

Avoiding Budget Gimmicks

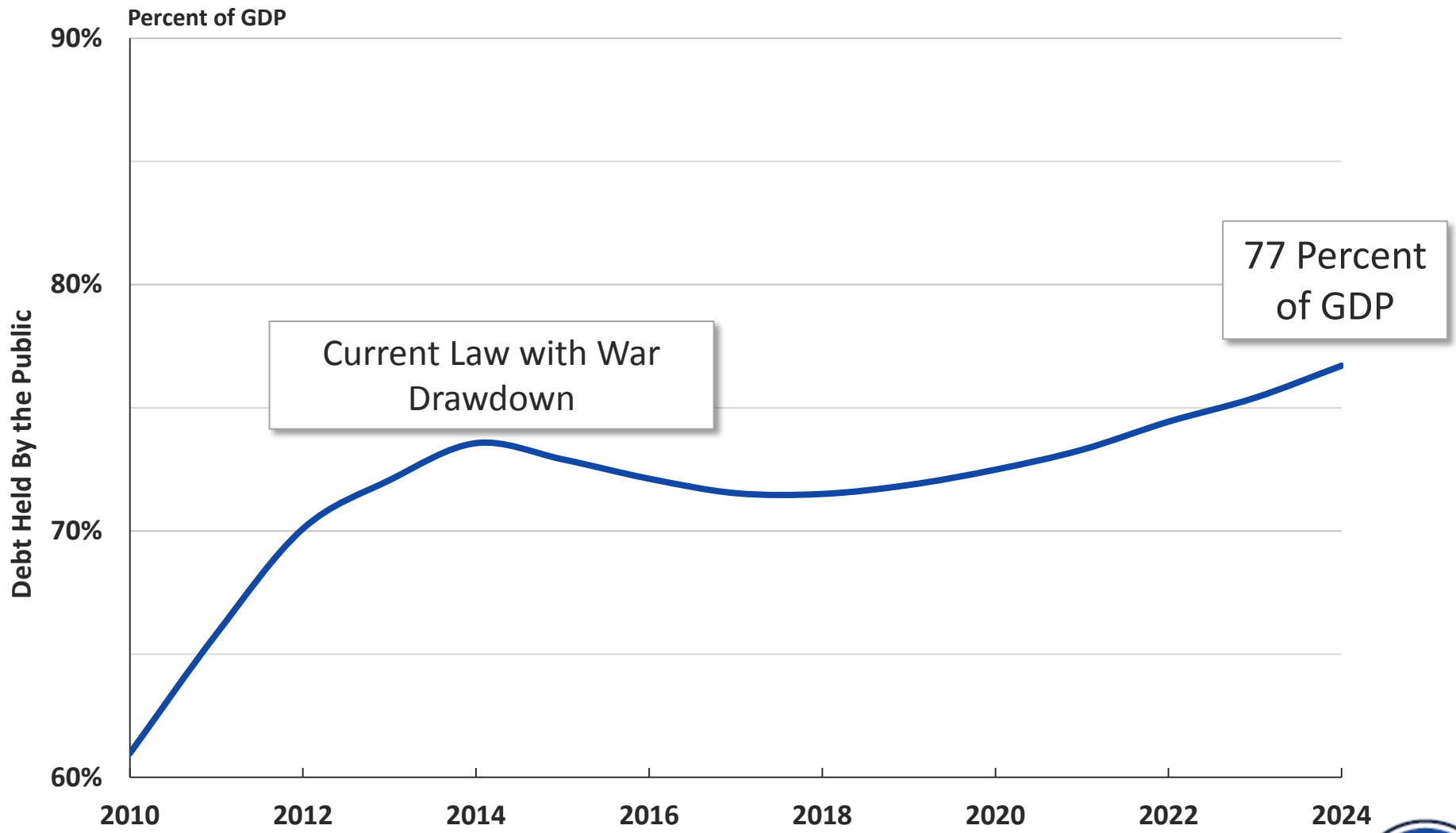
February 2014



**THE COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

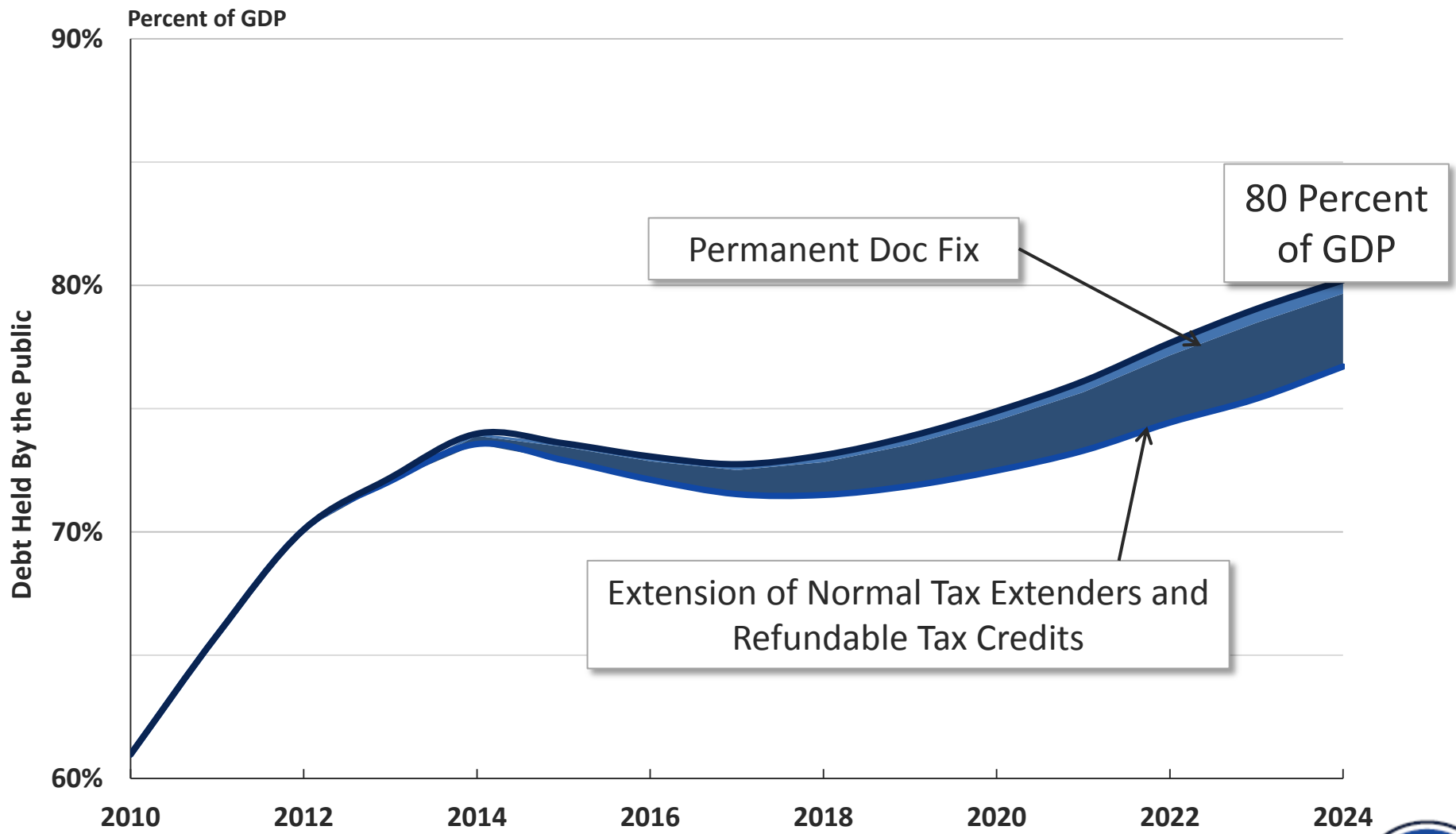
