CHAPTER TWENTY-SEVEN

Budgeting for Entitlements

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The subject of this chapter, budgeting for entitlements, suggests fundamental questions about both the means and the ends, or functions and form, of government budgeting.

These questions are especially, but hardly exclusively, relevant to U.S. federal budgeting. *Entitlement* is a term with precise meaning within the federal policy and budgeting framework that may not have exact parallels in other contexts. The concept of entitlement presumes that courts can enforce the right to benefits against the sovereign (monarch or parliament), but that may not in fact be the case. The U.S. form of entitlement is not necessary to produce the distinction between traditional budgeting and the form of entitlement budgeting described in this chapter. Programs that make specific promises unmediated through a bureau will provide much the same challenges in any system.

This chapter focuses, therefore, on the U.S. federal budget. Yet the basic problem posed by entitlements relative to traditional budgeting occurs in other contexts as well, such as in the U.S. states and in other national governments of the Organization for Economic Cooperation and Development, even if it may be defined or discussed differently.

In the continual debate about the federal budget, entitlements have been blamed for the deficits of the 1980s and 1990s, and they are widely viewed as threatening massive deficits in the future (Bipartisan Commission on Entitlement and Tax Reform, 1995). It has become conventional wisdom to talk about "the middle-class entitlement monsters that will consume the budget if left unchecked" (Pooley, 1997), about the "ticking time bomb" (Calmes, 1997) of future growth in entitlement spending that threatens "fiscal calamity" (Broder, 1996). One would think, therefore, that budgeting institutions should be designed, above all, to control entitlement spending.

Yet the traditional means of budgeting—annual estimates and requests funded through annual appropriations legislation—are virtually useless for controlling entitlement spending. As a result, federal lawmakers in the past quarter-century have invented new institutions for entitlement budgeting. Integrating these institutions with the traditional budgetary process has proved difficult. Complaints that entitlements are "out of control" have only intensified (Schick, 1990; Peterson, 1996).

This chapter argues that the federal government's difficulties in budgeting for entitlements can best be understood by recognizing how the basic tasks of budgeting for entitlements differ from traditional budgeting. Entitlements have somewhat different purposes and significantly different designs than other policies and programs. Fundamental concepts of traditional budgeting, such as the meaning of control and the usefulness of an annual decision-making process, are therefore put into question when governments try to budget for entitlements.

DISTINGUISHING ENTITLEMENT FROM BUREAU BUDGETING

As used here, the term *entitlement* developed out of the "new property" movement of legal thought that began in the 1960s and was brought into budgeting through its use by the Supreme Court. In *Goldberg* v. *Kelly* (397 U.S. 254, 1969), Justice William Brennan wrote that benefits in the Aid to Families with Dependent Children (AFDC) program were "a matter of statutory entitlement for persons qualified to receive them." The General Accounting Office (GAO) came to define the term as "legislation that requires the payment of benefits . . . to any person or unit of government that meets the eligibility requirements established by such law." The key is that "eligible recipients have legal recourse if the obligation is not fulfilled" (Weaver, 1985, pp. 308–309). In principle, an entitlement need not be created by legislation alone; in particular, U.S. states might create entitlements within their constitutions.

In federal budgeting, the term *entitlement* is almost synonymous with a series of other terms: uncontrollable spending, mandatory spending, and direct spending. All of these terms refer to spending that is not controlled by the traditional annual appropriations process. The term *uncontrollable spending* was more common in the 1980s and has in essence been succeeded by *direct spending*. *Mandatory spending* is another term for direct spending, used especially in presentations of budget data by the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) and in the distinctions made for points of order under the Congressional Budget Act (as amended). *Direct spending* is "budget authority and ensuing outlays provided in laws other than appropriations acts, including annually appropriated entitlements." *Entitlement authority* is "a provision of law that requires payments to eligible persons or governments" (Schick, 1995, p. 210). The difference between entitlement authority and direct spending involves some spending provided in authorizations that are not entitlements, and the food stamp program.

For our purposes here, especially for generalization about how entitlement budgeting differs from traditional budgeting in general rather than only in the U.S. federal government, what matters is the structure and promises of an entitlement program rather than the differences among these terms. (Thus, contrary to the CBO, I will treat food stamps as an entitlement.) The legislation that creates an entitlement program also validates its budgetary claims. If such a separate process is the main form of budgeting, then entitlements can seem, by definition, an end run around budgetary controls.

Yet creation of an entitlement is not simply (or necessarily) a budgeting maneuver. It is a choice about program design, and the basic conundrum of entitlement budgeting is that different program designs seem to require different budgetary processes.

