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Dennis Ross pushes zero-based budgeting for federal government

Carly Fiorina among supporters of legislation introduced by Florida Republican

By Kelly Riddell

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Kraft Foods is the latest in a long line of acquisitions by a private equity firm whose budget-cutting initiatives are so aggressive that employees complain they're asked to justify the cost of a photocopy.

Now some politicians and 2016 GOP potential presidential contenders are imaging a world where the U.S. federal government is asked to do the same.

The streamlining tactic, known as zero-based budgeting, requires each agency or business unit to justify their budget requests from scratch for all existing and newly requested programs. It's something the federal government hasn't attempted since Democratic President Jimmy Carter advocated for it in the 1970s; it relies instead on past budgets as a baseline of money that's guaranteed, and then requests additional sums year-over-year.

"We have to justify our existence every day in the private sector — change to attitudes, trends. You have to adapt. Government doesn't adapt. Instead it just incrementally adds on," said Rep. Dennis A. Ross, who introduced last week — for the third time — his Zero Based Budget Act in the House of Representatives in the hope that the public sector can take a lesson from private enterprise's playbook.

"We should be painfully honest with the American people, because it's their money," said Mr. Ross, Florida Republican and a member of the House Committee on Financial Services. "When we do the budget process, we want to have some justification for every appropriation that is sought — a legal basis for it, an amount that is less than last year's and a summary to express the outcome of it," he said.

The thought behind zero-based budgeting is that it shifts the burden of proof to each agency head, congressional member or manager to give justification for why they should be spending

any money at all. It requires them to analyze all activities and rank them in order of their costs and benefits.

The tactic has become so successful for 3G Capital Partners, the Brazilian group that purchased Kraft and other food chains like Burger King and Tim Hortons, that other industry leaders are taking note, with Coca-Cola adopting the measure to strip \$3 billion in costs out of its budget by 2019.

But there's doubts the public sector has enough discipline to make zero-based budgeting successful.

"It just doesn't work with Congress, because they all believe in the spending. If you're on the Agriculture Committee, you believe in farm spending, [and if you're on the] Transportation Committee [you believe in] transportation," said Chris Edwards, the director of tax policy studies at the Cato Institute, a libertarian think tank. "There's no cost-benefit trade-off for members in Congress — they just fight for much more every year.

"Private companies — and why the government fails — is that private companies are in search [of] profits, and it's ruthless. They cut costs, innovate and improve quality," he said. "Profit motivation is the fundamental ingredient that the government doesn't have. There's no pressure to cut costs in Congress because there's no incentive to."

Still, some state legislatures have taken on the initiative.

In 2000, during Jeb Bush's tenure as governor, Florida was one of the first states to enact an eight-year cycle of agency reviews to help it better evaluate budgetary requests. The effort was abandoned a few years later after state legislatures found the process expensive and time-consuming, according to a report by the National Conference of State Legislatures (NCSL).

The same thing happened in Oklahoma, where lawmakers passed legislation requiring a four-year cycle of zero-based legislative reviews in 2003, but the process became so laborious, lawmakers didn't have time to consider the budget, so instead they revised the law to get out of the zero-based process, the report said.

Zero-based budgeting gets messy in government because there isn't one predominant goal, multiple agencies have different missions, and their leaders evaluate them by their own standards, said W. Clif Wilkinson, a political science professor at Georgia College & State University.

However, in business there is an agreed-upon bottom line that everyone — no matter the job or unit — rallies around and toward which everyone is held accountable.

"The difference in government is the accountability, the way the hierarchy is diffused and what is your mission. There are multiple missions in government, and profitability isn't one of them,"

said Mr. Wilkinson. "The mission and goals in private industry are so much more simple and clear than they are in government."

Dealing with zero-based budgeting is going to make government officials uncomfortable, as it's going to lead to many politically uncomfortable conclusions, like shuttering post offices in rural towns and closing military bases in some jurisdictions, he said.

Also, it's hard to place the value on the "public good," as people, depending on their political dispositions, define it in a variety of ways over a multitude of services.

Moreover, more than half of the federal budget gets automatically renewed and increased, as Social Security and other entitlements need to be paid out by law. Only new legislation passed by Congress and signed by the president can alter this part of the budget — no matter what its efficiency or worth.

Still, many state governments are interested in the notion of justifying the cost and benefits of every dollar spent. Idaho and New Hampshire's governors have deployed zero-based budgeting with success, and in recent years 17 states have used zero-based budgeting in some form, and several more have made serious efforts to do so, according to NCSL.

New Jersey Gov. Chris Christie, a presumed 2016 Republican presidential contender, ran his campaign on the idea of implementing zero-based budgeting, and Rick Perry, the former governor of Texas and another potential GOP White House hopeful, said zero-based budgeting was key to his state's economic success.

"We refused to raise taxes in the face of a \$10 billion shortfall," Mr. Perry reminisced in his final address to the Texas legislature Jan. 15. "Instead, we cut spending. We enforced zero-based budgeting, and we resisted the idea that Texans should pay more so government could cut less."

Rumored GOP presidential contender Carly Fiorina, who was also the chief executive officer of Hewlett Packard, supports zero-based budgeting and has argued the merits of it within government.

"We have no idea how our taxpayer money is being spent. We never examine any budget from top to bottom and haven't from decades," said Ms. Fiorina in an interview with CNN earlier this month. "What we're arguing about now, and what we have been arguing about for years, is the rate of increase or the rate of decrease so people are forced into these agonizing choices.

"I'm quite certain that if we had zero-based budgeting and could actually look at all the money that's being spent, we could figure out a better way," Ms. Fiorina said.