



United States Senate Budget Committee

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War Savings Gimmick Explained

Some in Congress are willing to use a reduction in war spending to offset increases in domestic spending and reductions in revenue. This offset is a budget gimmick since it claims savings from money that would never be spent in the first place.

- The Congressional Budget Office (CBO) baseline assumes that war spending (overseas contingency operations or “OCO” spending) will grow every year from the \$159 billion provided in FY 2011 and cost \$1.8 trillion over the FY 2012-2021 period.
- But, OCO funding is already decreasing. President Obama’s budget projects OCO dropping by \$50 billion by next year; that figure has not been disputed.
- In summary, the nation has long looked forward to the day the war costs would drop to reduce the deficit—not so that big spenders could claim the borrowed war costs were savings that could support new spending. It’s all borrowed.

Decision-Makers And Federal Budget Watchers Agree... It’s a Gimmick

To take credit for a policy that was already intended is stretching the definition of budget savings... This is such a glaring gimmick at such a serious moment.

- Maya MacGuineas, Committee for a Responsible Federal Budget, July 2011

The mother of all budget gimmicks.

- Robert Bixby, Concord Coalition Director, November 2011

Counting money not spent on wars that the nation is already planning to end is widely viewed as a budget gimmick.

- *Washington Post* reporter Lori Montgomery, July 2011

The way the CBO constructs the baseline is it extrapolates current law, and the current law is that we are funding the wars in Iraq and Afghanistan... The trouble is that CBO’s baseline is not what anyone really thinks will happen.

- Doug Holtz-Eakin, Former CBO Director, July 2011

Do you think it's fair to take a trillion dollars of less spending on wars and claim it as your own? We all knew that we were going to spend less in the wars in Iraq and Afghanistan, but nobody really felt like we ought to be taking credit for what was already going to happen.

- House Speaker John Boehner, September 2011

The Gimmick And The Usual Suspects

Before the end of the year, Congress will likely turn to a laundry list of deficit spending items, including the Alternative Minimum Tax patch, a further extension of emergency unemployment compensation, tax extenders, and the payroll tax holiday. Additionally, a proposal to pay for the “doc fix” with OCO funds may be offered. This would be a vast departure from the historical practice of relying on savings from federal health care programs to defray the cost of a doc fix.

Historically, Congress has passed legislation preventing scheduled reductions in Medicare physician payments (the so called “doc fix”) 12 times since the Sustainable Growth Rate formula first called for cuts in 2002. For the most part, Congress has financed this new spending by finding savings in Medicare or in other health programs. For instance, even with Democrats in control of the Senate, the last three doc fixes have been offset through health care savings.

The use of already declining OCO spending to pay for the “doc fix,” or any of these upcoming items, is a budget gimmick that would add hundreds of billions of dollars to the deficit. Congress should reject any use of this “offset” as fraudulent and unacceptable during these difficult budgetary times.