Traditional budgeting is designed to finance bureaus that provide a service to the public or, more generally, that perform some government function. It may be policing or fire fighting or defense of the seas or medical research or medical care for veterans or primary and secondary education or collecting taxes or space exploration, or any of thousands of other activities. In spite of their different social purposes, all of these programs share a fundamental structure: the government establishes a set of goals and then provides a bureaucracy to pursue those ends. Each of the functions just listed is performed by a specific bureaucracy, such as the Navy or the Internal Revenue Service or the National Aeronautics and Space Administration. Government has not committed itself legally to a precise level of services. Rather, it has promised to provide a bureaucracy that it hopes will provide an acceptable level of service. The objectives may be defined and sold in personal terms, but whether they occur depends on the performance of the bureaucracy in question. Budgeting may then be described, in W. F. Willougby's classic phrase, as the creation of a "general financial and work plan" for agencies (Mosher, 1984, p. 21). Thus, the federal government establishes a bureau, such as the Department of Veterans Affairs, from which medical services may be claimed; but what veterans receive depends on two factors: a separate decision about the bureau's funding, and a decision about how the bureau is to perform its tasks. Budgeting is a process of deciding amounts to provide to each bureau. This can be called *bureau budgeting.*

In an entitlement program, the recipients—whether persons, legal persons (firms), or governments—are entitled by law to quantifiable benefits. The benefits are either directly delivered to the beneficiary or they are payments on behalf of the beneficiary for services purchased in a cash transaction from a third party.

The quantifiable nature of the benefits means that they can ultimately be estimated in terms of cash outlays (basically, the value of individual benefits times their volume). In the legal sense, an entitlement need not be quantifiable: for example, many constitutions provide some form of entitlement to education. Such provisions make cost control more difficult. One method of cost control, explicitly refusing services, is foreclosed. In Germany, the entitlement to education makes restricting the number of medical students (and thus physicians) difficult. But the cost of medical education may still be manipulated by squeezing the budgets of medical schools. So a quantifiable entitlement is a more severe budgetary problem than an entitlement that is vaguely defined. Thus, entitlement budgeting involves estimating and attempting to influence the sum of separate payments determined by entitlement law. The recipient is actually entitled to an amount of budget. In bureau budgeting, some recipients may make claims on a share of the bureau's funds, on the basis of a distribution formula in law, but the amount of bureau funding is not itself determined by the sum of individual claims. Individuals who qualify for entitlement benefits also may not receive them because they may not be aware of their eligibility, because the application process is discouraging, or for some other reason. Entitlement budgeting therefore often involves estimates of the "take up" of eligible benefits. Yet entitlement budgeting, unlike bureau budgeting, does not involve a concrete choice about how much to fund an existing law each year.

In bureau budgeting, the object of attention is the bureau itself. How much does the bureau really need to fulfill its legal obligations? How much (and which) inputs will produce how much (and which) outputs? Or because outputs are difficult to measure, the question may be more practically put as, How good an argument can be made that more (or fewer) inputs will lead to more (or not much less) output? Could the bureau operate more efficiently if it operated differently?

In this context, the primal meaning of the term *budgetary control* is control of how the bureau spends its appropriation (Schick, 1966). A political authority's first problem is to ensure that the bureau does not waste the money outright, spend more than it has, spend corruptly, or spend contrary to the wishes of the political authority (albeit perhaps in accordance with the wishes of another political authority). One practical example of these issues is the level of detail in line items, which involves a choice between efficiency (if one believes that efficiency is encouraged by managerial flexibility through broader accounts) and accountability to the legislature (which is best enforced through detailed accounts or a surrogate, such as virtually binding report language). Another example of traditional budgeting controls is the federal Anti-Deficiency Act of 1870 and the related processes of apportionment, all designed to ensure that agencies do not overspend their allocations.

In entitlement budgeting, the main object of attention is the specific promise to recipients. There must be an administering bureau (the Social Security Administration for pensions, or the Health Care Financing Administration for Medicare and Medicaid), but relatively little budgetary attention is paid to its personnel and performance. The conflict and work of devising spending reductions mainly focuses not on limiting the bureau's funds and relying on its management to stretch resources, but on altering the terms of eligibility or benefit.

The traditional control questions about the level of specificity of line items and "coercive deficiencies" (likely overspending that is important enough to be funded) have little relevance to entitlements. It is meaningless to talk of choice between more or less specific line items for entitlements: the program rules are the practical specifications for the budget. Nor does entitlement spending involve a gray area comparable to those in coercive deficiencies. Spending either does or does not conform to program rules; if it conforms and yet exceeds a budget target, the agency should not be blamed.

Management may still influence entitlement spending. Savings might be achieved in Medicare, for example, by spending more on administration so as to reduce fraudulent payments to medical providers. Yet such interactions between bureau funding and entitlement costs are definitely a secondary theme in entitlement budgeting (indeed, public focus on potential savings from such measures is reported by experts as evidence of insufficient education) (Blendon and others, 1997). Moreover, during development of entitlement savings proposals, their administrative implications may be an afterthought. That is certainly widely suggested by observers of both the Clinton administration's development of its FY98 Medicare savings proposals and then of the package passed by Congress in the Balanced Budget Act of 1997.

In bureau budgeting, the relationship of inputs to outputs is a basic concern. Inputs—money for salaries, buildings, and travel, for example—are the resources of agencies. Much of the subject of budgeting is how many inputs are needed to produce a particular level of output (medical care, arrests, or whatever). Reformers continually want bureau budgeting to pay more attention to outputs, or programs. Traditional budgeting disappoints reformers by emphasizing inputs, for two main reasons: inputs are what politicians actually provide to bureaus, and control of inputs is a way to (try to) control behavior (Wildavsky, 1978).