CRFB.org

The Debt is on an Unsustainable Long-Term Path



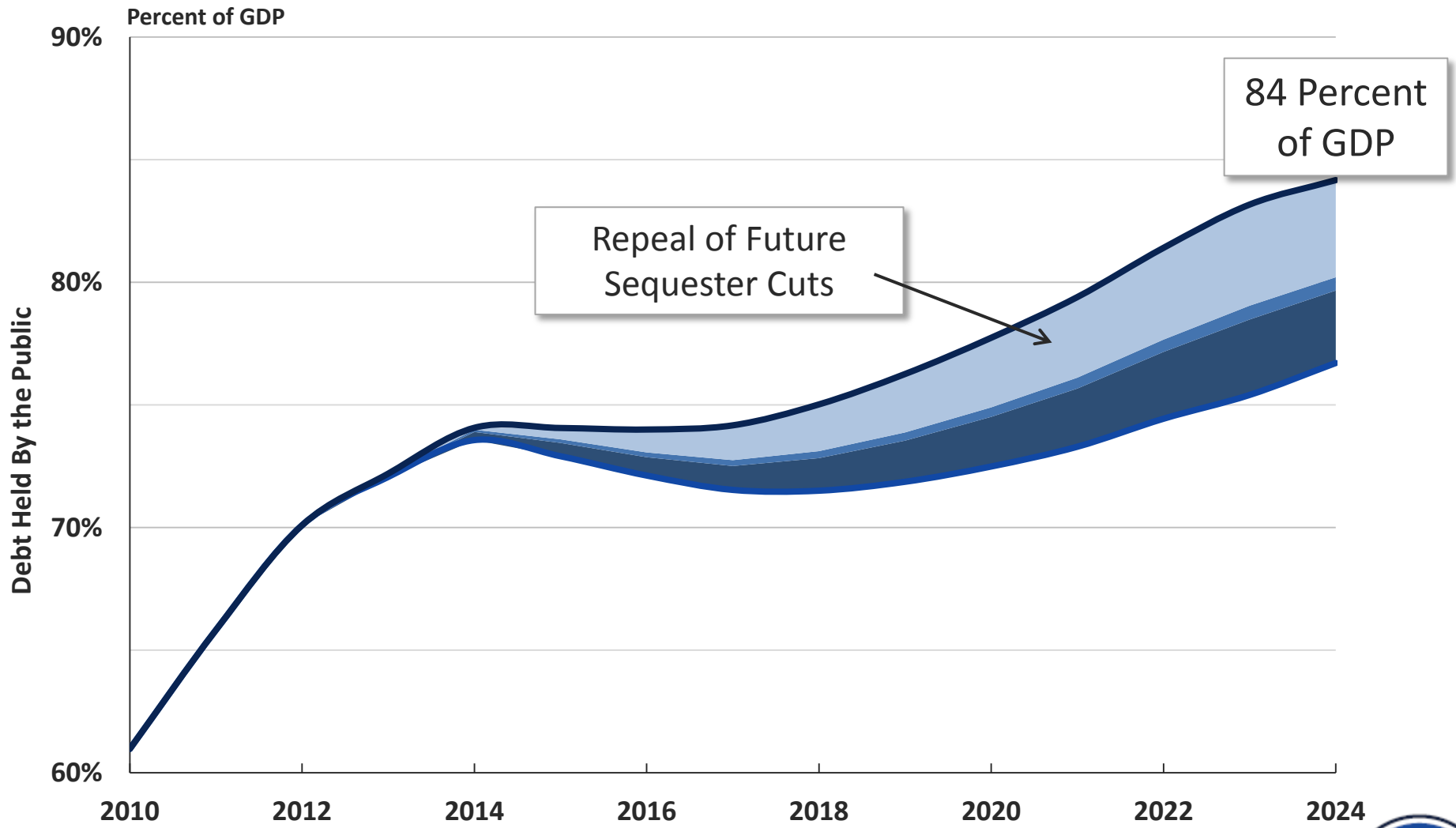
Source: CBO Current Law with War Drawdown Savings, CRFB calculations

