Budget and Federal Spending

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Federal Budget Process

The "power of the purse" is a legislative power granted by and in Article I of the Constitution. Federal budgeting is an annual activity with the federal government's fiscal year beginning October 1. The "budget process" refers to a number of processes that eventually end up operating together.

A single year's budget cycle takes roughly three calendar years from initial formation by the Office of Management and Budget (OMB) until final audit. The president initiates the annual budget cycle when he submits his annual budget for the upcoming fiscal year to Congress. The president's budget is only a request to Congress. Congress is not required to adopt the president's recommendations as it does not have the force of law.

The spending policies of the annual congressional budget resolution generally are implemented through two different types of spending legislation. Discretionary spending is implemented through annual appropriations acts and is under the jurisdiction of the House and Senate Appropriations Committees. Mandatory spending (or direct spending), which for the most part involves "entitlement" programs, are carried out in substantive legislation. Mandatory spending is under the jurisdiction of the various legislative committees of the House and senate.

There are four main types of appropriations bills: regular appropriations bills, continuing resolutions (CRs), supplemental appropriations bills and omnibus appropriations bills. Appropriations bills, like other bills, must be considered by their respective subcommittees, then the full Appropriations Committee, and finally, reported to the Floor of the House and Senate. They must be passed by the House and Senate, have any differences reconciled between the two chambers through a conference committee, have the final conference versions of the bill pass both chambers and then, finally, be sent to the president for his signature in order for the funding to be realized.

The Ryan/GOP Budgets

Out of everything regarding federal budgeting and spending that candidates should familiarize themselves with, the Ryan/GOP budget should be at the very top of the list. The FY 2012 House Republican Budget Resolution would have cut government spending by $6.2 trillion over the next decade as compared to the President's FY 2012 budget proposal. It would also have reduced the deficit by $4.4 trillion over the next ten years as compared to the President's budget proposal and $3.2 trillion as compared to the House Democrat's proposed budget. The budget also proposed changes to Medicare for people under 55 and Medicaid to protect both of these programs for future generations. Furthermore, it proposed changes to simplify the federal tax code and lower corporate tax rates to globally-competitive levels.

The FY 2013 House Republican Budget Resolution would shrink government spending as a share of gross domestic product (GDP) from its current level of 24 percent to 20 percent by 2015, consolidate the current six individual income tax brackets into just two brackets of 10 and 25 percent while at the same time, closing tax "loopholes," reduce the corporate rate to 25 percent, shift from a "worldwide" to a "territorial" tax system, fully repeal and defund the Democrats' government takeover of health care, cut $5.3 trillion in spending over the next decade (compared with President Obama's budget proposal for FY 2013, reduce the accumulated deficit over the next 10 years by $3 trillion more than President Obama's budget proposal for FY 2013, prevent $2 trillion in tax increases requested by President Obama, reform Medicaid into a block grant program giving states flexibility to tailor it for their needs and revamp Medicare following the outline Budget Committee Chairman Paul Ryan (R-Wis.) and Senator Ron Wyden (D-Ore.) proposed earlier in 2012 by creating a premium-support mechanism to replace the current fee-for-service health system for seniors. It differed from the Medicare reform proposal in the FY 2012 budget resolution in that it is based on a bipartisan proposal with Senator Wyden's involvement as well as it being proposed by Alice Rivlin (former vice-chair of the Federal Reserve. former director of OMB and former director of CBO all under President Bill Clinton – as well as being appointed to President Obama's Fiscal Commission by President Obama); and it would allow recipients to remain within the traditional Medicare program if they choose to do so.

Balanced Budget Amendment (BBA)

Support for a balanced budget amendment (BBA) has lingered following its failure by Congress sixteen years ago (the House passed it, but the Senate did not – by one vote). On Nov. 18, 2011, the House failed to pass H. J. Res. 2 which would have added an amendment to the U.S. Constitution requiring that the U.S. government operated under a balanced budget each year. There were several different versions of a BBA considered for this vote, but the one that was brought up for a vote would have required a three-fifths vote in both the House and Senate to approve deficit spending (when total federal outlays are more than total federal revenues). In addition to requiring a balanced budget, H. J. Res. 2 would have also required a three-fifths vote to approve any increase of the debt limit in the future. H. J. Res. 2 would have also required a simple majority vote in both the House and Senate to approve raising taxes. Additionally, H. J. Res. 2 would have also allowed Congress to waive its requirements for any fiscal year in which a declaration of war is in effect or in any year in which the U.S. is engaged in a military conflict which poses an imminent threat or serious threat to national security, though Congress would need to actually declare such a situation in a joint resolution.

Earmarks

An earmark is a specific amount of taxpayer money requested by a legislator that is directed to a specific project or recipient, typically in a legislator's home state or district. They are most common in appropriations legislation, but can appear in other bills. In recent years, earmarking has been met with criticism over corruption. Providing ammunition for these criticisms, some Members of Congress have used earmarks to provide taxpayer dollars to companies in which they have a financial interest, reward family members and return favors to campaign donors, among others. Another element adding to the controversy surrounding earmarking is the overall level of spending of government. Earmarks have only represented a small percentage of all federal spending, yet they are easily identifiable symbols of waste, abuse and misuse of power.

Over the years, there have been several attempts to rein in earmark spending and/or reform the process by which earmarks are requested, enacted and reported. In the previous 111th Congress, the House Republican Conference adopted a unilateral, self-imposed across-the-board earmark ban, including tax, tariff and authorization earmarks (such as the federal highway bill) as an official part of the House Republican Conference Rules. Following the 2010 election in which Republicans took back control of the House, then-Republican Leader John Boehner (R-Ohio) and then-Republican Whip Eric Cantor (R-Va.) announced that the House Republican Conference would vote to impose an immediate ban on earmarks at the start of the upcoming 112th Congress. As promised, the House Republican Conference did vote to impose an immediate ban on earmarks for the 112th Congress.

PAYGO vs. CutGo

PAYGO requires that the cost of new mandatory spending and tax cuts be offset with either tax increases or spending cuts. PAYGO actually began as a statutory process established by the Budget Enforcement Act of 1990. This was effectively terminated on Dec. 2, 2002. Beginning in 2003, proposals were made from time to time to restore the statutory PAYGO process, but disagreements centered on whether it should apply to both mandatory spending and revenue legislation or only to mandatory spending legislation. In addition to the statutory PAYGO process, both the House and Senate have relied upon their own internal PAYGO rules – although the rules can be, and often are, waived.

In the prior 111th Congress, there was again a renewed call for statutory PAYGO and House Democrats proceeded with renewing it, but also simultaneously providing for certain initiatives of their House legislative agenda to be allowed to move forward without offsets. Under a deal struck in April 2009, the Blue Dog Democrats essentially agreed to allow four pieces of priority legislation to go forward without offsets in an exchange for a pledge from House Democrat leadership that each measure would also carry long-term PAYGO legislation. The House also passed a standalone PAYGO bill in July 2009 that required OMB to assess the cumulative effects of tax and entitlement legislation during each session.

House Republicans, at the beginning of the 112th Congress, adopted a new CutGo rule effectively replacing the former PAYGO rule. In general, CutGo prohibits the consideration of any legislation that would have the net effect of increasing mandatory spending in either of two time periods: 1) the six-year period consisting of the current fiscal year, the budget year and the four ensuing fiscal years; and 2) the 11-year period consisting of the current year, the budget year and the ensuing nine fiscal years.

Budget Process Reform

Budget process reform proposals are put forth each Congress seeking to refine or modify the existing requirements, laws and rules that make up the federal budget process. In the 112th Congress, House Republicans passed four pieces of legislation each with the intent to reform various aspects of the federal budget process including how the cost of legislation is estimated, requiring that CBO prepare an alternative budget baseline, creating an expedited procedure for Congress to consider line-item veto and rescission legislation and modifying how federal loans and loan guarantees are calculated.

Additionally, multiple federal spending and federal budget legislation are proposed, voted on and sometimes even enacted. This chapter details these various proposals from both the 111th and 112th Congresses.

THE FEDERAL BUDGET PROCESS

Federal budgeting is an annual activity, with the federal government's fiscal year beginning October 1. The term "budget process," when applied to the federal government, actually refers to a number of processes that eventually end up operating together. They include the president's budget submission, the budget resolution, reconciliation, sequestration, authorizations and appropriations.

Federal budget decisions also express Congress's priorities and reinforce Congress's influence on federal policies. It is an enormously complex process and entails dozens of subprocesses, countless rules and procedures, the efforts of tens of thousands of staff persons in the executive and legislative branches, millions of work hours each year and the active participation of the president and congressional leaders.

Background

The "power of the purse" is a legislative power granted by and in Article I of the Constitution. The Constitution does not state how these legislative powers are to be exercised, nor does it expressly provide for the president to have a role in the management of our nation's finances. During our country's early years, there was not a coordinated set of actions or procedures covering all federal spending and revenues. As long as the federal government remained small and its spending and revenues were stable, an actual budget system was not considered to be necessary. Of course this set of circumstances changed with the incessant rise in federal spending and the recurrence of deficits early in the 20th century which led Congress to seek a more coordinated way of making financial decisions.

Two statutes in particular formed the basic framework of the federal budget process.

Budget and Accounting Act of 1921: The Budget and Accounting Act of 1921 established what is known as the executive budget process by requiring the president to submit to Congress annually a proposed budget for the federal government. It remains the statutory basis of the presidential budget system to this day. It also created the Bureau of the Budget (reorganized and known as the Office of Management and Budget (OMB) since 1970) and the General Accounting Office (GAO, renamed the Government Accountability Office in 2004).

The 1921 act did not directly alter Congress's procedures for making revenue and spending decisions. Congress was expected to be able to coordinate its revenue and spending decisions if it received comprehensive budget recommendations from the president. In line with this, the House and Senate simply changed their rules to consolidate the jurisdiction of the Appropriations Committees over spending.

Eventually, the belief that the presidential budget sufficed to maintain fiscal control gave way to the view that Congress needed its own budget process.

Congressional Budget and Impoundment Control Act of 1974: The Congressional Budget and Impoundment Control Act of 1974 established the statutory basis for a congressional budget process. It also provided for the annual adoption of a concurrent budget resolution as a mechanism for facilitating congressional budgetary decision making. It also created the House and Senate Budget Committees, and created the Congressional Budget Office (CBO) to provide budgetary information to Congress independent of the executive branch.

The inception of the congressional budget process did not replace the preexisting revenue and spending processes. Instead, it provided an overall legislative framework within which the many separate measures affecting the federal budget would be considered.

Although these two laws are the primary basis for our congressional budget process, Congress has continued to make further changes in the process by enacting several other laws since the 1974 Congressional Budget Act. In brief:

Balanced Budget and Emergency Deficit Control Act of 1985: Also known as the Gramm-Rudman-Hollings Act, this law prescribed declining deficit targets intended to achieve balance in fiscal year (FY) 1991. These targets were enforced by sequestration (a process involving automatic, largely across-the-board cuts in nonexempt spending programs if the targets were expected to be exceeded).

Budget Enforcement Act of 1990 (BEA): The BEA replaced the deficit targets from Gramm-Rudman-Hollings with caps on discretionary spending and a pay-as-you-go (PAYGO) requirement for revenue and direct (or mandatory) spending legislation. Sequestration was retained as the means of enforcing the discretionary caps and PAYGO.

Line-Item Veto Act of 1996: This authorized the president to cancel discretionary spending in appropriations bills, as well as new mandatory spending and limited tax benefits in other legislation, subject to expedited legislative procedures by which Congress could overturn the cancellations. The Line-Item Veto Act was struck down as unconstitutional by the United States Supreme Court in 1998.

BEA of 1997: This act extended the BEA procedures of 1990 for several more years. Without a consensus on extending the control mechanisms under the BEA, however, they expired at the end of FY 2002.

Statutory PAYGO Act of 2010: This act restored a modified version of the PAYGO requirement for mandatory spending and revenue legislation.

Basic Concepts of Federal Budgeting

Budget Authority and Outlays: When Congress appropriates money, it provides budget authority, that is, authority to enter into obligations. Budget authority may also be provided in legislation that does not go through the appropriations process (mandatory spending legislation). The primary congressional spending decisions relate to the obligations that agencies are authorized to incur during a fiscal year, not to the outlays made during the year. Obligations occur when agencies enter into contracts, submit purchase orders, employ personnel, etc.; outlays occur when obligations are liquidated, typically through the issuing of checks, electronic fund transfers or disbursement of cash.

The provision of budget authority is the key point at which Congress exercises control over federal spending. But, the outlay level is often what receives greater public attention because of its impact on the deficit. Congress does not directly control outlays. Each year's outlays derive in part from new budget authority and in part from "carryover" budget authority provided in prior years.

The relation of budget authority to outlays varies from program to program and depends on spend-out rates (the rates at which funds provided by Congress are obligated and payments disbursed). In a program with a high spend-out rate, most new budget authority is expended during the fiscal year; if the spend-out is low, however, most of the outlays occur in later years. Regardless of the spend-out rate, the outlays in the budget are merely estimates of the amounts that will be disbursed during the year. If payments turn out to be higher than the budget estimate, outlays will be above the budgeted level. The president and Congress control outlays indirectly by deciding on the amount of budget authority to be provided or by limiting the amount of obligations to be incurred.

Certain receipts of the federal government are accounted for as "offsets" against outlays rather than as revenues. Various fees collected by government agencies are deducted from outlays. Similarly, income from the sale of certain assets is treated as offsetting receipts. Most such receipts are offsets against the outlays of the agencies that collect the money, but in the case of offshore oil leases and other certain activities, the revenues are deducted from the total outlays of the government.

Scope of the Budget: The budget consists of two main groups of funds: federal funds and trust funds. Federal funds – which comprise mainly the general fund – largely derive from the general exercise of the taxing power and general borrowing and for the most part are not earmarked by law to any specific program or agency. One component of federal funds, called special funds, is earmarked as to source and purpose. The use of federal funds is determined largely by appropriations acts.

Trust funds are established, under the terms of statutes that designate them as trust funds, to account for funds earmarked by specific sources and purposes. The Social Security funds are the largest of the trust funds. Revenues are collected under a Social Security payroll tax and are used to pay for Social Security benefits and related purposes. The unified budget includes both the federal funds and the trust funds. The balances in the trust funds are borrowed by the federal government so, they are counted in the federal debt. Because these balances offset a budget deficit but are included in the federal debt, the annual increase in the debt invariably exceeds the amount of the budget deficit. For the same reason, it is possible for the federal debt to rise when the federal government has a budget surplus.

Capital and operating expenses are not segregated in the budget. Therefore, monies paid for the operations of government agencies as well as for the acquisition of long-life assets (like buildings, roads, weapon systems, etc.) are reported as budget outlays.

The budget totals do not include all of the financial transactions of the federal government. The main exclusions fall into two categories: off-budget entities and some government-sponsored enterprises. Also, the budget includes direct and guaranteed loans on the basis of accounting rules established by the Federal Credit Reform Act of 1990.

Off-budget entities are excluded by law from the budget totals. The receipts and disbursements of the Social Security trust funds (the Old-Age and Survivors Insurance Fund and the Disability Insurance Fund) as well as the Postal Service Fund are excluded from budget totals. These transactions are shown separately in the budget. Therefore, the budget now reports two deficit and surplus amounts – one excluding the Social Security trust funds and the Postal Service Fund, and the other including these entities. The latter is the main focus of discussion in both the president's budget and the congressional budget process.

Government-sponsored enterprises (GSEs) historically have been excluded from the budget because they were deemed to be private rather than public entities. The federal government did not own any equity in these enterprises, most of which received their financing from private sources. Although they were established by the federal government, their budgets were not reviewed by the president or Congress in the same manner as other programs. Most of these enterprises engaged in credit activities. They borrowed funds in capital markets and lent money to homeowners, farmers, etc. In total, these enterprises had assets and liabilities measured in trillions of dollars. Financial statements of the GSEs were published in the president's budget.

Although some GSEs continue to operate on this basis, the economic downturn and credit instability that occurred in 2008 fundamentally changed the status of two GSEs that play a significant role in the home mortgage market: Fannie Mae and Freddie Mac. In September 2008, the Federal Housing Finance Agency (FHFA) placed Fannie and Freddie in conservatorship, thereby subjecting them to control by the federal government until the conservation eventually is brought to an end.

Editor's Note: *For more information on Fannie and Freddie, their role in the 2008 financial crisis and their conservatorship, please see the Financial Crisis, Bailouts and Financial Reforms Chapter of the 2012 NRCC Issues Book.*

The Budget Cycle: A single year's budget cycle takes roughly three calendar years from initial formation by OMB until final audit. The executive branch agencies begin the process by compiling detailed budget requests in the calendar year before the president's budget submission. Many agencies start working on their budgets during the spring and summer – about a year and a half before the fiscal year begins. OMB oversees the development of these agency requests. Following this work done by the executive agencies and OMB, the five stages of the congressional budget process ensue: president's budget submission, congressional budget resolution, appropriations bills, consideration of reconciliation legislation and consideration of authorization legislation.

Stages of the Federal Budget Process

The federal budget process is divided up into several stages: President's budget request, congressional budget resolution, spending legislation and budget reconciliation legislation.

On or Before:	Action to be completed:
First Monday in February	President submits his budget.
February 15	Congressional Budget Office submits report to Budget Committees.
Not later than 6 weeks after the President submits the budget.	Committees submit views and estimates to Budget Committees. (Frequently, the House Budget Committee sets own date based on Legislative Calendar)
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on the concurrent resolution on the budget. (This is not signed by the President).*
May 15	Annual appropriation bills may be considered in House.
June 10	House Appropriations Committee reports last annual appropriation bill.
June 15	Congress completes action on reconciliation legislation. (If required by the budget resolution).

June 30	House completes action on annual appropriation bills.
October 1	Fiscal year begins.

Source: *House Budget Committee*

President's Budget Request: The president initiates the annual budget cycle when he submits his annual budget for the upcoming fiscal year to Congress. The president is required to submit his or her annual budget, based on OMB's work, on or before the first Monday in February, or about eight months before the fiscal year begins. Officially referred to as the Budget of the United States Government, it consists of spending, revenues, borrowing, debt, policy and legislative recommendations, detailed estimates of the financial operations of federal agencies and programs, data on the actual and projected performance of the economy and other information supporting the president's recommendations.

The president's budget is only a request to Congress. Congress is not required to adopt the president's recommendations as it does not have the force of law. The power to formulate and submit the budget is a vital tool in the president's direction of the executive branch and of national policy. The president's proposals often influence congressional revenue and spending decisions, though the extent of the influence varies from year to year and depends more on political and fiscal conditions than on the legal status of the budget.

Both the president's budget submission and Congress' budget resolution are comprised of 20 major budget function categories. They are identified in the chart below. To see a detailed description of each budget function, click on each budget function number.