In entitlement budgeting, however, inputs and outputs are virtually identical. The objects of expenditure are the actual outputs. One can argue about whether the program achieves its social goal efficiently: in essence, whether the outcome of social security or Medicare is worth the money. Yet there is little disjunction between inputs and outputs: the money comes in, and it goes out. In essence, entitlement budgets are automatically program budgets.

To a certain extent, the difference between entitlement programs and bureau programs follows from the goals of the programs. An entitlement ought to be quantifiable. Protection from crime cannot be quantified because recipients do not know from how much crime they have been protected. States or localities could be entitled to a given amount of money for crime fighting, or to funding for a certain amount of new police officers. But this is a step removed from citizens' concerns; there could be no comparable entitlement to safety for citizens at the local level. A pension, however, is quite precise.

At the same time, the goals of some policies may be pursued more effectively by establishing specific promises to individuals. That is true of any policy in which a government seeks to encourage or reward specific behaviors, such as interest paid in return for lending the government money, or veterans' benefits distributed in return for serving in the armed services, or pensions for current workers in the future in return for their paying for the pensions of current retirees now. In this sense, entitlements involve a form of contracting behavior between a government and members of the public in which the terms of the offer have to be sufficiently concrete to be credible.

In other cases, whether to pursue a social goal through creating a service-delivering bureau or an enforceable entitlement is more clearly a political and social choice. A government may respond to the health care needs of its citizens, for example, by promising to reimburse their expenses for care purchased in the private market—an entitlement. Instead, a government may provide services directly, through public hospitals, clinics, or direct contracts between the government and individual providers—a service organization. The U.S. federal government provides health care for the elderly as an entitlement (Medicare), and health care for veterans as a bureau (the Veterans Affairs medical system). Individual nations rely to a greater or lesser extent on these options of a guaranteed health service (such as the National Health Service in the United Kingdom) or guaranteed health care payments (such as the provincial systems in Canada). In practice, most systems are mixtures of the two approaches: the organizational sponsorship of health insurance may not be directly through government, and administrators of health care systems that rely more on entitlement continually search for ways to make them operate more like bureaus (White, 1993b, 1995b).

In such cases, the choice, however, is hardly random. It depends on powerful political factors, such as the ability of health care providers and conservatives to resist "socialized medicine" (and instead limit the guarantee to social insurance). Thus, even in this case the decision for an entitlement structure is not a budgetary evasion but a fundamental policy choice. Yet the entitlement form does make constraining spending a different challenge from the task in bureau budgeting.

ENTITLEMENTS AND THE ANNUAL BUDGET

Because the object of attention is not the behavior of bureaus, and because the logic of the programs is that promises made to recipients should not expire after a year, entitlement programs fit poorly into the traditional annual appropriations cycle.

Indeed, the Bipartisan Commission on Entitlement and Tax Reform of 1993 reported that "the first and most important of our recommendations" was to make "major spending and tax decisions" in a thirty-year time frame. "When discretionary spending was the largest share of our budget," the Commission explained, "short-term planning may have been appropriate," but it could not be appropriate for budgeting the massive social-insurance programs that are the major entitlements (Bipartisan Commission on Entitlement and Tax Reform, 1994, p. 2).

The misfit between program design and budgeting schedule can be exacerbated by institutional design within the legislature. Specialized appropriations committees, which are expected to recognize a distinction between appropriating and authorization, are especially unable to deal with entitlements. This distinction is probably greatest within the U.S. Congress, where the conflict between appropriators and authorizers is a basic tension (White, 1993a; Fisher, 1979).

In U.S. state legislatures, the budget or finance or appropriations committees may be more powerful, while in parliamentary systems the treasury or the ministry of finance normally has jurisdiction over all budgetary matters and the legislature is relatively undifferentiated. In some cases, such as France, there may be a separate social security budget, but that still tends to be strongly influenced by the ministry of finance or whoever the main budgetary actor in the system may be.

In the U.S. federal government, most entitlement spending is not under the jurisdiction of the appropriations committees. The giant Old Age, Survivors, Disability and Health Insurance (OASDHI) system is financed by a dedicated tax. These revenues flow into trust funds, and the law provides a permanent appropriation: any money in the trust fund is available for spending without annual appropriations laws. The programs—more commonly called social security and Medicare part A—are under the jurisdiction of the revenue committees, the House Ways and Means Committee, and the Senate Finance Committee.

Many other programs that are structurally entitlements, however, do not have dedicated revenues and therefore require annual appropriations. Food stamps, Medicaid, and commodity price supports are just a few examples. In the 1970s and early 1980s, this arrangement proved especially anomalous. If appropriations committees reported, and Congress passed, legislation that did not fund the commitments created by underlying law, it was presumed that the courts could order Congress to make good those commitments. Whether appropriators could report legislation that in fact changed the underlying promises was technically ambiguous but practically rather clear (majorities of the rest of Congress would object to such a raid on their jurisdiction). It is perhaps conceivable that such legislation on appropriations bills could be approved with a liberal interpretation of the Holman Rule point of order in the House, which prohibits "legislation" in appropriations bills. The point of order could be waived by a special rule when the appropriations bill is considered in the House, or waived on the Senate floor. In 1996, for example, a freeze on inflation adjustments to food stamp benefits was passed in the Agriculture Appropriations Act. Nevertheless, such legislation is decidedly not the norm. Therefore, when Congress did not appropriate adequate funding, the administration requested supplemental appropriations as the funding began to run out, and Congress always responded (though not without some close calls).

