

# Avoiding Budget Gimmicks

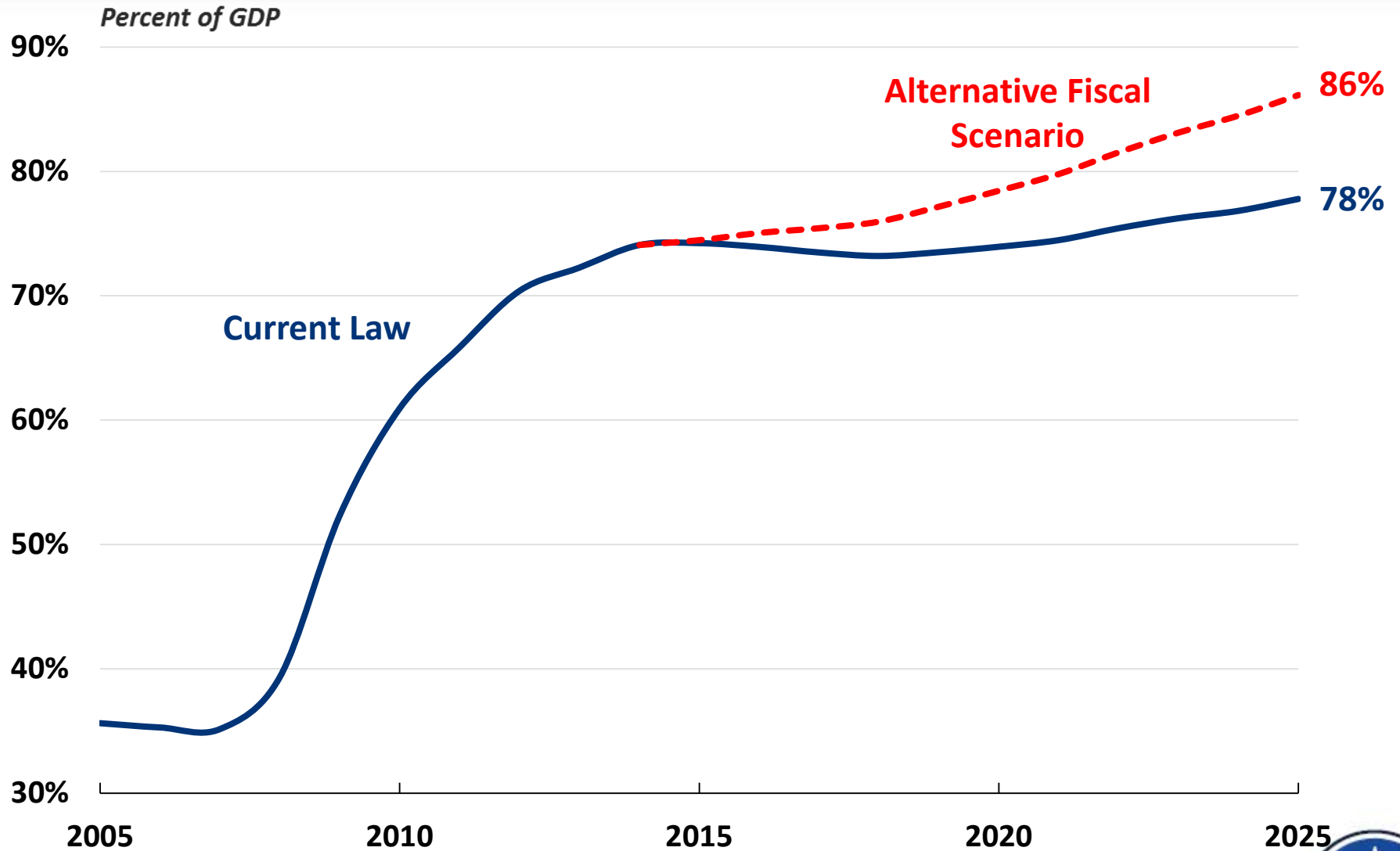
June 2015



**COMMITTEE FOR A  
RESPONSIBLE FEDERAL BUDGET**

*CRFB.org*

# Why We Can't Afford Gimmicks – The Debt Is On An Unsustainable Long-Term Path



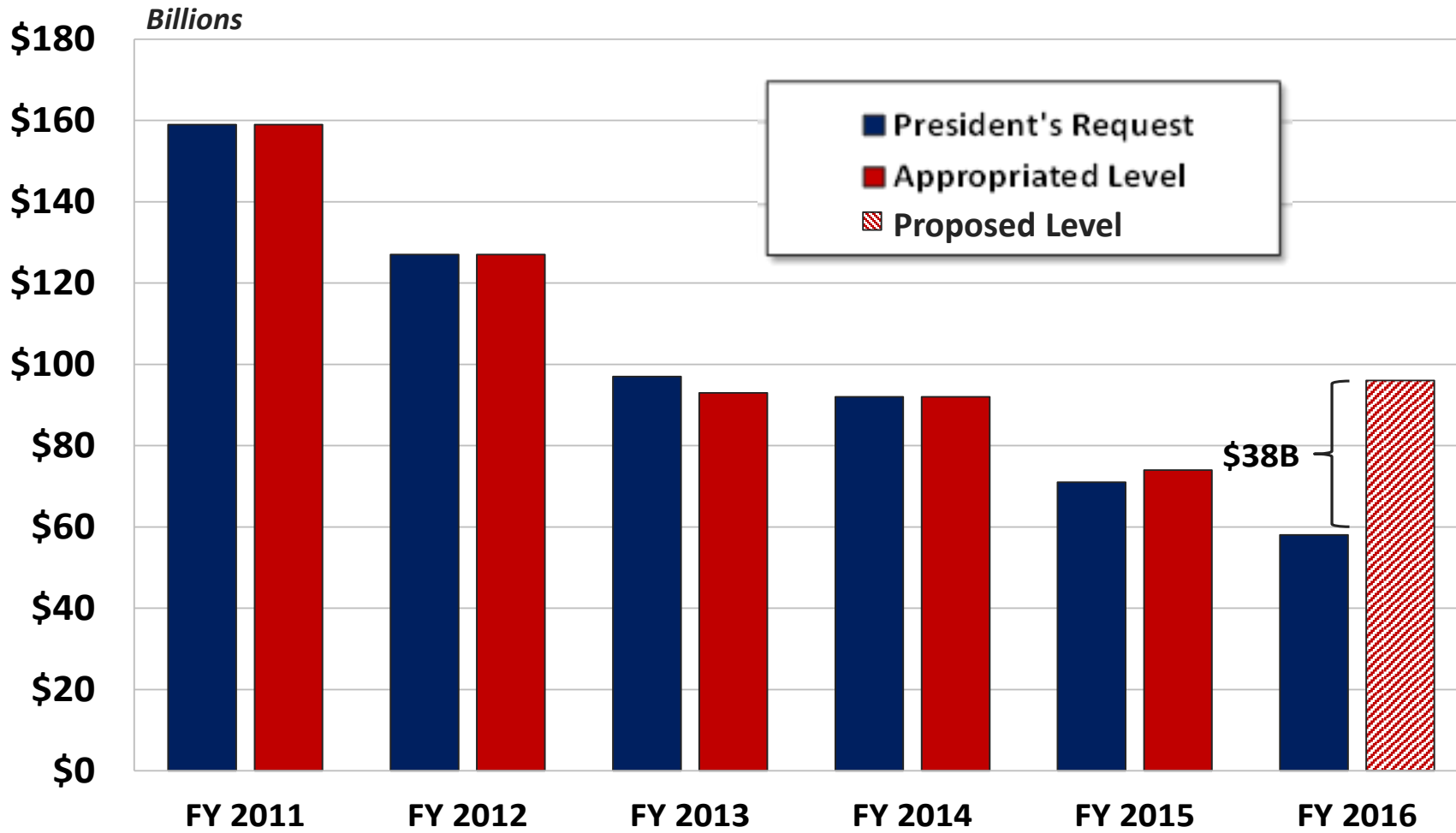
Source: CBO

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# Gimmick #1: Using War Spending to Circumvent Budget Caps

