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CRFB Calls on Senate to Avoid Budget Gimmicks

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The Senate is likely to consider two bills in the coming days, which claim to be deficit neutral, but, due to their reliance on fiscal gimmicks, would make the overall fiscal situation worse.

The first bill, which would fund a short-term extension of Unemployment Insurance, would cost \$6.4 billion and be paid for by so-called "pension smoothing," which changes the timing of corporate pension contributions so they have more taxable income now but less in the future. The second bill, a repeal of the recently-enacted military retirement reforms, would cost \$4.3 billion and would rely on phony caps on war-related spending between 2018 and 2021 at levels far higher than the country is expected to spend to cover the costs.

Given that policymakers seem intent on ignoring the nation's long-term fiscal problems, the very least they should do in the immediate future is not make the situation worse. That requires abiding by the pay-as-you-go principle and offsetting any new costs, and it requires not using budget gimmicks to avoid the actual budget tradeoffs but instead using true spending cuts or revenue increases.

"The bleak recent budget projections highlight the tremendous need to at least pay for new spending or tax cuts so we don't make the situation worse," said Maya MacGuineas, President of the Committee for a Responsible Federal Budget. "Relying on phantom savings and timing shifts undermines the credibility of pay-as-you-go budgeting and, more broadly, fiscal responsibility.

"These are gimmicks, plain and simple," said MacGuineas. "Collecting more taxes now and less in taxes later doesn't help our bottom line. Nor does setting spending caps several years in the future which are inflated well above what anyone is actually planning on spending. These war caps are two and a half times as large as what the President intends to spend given the current drawdown, creating a slush fund for defense spending and opening the door for roughly another \$250 billion of phony savings. The long-term debt is already growing unsustainably, so the last thing we should do is make it worse."

The Committee for a Responsible Federal Budget is committed to working with our elected leaders to explore ways in which we can improve the country's long-term fiscal outlook, starting with complying with the spirit and letter of PAYGO rules by identifying real offsets for the costs of legislation.