Debt is Worse if Congress Does not Pay for Changes



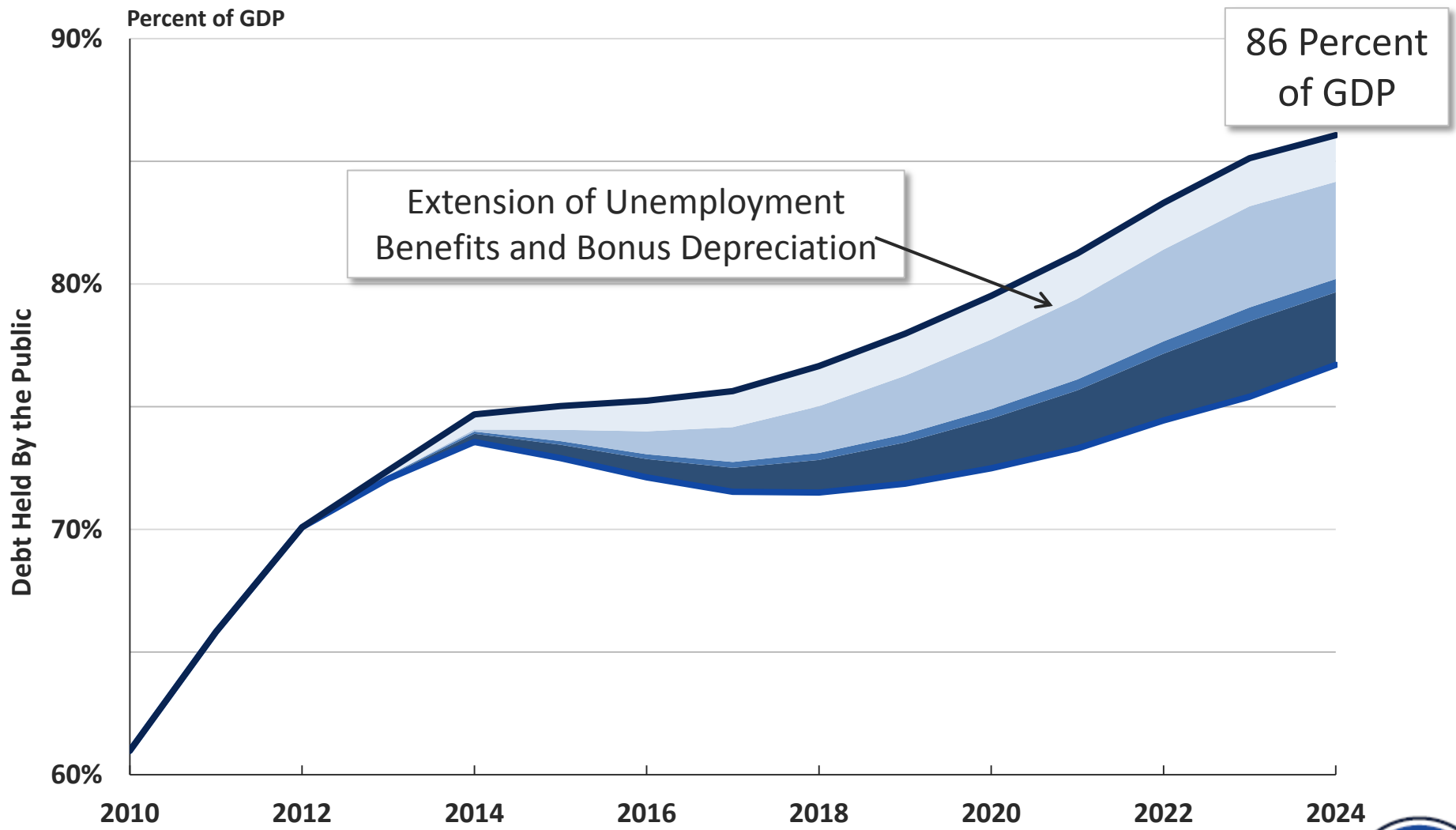
Source: CBO, CRFB calculations

Debt is Worse if Congress Does not Pay for Changes



Source: CBO, CRFB calculations

Debt is Worse if Congress Does not Pay for Changes

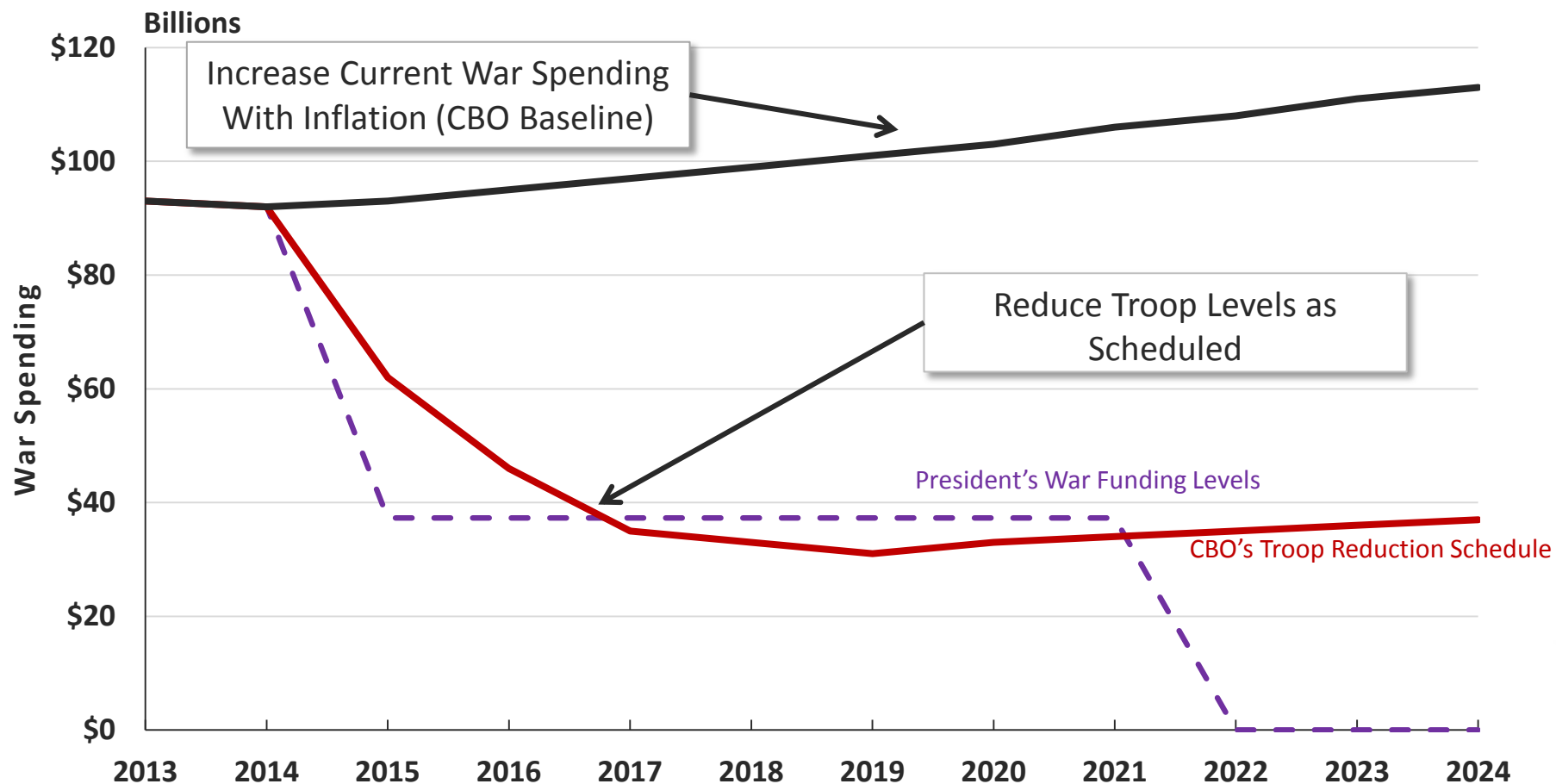


Source: CBO, CRFB calculations



The War Savings Gimmick

CBO assumes war spending will grow with inflation, rather than fall as intended



Source: CBO, OMB

Note: "War Spending" refers to OCO budget authority. CBO baseline maintains current war spending with inflation, while their "Troop Reduction Schedule" uses CBO's drawdown of war spending assuming troop levels are reduced from 85,000 in 2013 to 30,000 by 2017.



The War Gimmick Does not Generate Real Savings

“[R]eductions relative to the [CBO] baseline might simply reflect policy decisions that have already been made and that would be realized even without such funding constraints.”