After a few years of this experience, Congress decided to recognize its own practice, and its budget rules established the concept of *mandatory appropriations*. While the House and Senate Appropriations Committees write the legislation that provides funding for Medicaid and other entitlements, the committees basically plug the most recent estimate into the previous year's language. Otherwise, they pretty much ignore the mandatory programs, save for some public and private grousing about how entitlements, whether annually appropriated or not, put pressure on the "discretionary" appropriations that are the committees' main concern.

Properly understood, then, entitlement budgeting occurs for all "mandatory" spending. In 1995, as Table 27.1 shows, mandatory spending (including interest, which differs from other entitlements only in that there is actually a discrete contract with each individual guaranteeing payment) was by far the largest part of the federal budget.

The mandatory share was expected only to continue to grow. On the one hand, both an aging population and the expectation that medical care costs per capita would grow more quickly than the economy would led to predictions that the costs of social security, Medicare, and Medicaid would explode over the long term. Then the deficits predicted from failing to control or pay for that growth were expected to compound themselves, leading to massive interest expenses. As a result, the CBO in 1997 was projecting massive deficits and an

Table 27.1. Mandatory Spending as a Share of the Federal Budget.

Outlays	1965	1975	1985	1995	2002 (estimated)
Total (in billions of FY92 dollars)	$530.7	$847.7	$1,015.5	$1,410.7	$1,461.3
Discretionary	65.8%	47.5%	43.9%	36.0%	30.2%
Mandatory and Net Interest	39.2%	56.6%	59.5%	66.9%	73.4%
Mandatory	31.9%	49.6%	45.8%	51.6%	60.7%
Net Interest	7.3%	7.0%	13.7%	15.3%	12.7%
Social Security (OASDI)	14.5%	19.1%	19.7%	22.0%	24.5%
Medicare	—	3.7%	6.8%	10.4%	13.9%
Medicaid	—	2.0%	2.4%	5.9%	7.1%
Federal Employees	0.5%	4.0%	4.1%	4.3%	4.6%

Note: The total is less than the sum of the individual components because it includes undistributed offsetting receipts; spending for Medicare and Medicaid in 1965 was less than 0.5 percent; and outlays for federal employees constitute retirement and disability benefits.

Source: Calculated using Office of Management and Budget figures.

economic meltdown within thirty or forty years (Congressional Budget Office, 1997b). On the other hand, even in the relatively short term, and even assuming that some action was taken to reduce entitlement costs, their share of the budget was expected to rise. Thus Table 27.1, based on the president's budget proposal for FY98, shows a substantial expansion in the entitlement share of the federal budget, not from accelerated growth of entitlements but because he proposed to control discretionary spending more strictly. That he could propose stricter controls on discretionary spending, however, only shows the difference between entitlement and bureau budgeting from a different angle.

As the table shows, the term *entitlement* can make the budgetary difficulties seem more a matter of procedure and less a matter of preferences and program than they really are. By 2002, according to the OMB's estimates in 1995, four entitlement programs were to take up 54.7 percent of the federal budget. The budgetary problem is not entitlements per se but these four programs, and especially the first three (social security, Medicare, and federal employee retirement and disability) which involve long-term specific promises. The fourth program, Medicaid, also provides specific benefits; it was designed that way in part because financing of direct public health services for the poor, elderly, and disabled in the states was less popular. All of these programs are politically strong and therefore difficult to cut no matter what their form. (Medicaid might seem weak as a "welfare" program, but the fact that about two-thirds of its money goes to the elderly and disabled makes it, as congressional Republicans discovered in the 104th Congress, more popular than its means-tested design might make one expect.)

Budgeting for this spending occurs in what might be called a quasi-annual process that has two parts. First, as part of fiscal policy, the president proposes, and Congress accepts or rejects, formally or informally, a goal for policy change to alter the deficit that would otherwise occur. Second, the president and Congress decide how much and how to change entitlement law so as to facilitate meeting this fiscal target. Annually appropriated spending could then be (and often is) forced to conform to these targets, because individual appropriations bills might be ruled out of order (under congressional budget rules since 1985) or vetoed (if the president has the strength) or simply voted down for failing to do their part for deficit control. But entitlement law (like revenue law) is permanent; no approval is necessary for spending to continue.

Before 1980, therefore, entitlement spending would be brought into conformance with broader deficit policy only if authorization legislation happened to be passed for that purpose. We can say "happened to be passed" because there was no formal process to encourage, never mind require, its passage.