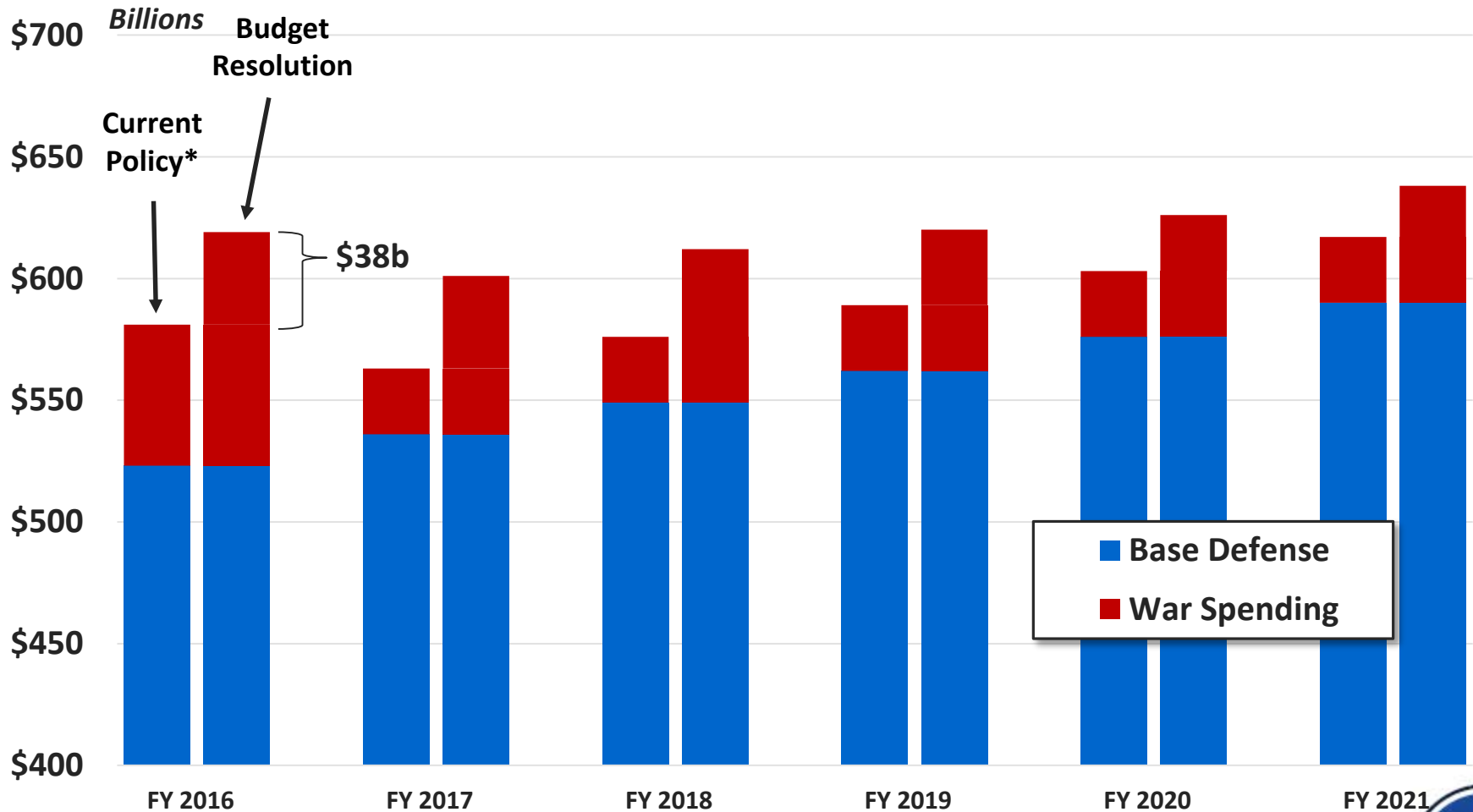
*Congress provided \$38 billion more in the war account than the Pentagon requested.*



Source: CBO, Budget Conference Agreement

# Budget Resolution Increases Defense Spending with OCO

*Higher-than-needed war spending lets Congress exceed caps by \$185 billion through 2021.*