— Congressional Budget Office

“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

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

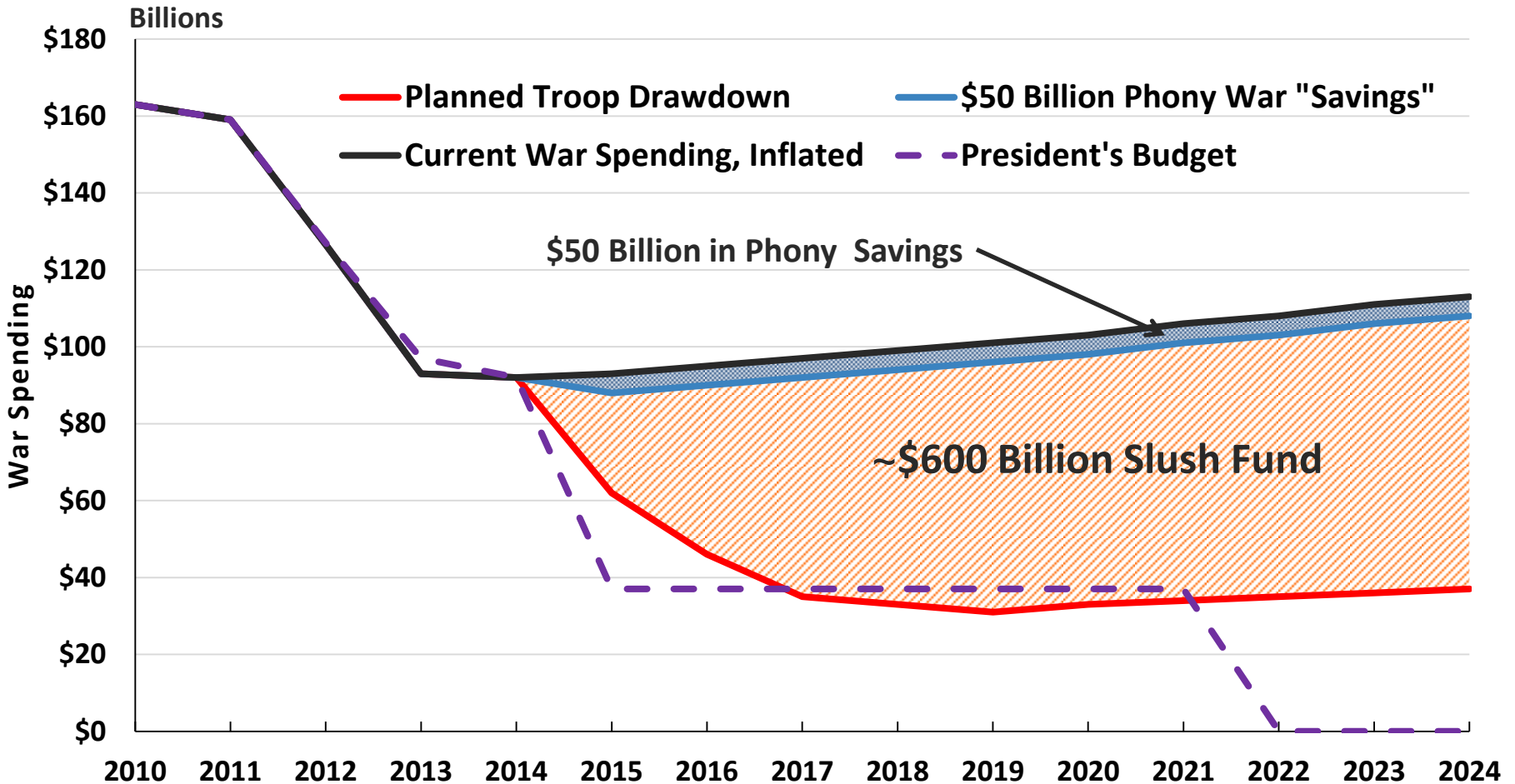
— James Horney, Center on Budget and Policy Priorities

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

— Chairman Paul Ryan, House Budget Committee

Small Phony War "Savings" Create a Huge Potential Slush Fund

Caps above intended spending do not create savings. They open the door to new costs.