In 1980, Congress invented the use of *reconciliation* to encourage passage of entitlement legislation that would reconcile entitlement spending (and revenue) totals to the deficit goals set in the congressional budget resolution. Thus, in theory Congress would set a deficit reduction goal; it would provide *reconciliation instructions* to specify the amount of entitlement spending reduction required from each committee in order to meet that goal; committees would report *reconciliation legislation* (or risk having substitute legislation sponsored by the budget committees); the legislation would benefit from special procedures (especially tightly limited debate on the Senate floor); and as a result entitlement spending would be assimilated into an annual budgetary process. In theory this process could be used to stimulate the economy through higher deficits as well as to contract it through lower ones (Schick, 1995; Gilmour, 1990; White and Wildavsky, 1989). In practice, it generally has been used to lower projected deficits, though the legislation sometimes has included expansions in some programs (such as Medicaid) as part of coalition building to pass larger cuts (such as in Medicare).

Whether reconciliation is an annual budgetary process is a matter of perspective. Significant reconciliation legislation does not pass on anything resembling an annual basis. As the process was invented, bills were passed in 1980, 1981, and 1982. Since then, however, only the laws passed in 1984, 1987, 1990, 1993, and 1997 could reasonably be termed major—and in some years (such as 1983 and 1995, for very different reasons), instructions from the budget resolution failed to result in the planned legislation.

One can argue that the absence of reconciliation legislation for entitlements is in fact a budget choice, comparable to appropriating to bureaus an amount adequate to maintain current services. But it differs at least in that there is not a routine annual review at the programmatic level by the committees of jurisdiction. They may have hearings on individual issues, but they will consider overall budgets only when the alignment of the political planets provides the necessary gravitational pull, and not otherwise. As the record suggests, the reconciliation process is not action forcing in the same way as annual appropriations. If annual appropriations do not occur, the government shuts down. If reconciliation does not occur, the deficit is higher than desired. The latter is not as severe a consequence.

This difference in the consequence of inaction reveals an underlying point about the purposes of budgeting. Meeting a target deficit is only one of its functions. Ensuring that the government is financed is even more important than the balance sheet that results from that financing. To the extent that entitlements have permanent appropriations, they need not be part of an annual budgetary process for this financing purpose.

That does not mean that entitlements are truly uncontrollable. They are less subject to budgetary constraint on average than bureau programs, for two reasons. First, entitlements tend to be especially popular. Popularity tends to be a factor in winning approval of the entitlement form, and most of the entitlement money is in the hugely popular OASDHI system. The second reason is more basic: entitlements are relatively uncontrollable in the sense that they are not automatically subject to annual budget review, and they do not need annual reapproval. The legislature must take extra steps to change entitlement law, and the advantages of playing defense accrue to opponents of those reductions. Moreover, any expansion, once achieved, is normally achieved for the foreseeable future, rather than just for one year. Indeed, an expansion might be phased in over time, or scheduled to occur at some future date. Program proponents may win a benefit without increasing immediate deficits, the focus of control in an annual budgetary process.

Some entitlements nevertheless grow relatively slowly or even shrink. They may, like Title XX social services grants to states, or to AFDC, serve unpopular constituencies, so they grow more slowly than a bureau program with a popular constituency (such as the National Institutes of Health or veterans' medical care). The claimants for AFDC were so weak and the program was eventually so widely criticized on various grounds that it was replaced in 1996.

Moreover, even very powerful claimants may not, for technical reasons, be claiming an increasing share of the budget. The share of the budget spent on veterans' entitlements has fallen as veterans' share of the population has declined, even though they remain an extremely powerful interest group. Thus outlays on veterans' entitlements fell from 2.37 percent of total outlays in FY75 to 1.25 percent in FY95. Even social security, which grew very quickly relative to the economy and budget, for both demographic and programmatic reasons, during the 1970s, grew much more slowly relative to the economy, due to demographic trends, in the 1990s. Thus, after peaking at 4.7 percent of gross domestic product in 1981, social security spending stabilized and was at only 4.9 percent in 1996. As a share of the total budget, it grew during this period from 20.3 percent to 21.9 percent.

For purposes of spending control, therefore, considering entitlements as a single class is useful only to a certain point. Beyond that, one must look to the dynamics of political support and actual program need that explain the strength of any particular entitlement's claim on the total budget. Yet the common misfit between entitlement design and the logics of traditional budgeting, as well as the size and growth rates of the more popular entitlement programs, have helped cause substantial changes in the federal budgetary process. The most basic change is that reconciliations evolved from being scored over one year (in 1980) to being scored over three years (1981), five years (1990, 1993), and seven years (the vetoed legislation of 1995). Entitlements are not the only source of this change. Revenues involve the same basic dynamics. Further, the very size of the deficit required that anyone who wished to pursue a balanced budget had to adopt a longer time horizon (as in 1995). Yet it is clear that entitlements alone are sufficient reason to make budgeting, if still an annual exercise, not solely an exercise in annual control. In the 1990s, the development of longer budget horizons began to impact the process of budgeting for traditional bureau programs.

STRATEGIES AND TACTICS OF ENTITLEMENT BUDGETING

The differences between entitlement and bureau programs mean that the strategies and tactics of budgetary control, as well as the institutions, can differ. Yet some of the logic of budgetary restraint remains the same.

