THIRD WAY

REPORT *Published September 28, 2010 · 8 minute read*

Earmark Reduction Savings Account

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The dirty little secret about earmarks is that even when they are eliminated through amendments, federal spending is not reduced. The money simply goes toward a different program. This has contributed to the proliferation of pork barrel spending because appropriators don't lose any spending authority when an item is eliminated. According to Citizens Against Government Waste, earmarking has exploded from 892 items in 1992 to a peak of 13,997 in 2005. Part of the reason is a simple matter of accounting. Without a way to tag and track savings from hard-won spending cuts, it is far too easy for funds to simply be shuffled among programs. An Earmark Reduction Savings Account line item that is funded through cuts to extraneous program funding would ensure that savings would be dedicated to reducing discretionary spending limits. Reducing earmarks by 25% and depositing those funds in the Earmark Reduction Savings Account would save taxpayers $4 billion each year.

THE PROBLEM

There is no way to capture savings from spending cuts in appropriations bills.

Without a way to keep track of savings, the appropriations process never leaves money on the table.

The House and Senate Budget Committees allot broad levels of spending authority to appropriators through so-called "302(b)" allocations. 302(b) allocations limit the amount of domestic and defense discretionary spending allowed in a given fiscal year by setting specific spending levels for each of the 12 Appropriations subcommittees.

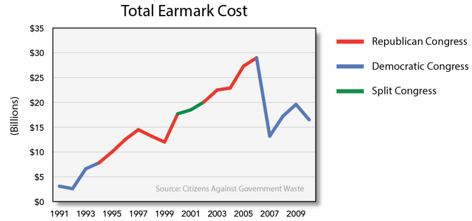
Typically, each of the subcommittees writes its own bill, passes it through the full Committee and brings it to the

Senate or House floor using virtually every allowable cent that is authorized through these allocations. Should an amendment successfully cut a program, the overall spending for that particular subcommittee is reduced—but only temporarily. Once the legislation is conferenced between the Senate and House, the spending comes back—often to another program. In the end, all appropriations legislation inevitably returns to the maximum spending that is granted to the Committee under the budget rules.

This is in part possible because, even in the instances where cuts to spending and projects are approved, the savings simply revert back into the larger budget pool, where they are not accounted for and commingled with other funds. Rather than being held in reserve, savings from spending cuts are merely reshuffled within spending bills. That is why spending cuts almost never result in the actual cutting of overall spending.

Congressional earmark levels are unacceptable.

Since Democrats took back control of Congress in 2007, the amount of pork barrel spending has—thankfully—decreased by about half since its peak in 2006. But is has not fallen to the level that existed prior to Republicans taking control of Congress in 1994 as the chart below shows. New Congressional rules that require individual members of Congress to disclose their requests and similar efforts have helped some. But there are still 10 earmarks in the current fiscal year for every one earmark in 1992. Pork barrel spending mushroomed from $2.6 billion to $19.6 billion over the same period. The number of earmarks this year is more than the number of earmarks from 1991 to 1997 *combined.* [1]



Pork barrel spending reflects poorly on Congress.

Voters are convinced that the reason we have a trillion dollar deficit is because of government waste. In our own polling, 73% said that the budget can be balanced without touching Social Security or Medicare. [2] In a recent *Washington Post-ABC News* poll, people said that fifty-three cents of every government dollar is wasted. [3] This is indicative of how the public views Congress' failure to rein in spending and waste—with earmarks being the most obvious target. Individual projects may marginally help House and Senate members in their own jurisdiction, but they must also bear the weight of 534 other members' projects someplace else.

THE SOLUTION

An Earmark Reduction Savings Account

A dedicated Earmark Reduction Savings Account (ERSA) would provide appropriators with a specific destination to capture spending cuts for deficit reduction. If Congress can successfully eliminate just one of every four earmarks through amendments to appropriations bills, taxpayers will save $4 billion per year. If instead, the Earmark Reductions Savings Account (ERSA) causes Congress to eliminate earmarks and wasteful programs rather than risk the loss of spending authority, it will improve the quality of congressional spending—another positive outcome.

It would provide more accountability and a new incentive to follow through on spending cuts.