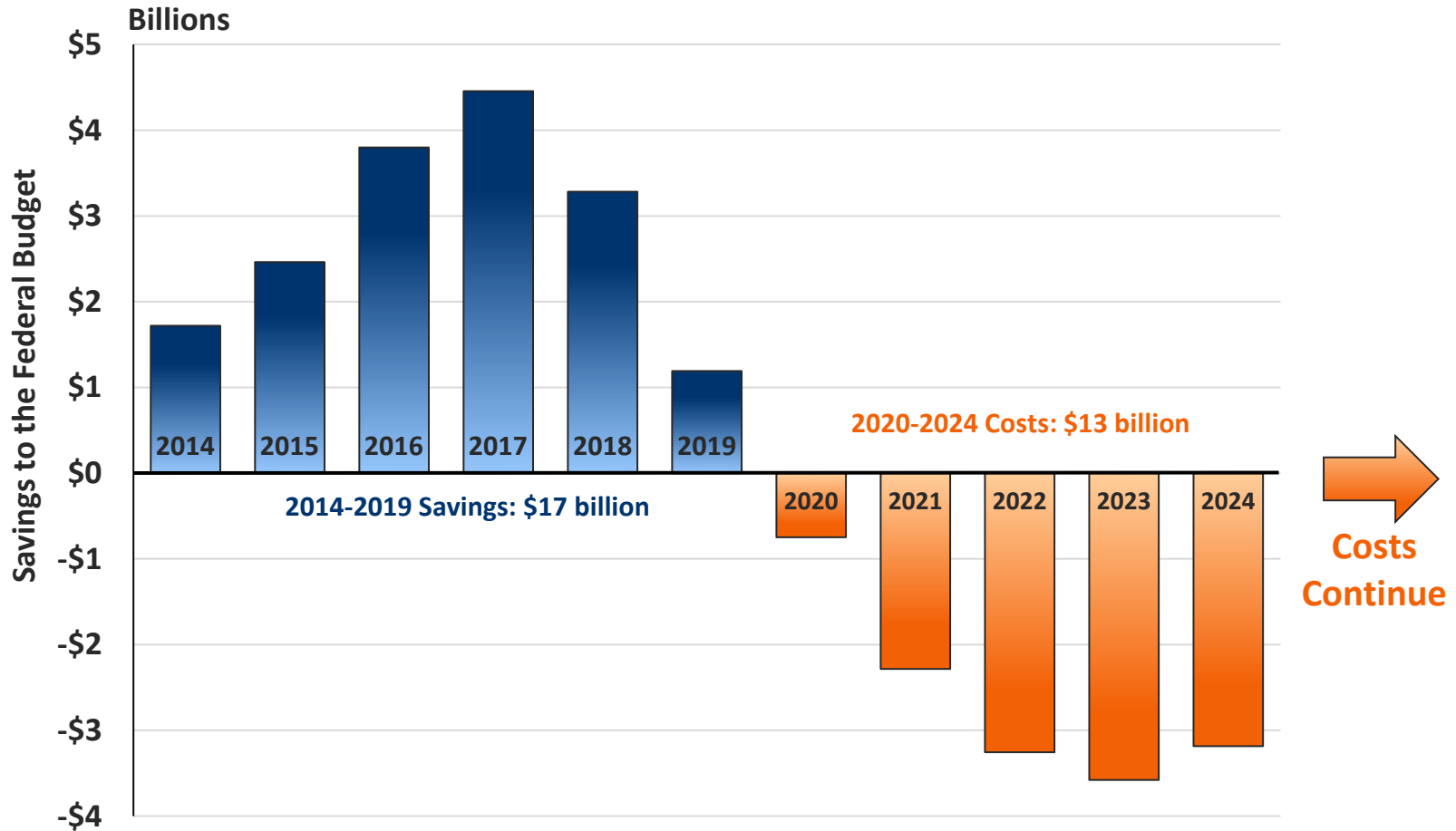
Source: CRFB calculations based on CBO and OMB data

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 from 85,000 in 2013 to 30,000 by 2017.



Timing Gimmick #1 – Savings Now Which Cost Later

Pension smoothing would reduce deficits in early years but increase them over time



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.”

