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FREQUENTLY ASKED QUESTIONS

A RESPONSIBLE APPROPRIATIONS PLAN TO CUT SPENDING AND PROVIDE CERTAINTY

Washington, D.C.'s spending addiction is leading America toward a fiscal and economic catastrophe. Our national debt is over \$19 trillion and is growing by over a billion dollars a day. Within 15 years the national debt will double, Social Security and Medicare will be bankrupt, and the amount our government spends just on making interest payments to lenders—including foreign countries—will more than triple.

We're already feeling the pain. Americans are working harder

but they aren't getting ahead. Government overspending has led to slower economic growth, falling incomes, fewer chances for homeownership, fewer jobs, more dependence, and less opportunity.

Changing this trajectory should be lawmakers' number one goal. Hardworking Americans will be unable to thrive if our country doesn't change course. It's time for a responsible budget plan that will cut spending, put a check on the power of Washington, and afford economic certainty years to come.

Instead of continuing down the road to disaster, Congress can take the first steps toward fiscal sanity by doing three simple things:



- 1 Stop budgeting by crisis.**
End the cycle of budgeting by crisis by passing a long-term appropriations spending bill.



- 2 Cut Federal spending.**
Lock real spending cuts into place no matter who becomes the next president.



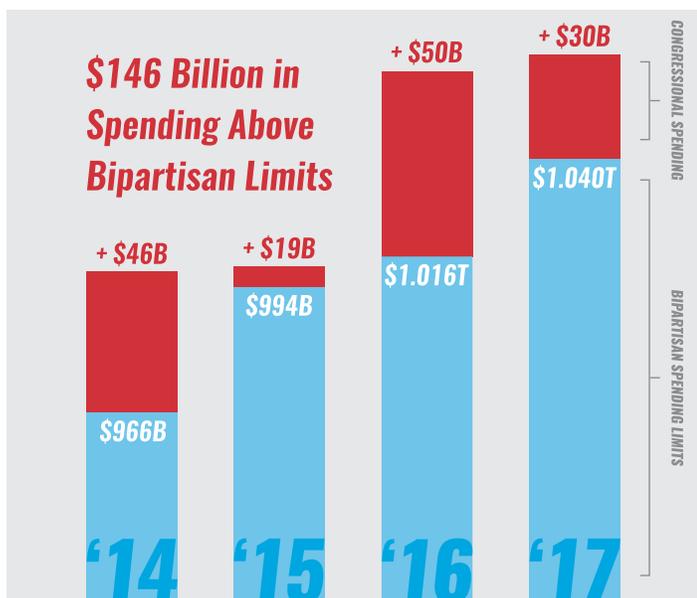
- 3 Fix our broken budget process.**
Change budget rules that encourage higher spending and return to a regular order process.

WHAT WOULD THIS PLAN DO?

This two-year continuing appropriations bill would provide government funding until September 30, 2018, at levels already set in law by Congress. It would reduce discretionary government spending in 2018 to \$1.064 trillion—a level already established in Federal law—and ensure that no impending government shutdowns are used as leverage to break this cap. Congress could still spend more money for domestic or defense emergencies, but those decisions would be made based on the merits of the spending—not the urgency of a shutdown.

WHAT PROBLEM DOES THIS BUDGET STRATEGY ADDRESS?

It is a fact that politicians in Washington are driving America toward bankruptcy. In recognition of this looming disaster, Congress and the president made a promise to the American people to cut spending by at least \$2.1 trillion between 2011 and 2021 via annual caps on how much Congress can spend. Unfortunately, Republicans and Democrats have repeatedly refused to live within these limits—even though they are the ones who set them. Washington has repeatedly broken its word by increasing spending above the agreed-upon funding levels for four consecutive years. Spending increased by \$46 billion in 2014, \$19 billion in 2015, \$50 billion in 2016, and is set to increase \$30 billion next year. This irresponsible cycle has to stop.

