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A LOCKBOX FOR SAVINGS FROM CUTS IN APPROPRIATIONS AND ENTITLEMENT BILLS WOULD BE LIKELY TO DO MORE HARM THAN GOOD

by Richard Kogan

The Republican Study Committee, a group of conservative House members, has called for creating “Family Budget Protection Accounts” or “lock-boxes,” under which amounts cut by House floor amendments from appropriations bills or entitlement legislation could be locked away, preventing those amounts from being used elsewhere in appropriations or entitlement bills. A recent bill, H.R. 3800, includes this proposal.¹ The proposal may be offered as an amendment to budget-process legislation that the House is expected to consider soon.

Under the proposal, House floor amendments that cut funding in appropriations bills or entitlement legislation would be tallied, and the budget savings from these cuts would be placed in a “lock-box.” Once the appropriations or entitlement legislation in question had been approved by the House, the spending allocation for the committee of jurisdiction for that legislation would effectively be reduced by the amount placed in the “lock-box.” The Budget Committee would enforce this requirement by treating the amount that had been cut on the floor and placed in the lockbox as a *cost charged against the budget allocation of the committee of jurisdiction*. (Note: The sponsor of a floor amendment to cut funding in an appropriations bill or to cut expenditures in entitlement legislation could state, upon offering the amendment, that rather than going in the lock-box, some or all of the savings from the proposed cut would be used to finance a higher level of funding for another program in the bill or reserved for use by the relevant committee of jurisdiction. Unless such a declaration were made, the savings from the cut would go into the lock-box.)

An example may illustrate how the lock-box would work. Suppose an appropriations bill providing a total of \$20 billion is brought to the floor. Suppose that a Member then proposes an amendment to cut \$500 million from the bill (and intends that the savings be placed in the lockbox), and the House agrees to the amendment. At this point, the bill costs \$19.5 billion. Under the lock-box rules, the \$500 million in locked-up savings also would be scored against the bill; the Budget Committee in effect would treat the bill as still costing \$20 billion. The Budget Committee would continue to count the locked-up savings against the budget allocation for the Appropriations Committee through the end of the fiscal year. In effect, the budget allocation for the Committee would be reduced by the amount of the cut. The same process would apply to floor amendments to entitlement legislation.

¹ H.R. 3800, the “Family Budget Protection Act,” was introduced by Rep. Jeb Hensarling and more than 100 co-sponsors. The legislation includes a wide variety of changes to the budget process, of which these lock-boxes are one. Grover Norquist and other conservative activists and organizations have termed this the “gold standard” of budget-process legislation.

The lockbox proposal may sound appealing as a way to reduce deficits. It has a number of significant drawbacks, however, that make it ill-advised.

Unbalanced Approach to Deficit Reductions

This approach represents an approach to deficit reduction that is unbalanced in the same way as Pay-As-You-Go proposals that apply to entitlement increases but exempt tax cuts. For the lock-box proposal to be even-handed, it also should provide that if a floor amendment is proposed and approved that *raises revenues* — for example, by closing a tax shelter or other loophole — the budget savings from that amendment could be placed in a lockbox rather than simply opening up room for another tax cut or new tax shelter.

The problem with unbalanced approaches of this nature is threefold.

- They are inequitable. They tend to favor the well off and corporations, who receive most of their government subsidies through special tax provisions, over the middle-class and the poor, who receive most of their government benefits through programs.
- An unbalanced approach does not necessarily generate deficit reduction even when the process “works,” since savings put in a lockbox may simply end up being used to justify additional tax cuts, on the grounds that money has been saved and bigger tax cuts can therefore be afforded.
- History shows that major, successful efforts to reduce projected deficits occur through comprehensive agreements (generally bipartisan) in which *all* approaches to deficit reduction — including entitlement cuts, appropriations caps, and tax increases — are negotiated and balanced. Those who favor budget cuts and those who favor revenues increases must compromise with each other, both substantively and with respect to budget enforcement rules such as the Pay-As-You-Go rule. If unbalanced procedures such as this one are agreed to, the likelihood of a large deficit-reduction compromise is diminished; those who favor budget cuts will have already achieved part of their goal and may see less need to participate in a grand compromise for the greater good.

Increasing the Chances for Gridlock between the House and Senate

The proposed lockbox procedure would apply *only to floor amendments in the House*, not to floor amendments in the Senate. As a result, the House Appropriations Committee and other House committees would end up with *smaller allocations than their Senate counterparts*. It is not plausible to expect the Senate to recede fully to the lower House figures when the committees meet in conference to work out differences between the House and Senate on appropriations bills. Yet under the lockbox procedure, the House would not be allowed to budget without breaking its appropriations limits, which had effectively been reduced below the budget resolution levels by the lockbox. As a result, this proposal is likely to increase the chances of gridlock between the two chambers.

Undermines Congressional Agreements on the Budget

The proposal would undermine the process that produces the annual Congressional budget resolution. The Congressional budget process encourages a majority in the House and in the Senate to come together in fashioning an overall budget plan and setting committee-by-committee spending ceilings. Like any overall plan, the budget resolution is inevitably the product of compromise. It could make it more difficult to reach agreements on budget resolutions if committee chairs, for example, feared that the lockbox procedure would enable a different majority, perhaps motivated by opposition to funding for a particular program or project, to change after the fact the committee ceilings that Congress has agreed to in crafting the budget resolution. The amounts set in the budget resolution for discretionary appropriations and for various authorization committees should stand until a new budget resolution is agreed to.