RSC Republican Study Committee

Rep. Jim Jordan (R-OH), RSC Chairman
Paul Teller, Executive Director

Budget and Spending Task Force
Weekly Report

Congressman Scott Garrett (R-NJ), Chairman

February 9, 2011

FY 2011 House Budget Allocation Cuts Non-Security Spending by $58 Billion

Next week, the House will consider the FY 2011 Defense bill/continuing resolution, which will aim to finalize the FY 2011 budget process. The RSC will propose an amendment to this bill to reduce spending by an amount necessary to meet the original **$100 billion** House Republican savings target.

In FY 2008, the last budget enacted prior to the Obama Administration, non-security discretionary spending authority was **$378 billion**. For FY 2011, the President's most recent budget—as well as the House Democrat 302(b) plan—proposed to spend **$478 billion**. By contrast, the RSC, and House Republicans as a whole, proposed to return FY 2011 non-security spending to FY 2008 spending levels, thus saving taxpayers $100 billion.

Last week, the 302(a) allocation for FY 2011 non-security spending was lowered to **$420 billion**. This saves **$58 billion** compared to the President's non-security request. The Appropriations Committee divided this between the subcommittees as follows:

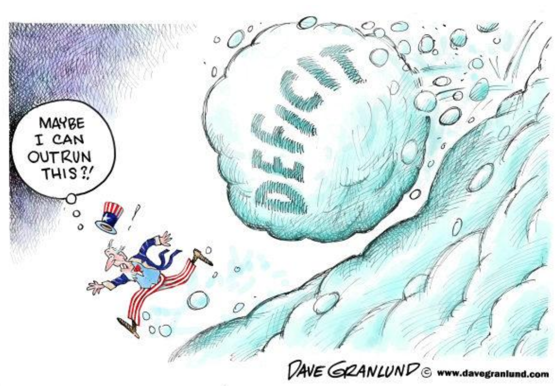
> **Quote of the Week:**
>
> *"Is any particular program, whatever its merits, worth borrowing billions of dollars from foreign nations to finance programs that could be administered better at the state and local level, or even taken over by the private sector?"*
>
> **-Senator Rand Paul**, 2/07/11.

House Appropriations Committee Non-Security 302(b) Allocations
In Millions of Dollars

Bill	President's Request	House 302(b)	Savings	Percentage Decrease
Agriculture	23,129	20,065	3,064	-13.2%
CJS	60,539	54,115	6,424	-10.6%
Energy and Water	35,344	29,984	5,360	-15.2%
Financial Services	25,253	21,151	4,102	-16.2%
Interior	32,377	29,596	2,781	-8.6%
Labor-HHS	170,611	157,020	13,591	-8.0%
Legislative Branch	5,134	4,562	572	-11.1%
State-Foreign Ops	56,646	46,953	9,693	-17.1%
Transportation-HUD	68,738	56,325	12,413	-18.1%
Total	**477,771**	**419,771**	**58,000**	**-12.1%**

First Four Weeks of New House: $541 Billion Spending Cuts

In total, in the first four weeks of the new Republican Majority, the legislation that has passed the House has cut mandatory spending by $541 billion, cut authorized spending (subject to appropriation) by $115 billion, and cut taxes by $770 billion. By contrast, in the first four weeks of the 111th Congress, the Democrat-led House had already passed $682 billion of new spending.



$424 Billion Deficit in First Four Months of FY 2011

According to CBO, the federal government has run-up a $424 billion deficit in the first four months of FY 2011. To date, the federal government has spent $1.181 trillion and collected $757 billion in taxes. Revenue is up 9.2% and tax collections are up 5.1% compared to the same point last year. 35.9% of all federal spending so far this year has come from borrowed money. CBO projects the final FY 2011 deficit to end up at $1.48 trillion.

Rep. Duncan Proposes Reduction of Nonessential Federal Programs Committee

Representative Jeff Duncan (R-SC) will introduce legislation to create a Committee on Nonessential Federal Expenditures. The committee would be based on the "Byrd Committee" proposed by Senator Harry Byrd (D-VA) in the 77th Congress. That committee is credited with saving taxpayers $38 billion (in inflation adjusted dollars) during its existence. The committee would be unique in that its sole purpose would be to reduce federal spending. **Action Item:** To cosponsor the legislation contact Joshua.Gross@mail.house.gov.

