Four Gimmicks to Watch Out For
June 9, 2015

As Congress begins the appropriations process, maneuvers through this year's Fiscal Speed Bumps, and looks to pay for the costs of new legislation, they may be tempted to rely on budgetary slights-of-hand in order to avoid hard choices. With debt already at record-high levels, these budget gimmicks will both worsen the fiscal situation and undermine Congress' credibility.

Here are four gimmicks to watch out for:

1. **Pension Smoothing**: Some policies would save money in the near-term by shifting revenues from the future, taking advantage of the ten-year Congressional budget window. One specific policy called "pension smoothing" would reduce employer pension contribution requirements (increasing taxable profit) initially and increase them (reducing taxable profit) later. The policy would raise revenue in the first decade but lose that same revenue afterwards, and thus should not be used as a pay-for.

2. **OCO Defense Slush Fund:** Non-war defense spending is capped under current law and limited by "sequestration." But the caps can be circumvented by designating some non-war defense spending as "Overseas Contingency Operations" (OCO) funds, which are exempt from spending limits. The current budget resolution allows appropriators to spend $96 billion on OCO, even though the Pentagon only requested $58 billion, using the account as a slush fund. Any significant divergence from the Pentagon request would represent a gimmick meant to inflate defense spending.

3. **Phony CHIMPs**: Just as policymakers may use the OCO designation to exceed defense spending caps, they may use savings from CHIMPs – or Changes in Mandatory Programs – to thwart the non-defense caps. CHIMPs allow policymakers to offset discretionary spending over current limits with mandatory spending cuts. While the principle is sensible, in reality most of the mandatory cuts either reduce spending that would have never occurred or count one-year spending delays as if they are spending cuts. The use of this gimmick has increased since 2011 and should ultimately be discontinued.

4. **Double Counting Tax Reform Revenue**: The same money cannot be used twice, but complicated budget conventions sometimes allow policymakers to claim it can. For example, they may use the same revenue to simultaneously pay for rate reduction and finance spending from the Highway Trust Fund. Revenue raised should only be used for one purpose or the other.