

Introduction: Blueprint for Balance

Budgeting is an essential act of governing. Everything the federal government does, it does by either taxing or spending. Even regulatory agencies are able to produce and enforce regulation only when Congress funds their activities. As such, budgeting affects every facet of the federal government and its relationship to the American people. The size and scope of America’s budget has a direct impact on how Americans are able to provide for their families, contribute to their communities, and pursue their dreams.

Blueprint for Balance: A Federal Budget for Fiscal Year 2018, provides detailed recommendations for the annual congressional budget. On the most fundamental level, the budget enables Congress to establish a comprehensive governing philosophy. Congress should put the budget on a path to balance, while strengthening national defense and without raising taxes, to enable economic growth to raise living standards—for all Americans.

In order for Americans to achieve better lives, Congress must take steps to allow Americans to build a stronger economy, a stronger society, and a stronger defense. The Heritage Foundation regularly assesses the strength of America’s economy, society, and defense and has found great need for improvement, as reflected in the:

- *2017 Index of Economic Freedom: Promoting Economic Opportunity and Prosperity*, ed. by Terry Miller and Anthony B. Kim (Washington: The Heritage Foundation, 2017);

- *2016 Index of Culture and Opportunity: The Social and Economic Trends that Shape America*, ed. by Jennifer A. Marshall and Christine Kim (Washington: The Heritage Foundation, 2016); and
- *2017 Index of U.S. Military Strength: Assessing America’s Ability to Provide for the Common Defense*, ed. by Dakota L. Wood (Washington: The Heritage Foundation, 2016).

Congressional adoption of the recommendations set forth in this *Blueprint* would strengthen America’s economy, society, and defense.

A FEDERAL BUDGET FOR FISCAL YEAR 2018

The federal budget should be a reflection of the principles of the American people within the constraints of constitutional government. The budget delineates priorities, clarifies positions on fundamental issues, reflects views on the role of the government, and provides insight into Americans’ moral character. At the most basic level, a budget is a plan to collect and allocate resources. However, a budget should also illustrate a commitment to individual rights as well as to economic freedom and prosperity. As President Ronald Reagan said in 1981:

We’re not cutting the budget simply for the sake of sounder financial management. This is only a first step toward returning power to the States and communities, only a first step in reordering the relationship between citizen and government.

We can make government again responsive to the people by cutting its size and scope and thereby ensuring that its legitimate functions are performed efficiently and justly.¹

Americans have reached a critical point. The federal government has grown to an unprecedented size, has expanded its scope to virtually every part of the economy, and is on a dangerous fiscal trajectory. Taxpayers pay enormous amounts of money to the government, and the government borrows huge sums beyond the amount it takes from taxpayers. The government uses taxes and borrows money to pay for excessive spending, including many programs that benefit the well-connected or lock people into low incomes by penalizing work. As of March 2017, the national debt is approaching \$20 trillion. According to the Congressional Budget Office, if the government remains on its currently planned trajectory, it will spend at least another \$10 trillion more than it will collect over the 2017 to 2027 period, piling on even more debt.

Annual debt-service payments are expected to double within five years, and more than triple over the next 10 years, increasing from \$241 billion in 2016 to \$768 billion in 2027. That \$768 billion in interest that the government must pay in 2027 represents 52 percent of the entire amount of the discretionary spending projected for the government in that year. The country cannot and should not sustain the current course of excessive spending and borrowing.

While Congress cannot solve everything at once, it can and must take the opportunities available in the annual budget and appropriations processes to make a down payment on putting the government's finances in order. Congress can do this by immediately reducing discretionary spending and taking meaningful steps to reduce mandatory spending by reforming mandatory spending programs.

Congress should use four criteria to assess every federal program in developing the FY 2018 budget. Congress should determine whether:

1. The program's elimination would increase opportunity or reduce favoritism;
2. The program would better serve the American people if it were administered and financed by the private sector;
3. The program would be better administered by state or local governments; or

4. The program is wasteful or duplicative.

Congress should use the annual appropriations process to advance important policy objectives. The Constitution unequivocally grants Congress the exclusive power to appropriate funds for the operations of government. James Madison wrote in *Federalist* No. 58 that providing budgetary powers to Congress was a critical element in maintaining individual rights: "The power over the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure."

Congress should prepare honest budgets and pass legislation that brings current law into compliance with congressional budget plans. The American people have lost trust in Washington, in part because their representatives in Congress say one thing and do another. However, for the well-connected, Washington is a finely tuned machine aimed at avoiding principled arguments and keeping the gravy train rolling for special interests.

Congress must end the practice of using budget gimmicks to mask overspending, and stop using parliamentary process to make excuses for not advancing the policies it was elected to pursue. Congress should use the budget process to promote free enterprise, limited government, individual freedom, traditional American values, and a strong national defense. By reducing debt and putting the fiscal house in order, Congress can produce a strong economy, a strong society, and a strong America.

