

Congressman Scott Garrett (R-NJ), Chairman

May 25, 2011

Appropriations Committee Sets 302(b) Allocations

This week, the House Appropriations Committee adopted the 302(b) allocations for FY 2012, which set the spending cap for each of the 12 appropriations bills. The total spending level proposed is \$1.019 trillion—\$30.4 billion or 2.9% less than the FY 2011 spending level. The RSC budget would have led to a 302(a) allocation of \$978 billion, which, assuming proportionate cuts to the Committee proposal, would lead to the spending levels shown in the table below:

FY 2012 302(b) Allocations
In Millions of Dollars

Subcommittee	FY 2011	Committee 302(b)	RSC	RSC v. FY 11
Agriculture	19,222	17,250	15,537	-3,685
CJS	53,327	50,237	45,248	-8,079
Defense	513,025	530,025	530,025	17,000
Energy and Water	31,682	30,639	27,596	-4,086
Financial Services	21,950	19,895	17,919	-4,031
Homeland Security	41,661	40,592	36,560	-5,111
Interior-Environment	29,559	27,473	24,744	-4,815
Labor-HHS	157,436	139,218	125,391	-32,045
Legislative Branch	4,541	4,314	3,886	-655
MilCon-VA	73,150	72,535	72,535	-615
State-Foreign Operations	48,162	39,569	35,639	-12,523
Transportation-HUD	55,367	47,655	42,922	-12,445
Total	1,049,782	1,019,402	978,000	-71,782

Spending Cap Bills Introduced

RSC Chairman Jim Jordan, and Budget and Spending Taskforce Chairman Scott Garrett, are urging RSC Members to sign onto a letter in support of the RSC’s “Cut, Cap, and Balance” plan. The letter, which has so far been signed by 75 Members, asks that any increase in the debt ceiling be conditioned on:

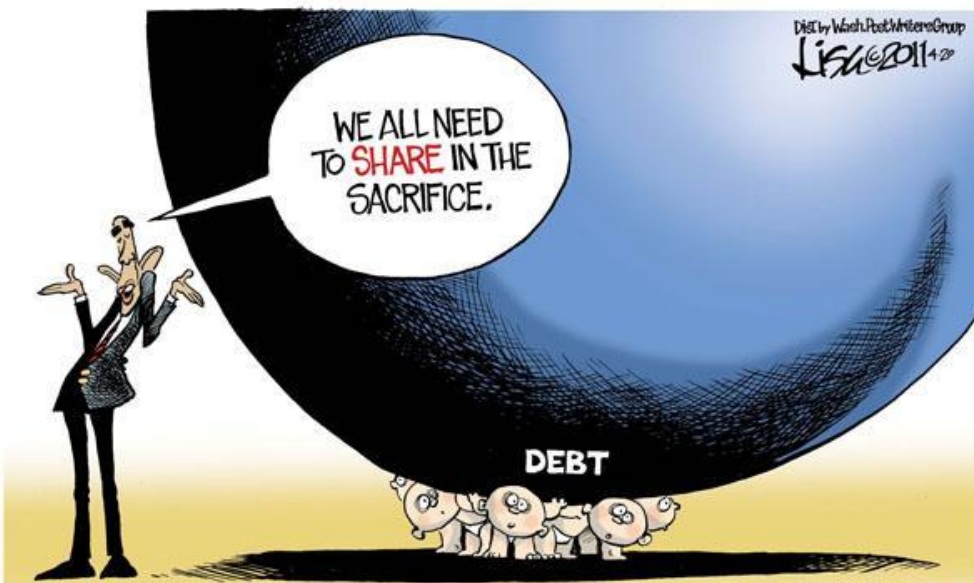
- Discretionary and mandatory spending cuts that would reduce the deficit in half next year;
- Statutory, enforceable total-spending caps to reduce federal spending to 18% of GDP; and
- A balanced budget amendment with strong protections against federal tax increases and including a Spending Limit Amendment.

Quote of the Week:

“There’s no need to have a Democratic budget in my opinion. It would be foolish for us to do a budget at this stage.”

-Senator Harry Reid (D-NV),
5/20/11

Two bills have been, or will be, introduced concerning the “cap” portion of this plan. Representatives **Kingston-Flake-Graves** will introduce legislation to reduce federal spending to 18% of GDP within five years (an amount equal to what the federal government receives in revenue in an average year).