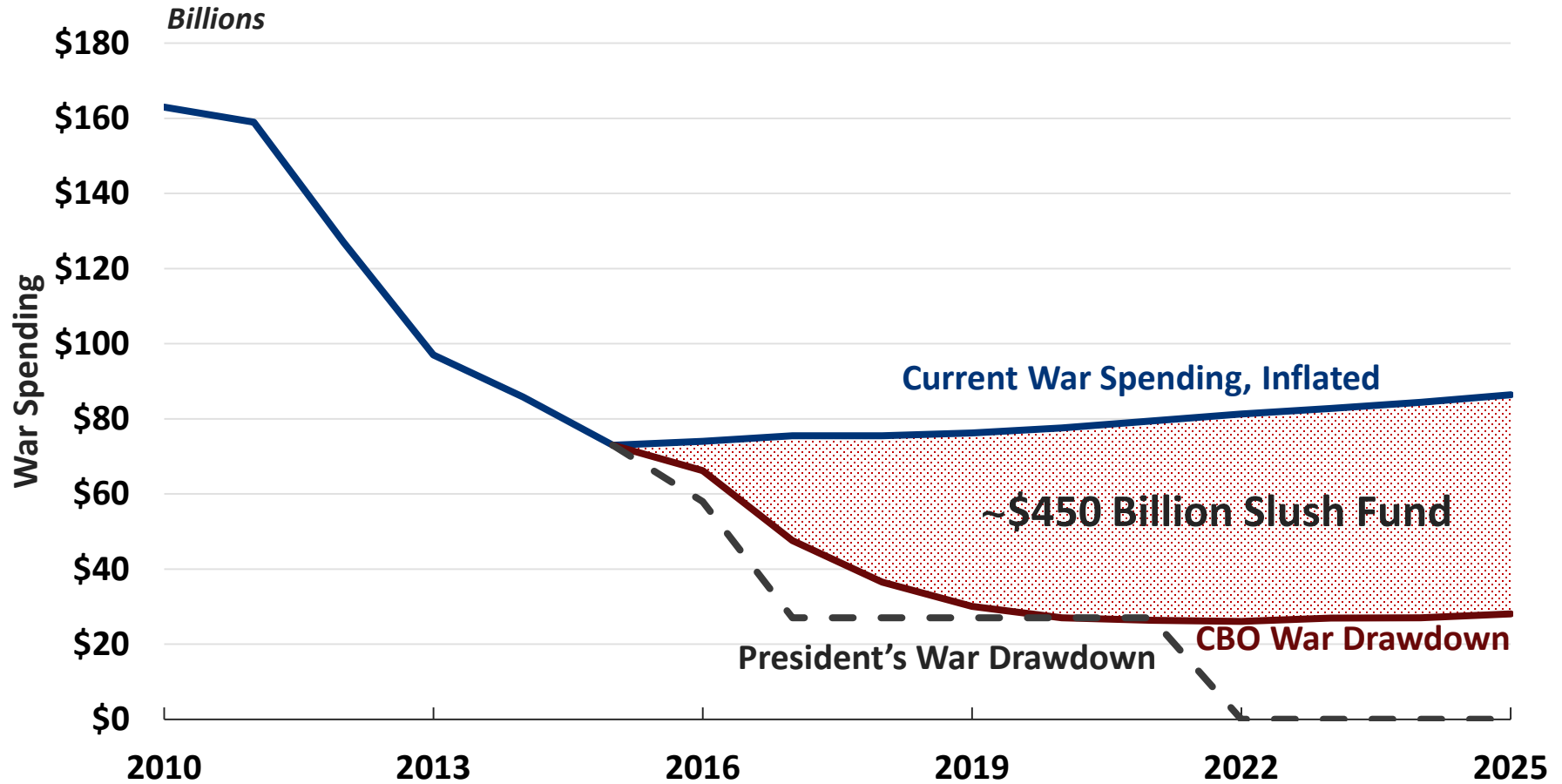
Source: S. Con. Res. 11,

\*Current policy assumes the Budget Control Act defense caps and the President's request for OCO spending



# Gimmick #2: Claiming Phony War Savings

*Caps on future war spending only “save” money that would never have been spent.*



Source: CRFB calculations based on CBO and OMB data

Note: Spending refers to budget authority. “Current War Spending, Inflated” refers to CBO’s current law baseline war budget authority. “Planned Troop Drawdown” uses CBO’s drawdown of war spending assuming troop levels are reduced to 30,000 by 2017.

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# War Gimmicks Cannot Be Used As Slush Fund Or Savings