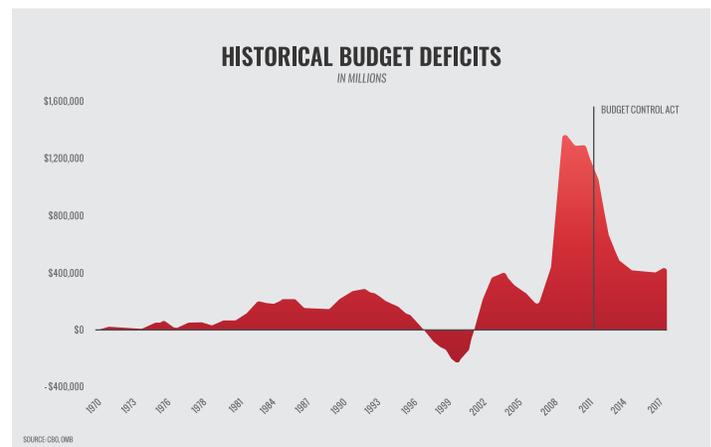


WHY WAS THE BUDGET CONTROL ACT CREATED?

The first years of the Obama Administration were defined by record-breaking spending and debt. At the time, Federal spending

had skyrocketed from \$2.7 trillion in 2007 to \$3.6 trillion by 2011. As a percentage of the economy, spending increased from 19.1 percent to 23.4 percent—the highest level since the end of World War II. Yet runaway Federal spending failed to significantly spur economic growth as its supporters believed it would, and instead only fueled the national debt. From January 2009 to January 2011, the Federal debt grew by \$3.3 trillion, or 31 percent, in just two years.

To curb this debt, Congress fought for significant spending reforms in 2011 before lawmakers would grant President Obama's request to increase the debt limit and allow more borrowing. The result of this showdown was something rare in Washington—a compromise that actually reduced spending and debt. President Obama signed the ensuing Budget Control Act (BCA) on August 2, 2011. Since then, the spending caps have led to lower discretionary spending and helped significantly shrink the annual budget deficit.



WHY IS IT IMPORTANT TO KEEP THE REST OF THE SPENDING CAPS IN PLACE?

The spending caps were heralded as a rare win for fiscal sanity. From 2011 to 2014, the Budget Control Act reduced discretionary spending by seven percent, or \$87 billion. As a result, total federal spending fell in 2012 and 2013, marking the first time the size of the Federal Government was reduced for two consecutive years since 1955. Not surprisingly, deficits fell as well, from \$1.3 trillion in 2011 to \$485 billion in 2015. But it has not been enough. We are still heading toward a collision course with bankruptcy, and every time Congress breaks the spending caps it accelerates the crisis. If Congress can't even sustain the modest caps it put in place, how can it be expected to address the bigger problems of rampant corporate welfare and unsustainable entitlement spending?

DON'T WE NEED TO INCREASE SPENDING IN ORDER TO SPUR ECONOMIC GROWTH?

Higher government spending and record levels of debt in recent years have hurt hardworking Americans, not helped them. Since 2009, Federal spending has grown by 23 percent, while family incomes have fallen by 2.3 percent. But falling incomes aren't the only problem: There are now fewer homeowners, fewer people in the workforce, and more people dependent on government assistance. On top of the negative impact of higher spending, the government is already wasting hundreds of billions every year.

ISN'T A FY 2017 SPENDING CAP OF \$1.070 TRILLION STILL AN INCREASE ABOVE THE BCA'S ORIGINAL CAP?

Yes, discretionary spending should be \$1.040 trillion this year, and ideally it would be even lower. Unfortunately, last year Congress broke this promise as part of its budget deal in 2015. Because of that legislation, the spending cap for 2017 was adjusted up from \$1.040 trillion to \$1.070 trillion. This caused a rift within the Republican Conference and prevented the passage of a budget once again. Now, appropriations committees are moving forward with the higher number, which is also the budget cap recognized by Congressional Budget Office. The higher spending level is a direct result of the cycle of crises, capitulation and higher spending—but it cannot be undone at this point. That's why lawmakers' goal should be to protect the spending caps agreed to in 2018 and beyond. Stop, Cut & Fix will enshrine these reductions into law and is the only way to ensure real cuts will occur as promised.