Obama Shrugged

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Representative **Connie Mack** has introduced **H.R. 1848**, the “One Percent Spending Reduction Act,” which would require a one percent spending cut to total federal spending every year for six years. Beginning in the seventh year, overall spending would be capped at 18% of gross domestic product to bring federal spending in line with average revenues. If Congress fails to achieve the necessary 1% reductions, automatic, across-the-board cuts would be triggered to ensure the overall spending caps are met.

Action Item: For more information or to co-sponsor the Kingston-Flake-Graves legislation, please contact Adam Sullivan in Representative Kingston’s office at Adam.Sullivan@mail.house.gov. For more information or to co-sponsor H.R. 1848, please contact Mala Krishnamoorti in Rep. Mack’s office at (202) 225-2536.



Debt-limit crisis could force us to do the right thing

By Judd Gregg

As the debt-limit debate rages on, one wonders how the richest and most prosperous nation in the history of the world comes to a point where its leaders are unable to figure out how to pay its debts. I suppose there are other examples of this type of dysfunctional governance by powerful states — certainly Rome during its long decline and France in the 18th century, or possibly England in the 20th century — but our case is significantly different.

All those nations or empires had inherent flaws in their societies and in some cases in their form of governance. America's flaws might be considerable but they are not fatal.

No, our problem is of our own making. Like that famous line from the old cartoon strip "Pogo": "We have met the enemy and he is us."

We dug this fiscal hole ourselves. When a populous government, one where people elect their leaders in a broad and highly democratic system, meets a massive demographic shift as we have today, where retired Americans will jump from 35 million to 70 million in the next five years and all of them are entitled to retirement benefits, especially healthcare, you inevitably get a massive expansion in debt.

This is because it is always easier as an elected person to give something to the people who vote today and pass the bill for that benefit on to the people coming along in the future.

Since the politics of populism in a time like this drives massive debt, the question becomes whether there is a way to beat this pattern of democratic governance. The answer, ironically, may be found in this debt-limit debate.

If you look at the history of our nation, politically untenable but necessary decisions are almost always made in crisis. To paraphrase Winston Churchill, America will do the right thing after it has tried all the wrong things. One might add as a follow-on to this axiom that government will only do the right thing when confronted by the crisis created by all the wrong things it tried.

Now is not a time of crisis. But there is surely a crisis coming because of all the wrong things: our growth in spending, massive expansion of deficits and an untenable increase in the debt.

When this administration took office, the deficit was running at about \$450 billion per year. Since it has held office, the deficit has averaged \$1.4 trillion. Some of this was due to the recession and the drop in revenue but some of it is due to the explosion in spending, especially the stimulus bill and growth in healthcare costs.

This might be a survivable situation if it were projected that, over time, this spending and these deficits would return to traditional levels. But because of the demographic shift and the president's healthcare bill, this will not happen.

The federal government, which since the end of World War II has spent an average of 19.8 percent of gross domestic product, is this year going to spend 24 percent of gross domestic product. That number will rise to 26 or 27 percent over the next seven years.

This growth falls under the category of "doing the wrong thing." It is unsustainable; it will create an economic crisis that will lead to a large drop in living standards; and it will impose a much harder life on most Americans who will have to live with it. Although the government at the time will act, it will be painful, expensive and chaotic.

Which leads one to ask, why wait for the crisis? By the time you reach such a crisis many of the good options will no longer be available, either due to a lack of resources or lack of time. Why not have the crisis now, when we are arguably still strong enough and have enough lead time to handle it in a more orderly way? At this time we might be able to put in place remedies that will abate a much more destructive and uncontrollable fiscal meltdown in the future.

I suppose the answer is that no politician wants a crisis — especially this president, who is one of the most risk-averse in our history, as was shown by his decision to walk away from his own fiscal commission's report on how to address this problem.

On the other hand, if we know the trauma is coming (and it is) and we know the elements of how to avoid it (and we do), is it not the obligation of the government to act?

If the only way our government can be forced to act is in crisis, then let's not increase the debt ceiling. Let's have the crisis and let's move this nation toward actions that will result in real long-term improvements to our fiscal health and assure our country's future.