*“There is clearly bipartisan opposition to using the Overseas Contingency Operations budget as a slush fund for non-war related projects.”*

— Rep. Chris Van Hollen (D-MD), Ranking Member of the House Budget Committee

*“The savings from troop reductions in Iraq and Afghanistan do not represent actual savings.”*

— James Horney, Center on Budget and Policy Priorities

*“Drawing down spending on wars that were already set to wind down and that were deficit financed in the first place should not be considered savings. When you finish college, you don’t suddenly have thousands of dollars a year to spend elsewhere — in fact, you have to find a way to pay back your loans.”*

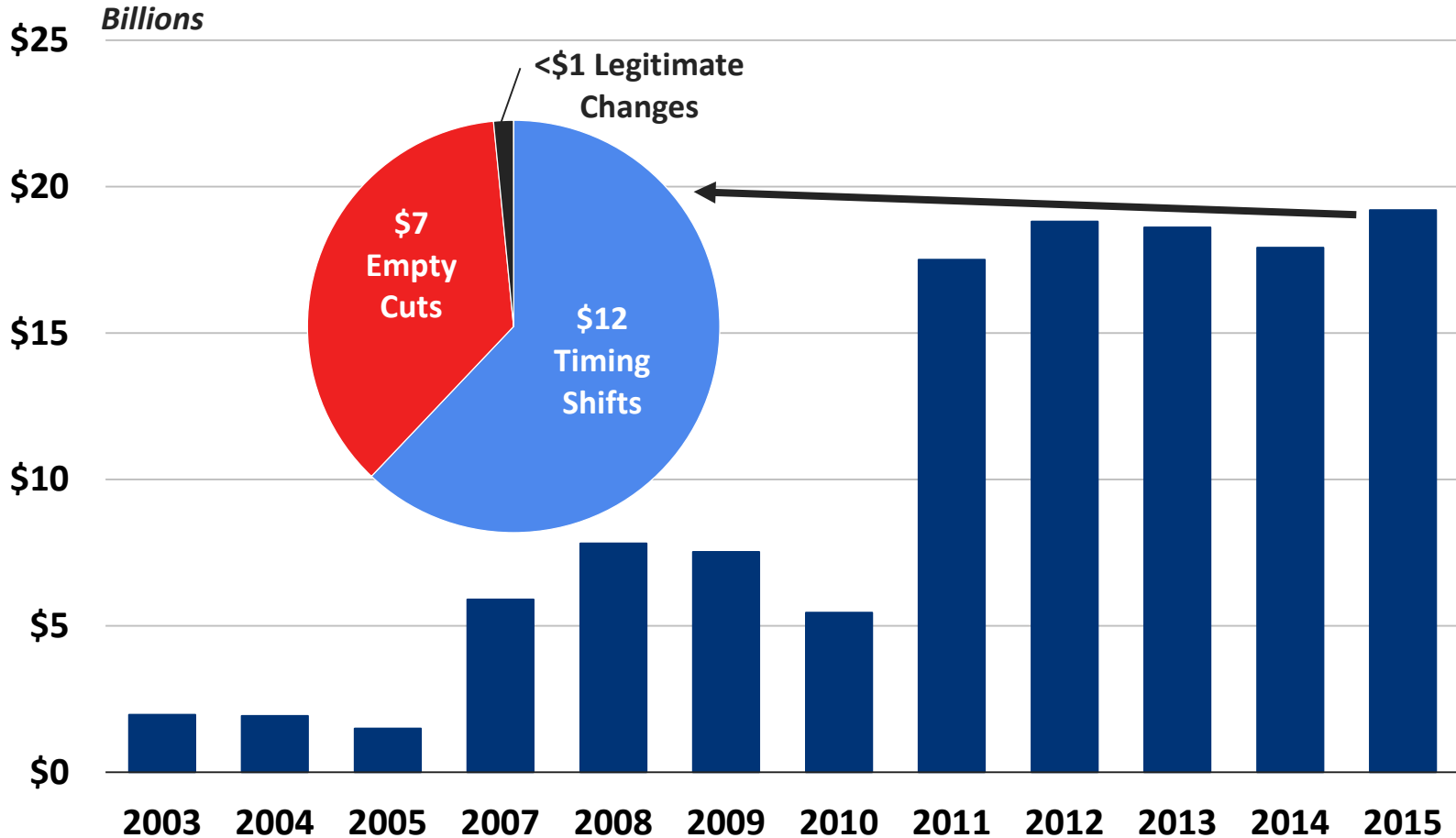
— Maya MacGuineas, Committee for a Responsible Federal Budget