For every Bridge to Nowhere, there are 10,000 other pork barrel spending items that avoid any public scrutiny. They are unauthorized by Congress, not requested by the Administration, not the subject of any hearing by any authorizing committee, and receive no oversight. But unless an item bears the brunt of late night comic fodder, there is no penalty to pay for adding them to a bill.

The ERSA would change that by providing a running scorecard that can be used to measure the ability of Congress to make headway on deficit reduction. By providing a point of comparison, the ERSA would clearly frame each individual earmark as a choice between deficit reduction or the perpetuation of a unnecessary program or special interest item.

This sends an important message to the public—Congress will reform itself first.

If we are going to achieve meaningful fiscal discipline, Congress must show that they will take the first step and change the "business as usual" approach that has marred the appropriations process. Remedying America's long-term budgetary woes will require difficult choices and shared sacrifice. However, leaders in government will be unable to build public support for such action if they cannot first demonstrate that the perceived waste, fraud, and abuse in government has been effectively dealt with, leaving no other options. By consistently reducing spending and placing savings in the ERSA, Congress can take a meaningful step toward that goal.

It would dramatically reduce the number of earmarks.

Under the current system, appropriators face few meaningful consequences for earmark overreach. In the rare instance a project is stripped during committee action or on the floor, the funds to support that project are simply reshuffled and added back elsewhere in the bill. With no price to pay for bad earmarks in terms of overall funding levels or clout, appropriators have no reason to limit them. However, by ensuring that eliminated earmark and program funding would be dedicated to deficit reduction, the ERSA raises the stakes for appropriators. In light of the new risk that excessive earmarks and spending may cost his or her subcommittee millions of dollars, an appropriator would likely feel pressured to reduce, if not eliminate them.

QUESTIONS, CRITIQUES, & RESPONSES

How would this work?

Each appropriations bill would have a line item called the Earmark Reduction Savings Account. This line item would behave like any other line item in the bill. When members propose Floor or Committee amendments to eliminate earmarks, they could dedicate those savings to the ERSA line item. For example, an amendment may cut $100 million for the next "Bridge to Nowhere" and put those funds into the ERSA. When the bill goes to conference, conferees would be required to report out a final level for the ERSA that falls within the amounts included in the House and Senate bills.

Finally, to ensure that the money cannot be spent elsewhere, the amount included in the ERSA would be used to reduce the overall 302(b) allocations for discretionary spending. Or if Congress enacted statutory budget caps, the ERSA would reduce those caps. In plain English, this means that the money in the ERSA is off-limits to other spending.

Why should this account be used only for earmarks?

Expanding this approach to other programs is certainly an option.

What exactly would qualify as an earmark?

House Rule XXI defines an earmark as "... a provision or report language included primarily at the request of a Member, Delegate, Resident Commissioner, or Senator providing, authorizing or recommending a specific amount of discretionary budget authority, credit authority, or other spending authority for a contract, loan, loan guarantee, grant, loan authority, or other expenditure with or to any entity, or targeted to a specific State, locality or

Congressional district, other than through a statutory or administrative formula-driven or competitive process." This definition, while not uniform, is consistent with definitions used by other governmental and advocacy groups. The common thread is that the item is unauthorized, would benefit a particular area, is requested by an individual member, is not in the White House budget, and is not competitively awarded.

Funds can be deposited into the ERSA, but can they be withdrawn?

No. Once an appropriations bill has passed through the chamber, the funds deposited into the ERSA cannot be withdrawn. For example, if the House Interior Appropriations bill has $400 million in the ERSA, that money cannot be used in other appropriations bills. However, if the Senate Interior Appropriations bill has $200 million in the ERSA, the Conference agreement would be somewhere between those two figures which could free up some spending in the House Interior bill.

TOPICS

BUDGET 89

END NOTES

1. "Pork-Barrel Report: Historical Trends: 2010," Citizens Against Government Waste, Accessed August 26, 2010, Available at: http://www.cagw.org/reports/pig-book/#trends.

2. Benenson Strategy Group, "Third Way Economy Poll," Third Way, June 19-22, 2010; Accessed August 26, 2010. Available at: http://www.thirdway.org/subjects/3/publications/316.

3. “Washington Post – ABC News Poll,” *The Washington Post*, February 4-8, 2010, Accessed August 26, 2010. Available at: http://www.washingtonpost.com/wp-srv/politics/polls/postpoll_021010.html.