Governments budget for entitlements in the most basic sense of the term: they forecast expenses under various scenarios, estimate whether revenues will be available to meet those expenses, and then consider what to do about the result. Budgeting is about forecasting and planning to reconcile preferences about details to preferences about totals. A government may alter its preferences on either side of the equation: to more borrowing on the one hand, to higher taxes or lower spending on the other. Each year there is some process by which government decision makers evaluate the trends and their desirability, and on the basis of the results, propose alternatives.

The estimation and alternative generation for major entitlements is, in fact, extensive. One aspect is simply a part of the overall budgetary process. Thus the CBO estimates the trends of all programs and publishes alternatives for deficit reduction in its annual *Reducing the Deficit: Spending and Revenue Options* volume. The 1996 edition included 148 pages of analysis and options as to entitlements, including a chapter on Medicare and Medicaid restructuring, a chapter on the impact of an aging population on the long-term federal deficit, and fifty-one entitlement options outside Medicare and Medicaid (Congressional Budget Office, 1996, pp. 325–472). The president's budget also includes estimates and suggested reforms to entitlement programs.

In addition, there are separate estimation processes for some programs, particularly those that have been designed as trust funds. Each year, for example, the trustees of the OASDHI (social security) and Federal Hospital Insurance (HI; Medicare part A) trust funds issue reports about trends in costs, revenues, and thus actuarial balance over the coming seventy-five-year period (Board of Trustees of Old-Age, Survivors, Disability and Health Insurance Trust Fund, 1996; Board of Trustees of the Federal Hospital Insurance Trust Fund, 1996). The trustees include a mix of government officials and outside members; thus the OASDHI trustees include the secretaries of the Treasury, Labor, and Health and Human Services. The reports are prepared largely by the actuarial staffs of the programs, and are generally regarded as authoritative sources on program financing. These reports can become occasions for advocates of budget control to publicize their fears; thus, projections that the HI trust fund would go broke provided the occasion for Republican claims that they had to cut Medicare in order to save it (Rosenbaum, 1996; Rich, 1996).

The extensive development of processes for estimation and option generation, however, do not provide those who would control entitlements with the same levers that they can exercise on bureau budgets. These controllers cannot threaten to eliminate the program by stalling action. Nor can they usually claim, as they can with bureaus, that spending can be reduced by giving less money to managers and challenging them to manage more efficiently.

Entitlement spending may thus be more subject to manipulation if some aspect of design makes it more similar to bureau spending. In any entitlement that does not simply mail checks, there may be private operators with a stake in the program, such as grocery stores for food stamps or banks for guaranteed student loans. If these operators can be identified, it is normally easier to cut spending by reducing payments to operators than by changing the promise of benefits for recipients. Normally, significant savings cannot be realized from these operators. Medical care entitlements, however, are a major exception. Especially in Medicare, cost control has proceeded mainly by altering payments to physicians, hospitals, and other health care providers, rather than by explicitly changing the promises to patients.

In both forms of budgeting, the availability of this tactic depends on the power of the operators. Operators may be powerful either because of their own resources or because of their allies (and weak if they have many enemies). In entitlement budgeting, then, one condition that makes taking from the operators easier is if, politically, the impression can be given that the beneficiaries would otherwise pay the bill. This tactic may not help when the beneficiary is relatively weak (such as food stamp recipients) in comparison to operators (such as grocers). But it is especially relevant to Medicare, where the beneficiary, the elderly, may be the strongest group in the country. Proposals to increase costs to beneficiaries have regularly been scaled back and replaced by fee reductions for hospitals, physicians, or other providers. The politics has played out in a way that has made cutting the providers a way to limit blame from the elderly (White, 1995b).

Entitlements are also subject to the general rule that it is easier to cut grants to a lower level of government than to cut a program that is solely the responsibility of one's own level. Cuts in intergovernmental grants can be justified by claiming that the lower level has the money to do the job itself, or that it should have the flexibility to maximize utility for its own citizens by making its own priorities, or that it is "closer to the people," or even that it could operate more efficiently. All these arguments could be made, for example, to justify Medicaid or AFDC reductions, but not cuts in Medicare or food stamps.

The easiest way to reduce an entitlement, as with bureau spending, is to allow inflation to make stable or increasing nominal spending hide a real decline in a program's purchasing power and share of the economy. In some cases, such as Title XX social services grants, inflation has eroded benefits. Unfortunately for budgeters, however, entitlements lend themselves especially easily to indexation of benefits, that is, to automatic inflation adjustments included in the underlying law (Weaver, 1988). So they are less subject to control by erosion.

When budget controllers cannot take advantage of resemblances between an entitlement and bureau programs, they may instead try to reform the entitlement to make it operate more like a bureau program. That tactic is especially prominent in current health care budgeting debates. The most common proposal for a long-term "fix" of Medicare is to replace the current entitlement to benefits with an entitlement to a voucher that would be used to buy insurance coverage. The services a person actually received would then depend, as with a bureau program, on an organization's performance—except that it would be a private organization, the managed care organization or insurer. Advocates of such proposals may or may not argue correctly that market competition would provide an incentive for productivity that government bureaus do not enjoy. But even if this difference were real, the logic of budgetary control remains the same whether the bureau is public or private. Rather than pay per service, the government pays a fixed sum to an organization (Cutler, 1997; Aaron and Reischauer, 1995; Butler and Moffitt, 1995).