Major Budget Functions	
Function Number	**Category**
050	National Defense
150	International Affairs
250	General Science, Space, and Technology
270	Energy
300	Natural Resources and Environment
350	Agriculture
370	Commerce and Housing Credit
400	Transportation
450	Community and Regional Development
500	Education, Training, Employment, and Social Services
550	Health
570	Medicare
600	Income Security
650	Social Security
700	Veterans Benefits and Services
750	Administration of Justice
800	General Government

900	Net Interest
920	Allowances
950	Undistributed Offsetting Receipts

Source: *House Budget Committee*

Congressional Budget Resolution: The timetable set forth in the 1974 Congressional Budget Act calls for the final adoption of the budget resolution by April 15, well before the beginning of the new fiscal year on October 1. Although the House and Senate often pass the budget resolution separately before April 15, they often do not reach final agreement on it until after the deadline – sometimes months later. Within six weeks of the president's budget submission, congressional committees hold hearings on the president's budget and are required to submit their "views and estimates" of spending and revenues within their respective jurisdictions to the House and Senate Budget Committees. These views and estimates, along with information from other sources, are then used by each Budget Committee in drafting and reporting a concurrent resolution on the budget to its respective chamber. This other information includes budget and economic projections, programmatic information and budget priorities from a variety of sources such as CBO, OMB, the Federal Reserve, executive branch agencies and congressional leadership. The Budget Committees are not bound by these recommendations.

Because the budget is a concurrent resolution, it is not sent to the president for approval and thus, does not become law. It is not binding. It is neither signed by the president, nor can it be vetoed. (In fact, it is very common practice for a budget to be passed and then to have the appropriations, or "spending," bills go beyond what was detailed n the budget.) But, it is a central part of the budget process in Congress. As a concurrent resolution, it represents an agreement between the House and Senate that establishes budget priorities, and defines the parameters for all subsequent budgetary actions. The budget resolution was designed to provide a framework within which Congress considers legislation dealing with spending and revenue – to set priorities and to establish policy positions or lay out new programs or give the momentum to eliminate or cut programs.

Budget resolutions also often include procedural provisions such as reserve funds or reconciliation instructions, which often reflect potential new laws or programs or reflect specific policy desires of Congress. While it is not a legal requirement to adopt a budget resolution before proceeding to the appropriations process, it is highly encouraged. Congress does not always complete action on a budget resolution (due either to its inability to pass the House or Senate, or the inability of the chambers to reconcile differences between their respective budget resolutions), though this is rather rare.

In years when Congress is late in adopting, or does not adopt, a budget resolution, the House and Senate independently may adopt "deeming resolution" provisions for the purpose of enforcing certain budget levels. In the 36 years (since 1976) that the congressional budget process has been in effect, as of this writing, Congress has not completed action on a budget resolution for seven fiscal years: FY 1999 (in 1998), FY 2003 (in 2002), FY 2005 (in 2004), FY 2007 (in 2006), FY 2011 (in 2010), FY 2012 (in 2011) and FY 2013 (in 2012). This also means Congress has failed to pass a budget resolution for three consecutive years (2010, 2011 and 2012). The House, however, has passed a budget every single year since 1976 **except** for 2010 when the Democrat majority opted to not pass a budget. The Senate, on the other hand, has not passed a budget resolution itself for three fiscal years: FY 2003, FY 2011 and FY 2012. In 31 of the 37 years, Congress adopted at least one budget resolution for each fiscal year.

Editor's Note: *At of the time of this writing, leaders in the United States Senate stated that the Senate will not be writing or taking up its own Senate budget resolution for FY 2013.*

Congress's regular tools for enforcing the budget resolution each year are overall spending ceilings and revenue floors and committee allocations and subdivisions of spending. Allocations of spending to committees, or 302(a) allocations (called this for the specific Section that provides for them in the 1974 Congressional Budget Act), are made in the conference report on the budget resolution after it is marked up by the Budget Committee and is adopted by the full chamber. 302(a) allocations are made to the Appropriations Committee, which has jurisdiction over spending, both for the budget year and the full period covered by the budget resolution (at least five fiscal years). Following the 302(a) allocations, the Appropriations Committee subdivides the amounts it receives among its 12 subcommittees, per Section 302(b). These 302(b) allocations may not exceed the total amount allocated to the committee.

Spending Legislation: The spending policies of the annual congressional budget resolution generally are implemented through two different types of spending legislation. Policies involving discretionary spending (funding for most federal departments, agencies and programs) are implemented through annual appropriations acts. All discretionary spending is under the jurisdiction of the House and Senate Appropriations Committees. Policies affecting direct or mandatory spending (which, for the most part, involves "entitlement" programs) are carried out in substantive legislation. Mandatory spending is under the jurisdiction of the various legislative committees of the House and Senate; the House Ways and Means Committee and the Senate Finance Committee have the largest shares of mandatory spending jurisdiction. (Some entitlement programs, such as Medicaid, are funded in annual appropriations acts, but such spending is not considered to be discretionary.)

The power to appropriate funding is a legislative power. The Constitution provides that, "No money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law." Accordingly, Congress annually considers several appropriations measures which provide funding for the numerous departments, programs, operations and activities of the federal government. Put simply, "appropriating" means "spending." However, most of the legislation you see passed by Congress simply "authorizes," or allows, the spending of money, but does not actually send the funding "out the door." The rules of the House require that agencies and programs be authorized in law before funding can be appropriated for them. The authorizations may be annual, multi-year, or permanent and any expiring programs require re-authorization.

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"No money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."

~ Article 1, Section 9, U.S. Constitution

Authorization bills and appropriation bills perform different functions and are to be considered in sequence. First, authorization bills establish, continue, or modify agencies or programs. Authorization measures are under the jurisdiction of legislative committees, such as the House Committees on Agriculture and Homeland Security. Second, appropriations measures provide funding for the agencies and programs previously authorized. But even if a bill that calls for a government program to be created and funded has been passed and signed into law, that program (other than in a few defined cases) does not actually receive any money until an appropriations bill that specifically funds it is passed.

Congress has developed certain rules and practices for the consideration of appropriations measures, referred to as the congressional "appropriations process." The president has an important role in the appropriations process by virtue of his constitutional power to approve or veto entire measures, which Congress can only override by two-thirds vote of both chambers. He also has influence in submitting an annual budget request to Congress. Each year, after the president submits his budget request, Congress considers a budget resolution to establish a framework within which Congress considers legislation dealing with spending and revenue. Generally, once the budget resolution is adopted, chambers consider appropriations bills that are consistent with the budget resolution. If appropriations bills are not passed, programs are not funded.

Types of Appropriations Bills: Congress passes four main types of appropriations measures.

- **Regular appropriations bills** – provide most of the annual funding and must be enacted by Oct. 1 of each year, the beginning of the federal government's fiscal year.

- **Continuing resolutions** (or, CRs) – adopted by Congress if regular appropriations bills are not enacted by the start of the fiscal year. These stop-gap (or full-year) resolutions continue funding the government until regular appropriations bills are enacted. Basically, if things get bogged down and the spending bills haven't been passed in time, the government will shut down. A "CR" is passed with a specific end date on it to keep the government running while the negotiations for the spending bill are hammered out. In only four instances since FY 1977 – FY 1977, FY 1989, FY 1995 and FY 1997 – all regular appropriations enacted by the start of the fiscal year. In all other instances, at least one continuing resolution was necessary to fund governmental activities until action on the remaining regular appropriations bills was completed.

- **Supplemental appropriations bills** – provide additional appropriations on top of what has already been passed, usually when an emergency arises and the Congress realizes certain programs are going to require additional funding. Most recently, supplemental appropriations have been primarily used to fund ongoing military operations and disaster relief.

- **Omnibus appropriations bills** – often when the appropriations process has been bogged down and a backlog of bills has been created, an "omnibus" bill will be offered that combines many (or in some cases all) of the appropriations bills into one massive "super bill" to be considered in a single up-or-down vote. This can also often be a strategic maneuver as it makes it far more difficult to amend, change or slow down specific parts of the legislation.

Both the Senate and House Committee on Appropriations have jurisdiction over the annual appropriations measures. Each Committee has 12 subcommittees and each subcommittee has jurisdiction over one regular annual appropriations bill that provides funding for departments and agencies under the subcommittee's jurisdiction. The jurisdictions of the House and Senate appropriations subcommittee is paired with a Senate appropriations subcommittee and the two subcommittees' jurisdictions are generally identical. As currently organized, there are 12 subcommittees.

Traditionally, appropriations originate in the House by the Appropriations Committee (when it marks up or reports the measure) rather than being introduced by a Member beforehand. More recently, the Senate appropriations subcommittees and committee have sometimes not waited for the House bills; instead they have reported original Senate bills. Under this non-traditional approach, the House and Senate Appropriations Committees and their subcommittees have often considered the regular bills simultaneously.

Before the full Appropriations Committee acts on the bill, it is considered in the relevant Appropriations subcommittee.

The House Appropriations subcommittees, as well as their respective regular appropriations bill titles, are:

- Agriculture, Rural Development, Food and Drug Administration and Related Agencies
- Commerce, Justice, Science and Related Agencies
- Defense
- Energy and Water Development and Related Agencies
- Financial Services and General Government
- Homeland Security
- Interior, Environment and Related Agencies
- Labor, Health and Human Services, Education and Related Agencies
- Legislative Branch
- Military Construction, Veterans Affairs and Related Agencies
- State, Foreign Operations and Related Programs
- Transportation, Housing and Urban Development and Related Agencies

Due to this organizational structure, the Appropriations Committee is essentially a committee of committees. While every House committee has subcommittees, the Appropriations Subcommittees are in some ways as powerful as any regular House committees, because in addition to authorizing power, they possess the power of the purse strings for programs and policies under their jurisdiction. For instance, the House Committee on Homeland Security has the power to authorize legislation for the Department of Homeland Security (DHS), but the Appropriations Subcommittee on Homeland Security has the only power to actually fund the programs that the Homeland Security Committee passes. This is why the 12 appropriations subcommittee chairmen are often referred to as "cardinals," due to the powerful positions they hold.

Appropriations bills, like other bills, must be considered by their respective subcommittees, then the full Appropriations committees, and finally, reported to the Floor of the House and Senate. They must be passed by the House and Senate, have any differences reconciled between the two chambers through a conference committee, have the final conference versions of the bill pass both chambers and then, finally, be sent to the president for his signature in order for the funding to be realized.

Under the Constitution, after an appropriations measure is presented to the president, he has ten 10 days to sign or veto the measure. If he takes no action, he bill automatically becomes law at the end of the 10-day period if Congress is in session. Conversely, if he takes no action when Congress has adjourned, he may "pocket veto" the bill. If the president vetoes the bill, he sends it back to Congress. Congress may override the veto by a two-thirds vote in both houses. If Congress successfully overrides the veto, the bill becomes law. If Congress is unsuccessful, the bill dies.

Budget Reconciliation Legislation: In some years, the budget resolution includes reconciliation instructions which identify the House and Senate committees that must recommend changes in laws affecting revenues or mandatory spending programs within their jurisdiction in order to implement priorities agreed to in the budget resolution. Those instructions generate a reconciliation bill that is considered under expedited procedures in Congress. This process is frequently called "reconciliation."

In order for the expedited procedures to be effective in both the House and the Senate, the House and Senate must adopt a concurrent resolution on the budget containing reconciliation instructions. It does not require the president's signature to become effective. In the absences of an agreement by both houses on a budget resolution, the House may deem a budget resolution and its reconciliation instructions to be in effect in the House. If the House deems a budget resolution, however, it only applies to the House; it would not apply to the Senate.

Reconciliation has been the vehicle to enact most major mandatory spending and revenue laws over the past 30 years (since 1979, 20 budget reconciliation bills have been enacted into law). Examples of legislation enacted under reconciliation include the 1996 welfare reform law, the 1997 Balanced Budget Act agreement, the individual tax cuts of 2001 and 2003, the Deficit Reduction Act in 2005 and the Democrats' health care law in 2010.

The primary procedural benefits of a budget reconciliation process are that it is protected from filibuster in the Senate, limits amendments and reduces the margin for final passage to a simple majority (51 votes). Reconciliation limits debate on a bill to 20 hours in the Senate and amendments must be germane. Beyond the procedural benefits, reconciliation also allows Congress to highlight and consolidate major budgetary legislation into one bill.

In the House, the main benefit, beyond ensuring that a House-passed reconciliation bill can be considered without filibuster in the Senate, is the ability of the Budget Committee to set parameters of savings – called instructions – for specified authorizing committees to meet. If an authorizing committee does not report legislation making changes in law in their jurisdiction to meet their reconciliation instructions by a specified date, the Budget Act provides a procedure to meet the goal.

Because the House has the ability to structure debate and amendments through the Rules Committee, the Budget Act does not provide for an expedited consideration of budget reconciliation bills in the House. However, reconciliation has been abused to increase mandatory spending by previous Congresses. Therefore, the current Republican majority added a provision to the 112th rules of the House prohibiting reconciliation bills that cause a net increase in mandatory spending.

The budget resolution can include reconciliation instructions for one or more committees. The budget resolution also specifics a date for committees to report legislation which complies with the reconciliation instructions. The reconciliation instruction takes the form of a directive to the relevant committee to make changes in spending or revenues in their jurisdiction. The Budget Committee may specify a policy path in the report accompanying a budget resolution indicating how to achieve the instructions for spending and revenues. However, the Budget Committee's recommendations as to specific policies are purely advisory.

Authorizing committees are only bound by the change in spending or revenues and may use alternative policies under their jurisdiction to meet the reconciliation instruction contained in the resolution. Committees also may report legislation which exceeds their savings targets.

If the budget resolution includes reconciliation instructions to more than one committee, the committees mark up their reconciliation legislation following the procedures for marking up other legislation. Instead of reporting a bill, however, the committee votes to transmit the reconciliation legislation to the Budget Committee. After the authorizing committees have reported their submissions, the Budget Committee assembles the multiple submissions into a single reconciliation bill and reports that bill to the House. While the Budget Committee cannot make changes to what the authorizing committees have submitted, the Budget Act provides a procedure for the consideration of amendments if a committee has not fully met its instructions.

Budget reconciliation may be used to make changes to mandatory spending programs and revenues except for Social Security. Committees can fulfill their spending reconciliation targets with a mix of policies that increase and decrease spending within their jurisdiction, but the net budgetary effect of all policies must meet or exceed the instructions.

In the Senate, the Budget Act provides a procedure, known as the "Byrd rule," (named after former Senator Robert Byrd (D-WV)) to extract extraneous provisions from reconciliation bills. The definition of "extraneous" is complex. As a general matter, it applies to provisions that do not have a budgetary impact, provisions that increase the deficit and the relevant committee failed to meet its instructions, or provisions that increase the deficit in the out-years. The Byrd Rule is a powerful mechanism because it takes 60 votes to waive in the Senate.

Reconciliation instructions only apply to spending and revenues in current law. As a result, they have not been applied to the Appropriations Committee. In the House, if the Committee on Ways and Means is reconciled with both spending cuts and revenue increases or reductions, they may shift up to 20 percent of their total instruction between revenues and outlay savings and still be in compliance with their instructions.

Graphical representation:

- *The Washington Post* produced a handy one-page graphical display of the major portions of the federal budget process, which can be accessed here: http://www.washingtonpost.com/wp-srv/special/politics/federal-budget-process/

THE RYAN/GOP BUDGETS

Out of everything regarding federal budgeting and spending that candidates should familiarize themselves with, the Ryan/GOP budget should be at the very top of the list. Below are some of the specifics surrounding the Ryan budget proposed for both FY 2012 and for FY 2013.

FY 2012 House Republican Budget Resolution

On April 15, 2011, the House passed H. Con. Res. 34, the House Republican FY 2012 Budget Resolution, by a vote of 235 to 193. You can see how they voted here.

H. Con. Res. 34 passed the House Republican budget which set target spending levels for the various agencies of the federal government and would have acted as a guideline for the Appropriations Committee when crafting their FY 2012 appropriations bills. It is worth nothing that in the prior year, the Democrat-controlled 111th Congress failed to pass an FY 2011 budget for the first time in the history of the modern budgeting process. Unfortunately, H. Con. Res. 34 did not proceed in the Senate.

The FY 2012 House Republican Budget Resolution would have cut government spending by $6.2 trillion over the next decade as compared to the President's FY 2012 budget proposal. H. Con. Res. 34 would also have reduced the deficit by $4.4 trillion over the next ten years as compared to the President's budget proposal and $3.2 trillion as compared to the House Democrat's proposed budget. The budget also proposed changes to Medicare for people under 55 and Medicaid to protect both of these programs for future generations. Furthermore, it proposed changes to simplify the federal tax code and lower corporate tax rates to globally-competitive levels.

Key components of the FY 2012 GOP Budget are:

- Brings non-defense discretionary spending below 2008 levels

- Gradually shifts Medicare from the current claim payment system to a premium support system. People who are 55 and older, including all current beneficiaries, would see no change in their benefits

- Shifts Medicaid to a block grant system allowing individual states to administer their own Medicare funds

- Would simplify the tax code by reducing the top personal and corporate income tax brackets to 25 percent while eliminating most of the current deductions

After the FY 2012 House Republican Budget was released, criticism of the President's FY 2012 budget request prompted President Obama to give a speech making additional proposals to address deficits. His new proposal advocated raising the top income tax rate, eliminating tax deductions for top income earners – all cost-saving proposals were non-specific.

Click here to view the House Budget Committee Republicans' fact sheet about the FY 2012 House Republican Budget Resolution.

The House also considered several alternative budget proposals: the Congressional Black Caucus (CBC), Progressive Caucus, Republican Study Committee (RSC) and the House Democrat alternative budgets. Selected hits for several of these alternative budgets can be found below.

Below are selected vote hits on Democrats who voted against H. Con. Res. 34, the FY 2012 House Republican Budget Resolution:

- **Voted against passage of the FY2012 House budget resolution**

    - Voted against adoption of the concurrent resolution that would allow $2.859 trillion in new budget authority for the federal government for fiscal 2012, including up to $1.019 trillion in non-emergency discretionary spending. It would set federal security spending at $659 billion and non-security spending at $360 billion. The resolution would propose converting the federal share of Medicaid to a block grant to states. It calls for converting Medicare for persons currently younger than 55 into a "premium support system" through which the government would pay private insurance companies directly for each enrollee. It also proposes consolidating the current six tax brackets and cutting the corporate tax rate and top individual tax rate to 25 percent. The resolution would assume the extension of the tax cuts enacted in 2001 and 2003 past their current expiration at the end of 2012. It also would assume reduction in the deficit to $384.9 billion by fiscal 2021. (Adopted 235-193; D: 0-189; R: 235-4)[1]

- **The FY2012 House budget resolution cuts $6.2 trillion in government spending over the next decade compared to the President's budget, and $5.8 trillion relative to the current policy baseline**

    - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

        - "Cuts $6.2 trillion in government spending over the next decade compared to the President's budget, and $5.8 trillion relative to the current-policy baseline."[2]

    - In an April 5, 2011, article, *Congressional Quarterly* reported, "Whatever the ultimate fate of Rep. Paul D. Ryan's 2012 budget plan, his vision of the nation's fiscal future has certainly sparked a debate."[3]

    - According to the same *Congressional Quarterly* article, "Ryan's plan, which will be marked up in the House Budget Committee on Wednesday and is likely to be considered on the House floor next week, calls for cutting about $6 trillion in spending over a decade, restructuring programs such as Medicaid and Medicare, and replacing the current tax system with one that is simpler and has lower rates. It's the first congressional plan put on the table since the 2010 election that would actually address entitlement programs, despite a lot of talk in both parties.