*“An honest budget cannot claim to save taxpayers’ dollars by cutting spending that was not requested and will not be spent.”*

— Rep. Paul Ryan (R-WI), former Chair of the House Budget Committee

# Gimmick #3: Using CHIMPS to Monkey With Budget Caps

*Phony cuts known as CHIMPS have become increasingly common since 2011. These cuts are used to pay for more discretionary spending above budget caps.*



Source: CRS, CBO, CRFB calculations

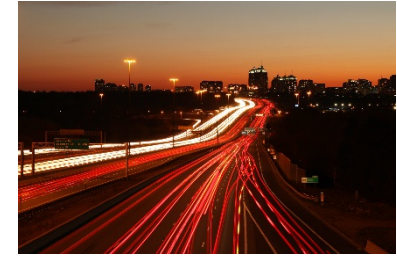
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# Gimmick #4: Double Counting

*Budget rules sometimes allow lawmakers to count the same money twice.*

For example: The Tax Reform Act of 2014



Offset a transfer to the Highway Trust Fund

Would BOTH



**\$125 Billion**  
Revenues from repatriation

AND



Offset tax rate reductions

**But in reality, a dollar can only be spent once.**

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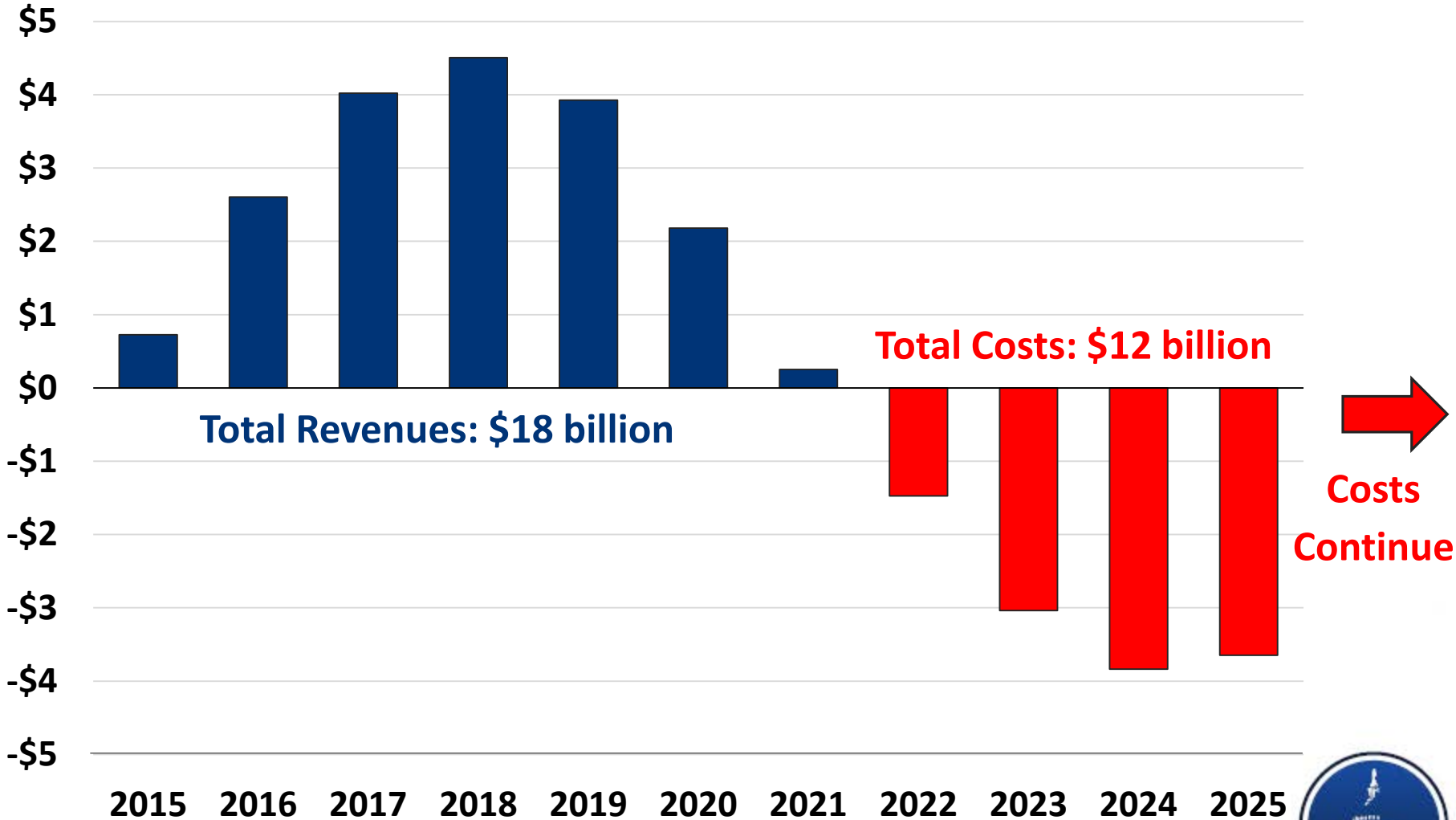