Another approach is to provide incentives for spending control that are specific to the individual program. The best example is creation of a trust fund with dedicated revenues. Then the threat that the trust fund will run out of money becomes an action-forcing device similar to the expiration of an annual appropriation. Thus periodic crises of the social security trust fund have indeed forced action, and projected shortfalls in the Medicare part A fund provide a powerful argument for action about that program (Light, 1985). It is more powerful, of course, if the threatened default is due sooner rather than later, and if the policies suggested are plausibly related to the trust fund deficit. Thus the argument worked better as an incentive for legislation to "save" Social Security in 1983 than as an incentive to "save" HI in 1995. HI's shortfall was due in 2002 rather than within the year, and some of the cuts proposed by the congressional Republicans would not have affected HI.

Although the trust fund device provides an impetus for action, it is not necessarily an impetus for spending restraint. It may equally encourage revenue increases. Thus if *budget control* is defined as "deficit control," then trust funds are a more desirable measure than if the person calling for budget control really wants to limit the total budget. And if a trust fund is in balance, it should be harder to sell program cuts as part of a general campaign of deficit reduction.

BUDGETARY ROLES

To the extent that different members of a legislature have jurisdiction over entitlement spending rather than over annual appropriations, budgetary roles for the former differ from the latter.

Within the confines of some traditional budget theory, the question would be who takes the role of "guardian of the purse" for entitlements, a role supposedly once taken by the appropriations committees for bureau budgets (Fenno, 1966; Wildavsky, 1964). The notion that members of the congressional appropriations committees were once more disposed than other legislators to guard the purse should be qualified rather heavily. Yet it is fair to say that committees whose members and staff spend most of their time in budgeting mode, asking questions about inputs and outputs and what can be quantified, should have different perspectives than committees whose normal activity is to try to design programs in response to supposed problems (White, 1989, forthcoming). In the U.S. Congress, reconciliation legislation must be written by authorizing committees, so one has to wonder how the traditional claimants could simultaneously be the guardians. The institutional answer might seem to be that the budget committees are the new guardians, forcing the authorizers to control the programs. Yet the power of the budget committees is quite limited. At best they are surrogates for the majority party leadership.

That leadership does have some incentive and power to focus on budget control and thus try to bring budget details in line with some preference about budget totals. Yet party leaders have limited knowledge with which to draft and enact legislative changes; ultimately they depend on the experts in the authorizing committees, who know more about both the technical and political sides of their programs. Thus, in 1983 the authorizers in the revenue committees ignored reconciliation instructions, finally producing legislation only in 1984, when they had determined a way to meet a somewhat smaller target. Similarly, in 1990 the deal brokered by party leaders collapsed on the floor of the House of Representatives, to be replaced by a package largely created within the Ways and Means and Finance committees.

The answer to the question, Who are the guardians? therefore cannot be limited to party leaders. In fact, the nature of entitlements means that guardianship itself requires different skills than for bureau budgets.

To guard against increases in bureau budgets, one has to say no to requests. It is nice to be able to think of a rationale for no, but technical knowledge is less important than political strength. Budgeting expertise is a matter of resource planning, and budget controllers have the option of telling an agency to work out its own plan within a lower total.

Compared to bureau budgeting, technical knowledge is more important for guarding against entitlement spending increases, or for designing cuts. In entitlement budgeting the question is rarely put as, Can we have an increase of the following specific size? Instead, a change in eligibility or some other regulation is suggested, accompanied by some estimate of the financial effects of that change. Without technical knowledge, guardians may not even know that the claimants are requesting increases. Entitlement budgeting therefore requires expertise in forecasting, or "scorekeeping."

In this context the roles of guardian and claimant can be transposed to estimators—whoever prepares the forecasts of budgetary effects. Some estimators (for example, in agencies, or in the OMB if a president seeks a programmatic expansion) may be disposed to overestimate spending. In personal conversations with CBO and GAO staff, and with other health care policy participants, I encountered a consensus that the Clinton administration's OMB has tended to estimate generously the baseline spending in state Medicaid programs so as to encourage coverage expansions through the Section 1115 waiver process (Robert Wood Johnson Foundation, 1995). A system then needs some estimators who are biased somewhat in a conservative direction.

At some times, that might be the role of the OMB vis-à-vis agencies and Congress. As part of its efforts to achieve greater control of entitlement spending, however, Congress created its own set of conservative estimators, the CBO, and processes to ensure that those estimates have a place in Congress's budget decisions. The CBO must "score" proposed entitlement legislation: that is, it must issue reports of the legislation's estimated budgetary effects. When the proposal is supposed to cut spending, the CBO's estimate influences how much political credit the proponents may claim for reducing the deficit. If the proposal is for an increase, the CBO estimate activates the pay-as-you-go (PAYGO) procedures that require cuts in other areas to pay for increases in entitlement programs.