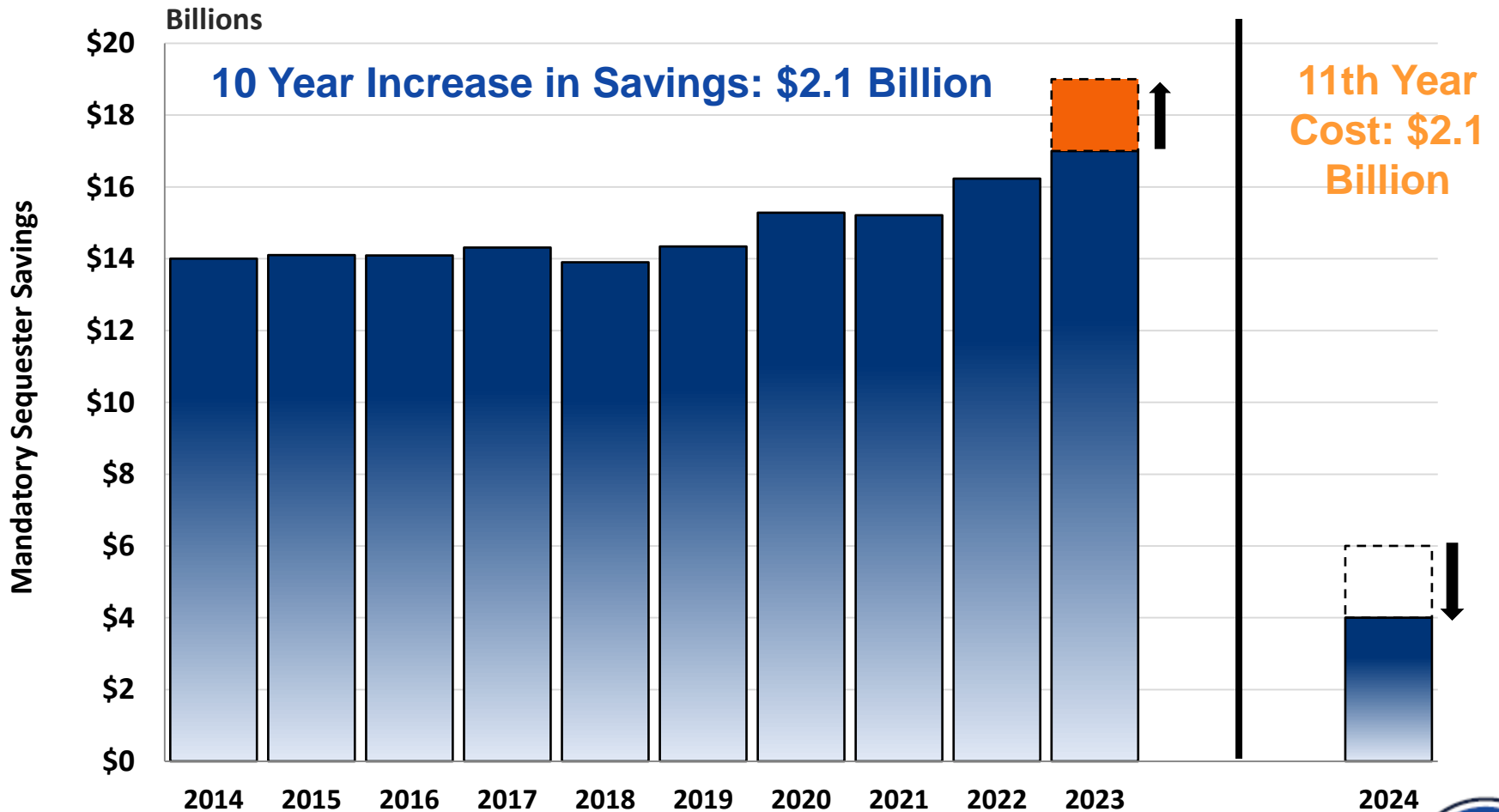
— Romina Boccia, Heritage Foundation

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

— Bob Bixby, Concord Coalition

Timing Gimmick #2 – Shifting Savings Inside the Budget Window

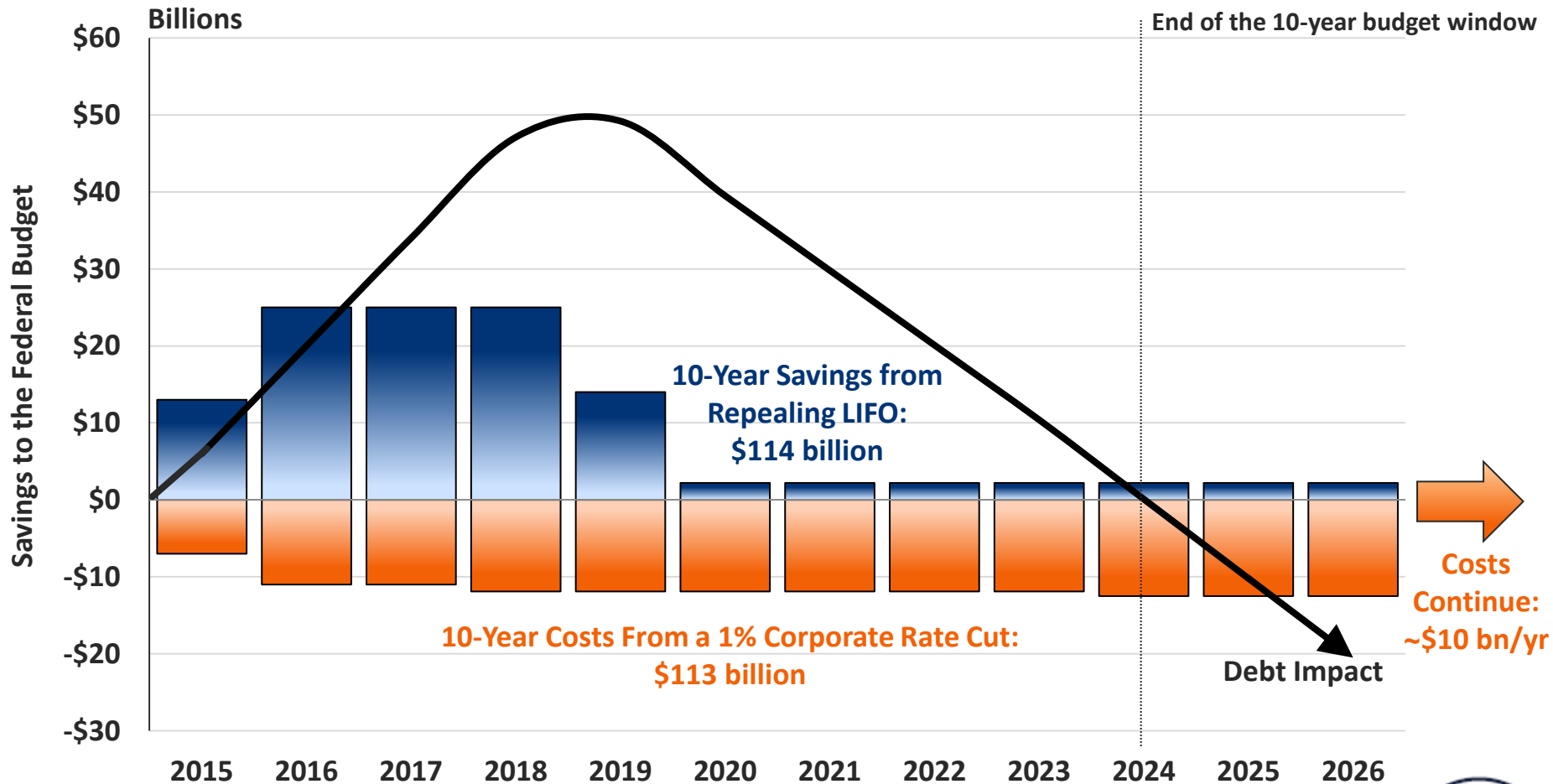
The “Pathway to SGR Reform Act” shifted \$2 billion of the sequester from 2024 to 2023