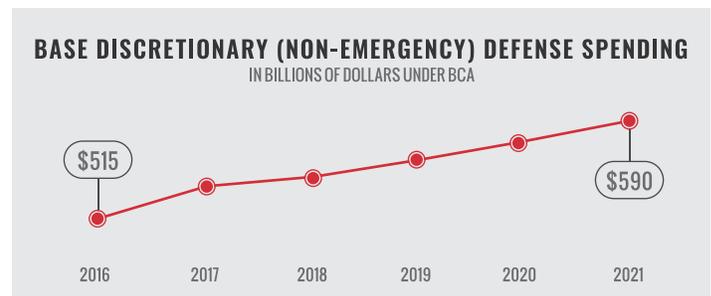
WOULD A TWO-YEAR CONTINUING RESOLUTION PREVENT CONGRESS FROM PRODUCING A BUDGET AND GOING THROUGH A REGULAR ORDER APPROPRIATIONS PROCESS?

No. Congress would still have the ability and responsibility to move through the normal budget process and consider all 12 appropriations bills for FY 2018. There are numerous examples of Congress passing appropriations bills to reprioritize spending levels after a continuing resolution was put in place. Under a two-year continuing resolution, Congress could produce a budget that would prioritize spending within the set caps and then move new spending bills to do so. The House and Senate would also maintain the ability to pass a budget with reconciliation instructions to address mandatory spending such as entitlements.

However, unlike previous budget processes which have repeatedly broken down and failed, this plan would allow budget negotiations to commence with clarity regarding spending levels and without the looming threat of a shutdown. Every time Congress has faced a potential spending cliff, fiscal responsibility was ceded in favor of political expediency. The cycle of the past five years is the opposite of regular order, which this plan would restore.

WOULD LOCKING IN SEQUESTRATION DEVASTATE DEFENSE SPENDING?

No. In fact, discretionary spending on the Department of Defense would continue to rise every year. The following table shows base-level discretionary defense spending increases by \$75 billion or 15 percent from 2016 through 2021 under the caps currently set in law. The 2017 spending levels reflect the funding provided through the House National Defense Authorization Act (NDAA) currently under debate. Additionally, any supplemental funding for defense or Overseas Contingency Operations (OCO) is designated "emergency" and does not count against the BCA spending caps. This year, Congress is requesting \$58 billion in OCO spending that will supplement DOD spending. In reality, discretionary DOD spending will be \$602 billion—nearly \$60 billion more than provided for by the caps.



WOULD THIS PLAN LIMIT FLEXIBILITY OR PRIORITIZATION OF DEFENSE SPENDING?

No, this plan would still allow Congress to increase military spending priorities and levels at any time. Under a long-term appropriations bill, Congress and the President could still pass spending bills and change DOD spending levels and policy. The only difference is that a debate on changing spending levels would occur under regular order, without the pressure of a looming government shutdown and without tying defense priorities to unrelated domestic projects.

ARE CONTINUING APPROPRIATIONS COMMON?

Yes, they occur almost every year. Since 1998, the government has been funded via a continuing resolution 106 times. In fact, according to the Congressional Research Service, the Federal Government has been funded by a continuing resolution for an average of five months in each of the past 18 years.

WHY DOES THIS PLAN PROVIDE FUNDING FOR TWO YEARS?

A two-year appropriations plan would ensure that discretionary spending reductions set for 2018 would be locked into place. After that, discretionary spending under sequestration increases every year and will be easier to protect. If Congress could pass an even longer appropriations bill to lock in BCA spending levels through 2021, that would be ideal. However, there are potential Constitutional concerns with providing long-term appropriations for defense. Article 1, Section 8 of the Constitution states that Congress has to power to “raise and support Armies, but no

Appropriation of Money to that Use shall be for a longer Term than two Years.” While Congress has arguably ignored this restriction by providing defense with long-term appropriations for acquisition purposes, a two-year spending bill would avoid any challenges on Constitutional grounds.

A SOUND FISCAL PLAN FOR A STRONGER FUTURE

All Americans can agree that the current budgeting process isn't working. Funding the government crisis by crisis has only weakened the economy and driven the country deeper into debt—and closer to bankruptcy. If Washington is serious about providing certainty for the economy and savings for taxpayers, the most sensible way forward is to pass a two-year continuing resolution that will enable lawmakers to make clear-headed, careful, and prudent decisions about where to spend the American people's hard-earned money. Congress must Stop, Cut & Fix its spending addiction to set our country on the path to a stronger future.