For more information, please contact Brad Watson at x69719

Four Myths About Spending Cuts

Published on January 19, 2011 by Brian Riedl

Federal spending has expanded by $726 billion over the past three years, and now exceeds $30,000 per household. Yet if history is any guide, lawmakers looking to rein in spending and deficits will hear the following four fallacious objections:

Myth 1: Large Entitlements Cannot be Reformed. Stale conventional wisdom has long held that the public will never accept fundamental Social Security and Medicare reforms. Indeed, specific reform proposals have traditionally polled poorly. Still, reformers should be optimistic for three reasons.

First, most Americans understand that soaring Social Security and Medicare costs are unsustainable. Even if they are understandably unenthusiastic about raising eligibility ages and reducing the growth rate of benefits, most people acknowledge that reform is inevitable.

Second, while entitlement reform may be unpopular, the alternatives – doubling all income tax rates, or burying the nation in an avalanche of debt until the economy collapses – are even more unacceptable. Something has to give. When confronted with all options, most Americans realize that Social Security and Medicare reform is the least unacceptable option -- and they flatly reject passing along such a hideous legacy to their kids and grandkids and are willing to give up a little themselves.

Moreover, policymakers who discuss Social Security and Medicare reform have been successful. Rep. Paul Ryan (R-Wisc.), the author of Congress' boldest entitlement reform plan, comes from a swing district that President Obama carried. Sen. Marco Rubio (R-Fla.) won a Senate seat in retiree-rich Florida while promoting fundamental Social Security reform. When entitlement reform is presented honestly and straightforwardly, voters respond positively.

Myth 2: Cutting Small Programs is Not Worth the Effort. Two-thirds of all federal spending goes to Social Security, Medicare, Medicaid, defense and interest on the national debt. The remaining one-third consists of more than 1,000 smaller federal programs that each cost no more than 1 or 2 percent of the federal budget (and often much less). Supporters often claim that these programs' smaller size should exempt them from spending cuts. For example, farm subsidy defenders regularly argue that the $25 billion cost of their programs is too small to bother cutting.

This argument essentially takes that entire one-third of the federal budget – costing $1 trillion – off the table for reform. This includes corporate welfare, outdated programs like the Rural Utilities Service, and duplicative programs such as the 343 different economic development programs. Yet even $1 spent on a failed program is too much. And the more lower-priority programs are trimmed, the less higher-priority programs will need to be cut.

Furthermore, in an era when program budgets only increase, even smaller program cuts would be historic. Eliminating the $20 billion spent annually on earmarks -- a little less than 1 percent of the federal budget -- would still represent the single largest spending cut in nearly 15 years. Such cuts build momentum needed for larger reforms and built trust with the public that Washington is up to the tough job of responsibly tackling the federal budget.

Myth 3: Smaller Spending Cuts Will Encounter Less Opposition. It is tempting for lawmakers to believe that more modest spending cuts will encounter less opposition than bolder reforms. History says otherwise.

In the 1990s, lawmakers overcame opposition to enact three reconciliation bills that each reduced the growth of entitlements by an average of $60 billion annually. Then in 2006, lawmakers sought to reduce entitlement spending growth by just $8 billion annually – one quarter of 1 percent of the federal budget. The response from defenders of big government was no less vitriolic.

The clear lesson is that any spending cut proposal will be criticized. Therefore, lawmakers should feel no obligation to scale back needed spending reforms to appease their critics. Instead, they should enact the large spending cuts they were elected to make, anticipate opposition from entrenched interests, and be ready to explain the necessity of reining in runaway spending and deficits.

Myth 4: Spending Cuts Will Jeopardize the Recovery. Despite all evidence to the contrary, some still cling to the myth that government spending drives economic growth. Yet if Keynesian economists' assertion that $1 in deficit spending brings $1.50 in economic growth was true, then the recent $1 trillion surge in deficit spending would have created a $1.5 trillion burst of new wealth, overheating the economy. Instead, the recovery has been weak by historical standards.

The basic reality is that every dollar Congress injects into the economy must first be taxed or borrowed out of the economy. Government spending doesn't create new demand, it redistributes existing demand.

Therefore, a $200 billion government spending cut means $200 billion more for the private sector to spend rather than lend to Washington. And it's quite likely that the private sector will spend that $200 billion more efficiently than Washington politicians would have anyway.

There is no correlation between rising government spending and economic growth, and no economic reason to fear spending cuts.

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