Source: Congressional Budget Office and CRFB staff calculations

Timing Gimmick #3: Temporary Savings, Permanent Costs

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

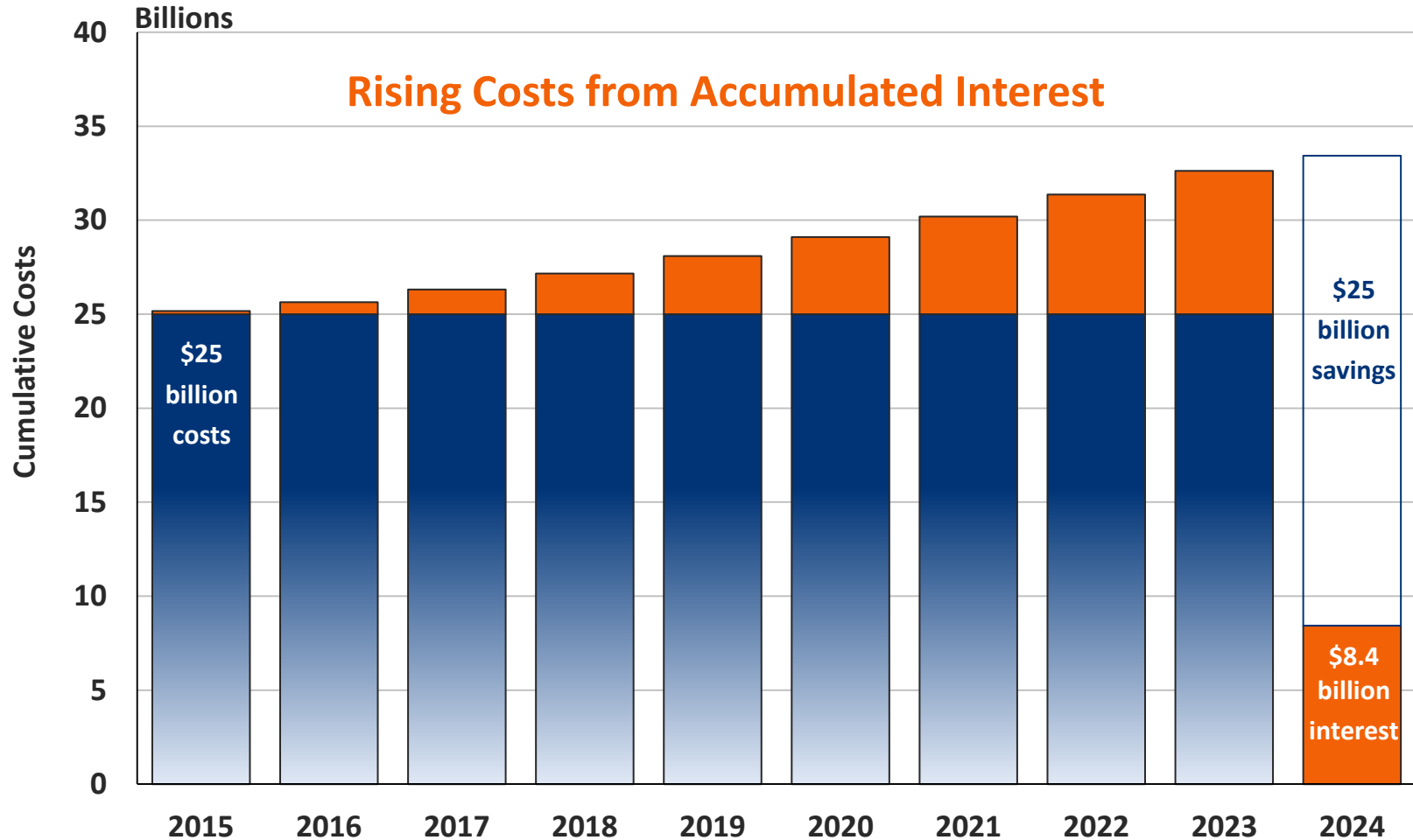


Source: CRFB staff calculations based on CBO estimates. For simplicity, numbers exclude interest savings.



The Harm in Offsetting 1st-Year Costs with 10th-Year Savings

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



Note: Graph assumes \$25 billion in 2015 costs paid for with \$25 billion of savings in 2024

**For More Information,
Contact Lydia Austin at
austinl@crfb.org or 202-596-3597**



**THE COMMITTEE FOR A
RESPONSIBLE FEDERAL BUDGET**

CRFB.org