

## BASELINE BUDGETING: The Dirty Secret

Last month's stupid debt-ceiling drama has been eclipsed by other crises. But I'm sure you remember the wall-to-wall news reports claiming that in exchange for giving Obama an additional \$2.5 trillion in deficit-spending power — immediately — Congress will cut \$2.5 trillion in spending over the next ten years.

It's all B.S. The truth is, nobody is cutting a single dime. Federal spending will actually increase over the next ten years by \$7.5 trillion.

How is this possible? How can they say they're cutting when they're adding? Because the system is rigged. Literally. It's a con game devised by Congressional free-spenders decades ago. You see, government spending — goosed by Obama's injections of red ink — was officially scheduled to go up by a mind-blowing \$10 trillion over the next ten years. But with the deal, it will increase by \$2.5 trillion less. It will "only" go up \$7.5 trillion.

See how it works? The \$2.5 trillion hasn't been cut from the actual budget at all, but only from the woulda-been \$10 trillion increase these greedy S.O.B.s had promised themselves and believe they're entitled to. Did you read anywhere in the state-controlled media about the \$7.5 trillion increase? No. I'm one of the very few who has ever brought this secret monstrosity to light.

The silent culprit in this debacle is the innocent-sounding budget mechanism known as "baseline budgeting" — rooted in the Congressional Budget Office's [CBO] "current services baseline." It has developed into a diabolically deceptive racket that guarantees ever more billions are spent every year by every federal agency, automatically. If Congress does nothing, the budget increases. If Congress, under duress, enacts pretend "draconian cuts," the budget still increases. At a slightly lower rate. This swindle has not failed the liberal big spenders in a generation:

### History

- *Before 1974:* Every year the President would submit his budget, which set the course for national spending. Each new budget worked off of spending levels in the previous year's budget as its starting point, or "baseline." Congress would then tinker with that budget to further its aims. Congress had no mechanism to develop its own overall budget plan, and every year it responded piecemeal to the President's.
- Enter Richard Nixon, who considered Congressional budget-altering fiscally irresponsible. As other Presidents had before him, Nixon asserted authority to withhold from federal agencies, or "impound," money appropriated by Congress. By 1973, Nixon had impounded up to \$15 billion the Democrat-controlled Congress had allocated for highway building and "pollution

control" projects. Congress was furious, having overridden Nixon's veto to pass the legislation in the first place. Congress decided "to seek a legislative solution," according to the Senate Budget Committee's official history, *The Congressional Budget Process: An Explanation*. Yes, folks, that's where this all started: the Democrat Congress's war on Richard Milhous Nixon.

- *1974:* With Nixon weakened by Watergate, Congress was able to override his veto to pass the Congressional Budget Act of 1974. This legislation prohibited Presidential impoundment of funds, established the House and Senate Budget Committees, created the CBO, and required the Office of Management and Budget [OMB] to prepare projections of federal spending for the upcoming fiscal year "based on a continuation of the existing level of governmental services," as the CBO website puts it. That is the sinister formula that makes spending increases automatic, a dagger to the heart of the American economy. The legislation also required the CBO to prepare five-year projections of revenues and outlays, deficits or (ha!) surpluses.
  - Created by the same Democratic congressional majority "that handed over South Vietnam to the Communists and gave us the CAFE standards that ruined the American auto industry," writes Arthur Herman in *National Review* 7/27/11, "baseline budgeting forced the Office of Management and Budget for the first time to consider growing government as the fiscal norm, and reduced spending as an aberration. Even reducing the rate of spending was redefined as subtracting money, not adding money by a slightly lower amount."
  - Economist Stephen Moore, writing for the Cato Institute, points out that "in the 20 years before the [1974] Act, the federal deficit averaged just 1 percent of gross domestic product." Once the 1974 legislation was enacted, that low percentage would never be seen again. (The deficit now runs at a nation-killing 9.8 percent of GDP; the national debt now stands at 97.6 percent of GDP.)
  - *1987:* Congress amended the definition of "baseline" in the Deficit Control Act of 1985, so that spending would be adjusted to keep pace with inflation. Spending increases already established to supposedly accommodate a growing population were now compounded with a multiplier. And each year those combined increases determined the baseline for the next year, exponentially. Hello, snowball effect.
  - *1996:* The CBO began making ten-year baseline projections instead of five-year projections. Congress had come under fire for playing games with the "out years" under the five-year model. Things are so much better now.
- ### Smoke and Mirrors
- Baseline budgeting "has created a system which today's [CBO] would score a freeze on all government spending as a \$9 trillion cut, even though there's no reduction in spending at all." — Arthur Herman, *National Review*, 7/27/11
  - It's based on the presumption that every item in the budget will automatically increase between three and 10 percent, every year, regardless. This is why, for example, even when the economy was strong, the Agriculture Department would advertise for food stamp applicants at the end of each year, because they wanted a

high baseline for their next year's budget increase. They never said, "We have fewer people needing the program; we can lower the budget." No, they went out and gave away food stamps in order to bump up their baseline. (Depressingly, America is now Food Stamp Nation, with a record high 45.8 million people using the program. And the Ag. Department *still* advertises.)

