

September 10, 2003

“Waste, Fraud, and Abuse” Spending-Cut Targets Much Larger than Advertised

A new Center report, *Reducing Waste, Fraud, and Abuse: One Percent of What?*, shows that errors were made in calculating the size of spending cuts that Congressional committees must recommend as part of a Congressional initiative to reduce “waste, fraud, and abuse.” As a result of these errors, committees are required to recommend \$27 billion more in cuts over the next ten years than the House and Senate Budget Committees, which did the calculations, appeared to intend. The recommended cuts, which were due September 2, would have no immediate effect but may be used in crafting future Congressional budget resolutions, which set committees’ spending targets.

The full report can be viewed at
<http://www.cbpp.org/9-2-03bud.htm>

- **Errors overstate the costs of programs and thus the amounts of required savings.** Each committee has been given a dollar target of cuts to recommend in entitlement programs in its jurisdiction. This target supposedly equals one percent of the entitlement spending controlled by the committee. Yet for most committees, the target exceeds one percent of its entitlement spending because the Budget Committees’ calculations overstated the total amount of entitlement spending that most committees control.
- **Some funds counted twice.** The largest calculation error was to double-count the cost of programs that use trust funds to transfer money from the U.S. Treasury to beneficiaries. For example, \$98 billion that the federal government puts in the Medicare trust fund and that is later distributed to health care providers is counted twice — once going into the trust fund, once coming out of it — making Medicare appear \$98 billion more costly than it really is. This practice of double-counting is scrupulously avoided by the Congressional Budget Office and the Office of Management and Budget.
- **Other funds counted that should not have been counted at all.** Another error was to count as a cost to the federal government the value of transactions in which Washington merely acts as a “middle-man.” For example, the \$12 billion that foreign governments will spend to purchase military hardware from American companies next year is recorded as a \$12 billion cost to the taxpayer, though the actual cost is zero.

Examples of Committees Whose Target Exceeds One Percent

Committee	Ten-year target is too high by...	
S Finance	\$18.9 billion	24%
H Ways and Means	\$18.1 billion	34%
H & S Armed Services	\$4.1 billion	79%
H Government Reform	\$2.5 billion	35%
S Governmental Affairs	\$2.5 billion	34%
Note: entries overlap because each entitlement program is under both a Senate committee and a House committee.		

The effects of the errors in the Budget Committees’ calculations will vary from committee to committee. Most committees have been given targets that represent substantially more than one percent of their entitlement spending.