# Gimmick #5: Savings Now That Reverse Later

*Pension smoothing increases revenues in early years, but decreases them over time.*

Billions



# Pension Smoothing Does Not Generate Real Savings

*“These are gimmicks, plain and simple...collecting more taxes now and less in taxes later doesn't help our bottom line.”*

— Maya MacGuineas, Committee for a Responsible Federal Budget

*“This proposed change in pension funding rules can't ‘pay for’ anything. While it would raise money at first, it would lose money in later years.”*

— Chye-Ching Huang, Center on Budget and Policy Priorities

*“The proposal to ‘smooth’ pension contributions would merely shift tax revenue from the future into the present while destabilizing pensions even further and increasing the risks of a taxpayer pension bailout.”*

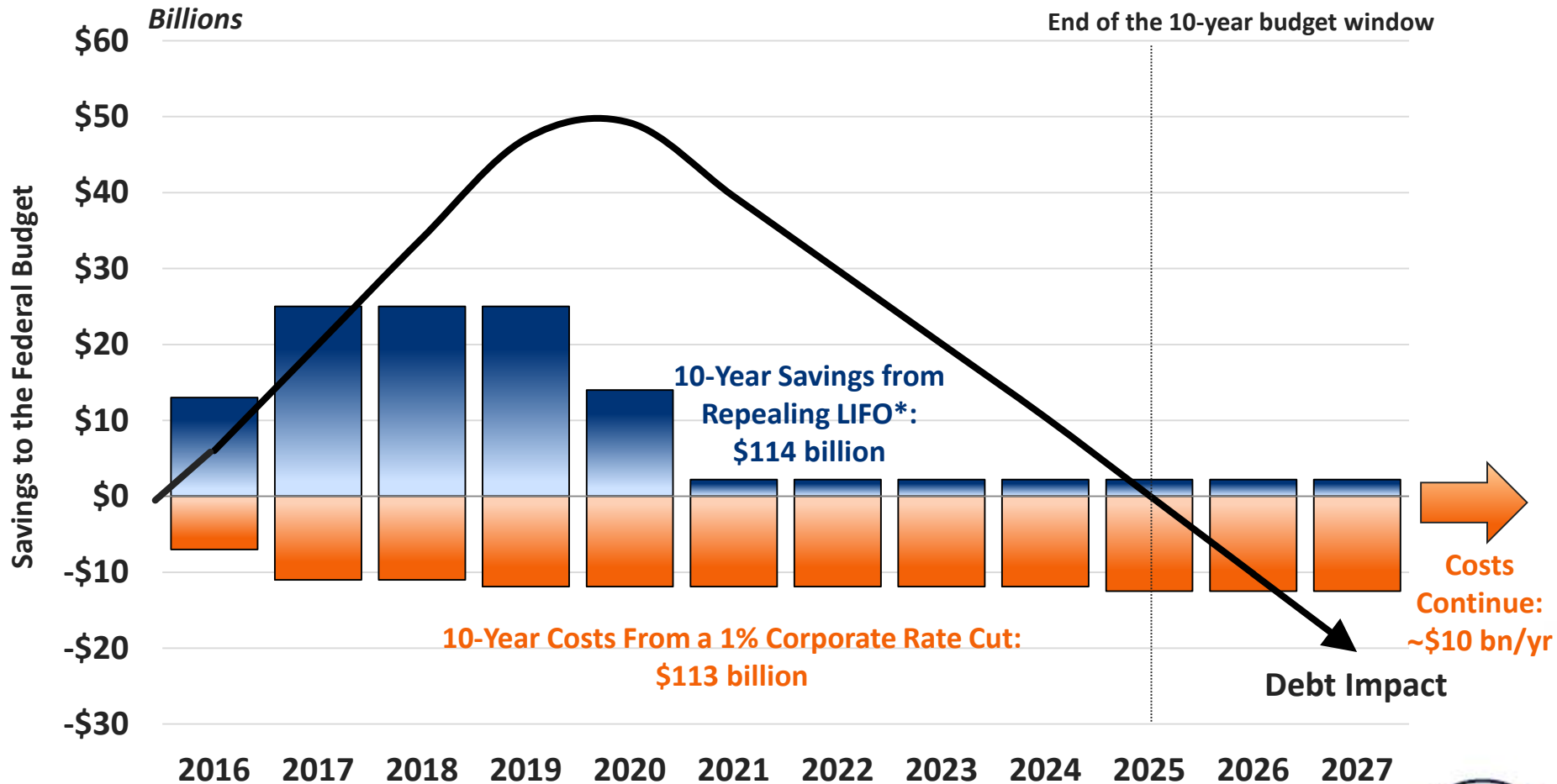
— Romina Boccia, Heritage Foundation

*“Such tactics mock the very idea of PAYGO. These are not offsets. They are charades.”*

— Bob Bixby, Concord Coalition

# Gimmick #6: Using Temporary Savings To Offset Permanent Costs

*Using one-time savings to pay for a permanent tax cut will increase debt in future years.*



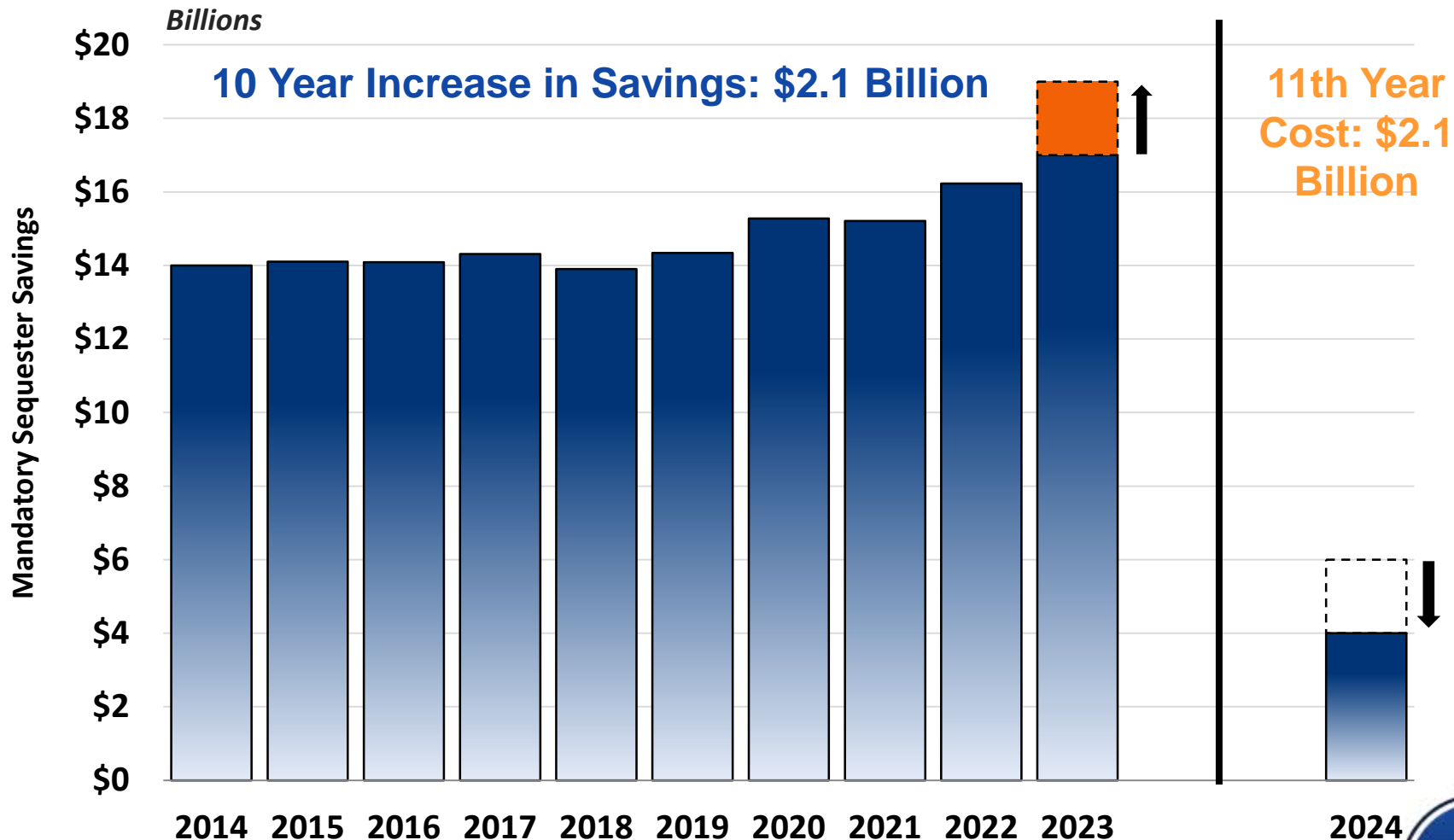
Source: CRFB staff calculations based on CBO estimates. For simplicity, numbers exclude interest savings.