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[1] H. Con. Res. 34. CQ Vote #277, April 15, 2011
[2] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
[3] Paul Krawzak and Joseph Schatz, "Ryan's Budget Opens Debate on Major Issues," *Congressional Quarterly*, April 5, 2011

"When measured against the baseline of the Congressional Budget Office (CBO), the plan would cut spending by $5.8 trillion over the next 10 years and reduce projected deficits by $1.6 trillion. Compared with Obama's budget, it would cut spending by $6.2 trillion and reduce deficits by $4.4 trillion."[4]

- **The FY2012 House budget resolution reduces deficits by $4.4 trillion over the next decade**

    - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

        - "Reduces deficits by $4.4 trillion compared to the President's budget over the next decade."[5]

    - In an April 15, 2011 article, *The Washington Post* reported, "House Republicans approved a budget on Friday that would fundamentally alter Medicare and Medicaid, lower taxes on individuals and corporations and cut $4.4 trillion from the nation's deficit over the next decade."[6]

- **The FY2012 House budget resolution would repeal the President's health care law**

    - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

        - "*PATIENT-CENTERED HEALTH CARE:* Repeals and defunds the President's health care law, advancing instead common-sense solutions focused on lowering costs, expanding access and protecting the doctor-patient relationship."[7]

    - In an April 5, 2011, article, The Huffington Post reported, "The big numbers from Paul Ryan's budget: It will reduce spending by $6.2 trillion over the next decade and reduce the deficit by $4.4 trillion.

      "It also cuts the top income tax rate by nearly a third, from 35 percent to 25 percent.

      "A big part of the House Budget Chairman's plan rests on the assumption that President Barack Obama's health care law will be repealed. Over the next decade, that would cut $1.4 trillion in spending alone, according to Ryan's budget."[8]

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[4] Paul Krawzak and Joseph Schatz, "Ryan's Budget Opens Debate on Major Issues," *Congressional Quarterly*, April 5, 2011
[5] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
[6] Paul Kane and Phillip Rucker, "House Passes GOP Budget Plan for 2012," *The Washington Post*, April 15, 2011, http://www.washingtonpost.com/business/economy/house-passes-gop-budget-plan-for-2012/2011/04/15/AFSEaujD_story.html
[7] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
[8] Jon Ward, "Paul Ryan's Budget Proposal: Analysis Of The Numbers [UPDATE]," The Huffington Post, April 5, 2011, http://www.huffingtonpost.com/2011/04/05/paul-ryan-budget-analysis-numbers_n_844946.html

- **The FY2012 House budget resolution would lower the U.S. corporate tax rate from 35 percent to 25 percent bringing it in line with the global average for most industrialized countries**

    - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

        - "Corporate Tax Reform: Improves incentives for job creators to work, invest, and innovate in the United States by lowering the corporate tax rate from 35 percent, which is the highest in the industrialized world, to a more competitive 25 percent."[9]

    - In an April 7, 2011, article, *Bloomberg Businessweek* wrote, "The U.S. corporate tax code is an opaque morass of special-interest giveaways. It distorts investment decisions, fuels CEOs' addiction to debt, and discourages corporations from settling in the U.S. Oh, and its 35 percent statutory rate is the highest in the world."[10]

    - According to the same *Bloomberg Businessweek* article, "For all its free-market brio, the U.S. has stayed on the sidelines of a global trend to cut corporate tax rates. From 2000 to 2010, the average statutory corporate rate among members of the Organization for Economic Co-operation and Development fell from 32.8 percent to 25.7 percent."[11]

      Editor's Note: *The OECD is an organization of 34 countries that promote global development. It includes most of the world's most advanced countries such as the United States, Japan and European nations as well as some emerging countries like Mexico, Chile and Turkey.*

- **The FY2012 House budget resolution would simplify the tax code by eliminating loopholes and some deductions**

    - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

        - "Corporate Tax Reform: Improves incentives for job creators to work, invest, and innovate in the United States by lowering the corporate tax rate from 35 percent, which is the highest in the industrialized world, to a more competitive 25 percent."[12]

    - In an April 12, 2011, article, *U.S. News & World Report* reported, "Ryan's budget calls for simplifying the tax code by eliminating loopholes and some deductions. Also, the plan would lower the top tax rates for individuals and corporations from 35 percent to 25 percent, a measure that Ryan says should increase the nation's competitiveness and lead to growth. Scott Hodge, president of the Tax Foundation, a Washington-based nonpartisan tax research

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[9] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
[10] David Lynch, "Why Corporate Tax Reform Is So Tricky," *Bloomberg Businessweek*, April 7, 2011, http://www.businessweek.com/magazine/content/11_16/b42240B2361232.htm
[11] David Lynch, "Why Corporate Tax Reform Is So Tricky," *Bloomberg Businessweek*, April 7, 2011, http://www.businessweek.com/magazine/content/11_16/b42240B2361232.htm
[12] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf

group, says that, disregarding the repeal of the tax increases included in the healthcare reform law, the changes to the tax code alone won't significantly alter the amount of revenue the government takes in. 'At the end of the day, it's probably a pretty neutral plan,' says Hodge. 'It could actually increase the progressivity of the tax code by eliminating many of those deductions that are largely benefitting upper income people… The overall balance of who bears the burden of tax will probably remain the same.'"[13]

- **The House budget committee projects that the FY2012 Budget resolution would create nearly 1 million new private-sector jobs next year and result in 2.5 million additional private sector jobs in the last year of the decade**

  - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

    - "Creates nearly 1 million new private-sector jobs next year and results in 2.5 million additional private sector jobs in the last year of the decade."[14]

- **The House budget committee projects that the FY2012 Budget resolution would increase real GDP by $1.5 trillion over the next decade, with $1.1 trillion in higher wages and an average increase of $1,000 in family income**

  - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

    - "Spurs economic growth, increasing real GDP by $1.5 trillion over the decade.

    - "Unleashes prosperity and economic security, yielding $1.1 trillion in higher wages and an average $1,000 per year in higher income for each family."[15]

- **The FY2012 House budget resolution was called a "serious, honest, straightforward approach to addressing our nation's enormous fiscal challenges" by the Co-chairs of President Obama's own fiscal commission**

  - In an April 5, 2011, post on *The Hill's* Congress blog Alan Simpson and Erskine Bowles wrote, "The budget released this morning by House Budget Committee Chairman Paul Ryan is a serious, honest, straightforward approach to addressing our nation's enormous fiscal challenges. We applaud him for his work in putting forward a proposal which will reduce the country's deficit by approximately the same amount as the plan of the President's Fiscal Commission."[16]

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13 Jessica Rettig, "House Set to Debate Paul Ryan's 2012 Budget," *U.S. News & World Report*, April 12, 2011, http://www.usnews.com/mobile/articles_mobile/house-set-to-debate-paul-ryans-2012-budget
14 "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
15 "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
16 Alan Simpson and Erskine Bowles, "Paul Ryan's budget is a positive step," *The Hill,* April 5, 2011, http://thehill.com/blogs/congress-blog/economy-a-budget/154033-paul-ryans-budget-is-a-positive-step-

__Editor's Note:__ Alan Simpson and Erskine Bowles are co-chairs of the President's National Commission on Fiscal Responsibility and Reform. Alan Simpson is a former Republican Senator from Wyoming and Erskine Bowles is the former chief of staff for President Bill Clinton.

FY 2013 House Republican Budget Resolution

On March 29, 2012, the House passed H. Con. Res. 112, the House Republican FY 2013 Budget Resolution, by a vote of 228 to 191. You can see how they voted here.

The House Budget Committee Republicans' documents pertaining to the FY 2013 Budget Resolution can be found here: http://budget.house.gov/fy2013prosperity/ The FY 2013 House Budget Resolution, also known as the House Republican budget or the FY 2013 Path to Prosperity, would:

- Set the overall FY 2013 non-emergency, discretionary spending at $1.028 trillion (this was the same amount proposed for FY 2013 in last year's FY 2012 budget) - $1.028 trillion is $19 trillion below the $1.047 trillion spending cap outlined in the August debt limit deal (Budget Control Act) – argument here is that these spending caps are not "targets," but are "limits" and that we should work to achieve less spending than was called for in the Budget Control Act. $1.028 trillion is not as low as some conservatives called for

- Shrink government spending as a share of gross domestic product (GDP) from its current level of 24 percent to 20 percent by 2015

- Consolidate the current six individual income tax brackets into just two brackets of 10 and 25 percent while at the same time, closing tax "loopholes"

- Reduce the corporate rate to 25 percent

- Maintain tax revenue at historical norms of 18 to 19 percent of the economy (GDP)

- Repeal the Alternative Minimum Tax (AMT)

- Shift from a "worldwide" to a "territorial" tax system

- Fully repeal and defund the Democrats' government takeover of health care

- Replace the automatic discretionary sequester with mandatory spending cuts

  __Editor's Note:__ For more information on the automatic sequester, please refer to the Deficit, Debt and Debt Limit chapter of the 2012 NRCC Issues Book.

- Cut $5.3 trillion in spending over the next decade (compared with President Obama's budget proposal for FY 2013

- Reduce the accumulated deficit over the next 10 years by $3 trillion more than President Obama's budget proposal for FY 2013

- Prevent $2 trillion in tax increases requested by President Obama

- Reform Medicaid into a block grant program giving states flexibility to tailor it for their needs

- Revamp Medicare following the outline Budget Committee Chairman Paul Ryan (R-Wis.) and Senator Ron Wyden (D-Ore.) proposed earlier in 2012. It would create a premium-support mechanism to replace the current fee-for-service health system for seniors. It differs from the Medicare reform proposal in the FY 2012 budget resolution in that:

    - it is based on a bipartisan proposal with Senator Wyden's involvement as well as it being proposed by Alice Rivlin (former vice-chair of the Federal Reserve. former director of OMB and former director of CBO all under President Bill Clinton – as well as being appointed to President Obama's Fiscal Commission by President Obama); and

    - this plan would allow recipients to remain within the traditional Medicare program if they choose to do so.

The following is a function-by-function summary analysis of the FY 2013 budget resolution, for those interested in the very specific details:

Function 050: National Defense

- FY 2013 total (both mandatory and discretionary): $562.2 billion in budget authority (BA); $621.5 billion in outlays (OT)
    - Discretionary: $554.2 billion (BA); $613.5 billion (OT)
        - $2.4 billion above the President's requested levels
        - Equal to amounts enacted for FY 2012
    - Mandatory: $7.9 billion (BA); $7.9 billion (OT)

- 10-year totals: $6.306 trillion (BA); $6.293 trillion (OT)

- Rejects the assumption in the President's budget request that assumes more than $42 billion in savings over the next five years from restructuring several major procurement programs

    - Per the Budget Committee's committee report on the budget resolution, "What the President's budget doesn't say is that most of these 'savings' are merely shifted into the second five years of the budget window when the only means of actually achieving them will be additional draconian cuts in military end-strength and compensation. This budget rejects this shell game, which would otherwise result in the delayed fielding of needed military capabilities; increased costs for major procurement programs; and an unwise and precipitous reduction in the size of the armed forces."

Function 150: International Affairs

- FY 2013 total: $43.128 billion (BA); $46.999 billion (OT)
    - Discretionary: $40.905 billion (BA); $47.522 billion (OT)
    - Mandatory: $2.223 billion (BA); -$523 million (OT) (this negative outlay amount reflects receipts from foreign military sales and foreign military financing transactions)

- 10-year totals: $421.981 billion (BA); $462.974 billion (OT)

- Policy Language and Recommendations:
  - Consolidate USAID's Development Assistance (DA) and the Millennium Challenge Corporation (MCC)
  - Eliminate the Complex Crises Fund (CCF)
  - Eliminate and/or consolidate funding for peripheral foreign affairs institutes like Inter-American Foundation, the African Development Foundation, the East-West Center, the Asia Foundation, the Center for Middle Eastern-Western Dialogue – many of these institutions are redundant and overlap their mission focus as well as what regions in the world they deal with
  - Reduce funding for Broadcasting Board of Governors (BBG)
    - its budget has increased by almost 40 percent over the past 10 years
  - Reduce educational and cultural exchange programs
    - funding for these programs has increased by 24 percent over the past five years & Obama Administration has even requested less funding for these relative to last year's spending levels
  - eliminate contributions to Clean Technology and Strategic Climate Funds
    - both were created by the Obama Administration in FY 2010
  - eliminate Feed the Future
    - initiated by Obama Administration in 2009
    - overlaps with Food for Peace, McGovern-Dole International Food for Education and Child Nutrition Program
  - reduce funding for USAID's International Disaster Assistance
    - President requested $960 million, an 83 percent increase from spending levels five years ago
    - 10-year spending average on international disasters is $590 million
    - 20-year spending average on international disasters is $380 million

<u>Function 250: General Science, Space and Technology</u>

- FY 2013 total: $28 billion (BA); $29.2 billion (OT)
  - Discretionary: $27.9 billion (BA); $29.1 billion (OT)
  - Mandatory: $100 million (BA); $116 million (OT)

- 10-year totals: $302.6 billion (BA); $301.7 billion (OT)

- Sequester: if not replaced, this function would be reduced by another $2.0 billion in FY 2013

<u>Function 270: Energy</u>

- FY 2013 totals:
  - Discretionary: $2 billion (BA); $8.4 billion (OT)
  - Mandatory: -$5 billion (BA); $983 million (OT) (negative balances reflect the incoming repayment of loans, receipts from the sale of electricity produced by federal entities for the disposal of nuclear waste, which are accounted for as "negative spending")
  - Since the start of the Obama Administration, total outlays in this function have increased by almost 390 percent

- 10-year totals:
  - Discretionary: $21.7 billion (BA); $45.1 billion (OT)
  - Mandatory: $15.4 billion (BA); $14.8 billion (OT)
  - The large disparity between BA and OT results mainly from a large infusion of stimulus funds that are still being expended nearly four years later

- Policy Language and Recommendations:
  - Reduce administrative costs at DOE
  - Scale back corporate subsidies in the energy industry – recommends paring back spending in areas of duplication and non-core functions, such as applied and commercial research and development projects "best left to the private sector"
    - According to the Energy Information Administration (EIA), on a dollar-per-unit-of-production basis, the level of subsidies received by the wind and solar industries were almost 100 times greater than those for conventional energy – this does not include the $27.2 billion allocated in the 2009 stimulus bill for energy efficiency and renewable energy research and investment
    - According to CBO, provisions to benefit energy efficiency and renewable energy accounted for 78 percent of the budgetary cost of federal energy-related tax preferences in 2011
  - Rescind unobligated balances in DOE's green subsidies and loan portfolio
    - Since its introduction in the 2009 stimulus bill, DOE has issued over $20 billion in new loans and loan guarantees for private-sector loans for renewable energy projects that would not otherwise have been market-viable
    - Solyndra, the first renewable energy loan guarantee recipient, received a loan-guarantee for $535 million in the fall of 2009
    - Advanced Vehicle Technology Manufacturing program is included in this as well
  - Repeal stimulus-driven borrowing authority specifically for green transmission
    - $3.25 billion borrowing authority in the Western Area Power Administration's (WAPA) Transmission Infrastructure Program was inserted into the stimulus bill – provides loans to develop new transmission systems aimed solely at integrating renewable energy – to date, WAPA has announced only one project under this borrowing authority (a wind transmission project owned by a foreign company)
  - Eliminate the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Fund

<u>Function 300: Natural Resources and Environment</u>

- FY 2013 totals: $33.3 billion (BA); $37.9 billion (OT)
  - Discretionary: $30.6 billion (BA); $35.4 billion (OT)
  - Mandatory: $2.7 billion (BA); $2.4 billion (OT)
  - Spending in this function has increased 20.4 percent since the start of the Obama Administration

- 10-year totals: $331.4 billion (BA); $349.3 billion (OT)

- Policy Language and Recommendations

- “The fiscal year 2013 budget resolution builds on last year’s resolution and supports the Nation’s enduring energy policy priorities – economic prosperity, lower gasoline and energy prices, and greater revenue generation from domestic energy production – while moving toward market-based solutions for sustainable energy sources. The resolution draws on the House Republicans’ American Energy Initiative, which seeks to advance an all-of-the-above energy approach for the United States.”
- “The budget also encourages the development of American-made renewable and alternative energy sources, while affirming the position that environmental stewardship and economic growth are not mutually exclusive goals.”
- Focus on maintaining existing land resources and eliminating the maintenance backlog before moving to acquire additional lands
  - President’s budget requests $450 million for the Land and Water Conservation Fund
    - Annual funding for this fund typically ranges between $250 million and $450 million
  - this allocation cannot be used for maintenance and the federal government is currently struggling with a maintenance backlog between $13.2 and $19.4 billion
- streamline climate change activities across the government
- streamline fragmented and overlapping agency programs by consolidating programs and reducing spending in areas identified by the GAO, bipartisan deficit reduction commissions and H.R. 1 (the full-year CR passed by the House in February 2011) – this includes:
  - overlapping diesel emission monitoring programs – GAO identified 14 fragmented programs at DOE, DOT and EPA whose missions cover reducing mobile-source diesel emissions
  - water treatment efforts duplicated across the Army Corps of Engineers, EPA and USDA – President’s Fiscal Commission identified hundreds of millions of dollars here
- revise and reauthorize the Bureau of Land Management’s (BLMs) land sales process
  - instead of requiring that all proceeds from land sales be used to acquire other parcels of land and to cover sales expenses, this option would direct that 70 percent of the proceeds, net of expenses, go to Treasury for deficit reduction by reauthorizing and revising the Federal Land Transaction Facilitation Act and other land management statutes
    - would also limited Interior’s share of the receipts to $60 million per year for land acquisition and restoration projects on BLM lands
    - would also reduce the amount of federal spending not subject to regular oversight through the congressional appropriations process
- stop mine cleanup payments to states with certified reclaimed mines
  - also been proposed by the Obama Administration

<u>Function 350: Agriculture</u>

- FY 2013 totals: $21.7 billion (BA); $24.6 billion (OT)
  - Discretionary: $5.9 billion (BA); $5.8 billion (OT)
  - Mandatory: $15.8 billion (BA); $18.8 billion (OT)

- 10-year totals: $197.3 billion (BA); $198.2 billion (OT)

- Policy Language and Recommendations

- Reform agricultural commodity and insurance programs
    - Will reduce mandatory agricultural outlays (other than food and nutrition programs) by $29.3 billion relative to the currently anticipated levels from FY 2013 through FY 2022
        - "…could be achieved by reducing both direct payments and crop insurance subsidies, and by reforming export assistance programs. The Committee on Agriculture is responsible for implementing these reductions, and to maintain the committee's flexibility, this option assumes the savings will not take effect until the beginning of the next Farm Bill."