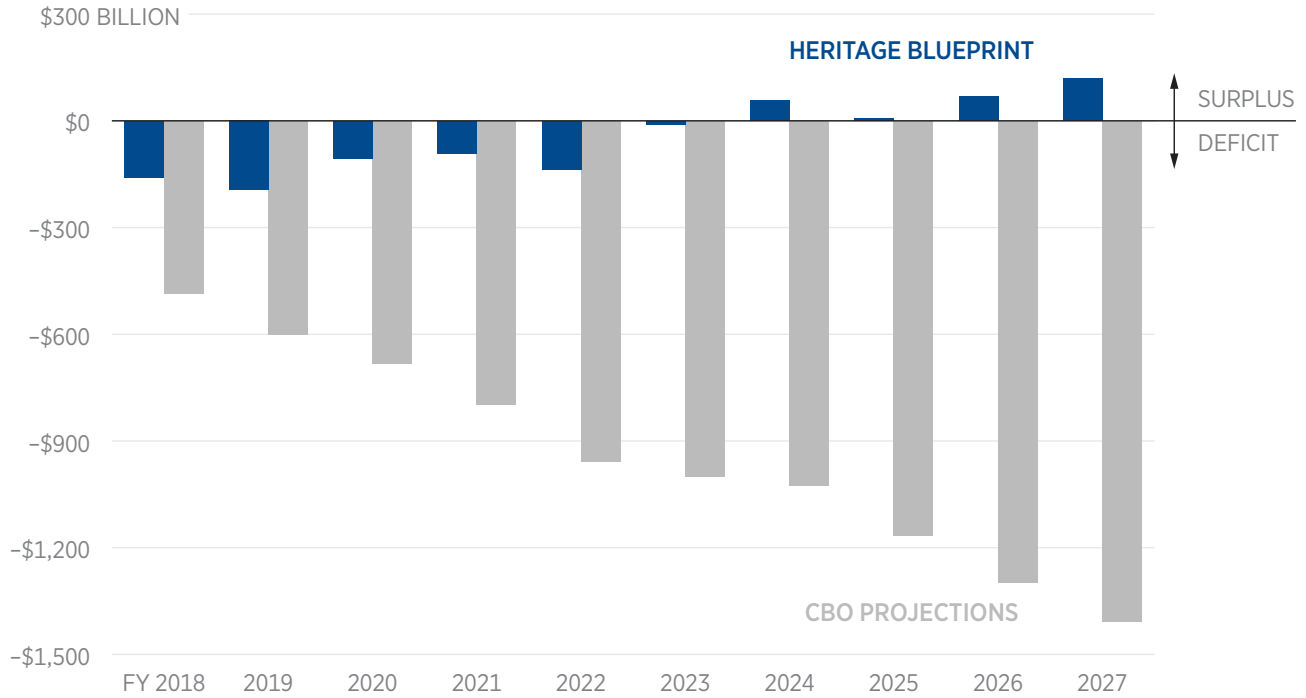
The federal budget for FY 2018 presented here will:

- **Slow the growth in spending**, while fully funding national security needs;
- **Cut taxes** by more than \$1 trillion over 10 years;
- **Balance the budget** within seven years;
- **Reduce spending** by \$10.0 trillion and cut the deficit by \$9.0 trillion over 10 years;
- **Eliminate budget gimmicks** and improve the budget process; and
- **Eliminate programs** that produce favoritism and limit opportunity.

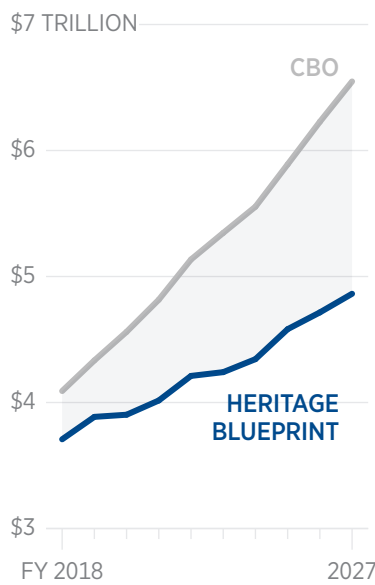
CHART 1

Heritage Blueprint Would Save Billions Compared to CBO Projections

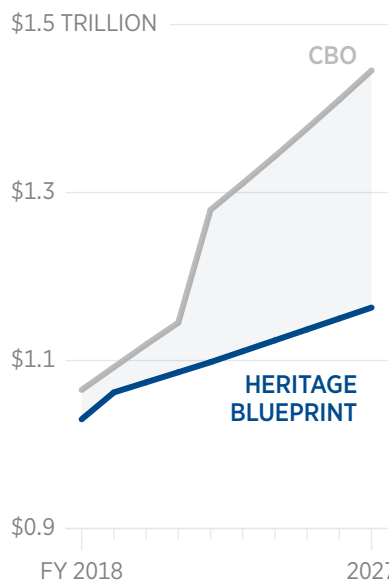
BUDGET SURPLUS/DEFICIT



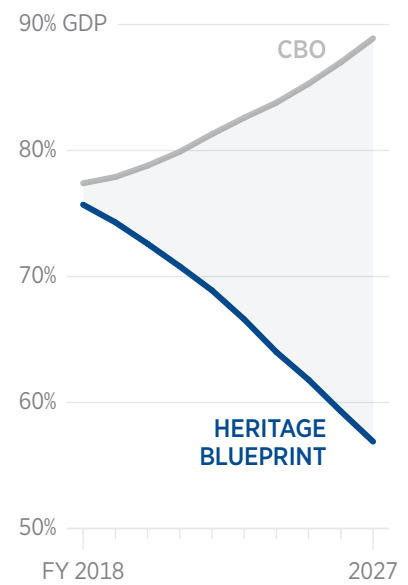
OUTLAYS



DISCRETIONARY SPENDING



DEBT HELD BY THE PUBLIC



SOURCES: Congressional Budget Office, "The Budget and Economic Outlook: 2017-2027," January 24, 2017, <https://www.cbo.gov/publication/52370> (accessed February 16, 2017), and Heritage Foundation calculations.

ENDNOTES

1. "Our Philosophy: Address by President Ronald Reagan to the Conservative Political Action Conference," The American Conservative Union, March 20, 1981, <http://conservative.org/found-conservatism/philosophy/> (accessed January 22, 2016).