War, September through December of 2001

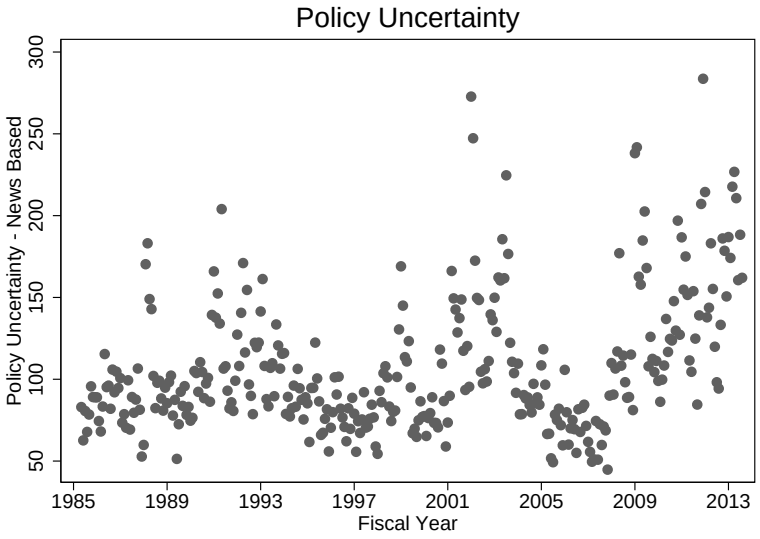

Figure 10: **Policy Uncertainty**

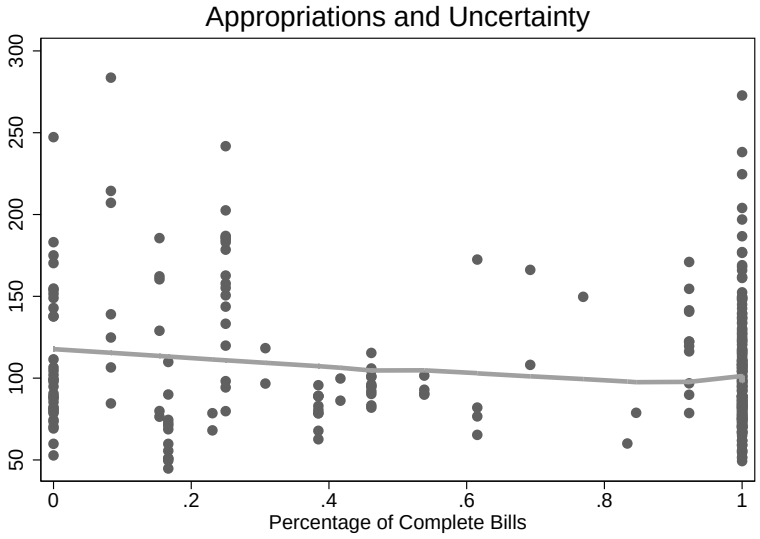

Figure 11: **Uncertainty and Complete Appropriations**

Table 5: Effect of Completed Appropriations on Policy Uncertainty

	Model 1	Model 2	Model 3
Percentage Complete	-14.73	-16.34	-8.879
	(5.468)	(5.142)	(5.179)
Polarization		120.9	95.54
		(30.21)	(28.63)
International Conflict		45.59	41.88
		(8.189)	(7.757)
Lagged Surplus			-2.109
			(0.694)
Lagged Growth Rate			-19.11
			(3.094)
N	333	333	333
R-Squared	0.0214	0.142	0.256

Standard errors in parentheses

OLS estimates of the effects of completed appropriations on policy uncertainty. Data from Baker et al (2013)

In summary, there is some modest evidence that poor procedural performance enhances economic uncertainty substantially enough to have meaningful economic effects. But given the null results for an effect of procedural performance on objective fiscal policy outcomes, the nature of this uncertainty remains unclear. It may reflect uncertainty about very short run fiscal outcomes that I cannot capture in the annual time series, or it may be the psychological effect on economic actors of observing apparent government dysfunction.

8 Conclusions

Despite the current anxieties over how the Congress and the president are handling their fiscal policy responsibilities, political scientists have focused much less attention to longer-term trends in procedural performance on fiscal policy than they have on the performance

for 9/11 and the Afghanistan invasion, and the first seven months of the Iraq War in 2003.

on judicial and executive branch nominations and general legislation. The primary goal of this chapter is to lay out some of the trends in procedural performance on fiscal policy and to lay the foundation for future research.

Several of the preliminary findings warrant more intensive future investigation. First, although there is ample evidence that partisan and ideological conflict impedes performance in the budget and appropriation process, my results demonstrate that there must be more to the story. Performance in the relatively less polarized 1980s was poor, it was excellent through much of the 1990s (with the notable exception of the 1995 government shutdown), and it has rapidly deteriorated over the past decade. Second, while the timing of the improved performance of the 1990s does not align exactly with the Budget Enforcement Act of 1990, the evidence is plausibly consistent with the beneficial effects of spending caps and pay-as-you go rules. Clearly, more work is needed to isolate these effects. Third, this chapter raises the crucial question of whether the propensity to govern by CR has significant effects on outcomes. While there are limitations to my analysis of the effects of appropriation delay on annual deficit and spending figures, the results do seem to rule out first-order effects on major fiscal aggregates. At the same time, I present some evidence consistent with an effect of procedural performance on the expectations of economic actors.

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