

insights

TYPES NOT MAPPED YET June 01, 2022 | TTR not mapped yet | Christopher T. Murray

Offsets

A budget maneuver that attempts to ensure revenue-neutral taxing or spending.

Feel the Rush

Congress's interest in spending discipline is a political and policy issue that ebbs and flows over time. Though we have experienced a large expansion of federal deficit and debt over the last two decades, both parties have been less focused on spending discipline in recent years. Even in the current spending environment, Congress still attempts to pay for new spending by cutting existing spending to yield a net-zero budgetary impact whenever possible.

Money Can't Buy You Class

Under federal [PAYGO](#) rules, new spending or tax reductions must be offset to ensure revenue neutrality. One of the most common [methods](#) for ensuring that spending provisions do not increase the federal deficit is through offset amendments. These provisions work by increasing federal spending for specified programs and offsetting the associated cost by reducing funding in other programs within the same bill.

Parliamentary rules governing the consideration of offset amendments may be suspended or waived. Congress tends to suspend these rules when considering emergency supplemental funding packages related to disaster relief (*e.g.*, Hurricanes Katrina and Sandy), defense (*e.g.*, Russia's invasion of Ukraine), or public health (*e.g.*, COVID-19).

Tardy for the Party

In order to combat the health and economic impacts of the global pandemic, Congress spent trillions of additional dollars over the last two years. The resulting explosion of the deficit has resulted in a dramatic acceleration of the accumulation of federal debt. In tandem with increasing interest rates and inflation, the cost of borrowing will likely also accelerate, and Washington may soon need to return to a hawkish stance on fiscal policy.

Over the last few months, congressional Democrats have struggled to assemble a relatively modest supplemental package to plug needed gaps in the response to the pandemic, largely related to health spending. A major sticking point has been exactly which offsets to use so that the legislation can be "fully paid for," and Speaker Pelosi had to pull this package in March after many members of her caucus expressed their ire to her directly because the proposed offsets would have come from their own states or districts.

As Washington shifts into a new era of fiscal and monetary policy, expect to hear much more about offsets whenever you are working with Congress – and be prepared to have an offset in mind when proposing any new spending.

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