



**The Daily Dish**

## January 28th Edition

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[Senate Democrats blocked](#) a procedural motion to continue with a bill to build the Keystone XL pipeline, but that has not deterred Majority Leader McConnell. The Senate hopes to have a new bill to vote on by the end of the week. Even with Congressional approval, President Obama has promised to veto the legislation. [AAF has identified](#) the top ten states that already welcome the same type of oil that will be coming through the pipeline.

After pushback from the public and Congress, the [White House has ditched](#) the idea of taxing college savings plans. Speaker Boehner commented on the original idea, saying “529 plans help middle class families save for college, but now the president wants to tax those plans. It's another example of this outdated, top-down approach when our focus ought to be on providing opportunity for all Americans.”

### ***Eakinomics: A Budget Strategy for 2016***

Monday the Congressional Budget Office (CBO) released its 2015 [Budget and Economic Outlook](#). The release contained no real [surprises](#): the federal budget is on an unsustainable course driven by rising spending in mandatory (entitlement) programs despite rising revenues (including as a percentage of GDP) and unrealistic caps on defense and non-defense discretionary (annual) spending. This 10-year outlook is central to understanding the strategy for the budget in fiscal 2016 (which begins in October) [outlined](#) today by AAF's [Gordon Gray](#).

The starting point is that it is increasingly obvious that the defense cap of \$523 billion is insufficient to ensure the intelligence capabilities and readiness needed in a world full of trouble spots ranging from the Ukraine to Iran to Syria to Iraq to Yemen and elsewhere. Indeed it is practically a guarantee that when President Obama submits his budget on February 2, he will ask for funding above the cap. A realistic assessment of the budget politics is that advocates for the programs in the non-defense area (including the White House) will not tolerate cutting that part of the budget to fund defense needs; indeed they will likely demand equal treatment. The upshot is pressure for increases in discretionary spending that will require raising the 2016 caps. However, simply to maintain the already unsustainable trajectory, there must be offsetting reductions in mandatory spending over the next 10 years.

A potential glitch in this strategy is a budget resolution agreed upon by the House and Senate that seeks to balance the budget in 10 years. Balancing the budget is a great idea, but the starting point is so far away that recent attempts have shared the following characteristics: (1) defense spending is increased, (2) taxes are held constant, (3) Social Security is off limits, and (4) reforms to Medicare are phased in slowly. The arithmetic then demands sharp reductions in Medicaid spending (which has the political virtue of putting some of the responsibility on the states) and more draconian cuts to non-defense discretionary spending.

The political reality is that any attempt to pass the 2016 appropriations bills that involves such tight non-defense spending will run straight into a presidential veto and damage the new Congressional leadership's efforts to make the federal trains run on time. Gordon Gray's strategy is better for our national security and places the focus on controlling the real problem in the budget: exploding entitlement programs.

***From the Forum***

[10 States Poised to Welcome Keystone XL Crude](#) by Catrina Rorke, AAF Director of Energy and Environmental Policy

[The Budget Control Act and the Outlook for Defense Spending](#) by Gordon Gray, AAF Director of Fiscal Policy

[Providing Equality of Opportunities: A Review of School Choice 2015](#) by Chad Miller, AAF Director of Education Policy