

WINNING THE PEACE WITH A FAIR FISCAL OFFSET

Representatives Pat Toomey and Jeb Hensarling

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THE PROPOSAL:

Our proposal would pay the \$20 billion in Iraq reconstruction funds requested by the President by reducing international affairs spending by \$4 billion for each of the next five fiscal years (fiscal years 2004 through 2008). It would begin immediately by reducing international affairs spending by \$4 billion from the House-passed levels. For Fiscal Year 2004, the House has approved \$26.7 billion for international affairs programs. It would NOT reduce funding for critical programs such as:

- Aid to Israel
- The Andean Counter-Drug Initiative
- Embassy Security

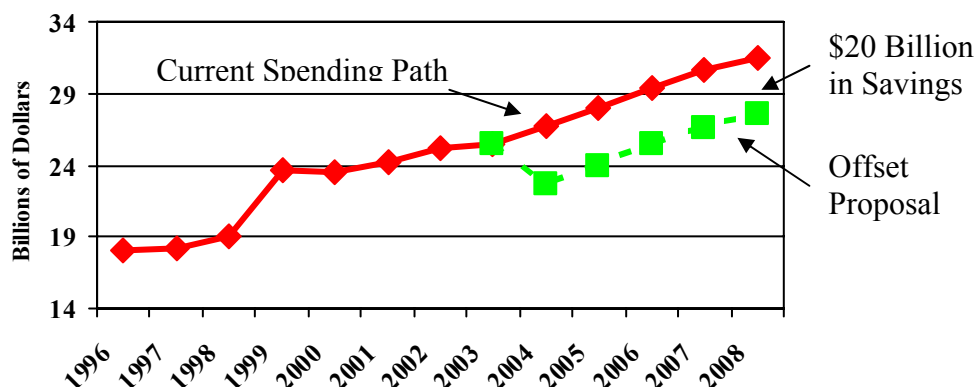
However, the funding of new programs or other lower-priority programs would be either eliminated or reduced. These include:

- Millennium Challenge Accounts (could still be funded by reducing other foreign aid programs)
- OPIC and Other Business Subsidies
- USAID Operating Expenses
- Foreign Military Financing
- Economic Support for Foreign Nations
- Contributions to Various International Programs, including the U.N., the International Fund for Ireland, UNESCO, and the Asian Development Bank

PUTTING THE OFFSETS IN CONTEXT:

Some will argue that a \$4 billion reduction in foreign aid spending is unrealistic and draconian, but consider the following:

- Over the next five years the government is expected to spend \$146.1 billion for international affairs programs. This is 20% more than the government has spent over the last five years on the same programs.
- Even after reducing next year's foreign aid budget by \$4 billion, the government will still be spending \$1 billion more than what would be spent if the growth in foreign aid spending had been limited to inflation over the past eight years.
- Both the President's Budget Request and the Congressional Budget Resolution propose growing international affairs spending by more than twice the rate of inflation over the next five years. If spending does increase at this rate, then even after paying for the Iraq reconstruction funds, international affairs spending will increase by \$5 billion over the next five years.



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