- When Obama passed the stimulus bill, another trillion dollars was added to the baseline. No matter that the money was wasted; it was spent. And because it was spent, there must be an increase in that line item every year. Obamacare, too, ups the baseline with automatic increases. So much for the Regime's "bending-the-cost-curve-downward" claptrap.
- CBO's baseline projections through 2021 are grim. The baseline budget for 2012 is \$3.6 trillion; for 2021, it's \$5.7 trillion, based on automatic increases. Yes, we're committed to over \$2 trillion of *additional* spending, on top of the mind-blowing current spending, without anybody having a meeting or a vote.
- "Let's pass a \$5 trillion bill today to cover the moon with yogurt and tomorrow rescind the bill and the CBO will score this as \$5 trillion in budget cuts." — Rep. Paul Ryan, deriding Democrat budget gimmicks, 7/29/11
- "Thus even a [smaller] spending increase in a program becomes a budget 'cut' that special interests can attack ... The larger insight here is that Democrats have organized Congress and written its rules to aid and abet their policy priorities ... Republicans won't succeed in their professed goal of cutting spending, boosting the economy, and reforming the entitlement state without disassembling Congress's tax-and-spending machine." — *Wall Street Journal* editorial, 10/6/10

### Baseline in Action

- "Two years ago, NIH [National Institutes of Health] received \$10.4 billion in one-time spending from the American Recovery and Reinvestment Act on top of its \$30 billion annual budget ... NIHers have worried ever since about what would happen when the stimulus money runs out. NIH Director Francis Collins warned Congress last April of this 'cliff' and said it could mean a steep drop in grant success rates in 2011. But the grants data on NIH's website tell a different story ... suggest[ing] that overall spending at NIH will continue to rise through fiscal year 2011 even if the agency gets no increase from Congress this year." — Jocelyn Kaiser, *sciencemag.org*, 2/9/11. Replicated government-wide, the moral of the story is: Obama's \$814 billion Porkulus wasn't just a one-time budget bump; it morphed into the baseline.

### Solution: Zero-Based Budgeting

- "Baseline budgeting is an incremental budgeting process based on the assumption that last year's budget ('the baseline') is automatically approved. In contrast, a 'zero-based' budgeting process requires every line item of the budget to be approved, not just the changes to last year's budget. Every program is required to justify its allotted funds ... In order for us to have any faith in the validity of the spending cuts in the budget proposals, the Congress must eliminate the use of baseline budgeting in favor of freezing and actually reducing government spending. Zero-based budgeting would force Congress to justify spending increases and not hide behind the automatic increases in the budget baseline." — Ronald Kramer, Tax Director at Schneider Downs, one of the nation's largest public accounting firms, *schneiderdowns.com*, 7/28/11
- "For too many years, our government has operated under the belief

that the baseline — the place you begin — is to continue to fund every program in the budget: regardless of the fiscal climate, regardless of the economy, and regardless of the effectiveness of the program. Not anymore ... [You] build a realistic budget from the bottom up. You fund what you need — this year — to succeed, not every relic from two decades ago that is still on the books. The baseline is zero. Zero-based budgeting, which I promised in the campaign, has finally come to New Jersey." — Gov. Chris Christie, among a battalion of Republican governors showing how it's done, 2/22/11 budget address

- On June 29, amidst the usual Democrat tantrums, Christie signed his no-new-taxes \$29.4 billion budget into law. "A big milestone for the rookie governor," noted *nj.com*, as Christie cut spending by 2.2 percent — or 8.6 percent, if you include federal funds — from Democrat ex-Governor Jon Corzine's final budget. Killing Democrat spending: it's the wave of the future.
- Even the Democrat Governor of New York, Andrew Cuomo, has seen the light, writing in *The New York Post* in February: "I was shocked to learn that the state's budget process is a sham ... When a governor takes office, in many ways the die has already been cast. Unbelievably, this year these rates and formulas in total call for a 13 percent increase in Medicaid and a 13 percent increase in education funding next year ... A 'cut' is then defined as anything less than a 13 percent increase. By forcing the debate to start with such a large hike, the final budget ends up spending much more than the year before — even after the governor attempts 'cuts.' For example, what is called a 7 percent cut in spending is actually a 6 percent increase over the prior year ... This all must end."
- By March 27, Gov. Cuomo did end it: amazingly, he got the legislature to agree to a 2 percent across-the-board spending cut — eliminating the state's \$10 billion deficit without additional borrowing or raising taxes. In lib-land! GOP: this is how you combat Democrat budget flimflam. You terminate it.

I've been pounding baseline budgeting to my audience ever since economist Larry Kudlow explained it to me on a napkin at the 21 Club in New York in the early 1990s. And though the state-controlled media studiously avoids reporting on it, Americans have, ahem, somehow gotten educated. On August 10, Rasmussen noted that 62 percent of likely voters "understand that when Congress mentions future spending cuts, they're really saying the growth in government spending will be less than planned." Only 19 percent think it means spending next year will be lower than this year's.

The Democrat tactics that have ensnared generations are simply not fooling people any more. The spell is broken — as we must break the chains of baseline budgeting. There's no more time to lose.

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