<u>Function 370: Commerce and Housing Credit</u>

- FY 2013 totals: $7.9 billion (BA); $3.9 billion (OT)
    - Discretionary: $7.8 billion (BA); $6.1 billion (OT)
    - Mandatory: -$0.1 billion (BA); $2.1 billion (OT)

- 10-year totals: $22.2 billion (BA); $125.9 billion (OT)

- Policy Language and Recommendations
    - Eliminate corporate welfare/business subsidies within the Commerce Department
        - Potential savings over 10 years = $6.9 billion
        - Programs that should be considered for elimination are:
            - Hollings Manufacturing Extension Program
            - Trade Promotion Activities at the International Trade Administration (ITA)
    - "Tighten the Belts of Government Agencies" (duplication, hidden subsidies, large bureaucracies, etc.)
        - General Services Administration (GSA) Federal Citizen Services Fund
        - Small Business Administration (SBA)
            - Provides almost $60 million in grants, hidden in its discretionary salaries and expenses budget, which could be cancelled
        - SEC
            - Spent more than $1.2 billion on salaries and expenses in 2011 with $760 million going to compensation and benefits alone
            - More than 3,800 full-time employees occupied the SEC at the end of 2011, with an average compensation and benefits package of about $198,000 per employee
            - SEC's budget has swollen by 34 percent since 2008
            - President's budget requests $1.6 billion in 2013 (a 73 percent increase from 2008 levels)
            - Dodd-Frank requests doubling the size of its budget from current levels, increasing it to $2.25 billion in FY 2015
    - Terminate grants to worsted wool manufacturers and payments to wool manufacturers
    - Terminate the Corporation for Travel Promotion
    - Restrict new FDIC authority to bail out bank creditors
        - Dodd-Frank gave the FDIC the authority to access taxpayer dollars in order to bail out the creditors of large, "systemically significant" financial institutions – CBO estimates the cost of this new authority at $26 billion

- Supports cancelling the ability of the Bureau of Consumer Financial Protection to fund its operations by spending from the Fed's yearly remittances to Treasury
- "Privatize the Business of Government-Controlled Mortgage Giants Fannie Mae and Freddie Mac"
  - "This budget recommends putting an end to corporate subsidies and taxpayer bailouts in housing finance. It envisions the eventual elimination of Fannie Mae and Freddie Mac, winding down their government guarantee and ending taxpayer subsidies. In the interim, it supports removing distortions to allow an influx of private capital and advancing various measures that would bring transparency and accountability to these two government-sponsored enterprises."
- Reform the Credit Reform Act to incorporate fair-value accounting principles
  - The House passed H.R. 3581, the Budget and Accounting Transparency Act, by a vote of 245-180, on Feb. 7, 2012, that would do this as one of several bills pushed by the Budget Committee as budget process reforms
- Reform the Postal Service
  - "The United States Postal Service [USPS] is unable to meet its financial obligations and in desperate need of structural reforms. The budget recommends giving the Postal Service the flexibility that any business needs to respond to changing market conditions, including declining mail volume, which is down more than 20 percent since 2006.

    "This budget also recognizes the need to reform compensation of postal employees. The House Oversight and Government Reform Committee reported legislation, the Postal Reform Act of 2011, which recommends lowering the Postal Service's share of employee health and life insurance premiums. Currently, USPS pays 79 percent of the health insurance premiums and 100 percent of the life insurance premiums for the majority of its employees. As a result, these employees are paying a smaller share of the costs of their health and life insurance premiums than other federal employees. The Postal Reform Act reforms compensation by requiring that USPS employees contribute at least as much as other federal employees to their health and life insurance premiums.

    "Taken together, these reforms could potentially allow the Postal Service to save $25.7 billion over 10 years and help restore it to solvency."

<u>Function 400: Transportation</u>

- FY 2013 totals: $57.1 billion (BA); $49.7 billion (OT)
  - Discretionary: $30.2 billion (BA); $47.9 billion (OT)
  - Mandatory: $26.9 billion (BA); $1.9 billion (OT)

- 10-year totals: $787.7 billion (BA); $789 billion (OT)

- Policy Language and Recommendations
  - "Eliminate funding for high-speed rail"
    - "…should be pursued only if they can be established as self-supporting commercial services."

- "Terminate and reform spending on ineffective, wasteful subsidies and underperforming programs"
    - Includes reductions for terminating the New Starts and Small Starts programs within DOT – "…benefits of these mass transit projects are local, not national."
    - "…supports continued reforms for Amtrak – including requiring overtime limits for Amtrak employees- and reductions in headquarters and administrative costs for agencies."
- "avert the bankruptcy of the Highway Trust Fund"
    - CBO projects that the Highway Trust Fund will go bankrupt in the spring of 2013
    - "By current law and practice, the Department of Transportation would need to reduce spending immediately upon the exhaustion of trust fund balances."
    - "…recommends sensible reforms to avert the bankruptcy of the Highway Trust Fund by aligning spending from the Trust Fund with incoming gas revenues collected."
    - Also:
        - "…(1) assume a new potential funding stream in the form of oil and gas revenues" (the House passed H.R. 3408, the Protecting Investment in Oil Shale the Next Generation of Environmental, Energy and Resources Security Act, on Feb. 16, 2012, by a vote of 237-187 – this was intended to be the offset to the highway bill)
        - "… (2) allow flexibility for a transportation reauthorization so long as the legislation does not increase the deficit and is fully offset…"
        - "… (3) plug a loophole in the budget that ensures any future general fund transfer will be fully offset."
- Simplify the fee structure and help offset costs in aviation security
    - "One way to do so would be by applying a simple flat fee of $5 per one-way trip for security system users, instead of a $2.50 fee for a one-way trip with no stops and a $5 fee for a trip with one or more stops."
- Reducing subsidies for pilot registration and licensing fees for the FAA
- Terminate the Ocean Freight Differential Program for Food Aid

<u>Function 450: Community and Regional Development</u>

- FY 2013 totals: $11 billion (BA); $21.7 billion (OT)
    - Discretionary: $10.9 billion (BA); $19.9 billion (OT)
    - Mandatory: $120 million (BA); $1.9 billion (OT)

- 10-year totals: $78.3 billion (BA); $111.2 billion (OT)

- Policy Language and Recommendations
    - Consolidating and eliminating non-core programs wherever possible
        - Programs that should be considered in this review:
            - Community Development Fund (CDF) – about 80 to 90 percent of CDF funding is spent on the Community Development Block Grant (CDBG); currently, there is no maximum community poverty rate to be eligible for funs and there is no exclusion for communities with high average income

        - FEMA reforms – improving efficiencies in state and local programs; incorporate initiatives such as improved cost-estimating and efforts to help state and localities use existing resources to help communities recover from disasters expeditiously and cost-effectively
    - Reform the National Flood Insurance Program (NFIP)
        - NFIP currently owes a debt of $17.8 billion to Treasury, on which it must also pay a debt service
        - Supports the House-passed bill, H.R. 1309, to protect taxpayers from excessive and unwarranted exposure, implement these reforms to strengthen the NFIP's financial position, level the playing field for private insurers to enter the market, and sustain the Fund's ability to make good on future claims
    - Reduce energy subsidies for commercial interests
        - Reduce spending for rural green energy loan guarantees

<u>Function 500: Education, Training, Employment, and Social Services</u>

- FY 2013 totals:$57.6 billion (BA); $78.3 billion (OT)
    - Discretionary: $91.5 billion (BA); $93.6 billion (OT)
    - Mandatory: $33.9 billion (BA); -$15.3 billion (OT) (negative numbers are due to the direct lending program, in which the Education Department acts effectively as a bank making student loans – but, these projected future savings are somewhat misleading because they fail to account for the market risk of the loans)

- Sequester: this function would be reduced by another $9.0 billion below the committee recommendation for FY 2013

- Policy Language and Recommendations
    - Consolidate, reform and eliminate duplicative job training programs
    - Make the Pell Grant Program sustainable:
        - "Roll back certain recent expansions to the needs analysis to ensure aid is targeted to the truly needy."
        - "Eliminate administrative fees paid to participating institutions"
        - "Consider a maximum income cap."
        - "Eliminate eligibility for less-than-half-time students."
        - "Adopt a sustainable maximum award level."
    - Remove regulatory barriers in higher education that act to restrict flexibility and innovative teaching
    - Eliminate ineffective and duplicative federal education programs
        - "…calls for reorganization and streamlining of K-12 programs and anticipates major reforms to…" No Child Left Behind
        - "…terminate and reduce programs that are failing to improve student achievement."
    - Encourage private funding for cultural agencies
        - "Federal subsidies for the National Endowment for the Arts, the National Endowment for the Humanities, and the Corporation for Public Broadcasting can no longer be justified."
    - Eliminate the Corporation for National and Community Service
    - Eliminate administrative fees paid to schools in the campus-based student aid programs

- Terminate the Safe and Drug-Free Schools Program
- Promote state, local and private funding for museums and libraries
  - Federal Institute of Museum and Library Services is an independent agency that makes grants to museums and libraries – "…not a core federal responsibility."
- Repeal new funding from the Student Aid and Fiscal Responsibility Act of 2010 (SAFRA)
- Accept the Fiscal Commission's proposal to eliminate in-school interest subsidies for undergraduate students
- Terminate the duplicative Social Services Block Grant

<u>Function 550: Health</u>

- FY 2013 totals: $363.3 billion (BA); $365.5 billion (OT)
  - Discretionary: $56.6 billion (BA); $58.2 billion (OT)
  - Mandatory: $306.7 billion (BA); $307.3 billion (OT)

- 10-year totals: $4.05 trillion (BA); $4.04 trillion (OT)

- Sequester: if not replaced, discretionary spending in this function would be reduced by another $6.5 billion below the committee recommendation in FY 2013

- Policy Language and Recommendations
  - Proposes to turn Medicaid from an open-ended entitlement into a "block-granted program like SCHIP." – this would save $810 billion over 10 years (same as FY 2012 budget proposal)
    - Medicaid is the principal driver of spending in this function
    - Represents more than 70 percent of the function total and is growing at a rate of five percent per year (faster than the growth of the overall economy)
    - For every dollar that a state government spends on Medicaid, the federal government pays an average of 57 cents
    - ObamaCare is estimated to increase federal Medicaid spending by $931 billion due to the millions of new beneficiaries it drives into the program
  - Repeal ObamaCare
    - Would repeal the Medicaid expansions in ObamaCare – would save $932 billion over 10 years
      - ObamaCare would increase the eligible population for Medicaid by one-third
      - ObamaCare requires the federal government to finance 100 percent of the Medicaid costs associated with covering new enrollees – this provisions begins to phase out in FY 2016, when state governments will be required to assume a share of this cost
    - Would repeal the exchange subsidies in ObamaCare and the individual mandate (which is coupled with the exchange subsidies) – would save roughly $640 billion over 10 years
    - "Further, this budget does not condone any policy that would require entities or individuals to finance activities [sic] make health decisions that violate their religious beliefs."
    - "This budget recommends repealing the architecture of this new law, which puts health care decisions into the hands of bureaucrats, and instead allowing Congress to

pursue patient-centered health care reforms that actually bring down the cost of care by empowering consumers." – repeal IPAB
            - Repeal unspent stimulus funding and other associated provisions in ObamaCare – save roughly $4 billion over 10 years

<u>Function 570: Medicare</u>

- FY 2013 totals: $510 billion (BA); $510 billion (OT)
    - Discretionary: $6.7 billion (BA); $6.6 billion (OT)
    - Mandatory: $503 billion (BA); $503 billion (OT)

- 10-year totals: $6.5 trillion (BA); $6.5 trillion (OT)

- Policy Language and Recommendations
    - Medicare Premium Support :
        - Differs from FY 2012 budget proposals' Medicare plan in that seniors can elect to stay in traditional Medicare – the new system is voluntary
        - Based on a framework put forward in December 2011 by Chairman Ryan and Democratic Senator Ron Wyden of Oregon
        - Seniors would receive a government payment to help them buy health insurance, either through a private insurer or the traditional fee-for-service Medicare program, beginning in 2023
        - This means there are no changes for anyone 55 or older at all (current seniors)
        - For future seniors, traditional Medicare will remain an option for them to choose from
    - House budget reinstates Medicare Part D's "donut hole" (since it calls for the full repeal of ObamaCare – the fixes to the donut hole included in ObamaCare are thereby also repealed, thus reinstating the donut hole
    - Proposes a long-term "doc fix"
        - "This budget accommodates legislation that fixes the Medicare physician payment formula for the next 10 years so that Medicare beneficiaries continue to have access to health care."
    - "ending the raid on the Medicare Trust Fund"
        - "This budget calls for directing any potential Medicare savings in current law toward shoring up Medicare, not paying for new entitlements."
    - Medical liability insurance reform
        - "The budget supports several changes to laws governing medical liability, including limits on noneconomic and punitive damages."
    - Means-testing premiums for high-income seniors
        - "This budget also advances a bipartisan proposal to further means-test premiums in Medicare Parts B and D for high-income seniors, similar to the President's proposal in his fiscal year 2013 budget."

<u>Function 600: Income Security</u>

- FY 2013 totals: $517.1 billion (BA); $516.8 billion (OT)
    - Discretionary: $59.9 billion (BA); $63.9 billion (OT)
    - Mandatory: $457.2 billion (BA); $452.9 billion (OT)

- 10-year totals: $4.9 trillion (BA); $4.8 trillion (OT)

- Sequester: if not replaced, this function would be reduced by another $4.7 billion below the committee recommendation in FY 2013

- Policy Language and Recommendations
    - Reduce spending on the Low Income Home Energy Assistance Program (LIHEAP)
        - Assumes the same funding level for LIHEAP in Obama's FY 2013 budget request
        - Saves approximately $500 million in budget authority for FY 2013
    - Block grant the Supplemental Nutrition Assistance Program (SNAP) – formerly known as food stamps
        - "…envisions converting SNAP into an allotment tailored for each state's low-income population, indexed for inflation and eligibility."
        - Would make no changes to SNAP until 2016 (allowing employment to recover)
        - "…envision improving work incentives by requiring a certain amount of people to engage in work activity, such as job search, community service activities and education and job training."
        - cut nearly $122.5 billion from spending on the program
        - SNAP spending has increased dramatically over the past three years
        - Grew from $20.6 billion in 2002 to nearly $40 billion in 2008
        - Projected to be more than $80 billion in 2012
    - Eliminate broad-based categorical eligibility which allows for households to be made eligible through receiving a minimal Temporary Assistance for Needy Families (TANF) fund benefit or service - this allows individuals to qualify for SNAP benefits under less restrictive criteria
    - Eliminate abuse of LIHEAP
    - Reform civil service pensions
        - Calls for federal employees (including Members and their staff) to make greater contributions toward their own retirement
        - Would eliminate the ability for individuals to receive a "special retirement supplement"
        - Save an estimated $112.7 billion over 10 years
    - Conform railroad retirement tier 1 benefits to Social Security benefits
        - Would save $2 billion over 10 years
    - Reform the Pension Benefit Guaranty Corporation (PBGC)
        - Currently faces a $26 billion unfunded liability
        - Does not assume the President's proposal, but recognizes the need to reform PBGC
    - Eliminate TARP housing subsidies
        - Get rid of HAMP
    - "assumes that unemployment benefit expansions and extended benefits expire as scheduled under current law and does not assume another extension of emergency unemployment insurance benefits."
    - Reform Supplemental Security Income (SSI) by creating a sliding scale for children on SSI rather than paying an average of $600 for each and every child in a household that receives benefits

- "Congress should act to reform means-tested entitlements."

Function 650: Social Security

- FY 2013 totals: $53.2 billion (BA); $53.3 billion (OT)

- 10-year totals: $490.5 billion (BA); $490.8 billion (OT)

- Policy Language and Recommendations
  - Highlights that the President's Fiscal Commission made a positive first step by advancing solutions to "ensure the solvency of Social Security"
  - "This budget calls for setting in motion the process of reforming Social Security by altering a current-law trigger that, in the event that the Social Security program is not sustainable, requires the President, in conjunction with the Social Security Board of Trustees, to submit a plan for restoring balance to the fund. This option would then require congressional leaders to put forward their best ideas as well."

Function 700: Veterans Benefits and Services

- FY 2013 totals: $134.6 billion (BA); $135.2 billion (OT) – increase of five percent from last year's level

- 10-year totals: $1.5 trillion (BA); $1.5 trillion (OT)

- Policy Language and Recommendations
  - Repeal Hartness v. Nicholson court decision
    - Would reaffirm that disability status, not age, determines eligibility for certain pension benefits
  - Round down to the nearest dollar the annual cost of living adjustment (COLA) for veterans' disability compensation and dependency and indemnity compensation – was also included in the President's budget request
  - Cap the annual increase in veterans tuition support at three percent

Function 750: Administration of Justice

- FY 2013 totals: $54.3 billion (BA); $57.6 billion (OT)
  - Discretionary: $51.8 billion (BA); $53.8 billion (OT)
  - Mandatory: $2.4 billion (BA); $3.9 billion (OT)

- 10-year totals: $579.4 billion (BA); $596.3 billion (OT)

- Sequester: if not replaced, this function would be reduced by another $5.7 billion in FY 2013

- Policy Language and Recommendations
  - Consolidate justice grants into three categories: first responder, law enforcement and victims
  - Eliminate the duplicative National Drug Intelligence Center – would save more than $400 million over 10 years

Function 800: General Government

- FY 2013 totals: $23.2 billion (BA); $25.1 billion (OT)

- Discretionary: $16.8 billion (BA); $18.5 billion (OT)
- Mandatory: $6.3 billion (BA); $6.6 billion (OT)

➢ 10-year totals: $239.6 billion (BA); $241.0 billion (OT)

➢ Policy Language and Recommendations
- Prohibit new construction for one year of government buildings managed by the GSA
- Eliminate the Presidential Election Campaign Fund – saves more than $350 million over 10 years
- Reduce student loan repayment for government jobs
- Terminate the Election Assistance Commission

BALANCED BUDGET AMENDMENT (BBA)

Sixteen years ago, a balanced budget amendment (BBA) passed the House with bipartisan support, only to lose by one vote in the Senate. Since then, the debt has nearly tripled in size growing by $9.7 trillion, or around $1.6 trillion per day. Many Americans on both sides of the aisle still support a BBA to this day. The August 2011 debt deal (Budget Control Act) required that there be a vote on passage of a joint resolution proposing a BBA to the Constitution.

Editor's Note: *For more information regarding the Budget Control Act, please refer to the Deficit, Debt and Debt Limit chapter of the 2012 NRCC Issues Book.*

According to the Budget Control act, between Oct. 1 and Dec. 31, the House and Senate would be required to vote, but not necessarily pass, a BBA to the Constitution. The contents of the amendment would be up to Congress. A debt limit increase was not contingent on passage of a balanced budget amendment, but the transmittal of a balanced budget amendment to the states would affect the potential size of the increase. Under the BCA, if a BBA had been sent to the states for ratification or if the legislation produced by the Joint Select Committee on Deficit Reduction (see below) was enacted and produced deficit reduction of $1.5 trillion or more, the amount of this debt limit increase could have been raised to $1.5 trillion.