There are two types of federal PAYGO rules. One type consists of points of order against legislation that increases entitlement spending without some form of offset. This procedural constraint has some moral force, but more important, it cannot be waived without a supermajority of sixty votes out of a hundred in the Senate. Application of the point of order then depends on CBO estimates. The second level requires that certain entitlements be subjected to automatic reductions (sequesters) if, at the end of a fiscal year, Congress's actions on entitlements have summed to a net increase in spending, as estimated by the OMB (Schick, 1995).

Entitlements therefore create a new class of guardians, the guardian estimators. But the PAYGO device represents a further attempt to create guardianship. In essence, it means that any member of Congress who has more interest in the programs that might be cut than in the programs that might be expanded has an incentive to become a guardian vis-à-vis the planned expansion. In this sense, guardianship is not a role but a situational position.

PAYGO rules are not foolproof, and certainly not proof against all manipulation by very clever people. Sometimes a savings must be scored by the CBO but may be unlikely to occur in practice. Or knowing that savings will occur for some unrelated reason, making the sequester unnecessary, Congress might use them to finance an unrelated program expansion.

The ability to limit spending on any given entitlement is related to the overall pressure for budgetary restraint. PAYGO in essence provides a cap on total entitlement spending: it should not exceed the level provided in law as of the start of a legislative session. This overall cap does encourage specific restraint.

Restraint of entitlements is easier if the goals are relatively unambitious. It is easier to guard against increases than to force decreases. This naturally is true of bureau budgets as well. The so-called guardian House Appropriations Committee of the 1950s was only a guardian in comparison to executive requests; relative to the spending baseline, it was more generous than the supposedly less guardianlike House Appropriators of the 1980s (White, 1995a). Yet the relative ease of preventing increases is especially evident in the enforcement of PAYGO as opposed to the attempts to force entitlement reductions through the 1985 Gramm-Rudman-Hollings legislation. Gramm-Rudman-Hollings's attempt to force cuts clearly failed; PAYGO's restraint of increases pretty much has succeeded (Reischauer, 1997; White and Wildavsky, 1989).

Entitlement spending has not been immune to congressional reductions since the deficit became the dominant issue in national politics in 1980. Medicare especially has been subject to major reforms that for many years reduced its trend in spending growth per capita significantly below the trend for private insurance, to the detriment of those who benefit from the program (such as hospitals and physicians). Guardians and their tactics have had some success. But spending has continued to rise because the claims have been especially strong.

Strong claims are not limited to entitlement programs. Military spending during a war is bureau budgeting, yet it represents the politically strongest possible claim. In recent years, however, the major entitlements—especially social security, Medicare, and Medicaid—have happened to be especially strong claimants.

CONCLUSION: ENTITLEMENTS AND THE FUTURE OF GOVERNMENT BUDGETING

The good news about entitlement budgeting is that it does not involve many of the issues that traditionally have bedeviled bureau budgeting. Thus concerns like the level of detail in line items, coercive deficiencies, and the difficulty of creating program budgets shrink when programs are organized as entitlements.

The bad news is that not only is entitlement spending particularly difficult to constrain, but budgeting for both entitlements and bureaus within the same process poses serious problems.

Entitlements fit poorly within annual budgeting. To change entitlements each year violates both the technical and political logics of such programs. That is why, in spite of the creation of processes to create annual budgeting of entitlements, such as annual budget resolutions and reconciliation, reconciliations do not pass every year.

Yet the effort to create multiyear budgeting of entitlements threatens ironic and, I believe, negative effects on bureau budgeting. One such effect is the devaluing of the original purposes of annual budgets for bureaus: review of operations and legislative control of the executive. The other effect is encouragement of the colonization of bureau budgeting by a multiyear perspective.

Multiyear budgeting is one cause of the adoption of long-term caps on appropriations. Without multiyear reconciliations, it is hard to imagine how the long-term caps of 1990, 1993, and 1997 could have been adopted. Precisely because the legislature and executive do not have to specify the policy changes to enforce those caps, it is easier to project savings this way than through legislating entitlement changes. Thus both congressional Republicans and President Clinton relied more and more, as the budget battles of 1995–96 continued, on reductions in discretionary spending targets to attain their budgetary goals (Reischauer, 1997).

The attempt to control entitlements thus leads to the creation of targets for bureau budgets at a different time than the decision about how to meet those targets. This alteration of the federal budgetary process to respond to entitlements threatens to create a disjunction between the processes of considering details and considering totals, and adjusting the two to each other, which is at the heart of most budgetary processes. Rather than being an iterative process of mutual adjustment, bureau budgeting, if the current trend continues, will become a process of target setting and a later scramble to meet the targets. That should make the traditional questions of control—how much is needed to achieve certain ends efficiently—in essence irrelevant, supplanted by How on earth can we meet this target?

If the only goal of budgeting were to restrain budgets, this would not be a problem. Even limited advances in controlling entitlement spending could justify abandoning other functions of bureau budgeting—especially because the result would probably be lower bureau budgets as well.

Yet if budgetary processes have purposes beyond spending restraint, then how to improve entitlement budgeting without damaging bureau budgeting must be one of the most important challenges to budget theorists.

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