\*LIFO (Last-In First Out) Accounting is a preferential method of measuring profits from inventory sales and one of the ten largest breaks in the corporate code.



# Gimmick #7: Shifting Savings Inside The Budget Window

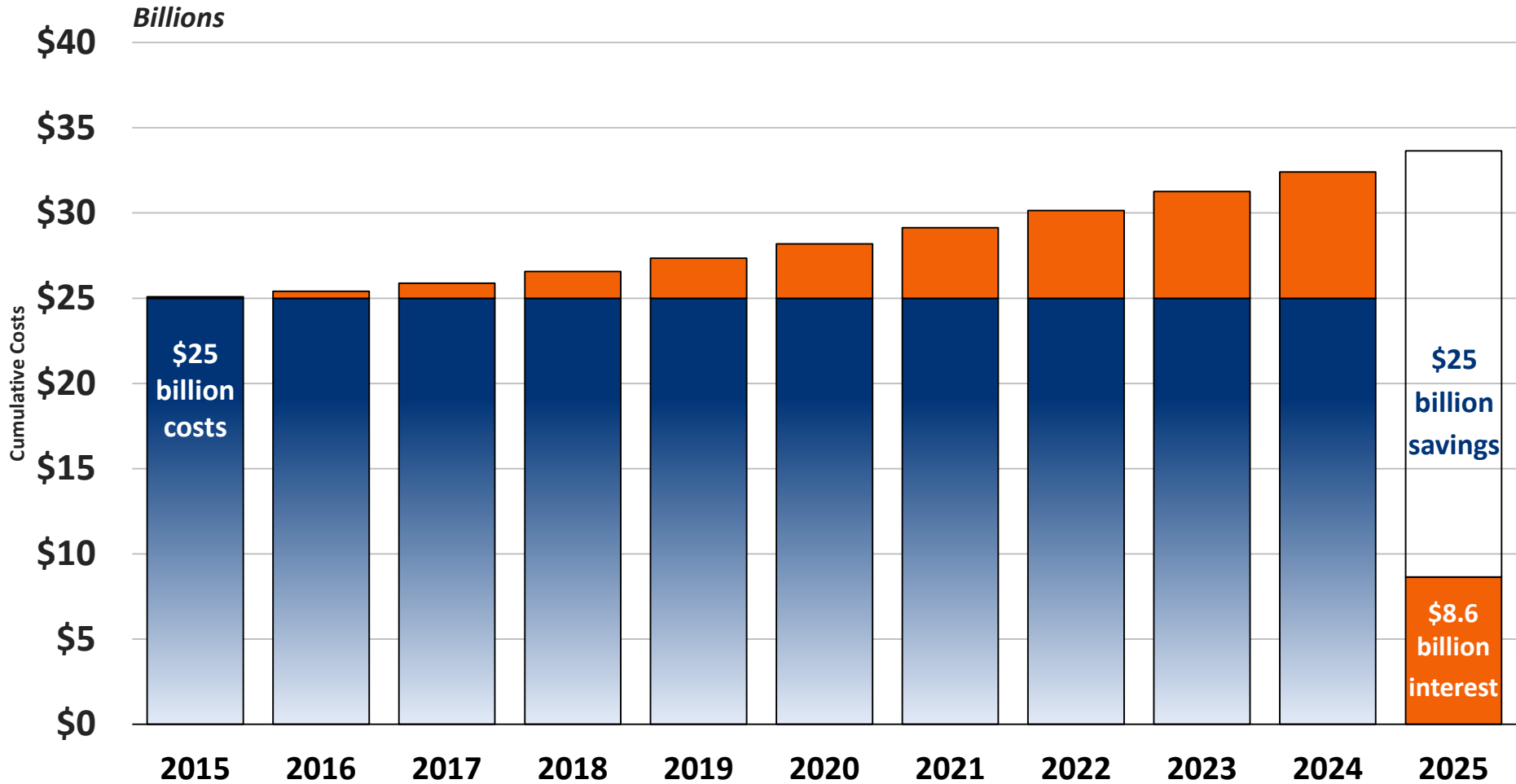
The "Pathway to SGR Reform Act" shifted \$2 billion of the sequester from 2024 to 2023.



Source: Congressional Budget Office and CRFB staff calculations

# Near Gimmick: Offsetting 1<sup>st</sup>-Year Costs With 10<sup>th</sup>-Year Savings

*Accrued interest from waiting 10 years could leave a third of a bill's costs unpaid.*



Source: Congressional Budget Office and CRFB staff calculations

**For More Information,  
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