H. J. Res. 2, BBA: On Nov. 18, 2011, the House failed to pass H. J. Res. 2 by a vote of 261 to 165. You can see how they voted here. H. J. Res. 2 would have added an amendment to the U.S. Constitution requiring that the U.S. government operated under a balanced budget each year. There were several different versions of a BBA considered for this vote, but the one that was brought up for a vote would have required a three-fifths vote in both the House and Senate to approve deficit spending (when total federal outlays are more than total federal revenues). In addition to requiring a balanced budget, H. J. Res. 2 would have also required a three-fifths vote to approve any increase of the debt limit in the future. H. J. Res. 2 would have also required a simple majority vote in both the House and Senate to approve raising taxes. Additionally, H. J. Res. 2 would have also allowed Congress to waive its requirements for any fiscal year in which a declaration of war is in effect or in any year in which the U.S. is engaged in a military conflict which poses an imminent threat or serious threat to national security, though Congress would need to actually declare such a situation in a joint resolution.

Below are selected vote hits on Democrats who voted against H. J. Res. 2:

- **Voted against an amendment to the U.S. Constitution that would require the federal government to have a balanced budget**
    - Voted against the Rep. Smith (R-Texas) motion to suspend the rules and pass the joint resolution that would propose a constitutional amendment that would require a balanced budget starting in the first fiscal year beginning in calendar 2017 or the second fiscal year after ratification by three-fourths of the states, whichever is later. Under the proposal three-fifths of the entire House and Senate would be required to approve deficit spending or an increase in the public debt limit. A simple majority could waive the requirement in times of war or in the face of a serious military threat. (Rejected: 261-165; D: 25-161; R: 236-4)[17]

[17] H.J. Res. 2, CQ Vote # 858, Nov. 18, 2011

__Editor's Note:__ A two-thirds majority of those present and voting is required to pass a bill under suspension of the rules and to pass a joint resolution proposing an amendment to the Constitution. In this case 284 members would have had to vote for the measure in order for it to pass.

- **The amendment would allow Congress to waive the balanced budget requirement with a simple majority vote when a declaration of war is in effect**

  - In a Nov. 18, 2011, article, *Congressional Quarterly* wrote, "The House rejected a balanced-budget amendment to the Constitution on Friday afternoon, disappointing fiscal conservatives in the first House vote on the issue in 16 years.

    "The proposed constitutional amendment (H J Res 2) would require that total federal outlays in any given year not exceed the total amount of revenue taken in unless Congress votes with a three-fifths majority to allow it. It would allow Congress to waive the balanced-budget requirement with a simple majority vote in years when a declaration of war was in effect."[18]

- **The amendment would require a three-fifths majority in order to raise the debt limit**

  - In a Nov. 18, 2011, article, *Congressional Quarterly* wrote, "The House rejected a balanced-budget amendment to the Constitution on Friday afternoon, disappointing fiscal conservatives in the first House vote on the issue in 16 years.

    "The proposed constitutional amendment (H J Res 2) would require that total federal outlays in any given year not exceed the total amount of revenue taken in unless Congress votes with a three-fifths majority to allow it. It would allow Congress to waive the balanced-budget requirement with a simple majority vote in years when a declaration of war was in effect.

    "The proposed change to the Constitution also would institute a three-fifths majority requirement for raising the debt limit."[19]

- **The amendment would require the president to submit a balanced budget to Congress each year**

  - According to a Nov. 16, 2011 *Congressional Quarterly* House Action Report on H. J. Res. 2, the Balanced Budget Amendment, "This section summarizes the requirements on H J Res 2, the Balanced-Budget Amendment to the Constitution.

    "The constitutional amendment generally requires that the U.S. government operate under a balanced budget each year and not run any deficits.

    "Specifically, the amendment provides that total outlays for any fiscal year could not exceed total receipts for that year unless three-fifths of the whole number of each chamber of Congress votes to incur a budget deficit.

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[18] Alexander Hart, "House Rejects Balanced-Budget Amendment," *Congressional Quarterly*, Nov. 18, 2011
[19] Alexander Hart, "House Rejects Balanced-Budget Amendment," *Congressional Quarterly*, Nov. 18, 2011

"The president each year would be required to submit to Congress a budget proposal for the coming fiscal year that is balanced or would generate a surplus."[20]

[20] CQ House Action Reports, "H.J.Res. 2," *Congressional Quarterly*, Nov. 16, 2011

EARMARKS

An "earmark" or "set aside" is a specific amount of taxpayer money requested by a legislator that is directed to a specific project or recipient, typically in a legislator's home state or district. They are most common in appropriations legislation, although they can appear in other bills.

How Earmarking Works

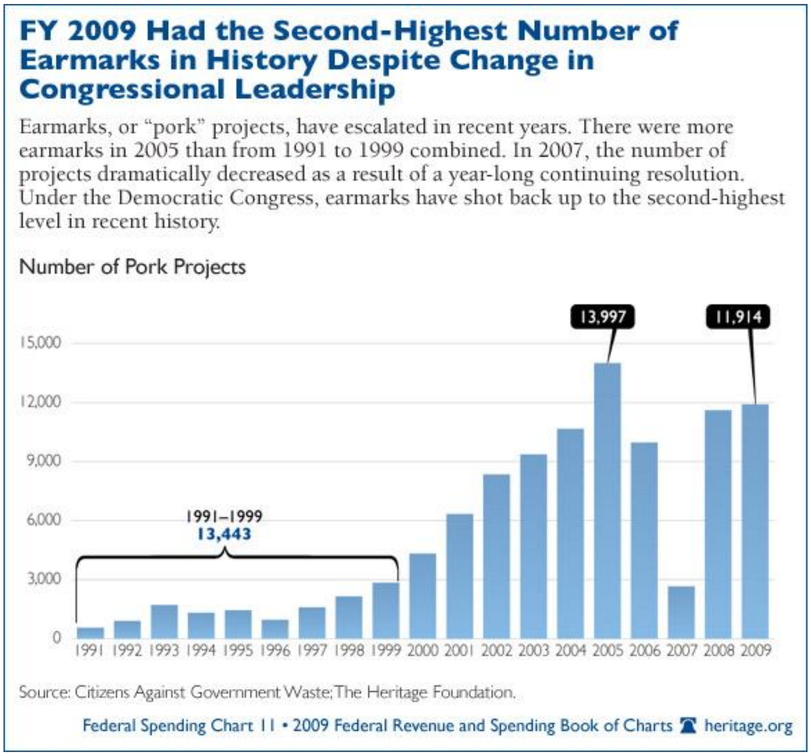
For each appropriations bill, the House and Senate Appropriations Committees provide a "committee report" to provide more detailed directions to the departments and agencies on the distribution of funding within the bill. When the spending bills are passed, they could simply say "fund the U.S. Department of Widgets at x amount" without any further detail and leave the Department of Widgets to decide how they divvy up the funding they were allocated. "Earmarking" is the process by which Members of Congress not only fund the various government departments, but also direct specific funds to specific issues or projects that they want. The process grew from an older system whereby the more powerful Members of Congress would not lay out specifics for funding, but would pass the bills then write or even personally call bureaucrats in the various departments and agencies and let it be known where they wanted the money to go. Not wanting to anger the lawmakers who would decide their future funding, the bureaucrats would invariably comply. Earmarking in bills is basically the same system but spread out over essentially every member and on a much larger scale with the directives passed in this committee report.

Controversy Over Earmarks

Earmarking has recently been met with criticism over corruption. There are some watchdog groups who want to eliminate the "favor factory" nature of providing earmarks for specific people or companies or areas of a district. Providing ammunition for their arguments, some Members of Congress have used earmarks to provide taxpayer dollars to companies in which they have a financial interest, reward family members and return favors to campaign donors, among others. In spite of these problems, there is a long tradition of earmark funding and a central constitutional interpretation question: which branch should control the purse strings and direct specific federal funding – the legislative or executive branch?

Another element adding to the controversy around earmarks is the overall level of spending of government. Earmarks have only represented a small percentage of all federal spending, yet they are easily identifiable symbols of waste, abuse and misuse of power. There are numerous examples – the Bridge To Nowhere, the "Touch Me" Museum, the Cowgirl Museum, the indoor tropical rainforest – that stand as examples that anger taxpayers that their money is being wasted and not spent on the right priorities. As taxpayers grew more and more angry about profligate federal spending, these types of earmarks were easy targets to use as examples. Further, because the longer you are in Congress the more power and influence you have to direct earmarks, there is a sense that earmarks are a symbol of Members of Congress "using" the system to spend taxpayer dollars to gain power and stay in office. This has made addressing the issue very complicated.

Earmark disclosure rules have been implemented to bring more transparency to congressionally-directed spending. Despite these efforts, concern surrounding the congressional earmarking process remained. Many view these rules as weak due to their vagueness and the ability of Members to comply with the rules by doing the bare minimum that could be expected for public disclosure.



Differing Views on Earmarks

Supporters of earmarks have contended that elected officials are better suited than government bureaucrats to prioritize funding needs in their own districts and states. Many say that earmarking is a more democratic process as it allows elected officials to make direct funding decisions rather than unelected bureaucrats. They say if you don't like a specific earmark, then vote it down in a democratic process. Critics counter that elected representatives have too much of a vested interest in their own districts and do not have the nation's interests as a whole in mind when making these decisions with taxpayer money. They say that there is a "scratch my back" mentality, in which no one wants to get rid of another's earmarks, lest they have their own projects eliminated. Such a mentality inevitably leads to more and more spending. They also contend that it is impossible to read the massive legislation containing thousands of earmarks.

Critics of earmarks also argue that the ability to earmark federal funds should not be part of the legislative appropriations process and that taxpayer money should be appropriated to federal agencies that are expected to apply funding objectively to projects based on need and merit, rather than being earmarked arbitrarily by elected officials.

Regardless of the merits of either argument, many Americans have expressed significant concern over the earmarking process, especially in the wake of several projects that many consider to be unethical or without merit, such as the now infamous "Bridge to Nowhere" and "Airport for No One."

Earmark Reforms

Over the years, there have been several attempts to rein in earmark spending and/or reform the process by which earmarks are requested, enacted and reported. Below is an aggregation of some of the more memorable efforts to reform earmark practices.

110th Congress (2007-2008): In the Democrat-controlled 110th Congress, the House adopted new House rules in January 2007, that required that each appropriations bill, prior to its Floor consideration, be accompanied by a list identifying each earmark and the Member who requested it. The new House rules also required that each earmark be backed by a public letter from the requesting member, which identified the entity receiving the funds and its address, what the earmark did and a certification available on the Internet 48 hours before a vote on the House floor that the Member (or Member's spouse) would not benefit financially from the earmark.

In addition to this change in the rules, the House and Senate enacted a joint resolution (Public Law 110-5) that rescinded earmarks and thereby put an earmark moratorium into effect.

In September 2007, the Senate changed its rules to put into effect earmark disclosure rules identical to the House rules put in place earlier that year.

On Jan. 29, 2008, President George W. Bush signed Executive Order 13457, "Protecting American Taxpayers from Government Spending on Wasteful Earmarks." This Order required earmarks to be included in the text of bills voted upon by Congress, requiring agencies to ignore earmark requests made in other ways.

111th Congress (2009-2010): At the beginning of the 111th Congress, in an effort to promote transparency and good stewardship of taxpayer money, the House Republican Conference voted to adopt self-imposed earmark disclosure standards for House Republicans that request earmarks. Since the House GOP leadership has final say over which earmarks move forward, this was a binding rule that members must adhere to if they wanted to participate in the process. Under the standard, if a member requested and received an earmark in an appropriations bill, they were asked to submit a statement in the Congressional Record prior to Floor debate of the bill. The statement had to detail the specifics of that earmark including:

- The name of the requesting Member;
- The bill number;
- The account from which the funds are earmarked;
- The legal name and address of the requesting entity or in the case of military construction earmarks, the name and address of the military installation; and
- A description of the earmark including the amount, a spending plan, and justification for the use of federal taxpayer dollars.

Rep. David Obey (D-Wis.) and Sen. Daniel Inouye, the then-Chairman of the House Appropriations Committee and still current Chairman of the Senate Appropriations Committee, agreed to a number of small reforms of the process including a requirement to post earmark requests online - "starting with the fiscal 2010 appropriations bills, when Members make their earmark requests, they will be required to post the requests on their Web sites explaining the purpose of the earmark and why it is a valuable use of taxpayer funds." Unfortunately, this "reform," in reality, did little to address the underlying problems and concerns with the earmarking process.

On March 10, 2010, House Democrats imposed an earmark ban on all earmarks going to "for profit" companies, but left the door open for other earmarks. Public groups, non-profits, and educational institutions would still be eligible. Senator Inouye, Chairman of the Senate Appropriations Committee, immediately disagreed with the "for-profit ban."

Following this move by the Democrats, the House Republican Conference adopted a unilateral, self-imposed, across-the-board earmark ban, including tax, tariff and authorization earmarks (such as the federal highway bill) as an official part of the House Republican Conference Rules. This meant no miscellaneous tariff reprieves, no defense or highway or water project authorization requests, nothing.

As Rep. Mike Pence (R-Ind.), then-Chairman of the House GOP Conference put it, "Republicans did something very dramatic that's going to make it very uncomfortable for business as usual. So now House Republicans are going to the American people and saying we want a clean break from the runaway spending [of] the past. And that's going to be quite a contrast from this Congress and the administration."

On March 15, 2010, the Senate voted to reject a ban on earmarks by a vote of 29-68.

What they said about the GOP earmark ban:

- ***The Washington Times***: "In a move to break with the GOP's big-spending past, House Republicans voted Thursday to ban their members this year from requesting earmarks, the pork-barrel spending that directs money to pet projects in home districts. The Republicans, who passed the moratorium by voice vote in a closed-door meeting, said they have now put pressure on the rest of Congress - Republicans in the Senate, and Democrats in both chambers - to follow their lead." (Stephen Dinan, "With ban, GOP calls duel on earmarks, *The Washington Times*, March 12, 2010)

- ***The Washington Post***: "Upping the ante in the battle over which party can be toughest on special interests, House Republicans Thursday announced their entire 178-member conference would not seek any congressional earmarks this year, denouncing all of the line-item expenditures as wasteful and corrupting." (Paul Kane, "House Republicans say they will reject all earmarks," *The Washington Post*, March 11, 2010)

- **National Public Radio (NPR)**: "On Thursday, House Republicans announced what they called a unilateral moratorium on all earmarks. It was an attempt to raise the ante after the House's Democratic leadership announced Wednesday a ban on all earmarks to for-profit corporations. Again, this was an attempt to outdo Democrats who only banned earmarks that would go to for-profit companies. It was also part of Republicans' continued effort to once again be perceived as the party of fiscal restraint." (Frank James, "Congress' Earmark Battle Heats Up As Both Parties Claim High Ground," National Public Radio (NPR), March 11, 2010)

- **Townhall.com:** "It's rare, but sometimes petty politics can mean progress. That was certainly the case this week with the earmark war between Republican and Democrats in the House. After Democrats initiated a moratorium on earmarks from for-profit companies, Republicans one-upped them with a ban on all earmarks." (Jillian Bandes, "Earmarks-Be-Gone: Reform by House Republicans," Townhall.com, March 12, 2010)

- ***Minneapolis Post***: "One day after House Democrats proposed banning earmarks to for-profit companies, House Republicans upped the ante by self-imposing a one-year moratorium on appropriations earmarks, a move one local analyst called a "strategic calculation" that they'll pick up enough political goodwill to offset the complaints from local leaders back home who were hoping for that money." (Derek Wallbank, "Battle over earmarks: House Republicans making a 'strategic calculation'," *Minneapolis Post*, March 12, 2010)

- ***Tampa Bay Times***: "In a rapid display of gamesmanship, House Republicans vowed Thursday to ban all budget earmarks, a day after Democrats said they would not award them to for-profit companies. The move reflects growing public concern over government spending and follows recent ethics investigations into 'pay-to-play' connections between lawmakers, special interests and political contributions. 'Earmarks have become emblematic of everything that is wrong with spending here in Washington, D.C.,' said Rep. Mike Pence of Indiana, chairman of the Republican Conference." (Alex Leary, "Republicans one-up Democrats, ban all earmarks," *Tampa Bay Times*, March 12, 2010)

- ***The Christian Science Monitor***: "On Wednesday, top Democrats on the House Appropriations Committee announced a ban on corporate earmarks. The move, backed by Speaker Nancy Pelosi, bans provisions that direct spending to for-profit entities, especially those dealing with the Pentagon. In a bid to trump that move, House Republicans on Thursday announced a unilateral, one-year ban on all earmarks. "The American people see this earmark process as an example of a broken Washington," said Republican leader John Boehner, after a caucus meeting on Thursday. "We're not going to get to a cleaned-up process until we break from the past, and I do believe that this earmark ban that our members agreed to today is a big step in the right direction," he added." (Gail Russell Chaddock, "House Republicans, besting Democrats, will ban all earmarks," The Christian Science Monitor, March 11, 2010)

- **Talking Points Memo:** "Government watchdog groups who draw a link between corruption and the special project budget requests known as earmarks say Congress "must do more." House Democrats announced yesterday a ban on directing budget funds to for-profit companies. House Republicans followed up with a decision they wouldn't request any earmarks at all, for one year." (Christina Bellantoni, "Ethics Groups Say Congress Should Go Further Than Proposed Earmark Ban," Talking Points Memo.com, March 11, 2010)

- ***Politico***: "Earmarks are back. Democrats and Republicans are suddenly in a race to see who can make the bigger move on banning them. House Democrats voted yesterday to ban earmarks to private companies. House Republicans passed an across-the-board ban for their caucus today." (Tim Phillips opinion piece, "Taking responsibility for earmarks," *Politico*, March 11, 2010)

After the 2010 election in which Republicans took back control of the House, then-Republican Leader John Boehner (R-Ohio) and then-Republican Whip Eric Cantor (R-Va.) announced that the House GOP Conference would vote to impose an immediate ban on earmarks at the start of the upcoming 112th Congress. Following this announcement, President Obama reiterated the call for earmark transparency. Senate Republican Leader Mitch McConnell (R-Ky.) also came out in support of an earmark moratorium for the 112th Congress.

112th Congress (2011-2012): As promised, the House Republican Conference did vote to impose an immediate ban on earmarks for the 112th Congress. Specifically, the Conference rules now say, "It is the policy of the House Republican Conference that no Member shall request a congressional earmark, limited tax benefit or limited tariff benefit, as such terms have been described in the Rules of the House." You may click here to view the Rules of the House Republican Conference for the 112th Congress.

Editor's Note: *This vote was a Republican Conference vote, therefore, did not occur on the House Floor. Any changes to Republican Conference rules or Democratic Caucus rules are not voted on on the House Floor. For more information regarding the House Rules for the 112th Congress, please refer to the House Rules and Procedures chapter of the 2012 NRCC Issues Book.*

On Jan. 25, 2011, President Obama in his State of the Union address stated that he would veto any bill containing earmarks.

