Overall Spending Caps 101

What is a cap on overall federal spending?

• Caps on overall federal spending limit the amount of money the federal government can spend, regardless of need. Many refer to this as a “global spending cap.”

How would a cap on overall federal spending work?

• Most proposed spending caps limit federal spending to a share of the economy or Gross Domestic Product (GDP). GDP is the market value of all final goods and services produced within a country in a given period.
• For example, in 2010 a cap at 18 percent of GDP would have limited government spending to about $2.5 trillion. In reality, spending reached $3.46 trillion.¹
• Some proposals cut specific programs while others direct future Congresses to decide. Proposals also vary in how to enforce the caps. Some automatically cut every federal program if Congress breaches the cap. Others direct the president to decide.

What are the problems with capping overall federal spending?

• Caps justified by historical spending rates ignore more recent spending increases from rising healthcare costs and retiring baby boomers—who drive up Social Security, Medicare, and Medicaid spending with lower tax revenues coming in.²
• A cap on spending would restrict the country’s ability to respond to economic fluctuations or national emergencies. While most plans allow Congress to waive the cap, a supermajority vote requirement makes this highly problematic.
• Congress must instead take a holistic approach that includes revenue raisers, such as closing tax loopholes and eliminating tax breaks, in addition to spending cuts. We should reduce our debt and deficit without sacrificing programs for hungry and poor people.

What do overall spending caps mean for hungry and poor people?

• Many in Congress want to limit federal spending through overall spending caps during the debt limit debate. Yet, capping all federal spending without considering ways to raise revenues would require massive spending cuts that would severely affect programs for hungry and poor people in the United States and abroad.
• Spending cuts as drastic as those found in House Budget Committee Chairman Ryan’s budget proposal would have to be made. For example, under the House Budget plan:
  ° International anti-poverty programs would be cut by more than a third for 10 years—vital international humanitarian relief and development programs would be cut regardless of need or changing global circumstances;
  ° Cuts in Medicaid and the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) would be imposed by making the programs block grants, thereby limiting funding for these critical programs.

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Between 2008 and 2009, poverty and unemployment in the United States reached record rates. While the need for food assistance rose dramatically, SNAP participation and demand at food banks rose to meet these needs. In fact, even with higher poverty rates, the rate of food insecure households did not rise, according to the U.S. Department of Agriculture. This shows that as a nutrition safety net, SNAP is working exactly as intended.

Caps on all federal spending would prevent programs such as SNAP and international food aid from effectively responding to periods of increased need.  

Restrictive spending caps that gut anti-poverty programs are not the answer. To reduce our nation’s deficit, the federal budget must be considered in its entirety. Congress must oppose overall spending caps and create a circle of protection around funding for programs that are vital to hungry and poor people in the United States and abroad.

Endnotes
1 Calculations based off of the Fiscal Year 2012 Budget of the United States Government, Historical Tables 1.1 and 1.2
   http://www.whitehouse.gov/omb/budget/Historicals
2 Center on Budget and Policy Priorities. “Corker-McCaskill Spending Cap Doesn't Account for Basic Changes in Society.”
   http://www.cbpp.org/cms/index.cfm?fa=view&id=3471