PAYGO vs. CUTGO

PAYGO

In general, PAYGO requires that the cost of new mandatory spending and tax cuts be offset with either tax increases or spending cuts. PAYGO actually began as a statutory process established by the Budget Enforcement Act of 1990. The statutory PAYGO process effectively was terminated on Dec. 2, 2002. Beginning in 2003, proposals were made from time to time to restore the statutory PAYGO process, but disagreements centered on whether it should apply to both mandatory spending and revenue legislation (as originally framed and generally favored by Democrats) or only to mandatory spending legislation (as generally favored by Republicans).

In the Republican controlled-108th Congress, President George W. Bush submitted draft legislation to Congress, the Spending Control Act of 2004 that would have restored the PAYGO process for mandatory spending legislation, but not for revenue legislation. Legislation reflecting the President's proposal failed to pass the full House.

In the Democrat controlled-110th Congress, interest was renewed in restoring a comprehensive PAYGO requirement. In both the FY 2008 and FY 2009 budget resolutions, language was included that stated that statutory PAYGO should be extended.

In addition to the statutory PAYGO process, the House and Senate have both relied upon their own internal PAYGO rules - although the rules can be, and often are, waived. The Senate's PAYGO rule was established in 1993, and has been modified and extended several times. The Senate PAYGO rule is currently set to expire in 2017. Prior to the 110th Congress, several efforts were made to establish a PAYGO rule in the House as well, but such a rule was not adopted until 2007. At the beginning of the 110th Congress, the then-Democrat controlled-House adopted a PAYGO rule as part of its customary package of rules changes. It required that legislation affecting mandatory spending or revenues not increase the deficit (or reduce the surplus) over a six-year period, including the current year, the upcoming fiscal year and the four following fiscal years, as well as an 11-year period.

As with all House rules, the PAYGO rule in the House must be re-adopted in each new Congress, and it was in the 111th Congress. There was again a renewed call for statutory PAYGO and House Democrats proceeded with renewing it, but also simultaneously providing for certain initiatives of their House legislative agenda to be allowed to move forward without offsets. Under a deal struck in April 2009, the Blue Dog Democrats essentially agreed to allow four pieces of priority legislation to go forward without offsets in an exchange for a pledge from then-Speaker Nancy Pelosi (D-Calif.) and then-House Majority Leader Steny H. Hoyer (D-Md.) that each measure would also carry long-term PAYGO legislation – essentially "waiving" or ignoring PAYGO. The pledge covered bills to extend expiring middle-class tax cuts, prevent the alternative minimum tax from hitting more taxpayers, adjust the estate tax law and eliminate annual cuts in pay rates for Medicare physicians.

The House also passed a stand-alone PAYGO bill (H.R. 2920, the Statutory Pay-As-You-Go Act of 2009) in July 2009 that required OMB to assess the cumulative effects of tax and entitlement legislation during each session. If the result was an increase in the deficit, an automatic across-the-board cut would be imposed on non-exempt programs. In January 2010, the Senate added a statutory PAYGO proposal to a measure increasing the debt limit; the House concluded action on the measure in early February 2010, and President Obama signed it into law shortly thereafter.

In line with the April agreement, House Democratic leaders used the rules for floor debate to attach the provisions of H.R. 2920 to bills that would revise the formula for Medicare doctors' pay (H.R. 3961) and adjust the estate tax (H.R. 4154), as well as to a broad jobs creation bill (H.R. 2847). Those measures passed in the House but went no further.

Votes to Waive/Ignore PAYGO: The following votes from the 110th and 111th Congresses were votes where the Democrat Majority ignored or waived its PAYGO rule. These votes were drawn from two reports (here and here) issued by House Budget Committee Republicans and compiled by Club for Growth.

110th Congress

In the 110th Congress, there were at least 14 votes to waive or ignore PAYGO. A yes/yea vote on any of these bills was a vote to waive or ignore PAYGO.

Roll Call Vote	Bill Number	Date of Vote	Bill Title
425	H.R. 2206	5/24/07	FY 2007 Supplemental – Motion to Concur
1009	H.R. 3963	10/25/07	State Children's Health Insurance - Passage
1183	H.R. 3996	12/19/07	2007 Alternative Minimum Tax Adjustment - Passage
42	H.R. 5140	2/7/08	Economic Stimulus – Motion to Concur
346	H.R. 2419	5/21/08	Farm Bill Reauthorization – Veto Override
412	H.R. 5749	6/12/08	Unemployment Benefits Extension - Passage
432	H.R. 2642	6/19/08	Supplemental Appropriations – Motion to Concur
519	H.R. 3221	7/23/08	Mortgage Relief – Motion to Concur
634	H.R. 7005	9/24/08	Alternative Minimum Tax Adjustment - Passage
635	H.R. 7006	9/24/08	Disaster Tax Relief - Passage
660	H.R. 7110	9/26/08	Supplemental Appropriations - Passage
681	H.R. 1424	10/3/08	Mortgage-Backed Securities Buyout – Motion to Concur
683	H.R. 6867	10/3/08	Unemployment Benefits Extension - Passage
690	H.R. 7321	12/10/08	Auto Industry Loan Program - Passage

111th Congress

In the 111th Congress, there were at least 12 votes to waive or ignore PAYGO. A yes/yea vote for each of these bills was a vote to effectively waive or ignore PAYGO.

Roll Call Vote	Bill Number	Date of Vote	Bill Title
50	H.R. 2	2/4/09	Children's Health Insurance – Motion to Concur
70	H.R. 1	2/13/09	Economic Stimulus – Conference Report
348	H.R. 2346	6/16/09	FY 2009 Supplemental – Conference Report
859	H.R. 3548	11/5/09	Unemployment Benefits Extension - Passage
909	H.R. 3961	11/19/09	Medicare Physician Reimbursement - Passage
929	H.R. 4154	12/3/09	Estate Tax Extension - Passage
985	H.R. 3326	12/16/09	FY 2010 Defense Appropriations – Motion to Concur
165	H.R. 3590	3/21/10	Health Care Overhaul – Motion to Concur
413	H.R. 4173	6/30/10	Financial Regulatory Overhaul – Conference Report
463	H.R. 4213	7/22/10	Unemployment Benefits Extension – Motion to Concur
474	H.R. 4899	7/27/10	Supplemental Appropriations - Passage
539	H.R. 5297	9/23/10	Small-Business Tax and Lending – Motion to Concur

- **Statutory PAYGO is a political gimmick intended to provide Democrats a way to display that they are fiscally responsible. As a talking point, "pay as you go" makes common sense and works with some voters. However, when you examine the details of statutory PAYGO language, it's not quite so simple.**

- **PAYGO is intended to raise Americans' taxes to record levels**

    - In a June 10, 2009, editorial entitled "The President's Paygo Schtick," the *Investor's Business Daily* wrote, "Putting the federal budget on a 'pay as you go' basis sounds fiscally reasonable, responsible even. But it's nothing of the sort. Rather, it's a gimmick intended to raise Americans' taxes to record levels."[21]

- **PAYGO can be used to justify all kinds of new taxes**

    - The *Investor's Business Daily* editorial goes on to say, "Paygo also can be used to justify all kinds of new taxes — from a Euro-style value-added tax to cap-and-trade levies."[22]

- **PAYGO employs a double standard that raises taxes**

    - In a Feb. 26, 2009, WebMemo entitled "Obama's PAYGO Law Would Not Slow Spending or Deficits," The Heritage Foundation wrote, "PAYGO Employs a Double Standard That Raises Taxes. Every few years, Congress must review and renew most entitlement programs and many tax cuts. PAYGO sensibly says that renewing an existing entitlement program is

[21] Editorial, "The President's Paygo Schtick," *Investor's Business Daily*, June 10, 2009
[22] Editorial, "The President's Paygo Schtick," *Investor's Business Daily*, June 10, 2009

not 'new' spending and therefore does not need to be offset. However, PAYGO applies a different standard to tax cuts. It classifies tax cut extensions as 'new' tax cuts that violate PAYGO and must be offset.

"This makes no sense. PAYGO was intended to block the creation of new policies that increase the deficit. Simply keeping current tax policies in place should not be treated as "new" tax cuts. Additionally, the blatant double standard of allowing entitlement spending policies but not tax policies to be extended constitutes a major bias towards higher taxes and spending. For instance, PAYGO allows the extension of expiring SCHIP and farm subsidy laws, but it does not allow the extension of the 2001 and 2003 tax cuts or the Alternative Minimum Tax (AMT) to be patched without offsets. Even President Obama has criticized this double standard, and Congress should eliminate this baseline disparity from any PAYGO statute."[23]

- **The President is trying to give political cover for tax-increase votes through PAYGO**

  - In a June 12, 2009, editorial titled "The 'Paygo' Coverup," the *Wall Street Journal* wrote, "The real game here is that the President is trying to give Democrats in Congress political cover for the health-care blowout and tax-increase votes that he knows are coming. The polls are showing that Mr. Obama's spending plans are far less popular than the President himself, and Democrats in swing districts are getting nervous. The paygo ruse gives Blue Dog Democrats cover to say they voted for 'fiscal discipline,' even as they vote to pass the greatest entitlement expansion in modern history. The Blue Dogs always play this double game"[24]

- **The goal of PAYGO is to make it easier to raise taxes and impossible to cut taxes**

  - The *Wall Street Journal* goes on to say, "The other goal of this new paygo campaign is to make it easier to raise taxes in 2011, and impossible to cut taxes for years after that. In the near term, paygo gives Mr. Obama another excuse to let the Bush tax cuts he dislikes expire after 2010, while exempting those (for lower-income voters) that he likes. In the longer term, if a GOP Congress or President ever want to cut taxes, paygo applies a straitjacket that pits those tax cuts against, say, spending cuts in Medicare. The Reagan tax reductions would never have happened under paygo."[25]

CutGo

On Jan. 5, 2011, the Republican controlled-House agreed to H. Res. 5, adopting the Standing Rules for the 112th Congress, which included several changes affecting the congressional budget process. Section 2(d) of H Res 5 replaced the former PAYGO rule with a new Cut-As-You-Go (CutGo) rule. This new CutGo rule generally prohibits the consideration of any legislation that would have the net effect of increasing mandatory spending in either of two time periods: 1) the six-year period consisting of the current fiscal year (the fiscal year immediately preceding the "budget year,") the budget year (the fiscal year that begins on

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[23] Brian M. Riedl, "Obama's PAYGO Law Would Not Slow Spending or Budget Deficits," WebMemo No. 2312, The Heritage Foundation, Feb. 26, 2009
[24] Editorial, "The 'Paygo' Coverup," *Wall Street Journal*, June 12, 2009
[25] Editorial, "The 'Paygo' Coverup," *Wall Street Journal*, June 12, 2009

October 1, of the calendar year in which the session of Congress begins) and the four ensuing fiscal years; and 2) the 11-year period consisting of the current year, the budget year and the ensuing nine fiscal years.

Compared to the former PAYGO rule, this new CutGo rule applies to legislation affecting mandatory spending only. Also, the new CutGo rule does not apply to legislation affecting revenues. This exclusion has at least two implications: 1) the House could consider legislation affecting revenues, regardless of whether it would increase the projected budget deficit, without being subject to the CutGo rule; and 2) legislation projected to increase mandatory spending may not be offset with increases in revenues to comply with the new rule.

BUDGET PROCESS REFORM LEGISLATION: 112TH CONGRESS

Budget process reform proposals are put forth each Congress seeking to refine or modify the existing requirements, laws and rules that make up the federal budget process. Altering the existing budget process can be achieved in a variety of ways. The House or Senate can adopt or amend a rule (either by agreeing to a freestanding simple resolution or by amending the chamber's standing rules), or they might agree to a concurrent resolution creating a rule enforceable in one or both chambers.

Editor's Note: *For more information on changes House Republicans made to standing House Rules for the 112th Congress regarding budget process, please refer to the House Rules and Procedures chapter of the 2012 NRCC Issues Book.*

The budget process can also be amended in law, requiring the president's signature or the support of the two-thirds of each chamber required to override a veto. The budget process can also be altered more informally through changes in practice.

Legislation Cost Estimates

Under the 1974 Budget Act, CBO is required, to the extent practicable, to prepare for any measure reported from a House or Senate committee an estimate of the costs incurred in carrying out such a bill in the year it is to become effective, as well as each of the next four years. Since 2003, House rules have required a supplementary macroeconomic impact analysis, or "dynamic analysis," of tax legislation reported by the House Ways and Means Committee (or a reason given for why it cannot be prepared).

H.R. 3582, Pro-Growth Budgeting Act: On Feb. 2, 2012, the House passed H.R. 3582, the Pro-Growth Budget Act of 2012, by a vote of 242 to 179. You can see how they voted here.

Introduced by Rep. Tom Price (R-Ga.), H.R. 3582 would require the CBO to prepare a macroeconomic impact analysis, or "dynamic analysis," of each "major measure" reported from any House or Senate committee. This dynamic analysis would cover the 10-year period beginning with the first fiscal year, and the next three 10-year periods. This information is to be prepared as a supplement to, and not a replacement for, estimates already required by CBO under the 1974 Budget Act. H.R. 3582 defines a "major measure" as one whose gross budgetary effect is estimated to be greater than 0.25 percent of gross domestic product (GDP). This supplement would describe the potential impact on major economic variables including GDP, business investment, capital stock, employment and labor supply.

Budget Baseline

A baseline is a projection of future federal spending and revenue levels based on current law. It is intended to provide information on future deficits or surpluses and to act as a benchmark for comparing proposed changes to budget policy. As described by the Congressional Budget Office (CBO):

> "The baseline is intended to provide a neutral, nonjudgmental foundation for assessing policy options. It is not 'realistic,' because tax and spending policies will change over time. Neither is it intended to be a forecast of future budgetary outcomes. Rather, the projections…reflect CBO's best judgment about how the economy and other factors will affect federal revenues and spending under existing policies."

In projecting the baseline, direct (mandatory) spending and receipts (revenue) are generally assumed to continue at levels specified in existing law. These projections are based on economic assumptions (e.g., economic growth, inflation and unemployment) and other technical assumptions (e.g., demographic and workload changes) about future years.

Discretionary spending is determined annually, so there is no obvious consensus as to what levels of discretionary spending best represent current policy. The level of discretionary spending, however, is assumed to stay constant in inflation-adjusted terms, meaning that the current year's spending level will be adjusted "sequentially and cumulatively" for inflation and other factors.

Actual spending and revenue levels are not set by the baseline – they are set by spending and revenue legislation enacted by Congress and the President. While the Office of Management and Budget (OMB) calculates its own baseline submitted with the President's budget, CBO submits the official congressional baseline to Congress in late January of each year as part of its Budget and Economic Outlook report.

H.R. 3578, Baseline Reform Act: On Feb. 3, 2012, the House passed H.R. 3578, by a vote of 235 to 177. You can see how they voted here.

Introduced by Rep. Rob Woodall (R-Ga.), H.R. 3578 would amend existing budget law to remove the current assumption when developing budget baselines that discretionary spending will increase by the level of inflation each year. This legislation would also require the CBO to prepare an alternative budget baseline which projects spending, revenue, deficits and debt that would occur under the current tax policy (i.e. temporary tax cuts not expiring as scheduled).

H.R. 3578 would also require that budget baselines project future discretionary spending "at the level provided for the budget year in full-appropriations acts." This would show appropriations frozen at the level which they were last enacted, thereby eliminating the current requirement that future years show increase for inflation.

Line-Item Veto and Rescissions

Congress has the power to initiate rescission legislation that would cancel previously enacted budget authority. The President may also propose rescissions, but if Congress does not enact the proposed rescission within 45 calendar days of continuous session after the message is received, the President must make the funds available for obligation. Congress is not required to vote on such a rescission request, but if it is sent pursuant to procedures outlined in the Impoundment Control Act, the rescissions can be considered under expedited procedures.

Although now defunct, in 1996, the President was given the power of the "line item veto," which empowered him, after signing a bill, to cancel certain types of provisions. This power was ruled unconstitutional by the U.S. Supreme Court in *Clinton, et al. v City of New York, et al*, which held that the Line Item Veto Act violated the Presentment Clause of the U.S. Constitution.

H.R. 3521, Expedited Legislative Line-Item Veto and Rescissions Act: On Feb. 8, 2012, the House passed H.R. 3521, the Expedited Legislative Line-Item Veto and Rescissions Act of 2012, by a vote of 254 to 173. You can see how they voted here.

Introduced by Rep. Paul Ryan (R-Wis.), H.R. 3521 would create an expedited procedure whereby Congress would be required to consider, without the possibility of amendment, presidential proposals to cancel spending included in newly enacted legislation. Under the bill, the President would have 45 days after signing any appropriations bill to propose spending cuts from that law which would then go to Congress for approval under the expedited procedure. The President could submit up to two packages of proposed rescissions per enacted bill through the same rescission could not be proposed in both packages.

The procedures under H.R. 3521, if enacted, would expire at the end of 2015.

H.R. 3521 would also authorize the President to withhold the funds he has proposed to rescind for up to 45 days while Congress considers his request. As a result of a dealt crafted between House Budget Committee Chairman Paul Ryan (R-Wis.) and Budget Committee Ranking Member Chris Van Hollen (D-Md.), only discretionary appropriations items would be subject to rescissions (specifically exempting mandatory spending and revenue). This legislation was specifically designed to comply with constitutional requirements of the Presentment Clause of the U.S. Constitution by providing that the rescissions take effect only after Congressional approval.

Calculating Federal Loans and Loan Guarantees

Most outlays and revenues in the federal budget are measured on a cash-flow basis. In other words, the amounts flowing in and out of the government are recorded in the year when those flows occur. One exception is the treatment of federal loans and federal loan guarantees since enactment of the Federal Credit Reform Act of 1990. For federal loans and loan guarantees, only the subsidy costs inherent in those transactions are recorded on budget as outlays in the year that a loan or loan guarantee is made. Neither the amounts of the loan disbursed nor subsequently repaid enter the federal budget as an outlay. The subsidy cost of a federal loan or loan guarantee is calculated as the difference between the net present value of future expected expenses and income.

Many budgeting professionals have argued that this method of accounting fails to adequately account for risks over the lifetime of the loan and have advocated the adoption of "fair value accounting" which incorporates a premium for the market risk involved. In a May 2011 report regarding the Federal Housing Administration's (FHA's) single-family mortgage insurance program, the CBO said that fair value accounting "provides a more comprehensive measure of the cost of that program" and shows more accurate program costs.

H.R. 3581, Budget and Accounting Transparency Act: On Feb. 7, 2012, the House passed H.R. 3581, the Budget and Accounting Transparency Act, by a vote of 245 to 180. You can see how they voted here.

Introduced by Rep. Scott Garrett (R-N.J.), H.R. 3581 would change the way that the cost of federal loans and loan guarantees are calculated in the budget, specifically requiring that premiums for market risk are included in the budget starting in FY 2014. It would also allow OMB to raise the discretionary spending caps set by last year's August 2011 debt limit law to accommodate cost increases resulting from the inclusion of the market-risk premium. Before adjusting the caps, OMB would have to first report to Congress on the amount of adjustment, the methodology used to determine the size of the adjustment and a program-by-program itemization of the components of the adjustment.

H.R. 3581 would also require that the Federal National Mortgage Association's (Fannie Mae's) and the Federal Home Loan Mortgage Corporation's (Freddie Mac) budgets are brought "on budget," meaning that they would be accounted for in the federal budget. Finally, the bill would require that federal departments and agencies make the budget justifications used to prepare their annual budget requests publicly available.

BUDGETING AND SPENDING: 111TH CONGRESS

FY 2009 Spending/Appropriations Legislation

FY 2009 Omnibus Appropriations Package: Congress closed the books on FY 2009 in March 2010 with an omnibus spending package that wrapped together nine appropriations measures left unfinished at the end of the 110th Congress.

The omnibus provided a total of $1.05 trillion – $410 billion of it for discretionary programs – and included many of the domestic spending increases Democrats were unable to get enacted while George W. Bush was president. The only fiscal 2009 bills enacted in the 110th Congress were for the Defense, Veterans Affairs and Homeland Security departments. The rest were funded under a stopgap law (PL 110-329) that expired March 6, 2010 and was extended until March 11, 2010 (PL 111-6).

In delaying the nine remaining 2009 bills until 2010, Democrats gambled that they would come out of the November 2008 elections with bigger majorities in both chambers and a Democrat in the White House who would support more funding for domestic programs.

The omnibus provided about $31 billion more in discretionary funding than was included in the fiscal 2008 versions of the same nine bills. The new amount was about $19 billion more than President Bush sought; Bush had threatened to veto spending bills that exceeded his request.

The House passed the omnibus with relative ease in February, but action sputtered briefly in the Senate when Republicans and a few Democrats insisted on continuing the debate to allow colleagues to offer numerous amendments. After seven days of debate, the Senate passed the bill unchanged, sending it to the president.

Republicans berated Democrats over both the cost of the bill and the inclusion of thousands of special projects, or earmarks, requested by individual lawmakers. They pointed to campaign promises by President Obama to overhaul the earmark process, which had come under fire because of its perceived excesses and related felony convictions of lawmakers and aides. According to an analysis by the watchdog group Taxpayers for Common Sense, the omnibus contained $7.7 billion in earmarks.

See how they voted on the FY 2009 Omnibus bill here.

FY 2010 Budget Requests and Legislation

President Obama's FY 2010 Budget Request: President Obama formally presented his FY 2010 budget request (his first in office) to Congress on Feb. 26, 2009. The request broadly outlined a $3.55 trillion budget for fiscal 2010 that proposed costly expansions of health care and education and a continuation of the government's role in protecting financial markets.

To help pay for these priorities, Obama's request let the 2001 and 2003 tax cuts for upper-income Americans lapse in 2010, which would have raised almost $637 billion over 10 years. The budget request also decreased or eliminated a variety of special tax provisions for businesses, including about $354 billion in tax increases aimed at oil companies, and provisions directed at hedge fund managers and others the administration says have been allowed to avoid paying their share. The budget request also accounted for revenue the federal government would expect from a cap-and-trade energy program. Despite these tax and revenue raising measures, the budget request still projected an enormous $1.17 trillion deficit for the fiscal year 2010.

FY 2010 Congressional Budget Resolution: Democrats adopted a $3.56 trillion fiscal 2010 budget resolution (S. Con. Res. 13) in both chambers in April 2009 with no Republican votes. See how they voted here.

The resolution gave the House and Senate Appropriations committees a discretionary spending cap of $1.086 trillion for fiscal 2010 – about $10 billion less than Obama requested – to be divided among the 12 annual appropriations bills. The resolution recommended devoting $556.1 billion to defense activities, matching the president's request, which would leave less than requested for domestic programs.

Democrats also included reconciliation instructions that would have allowed them to push Obama's health care overhaul through the Senate under special rules that bar a filibuster and eliminate the need for 60 votes to invoke cloture and cut off debate. The budget resolution also allowed the use of reconciliation for legislation sought by Obama to sharply curtail the role of private lenders in the federal student aid program, but that bill never reached the Senate.

Democrats praised their budget resolution as promoting key investments in health care, education and renewable-energy programs, while starting the process of putting the soaring deficit on a downward trajectory. Republicans denounced it as a blueprint for a huge government expansion that would push the federal debt to dangerous levels. Budget watchdog groups also expressed concern over the amount of debt that would result from the plan.

The House Budget Committee Republicans prepared documents on the president's budget request and the congressional budget resolution for FY 2010 that candidates and campaigns may still find useful. You may access these documents through the links below:

The Obama-Democratic Budget: A Deluge of Dollars and Debt [4/22/2009]

Obama Redux: The Chairman's Mark for the FY 2010 Budget [3/25/2009]

Charts and Graphs: Charts and Graphs provided for FY 2010 Markup [3/25/2009]

What They Said about the House Version of the FY 2010 Budget Resolution (H.Con.Res. 85):

- **In an editorial criticizing the House budget vote, the *Union Leader* wrote an editorial entitled "Reckless: A Historic Failure"**
    - On April 5, 2009, the *Union Leader* wrote an editorial entitled, "Reckless: A Historic Failure," criticizing the passage in the House and Senate of the FY2010 federal budget legislation.[26]

[26] Editorial, "Reckless: A historic failure," *Union-Leader*, April 5, 2009

- **The editorial also called it "the most fiscally irresponsible budget in the history of the federal government"**

  - In an April 5, 2009, editorial, the *Union Leader* wrote, "The Republicans under President Bush were far from prudent with the people's money. They are pikers compared to Democrats under President Obama, who just passed the most fiscally irresponsible budget in the history of the federal government."[27]

- **The editorial also said, "they [Democrats] don't know how best to spend $3.5 trillion of your money, but they darn well know they must spend it, and now!"**

  - In an April 5, 2009, editorial, the *Union Leader* wrote, "House and Senate Democrats passed two different versions of the bill. The total spent is roughly the same. But neither side has been able to agree on what, precisely, to spend it. In other words, they don't know how best to spend $3.5 trillion of your money, but they darn well know they must spend it, and now!"[28]

- ***The Washington Post* wrote in an editorial that at a time when responsible budgeting is critical to navigating fiscal challenges, the budgets passed through Congress "fall short"**

  - In an April 5, 2009, editorial entitled "Budget Gimmicks (Cont'd)," *The Washington Post* wrote, "Rarely has there been a moment in history where responsible budgeting has been more critical for laying out a rational plan for the government to navigate tricky economic, financial, and fiscal challenges while simultaneously reassuring global credit markets that the United States is a safe place to invest. Yet all of these budgets fall short."[29]

- ***The Washington Post* editorial also said that rather than making the budget more fiscally responsible, the Democrats "chose to add more gimmicks and dishonesty"**

  - In an April 5, 2009, editorial, *The Washington Post* wrote, "The president's original framework, even relying on some budgetary sleights of hand, added $9 trillion to the debt over 10 years. Rather than change policy to brighten the fiscal picture, the House and Senate chose to add more gimmicks and dishonesty."[30]

- **The *Orlando Sentinel* wrote in an editorial that the Democrats budget plans "would make massive deficits as much a fixture in Washington, D.C., as the monuments and museums"**

  - In an April 4, 2009, editorial, the *Orlando Sentinel* wrote, "Democrats muscled budget plans through the U.S. House and Senate this week that would make massive deficits as much a fixture in Washington, D.C., as the monuments and museums. No Republicans voted for either plan."[31]

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27 Editorial, "Reckless: A historic failure," *Union-Leader*, April 5, 2009
28 Editorial, "Reckless: A historic failure," *Union-Leader*, April 5, 2009
29 Editorial, "Budget Gimmicks (Cont'd)," *The Washington Post*, April 5, 2009
30 Editorial, "Budget Gimmicks (Cont'd)," *The Washington Post*, April 5, 2009
31 Editorial, "It's a bipartisan burden," *Orlando Sentinel*, April 4, 2009

Selected hits on the final FY 2010 Budget Resolution (S. Con. Res. 13):

- **The budget resolution represents a $3.4 trillion spending plan**

  - In an April 30, 2009, article, *The Washington Post* reported, "The Democratically controlled Congress yesterday easily approved a $3.4 trillion spending plan, setting the stage for President Obama to pursue the first major overhaul of the nation's health-care system in a generation along with other far-reaching domestic initiatives."[32]

- **Under the budget resolution, the federal deficit is expected to exceed $1.2 trillion in FY 2010**

  - The article goes on to say that, "The budget resolution didn't win a single vote from Republican lawmakers, who were enraged that the deficit is projected to exceed $1.2 trillion next year."[33]

- **The budget resolution allows for tax increases**

  - In a WebMemo entitled "2010 Budget Resolution Raises Taxes and Hurts Economic Recovery" the Heritage Foundation wrote, "The resolution includes several provisions that will significantly raise taxes and hurt economic recovery.

  - These provisions include:

    - Allowing the 2001 and 2003 tax cuts to expire for couples making over $250,000 and singles earning over $200,000. This includes increases of rates on income, capital gains, and dividends.

    - Extending the Alternative Minimum Tax (AMT) patch, but for only three years.

    - Making permanent the death tax at its 2009 level.

    - Eliminating the Making Work Pay Credit after 2010.

    - Each of these provisions is a substantial tax increase that would hurt the economy in good times but will devastate it in its current weakened state. Congress should reject these provisions and instead pursue pro-growth policies that will help the sputtering economy."[34]

- **The budget resolution creates a reconciliation process for health care**

  - *The Washington Post* article also says, "The resolution also creates a reconciliation process for health care and Obama's plan to dramatically expand the federal college loan program. Under

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32 Lori Montgomery, "Congress Approves Obama's $3.4 Trillion Spending Blueprint" *The Washington Post*, April 30, 2009
33 Lori Montgomery, "Congress Approves Obama's $3.4 Trillion Spending Blueprint" *The Washington Post*, April 30, 2009
34 Curtis Dubay, "2010 Budget Resolution Raises Taxes and Hurts Economic Recovery" WebMemo #2452, The Heritage Foundation, May 18, 2009

the resolution, if key committees produce health and education legislation by Oct. 15, those measures could pass the Senate with only 51 votes instead of the usual 60."[35]

The House Budget Committee Republicans prepared documents on the final FY 2010 Budget Resolution/FY 2010 Budget Conference Report. You may still access these documents through the links below:

The Obama Plan for Spending, Taxes and Debt: Conference Report S. Con. Res. 13 [4/28/2009]

The Obama-Democratic Budget: Fact Sheet: Conference Report S. Con. Res. 13 [4/28/2009]

FY 2010 Spending/Appropriations Legislation

FY 2010 Omnibus Appropriations Package: By the start of the 2010 fiscal year on Oct. 1, only five of the 12 FY 2010 spending bills had been signed into law and the remainder of the government were operating at last year's levels under a stop-gap budget law (PL 111-88), set to expire Dec. 18, 2009. To finalize FY 2010 funding, Democrats assembled a six-bill omnibus spending package. The omnibus provided $446.8 billion in discretionary funds. That is a 12.5 percent increase over the $397.1 billion in non-emergency funding that Congress provided for the same programs in fiscal 2009.

See how they voted here.

Selected Hits on the FY 2010 Omnibus Appropriations Bill

- **Final passage of the $1.1 trillion FY 2010 Omnibus Appropriations bill, provided an 8 percent discretionary spending hike for the third consecutive year and contained approximately 5,224 earmarks**

  - In a Dec. 10, 2009, article, the Associated Press reported, "The 1,088-page, $1.1 trillion measure would provide $447 billion in operating budgets for 10 Cabinet departments, awarding increases averaging almost 10 percent. On top of that comes more than $600 billion in payments for federal benefit programs such as Medicare and Medicaid."[36]

  - In a Dec. 10, 2009, WebMemo, The Heritage Foundation wrote, "It is business as usual in Washington. Despite a recession and record $1.4 trillion budget deficit, Congress continues to accelerate runaway spending and pork. While families and entrepreneurs are responsibly bringing their own budgets under control, Congress is spending and earmarking as if nothing has changed in the economy. Congressional leaders are attempting to rush through a mammoth, 1,088-page fiscal year (FY) 2010 omnibus appropriation bill[1] that:

    - "Provides an 8 percent discretionary spending hike for the third consecutive year;

    - "Provides these spending hikes in addition to $311 billon in earlier stimulus funding for these discretionary programs; and

[35] Lori Montgomery, "Congress Approves Obama's $3.4 Trillion Spending Blueprint" *The Washington Post*, April 30, 2009
[36] "House passes $1.1 trillion omnibus spending bill," Associated Press, Dec. 10, 2009

"Includes approximately 5,224 earmarks, bringing the FY 2010 total to 8,939, with a pork-laden defense bill expected to push the final total over 10,000."[37]

FY 2011 Budget Requests and Legislation

President Obama's FY 2011 Budget Request: On Feb. 1, 2010, President Obama submitted his FY 2011 budget request to Congress. Despite recent rhetoric of fiscal responsibility, the President's budget more than doubles the debt, drives spending to a new record of $3.8 trillion in FY 2011, pushes the deficit to a new record of $1.6 trillion in FY 2010, and raises taxes by over $2 trillion through 2020 by the Administration's own estimates.

Editor's Note: *The following summary of the FY 2011 Presidential Budget Request is provided by the House Republican Conference:*

The following is a summary of the record debt, deficits, and tax increases included in the President's budget, as well as a brief description of some of the budget's main items.

Debt: The President's budget would dramatically increase the national debt, more than doubling the public debt from $7.7 trillion today to $18.57 trillion in 2020. Under the President's budget, from today until the end of 2010, public debt would rise by $1.53 trillion or 20 percent. By 2020, the public debt would be 77.2 percent of gross domestic product (GDP), the highest total since just after World War II. By contrast, under current law, public debt would be $15.02 trillion in 2020, meaning the Obama Administration's budget would incur $3.55 trillion more in debt than doing nothing. When President Obama took office in January, 2009, CBO estimated that the public debt in 2019 would be $9.3 trillion.

Deficits: Under the President's budget, the FY 2010 deficit will reach a record high of $1.556 trillion or 10.6 percent of GDP, which is $143 billion or 10.1 percent larger than last year's record deficit. Over the next ten years, annual deficits average $917 billion every year-twice as high as FY 2008's then record deficit of $458 billion. The smallest deficit under the President's plan would be $706 billion in 2014. However, the deficit would quickly increase again, before reaching over $1 trillion in FY 2020. Between FY 2011 and FY 2020, annual deficits would total $8.53 trillion. According to CBO, if current law were not changed the deficit would be $6.01 trillion over the same time span-$2.5 trillion less than it would be if the President's policies are enacted.

Tax Increases: The President's budget would also increase taxes by a record $2.308 trillion over ten years. The budget increases a broad range of taxes that would affect every taxpayer, including:

- $969 billion in tax increases by allowing the 2001 and 2003 tax cuts to expire for individuals earning above $200,000 (single) or $250,000 (married). This includes a provision limiting tax deductions on charitable gifts to 28 percent, which one formula has estimated could decrease private charitable donations by $9 billion a year.

- $743 billion in new taxes associated with a government takeover of health care.

- $122 billion in higher taxes related to changes in the U.S. international tax rules and enforcement.

[37] Brian Riedl, "Business as Usual in Washington: Another Bloated, Pork-Filled Omnibus Spending Bill," The Heritage Foundation, Dec. 10, 2009

- $90 billion in tax increases imposed on financial institutions, referred to as a "financial crisis responsibility fee."

- $59 billion in tax increases associated with the repeal of last-in, first-out inventory accounting practices.

- $39 billion in increased taxes related to the repeal of tax credits for the production of natural gas, oil, and coal fuels.

- $24 billion in tax increases on carried interest, doubling the tax rate from 15 percent to 39.6 percent.

- $262 billion in additional, miscellaneous tax increases over the next ten years.

In addition, the President's budget ignores any new taxes related to the Democrats' national energy tax proposal, known as "cap and trade." Instead, the budget merely states that, "A comprehensive market-based climate change policy will be deficit neutral because proceeds from emissions allowances will be used to compensate vulnerable families, communities, and businesses during the transition to a clean energy economy." Thus, the President's budget ignores the $843 billion in new taxes that CBO estimates the House-passed bill would impose on every American and assumes that redistributive spending programs will make each whole. If these additional taxes were included, the President's budget would impose $3.15 trillion in tax increases over the next ten years.

<u>Other Issues of Note</u>

In addition to the fiscal issues above, the President's budget also includes the following provisions which may be of note to Members and staff.

- "Spending Freeze": The President's budget "freezes" certain discretionary spending at FY 2010 levels for three years, through 2013. However, the budget excludes the vast majority of federal spending from the freeze, including mandatory spending and "security" spending, including defense, homeland security, veterans, and foreign aid discretionary spending. In addition, funding for Pell Grants also evades the freeze because the Administration proposes to convert it into a mandatory program. The freeze would only affect about 13 percent of FY 2010 spending. The President's plan to freeze some expenditures also comes after a year of unprecedented discretionary increases which inflated current spending levels. According to the Republican staff of the House Budget Committee, including the "stimulus," the President has increased non-defense discretionary spending by 84 percent over two years.

- Pell Grants: The budget makes federal Pell Grants a mandatory program in order to clear approximately $17.5 billion from the discretionary spending category of the budget in FY 2010. Pell Grants would automatically be increased with inflation. This budgeting gimmick allows the President to clear billions from the discretionary spending category and meet the "spending freeze," while making Pell Grants-and Pell Grant increases-permanent regardless of appropriations.

- Student Loan Takeover: Once again, the Administration's budget has proposed to eliminate the federal government's guaranteed student loan program, the Federal Family Education Loan program

(FFEL), which allows students to receive federal loans through a private institution, and begin making all federal student loans through the Direct Loan program. According to OMB this proposal would save $45 billion over the 2010-2020 period, but this scoring neglects the risk to the federal government of defaults. According to CBO, when this market risk is considered, proposals to have the Direct Loan program monopolize student lending actually cost taxpayers.

- Social Security Payments: The budget proposes a $250 payment to each Social Security and Supplemental Security Income (SSI) recipient, identical to the payment made in the "stimulus" bill at a cost of $13 billion. A similar provision was requested by the President in a second stimulus bill, but the House did not include it in the bill.

- LIHEAP: The budget includes $3.3 billion for the Low Income Home Energy Assistance Program (LIHEAP) and provides for a new trigger that allows financial assistance through the program to increase automatically.

- Contingency Funding: President Obama's budget provides $41 billion for overseas contingency operations for the wars and missions in Afghanistan, Pakistan, and Iraq in FY 2010 and a total of $159.3 billion for FY 2011. Last year's budget included only $50 billion for this purpose in FY 2011.

- Unemployment and COBRA: The budget provides $49 billion for an extension of emergency Unemployment Insurance benefits provided by the federal government and $5.5 billion for an extension of the COBRA health insurance subsidy at 65 percent of the cost of employer-provided health insurance.

What they said about President Obama's FY 2011 Budget Request

- ***The Washington Post*****: "Under the path laid out by the president, absent the work of the fiscal commission, the national debt is set to rise to a staggering 77 percent of the economy by 2020. That year, interest payments on the debt alone will be $840 billion;** by way of comparison, all nonsecurity discretionary spending in 2020 is estimated to be $537 billion. And these terrifying numbers reflect the optimistic scenario. They assume that Congress accedes to all of the president's suggested cuts and savings…The projections also assume that, after setting aside $160 billion for war costs in 2011, the annual price tag for 'overseas contingency operations' can be trimmed to $50 billion. They assume that health-care reform along the lines of the House and Senate proposals will pass – and save $150 billion over 10 years. And they assume that the administration's relatively optimistic economic forecasts will pan out. If any of this leaves you skeptical, you are within your rights." ("Hard choices to come with fiscal year 2011 budget," *The Washington Post*, Feb. 2, 2010)

- ***The Wall Street Journal*** **opinion: "The budget that President Obama released yesterday for fiscal 2011 is one of the greatest spend-while-you-can documents in American history.** We now know why the White House leaked word of a three-year spending freeze on a few domestic accounts before this extravaganza was released. No one would have noticed such a slushy promise amid this glacier of spending. … If this budget is Mr. Obama's first clear demonstration of his long-term governing priorities, then it's hard not conclude that this spending boom is deliberate. … Even these tax increases won't be enough to pay for the spending that this Administration is unleashing in its first two remarkable years. On the evidence of this budget, the Massachusetts Senate election never happened." (Opinion, "The President's Priorities," *The Wall Street Journal* opinion, Feb. 2, 2010)

- ***The Dallas Morning News*** **editorial: "But if jobs, jobs, jobs are the focus, is the president's proposal serious enough?** Government can't directly create private-sector jobs; the most it can do is create an environment that allows businesses big and small, from Bank of America to your local dry cleaners, to hire more workers…. Even under the administration's optimistic future scenarios, the bottom lines are staggering. A record $1.56 trillion deficit for 2011, with trillion-dollar estimates (give or take a few hundred billion) deep into the decade." (Editorial, "Are Obama's budget ideas enough?" *The Dallas Morning News* editorial, Feb. 2, 2010)

- ***The Philadelphia Inquirer*** **editorial board: "President Obama is in a tight spot. Economists tell him spending is necessary to grow the economy, but that just deepens already huge deficits that also threaten the country's future. So, what to do? Obama's new budget tells the tale** His proposed $3.8 trillion in spending puts the nation on course for deficits totaling more than $5 trillion over the next five years. That's staggering. Recession or not, the country can't afford that level of spending. The federal government now borrows one-third of all the money it spends. No household could survive very long like that. On this pace, interest payments on the national debt alone will reach $840 billion in 2020. That sum is more than the government is projected to spend in the same year on all discretionary domestic programs not related to security." (Editorial Board, "Obama's budget needs to be trimmed," *The Philadelphia Inquirer* editorial board, Feb. 3, 2010)

- ***The Washington Times*** **editorial: "Over the next decade, President Obama plans on increasing taxes by $1.4 trillion, offset by his planned $300 billion in tax cuts** But his spending splurge will increase so much that Mr. Obama will add $5.1 trillion to the national debt over the next five years and $8.5 trillion over 10 years. This will be on top of the $1.4 trillion deficit we ran last year. At the end of these 10 years, the publicly held national debt will nearly double to $18 trillion. Even Mr. Obama's own estimates put all the other tax-and-spend liberals to shame. And Mr. Obama hasn't even gotten his massive, costly takeover of the health care system and his even more costly cap-and-tax proposal. It is not as if Americans couldn't survive with a smaller amount of government spending – eight years ago, the budget was about half as big as Mr. Obama's proposal." (Editorial, "More new taxes, more new spending," *The Washington Times* editorial, Feb. 2, 2010)

- ***Orlando Sentinel*** **editorial: "The federal budget is on the road to ruin, with long-term deficits that threaten the nation's economy and security. But instead of heading for an exit, Barack Obama would step on the gas.** In unveiling his proposed budget this week, the president declared, 'We simply cannot continue to spend as if deficits don't have consequences.' Amen. The consequences include diverting dollars from investments that would make America more prosperous and secure, forcing Uncle Sam to depend even more on China and other foreign creditors, leaving a crushing debt burden on future generations, and raising the risk of another economic meltdown." (Editorial, "The nation's red-ink alert," *Orlando Sentinel* editorial, Feb. 3, 2010)

FY 2011 Congressional Budget Resolution: For FY 2011, House Democrats did not propose, write or report a budget resolution. On April 22, 2010, the Senate Budget Committee reported a budget resolution (S. Con. Res. 60). On July 1, 2010, the House adopted a budget enforcement resolution (H. Res. 1493), which established a topline discretionary spending level for FY 2011 for House appropriators of $1.314 trillion.

Below are selected vote hits on Democrats who voted for H. Res. 1493:

- **H. Res. 1493 was a one-year spending plan instead of a traditional five-year budget resolution**

  - Voted for adoption of the rule (H Res 1500) that would provide for House floor consideration of the Senate amendment to the bill that would provide $58.8 billion in supplemental funds for fiscal 2010. The rule also would provide for the automatic adoption by the House of a resolution (H Res 1493) that would set a discretionary spending limit of $1.12 trillion for fiscal 2011. The rule also would amend the House pay-as-you-go rule to align in with the statutory pay-as-you-go law.[38]

  - In a July 1, 2010, article, *Congressional Quarterly* reported, "The House on Thursday adopted a one-year spending plan that Democrats put forward instead of a traditional five-year budget resolution, which has stalled because of intraparty differences over spending levels and concern over the budget deficits it would project.

    "The one-year plan (H Res 1493) was considered adopted when the rule for floor debate on the supplemental war funding bill (HR 4899) was adopted. That vote was 215-210.

    "The plan, which Democrats have dubbed a 'budget enforcement resolution' for fiscal 2011, would set a limit of $1.121 trillion on discretionary spending. Democrats say it would allow about $7 billion less to be spent in fiscal 2011 than President Obama requested."[39]

- **In the past, the House always has voted on its own version of a five-year budget resolution**

  - In a July 1, 2010, article, *Congressional Quarterly* reported, "Congress did not produce a final House-Senate budget agreement in 1998, 2002, 2004 or 2006, but since the modern budget process took effect in 1976, the House always has voted on its own version of the resolution. Democrats criticized the GOP for not approving final budgets when they controlled Congress, and now Republicans, including Spratt's likely opponent in the fall election, are trying to make the failure to adopt a budget a campaign issue. They say it shows that Democrats have no plan for controlling spending or reining in record deficits."[40]

- **"This would be the first time the House has not considered a budget resolution since the modern budget process began"**

  - In a July 1, 2010, House Action Report, *Congressional Quarterly* reported , "The Congressional Budget Act (PL 93-344) requires the adoption of an annual budget resolution that establishes levels of revenue, spending, the debt limit and the budget surplus or deficit, as well as allocations of spending. The budget resolution is enforced primarily through points of order

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[38] H.R. 4899, CQ Vote #428, July 1, 2010
[39] David Clarke, "Awaiting Panel Recommendations, House Adopts One-Year Budget Resolution," *Congressional Quarterly*, July 1, 2010
[40] David Clarke, "Awaiting Panel Recommendations, House Adopts One-Year Budget Resolution," *Congressional Quarterly*, July 1, 2010

and reconciliation procedures. In years when the House and Senate failed to reach an agreement on a budget resolution, the chambers have instead adopted so-called deeming resolutions, commonly incorporated into measures dealing with other issues, to set discretionary spending allocations. Congress did not reach budget agreements, and used deeming resolutions, for FY 1999, FY 2003, FY 2005 and FY 2007. This would be the first time the House has not considered a budget resolution since the modern budget process began."[41]

- **The Democrat's failure to pass a traditional five-year budget plan was called a "dereliction of duty" and a "cynical maneuver"**

  - In a July 8, 2010, opinion, David Broder wrote in *The Washington Post*, "On June 30, the Congressional Budget Office issued its long-term outlook, predicting that deficits would come down for the next few years as the need for counter-recession spending eased and revenue improved. But then, it warned, 'unsustainable' red ink would flow again, creating debts not seen since World War II.

    "The next day the House of Representatives passed a one-year budget resolution rather than the normal blueprint committing the government to a fiscal plan of at least five years.

    "For all the publicity that goes to earmarks and other spending gimmicks, this was a far worse dereliction of duty. And the cynicism of the maneuver just made it worse."[42]

- **A traditional five-year budget plan projects outlays, revenue, and deficit levels over that time period. The one-year "budget enforcement resolution" does not**

  - In a July 1, 2010, House Action Report, *Congressional Quarterly* reported, "In the House, Spratt and Democratic leaders reportedly tried for months to produce a budget resolution that would address competing concerns of members about how much spending it should allow. Instead of advancing the traditional five-year budget plan that projects outlays, revenue, and deficit levels over that time period, Spratt yesterday introduced a one-year 'budget enforcement resolution' (H Res 1493) to set a discretionary spending limit for FY 2011."[43]

- **The "budget enforcement resolution" Democrats are substituting for a traditional budget resolution doesn't detail how record deficits would be reduced and "kicks hard decisions about the budget down the road to a fiscal commission"**

  - According to a July 1, 2010, posting on *The Hill's* On the Money blog, "The 'budget enforcement resolution' Democrats are substituting for a traditional budget resolution doesn't detail how record deficits would be reduced, but sets spending levels below those proposed by the White House and Senate. It kicks hard decisions about the budget down the road to a fiscal commission."[44]

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[41] CQ House Action Report, "Supplemental Appropriations & Budget Enforcement," *Congressional Quarterly*, July 1, 2010
[42] David Broder opinion, "House budget plan? A dereliction of duty," *The Washington Post*, July 8, 2010
[43] CQ House Action Report, "Supplemental Appropriations & Budget Enforcement," *Congressional Quarterly*, July 1, 2010
[44] Walter Alarkon, "House budget move kicks tough decisions down the road," *The Hill's* On the Money, July 1, 2010

- The same posting goes on to report, "Spratt's measure doesn't say what policies Congress should enact to reach that out-year goal, something past budget resolutions have done. Instead, it relies on the White House fiscal commission, a bipartisan panel looking at tax, spending and entitlement policies, to come up with a plan to halve the projected $1.5 trillion 2010 deficit by 2015."[45]

➢ **"Of all the times for Congress to abandon its responsibility for long-term fiscal planning, this is the worst"**

- In a July 8, 2010, opinion, David Broder wrote in *The Washington Post*, "The terrible irony in all this? More and more people are seeing that what this agonizing situation requires is a limited and temporary measure to pump more life into the economy and create jobs, along with a serious commitment to impose real spending discipline and hold down deficits in the long term -- exactly what a five-year budget resolution could provide."[46]

- The same opinion goes on to say, "Of all the times for Congress to abandon its responsibility for long-term fiscal planning, this is the worst."[47]

➢ **In 2006, now-chairman of the House Budget Committee, John Spratt (D-SC) said, "If you can't budget, you can't govern."**

- In a May 10, 2010, article, *Politico* reported, "In 2006, as Democrats were pushing to take control of the House and Republicans were hamstrung by their own budget woes, he said: 'If you can't budget, you can't govern.'

  "Spratt offers a more nuanced view now that his Democrats are in charge. He insists that his party will be able to control spending with or without a budget resolution because of a patchwork of existing and soon-to-be-implemented measures."[48]

➢ **House Majority Leader Steny Hoyer (D-MD) has previously said the "most basic responsibility of governing is to pass a budget."**

- In a May 13, 2010, article, *Politico* reported, "[House Minority Leader John] Boehner dug up an old quote from House Majority Leader Steny Hoyer (D-Md.) who previously said the 'most basic responsibility of governing is to pass a budget.' Boehner also referenced Budget committee Chairman John Spratt (D-S.C.), saying that 'if you can't budget, you can't govern.'

  "Democrats have been slow to figure out whether they will actually adopt an annual budget resolution this year. The budget usually is done by late spring and serves as a blueprint for the annual appropriations bills."[49]

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[45] Walter Alarkon, "House budget move kicks tough decisions down the road," *The Hill's* On the Money, July 1, 2010
[46] David Broder opinion, "House budget plan? A dereliction of duty," *The Washington Post*, July 8, 2010
[47] David Broder opinion, "House budget plan? A dereliction of duty," *The Washington Post*, July 8, 2010
[48] Jonathan Allen, "Budget looms over midterm elections," *Politico*, May 10, 2010
[49] Jake Sherman, "John Boehner slams 'inability to govern,'" *Politico*, May 13, 2101

The House Budget Committee Republicans prepared a document on the budget record of the 111th Congress. You can find this document at the below link:

The Budget Record of the 111th Congress: More Spending, Taxes, Deficits and Debt [9/29/2010]

What they said about there not being an FY 2011 House Budget Resolution:

- ***The Hill***: "**The House has never failed to pass an annual budget resolution since the current budget rules were put into place in 1974.** [Then-House Majority Leader Steny] Hoyer [D-Md.] this spring noted that the GOP-led Congress didn't pass a final resolution in 1998, 2004 and 2006. The House will put forth a 'budget enforcement resolution' rather than a budget blueprint that looks beyond next year and calculates five or 10 years' worth of deficit figures." (Jared Allen, "Dems won't pass budget in 2010," *The Hill*, June 22, 2010)

- ***Politico***: "**Majority Leader Steny Hoyer made official Tuesday morning what most insiders have known for months: Congress won't do a budget this year.** Instead, Democrats are pushing an alternative route that falls well short of the more rigorous annual budget resolution – a short-term resolution that will call for discretionary spending lower than in President Barack Obama's fiscal 2011 budget. But he said Congress wouldn't take longer-term budget action before hearing from Obama's fiscal commission in December. Republicans have lambasted Democrats for not passing a budget resolution, saying that's the first time it's happened since 1976." (Simmi Aujla, "Steny Hoyer: No budget this year," *Politico*, June 22, 2010)

- ***Los Angeles Times***: **"Facing the uncomfortable reality that the federal government's 2011 budget shows record levels of red ink, congressional Democrats may resolve the politically thorny situation by simply refusing to pass a budget resolution this election year. With voters in no mood to hear about Washington's $1.3-trillion deficit, some moderate and conservative Democrats say they would rather sit this one out.** They have found common cause with liberal colleagues who don't want to pass spending cuts, especially while the economy is still struggling." (Lisa Mascaro, "Budget woes? Just don't pass one," *Los Angeles Times*, May 22, 2010)

- ***The Hill***: **"Freshman House Democrats are pressing leaders to do a budget resolution this year even as senior Democrats lay the groundwork to skip it."** (Walter Alarkon, "Freshman House Dems push their leaders to approve budget resolution," *The Hill*, May 22, 2010)

FY 2011 Spending/Appropriations Legislation

FY 2011 Continuing Resolutions (CRs): In order to provide funding for FY 2011, the Democrat-controlled Congress passed and enacted four back-to-back CRs in 2010.

H.R. 3081

This CR provided funding for FY 2011 from Oct. 1, 2010, to Dec. 3, 2010. House Budget Committee Republicans produced a document on this stop-gap funding measure that you may access at the below link:

The Continuing Resolution for Fiscal Year 2011: H.R. 3081 [10/8/2010]

H. J. Res. 101

This CR provided funding for FY 2011 from Dec. 4, 2010, to Dec. 18, 2010.

H. J. Res. 105

This CR provided funding for FY 2011 from Dec. 20, 2010, to Dec. 21, 2010.

H. R. 3082

This CR provided funding for FY 2011 from Dec. 22, 2010, to March 4, 2011.

Below are selected vote hits on Democrats who voted against H.R. 3082:

- **H.R. 3082 extended most federal government spending at FY 2010 levels through March 4, 2011, increasing annual spending by more than $1 billion, continuing to add to the deficit, and after the Democrat-led congress failed to pass a budget**

    - Voted for the Rep. Obey (D-WI) motion to concur in the Senate amendment to the House amendment to the Senate amendment to the bill. The Senate amendment would continue most appropriations at fiscal 2010-enacted levels through March 4, 2011. The measure would provide an overall annualized spending rate that is $1.16 billion more than fiscal 2010 levels. It would provide additional funding for the Low Income Home Energy Assistance Program (LIHEAP) and Pell grants. It also would allow the awarding of a Navy contract for shipbuilding of Littoral Combat Ships to multiple suppliers. (Agreed: 193-165; D: 192-19; R: 1-146)[50]

- **Congress failed to pass a budget or any appropriations bills in FY 2010**

    - In a Dec. 17, 2011, article, Reuters reported, "Congress gave final approval on Friday to extending government funding through Tuesday to avoid a shutdown after lawmakers failed to agree on a long-term solution to a stark partisan divide overspending.

      "The measure would pay for government operations beyond Saturday night, when current funding expires. But it merely postpones a fight over spending that is expected to loom large next year, when Republicans will wield greater clout in Washington.

      "Lawmakers have failed to pass a budget for the current fiscal year, which started October 1, and thus have extended last year's budget to fund the operation of everything from nuclear submarines to national parks."[51]

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[50] H.R. 3082, CQ Vote #662, Dec. 21, 2010
[51] Andy Sullivan, "Congress Votes to Extend Government Funding," Reuters, Dec. 17, 2010, http://www.reuters.com/article/idUSTRE6BD5C320101218

- **Before 2010, the House had never failed to pass a budget since current budget rules were put into place in 1974**

    - In a June 21, 2010, article, *The Hill* reported, "The House has never failed to pass an annual budget resolution since the current budget rules were put into place in 1974. Hoyer this spring noted that the GOP-led Congress didn't pass a final resolution in 1998, 2004 and 2006.

      "The House will put forth a 'budget enforcement resolution' rather than a budget blueprint that looks beyond next year and calculates five or 10 years' worth of deficit figures.

      "The House's 'enforcement' — or deeming — resolution will endorse the goals of the president's fiscal commission and reiterate the commitment to vote on its recommendations after the midterm elections. And it will also set limits on discretionary spending 'that require further cuts below the president's budget,' according to the speech."[52]

- **In FY 2010 the federal government recorded a 1.3 trillion dollar budget deficit, the second highest in history**

    - In a Nov. 5, 2010, CBO report, "The federal government recorded a total budget deficit of $1.3 trillion in fiscal year 2010, $122 billion less than the deficit incurred in 2009. The federal deficit fell as a share of the nation's gross domestic product (GDP) from 10.0 percent in 2009 to 8.9 percent in 2010—the second-highest deficit as a share of GDP since 1945 and about four times the average deficit as a share of GDP recorded between 2005 and 2008."[53]

- **The extended funding bill would increase federal spending by an additional $1.16 billion over FY 2010 levels**

    - In a Dec. 27, 2010, article, *CQ Weekly* reported, "Democrats tried to find a way to fund the government through the end of fiscal 2011 to allow them to enact their own priorities. The most they could get, however, was a continuing resolution (HR 3082) that will last through March 4, 2011.

      "After extended negotiations, the Senate passed the short-term bill, 79-16, on Dec. 21. The House, which had passed a full-year version two weeks earlier, cleared the bill, 193-165, that evening. (Senate vote 289, p. 2968; House vote 662, p. 2964)

      "The measure was necessary to keep the government operating because none of the 12 regular fiscal 2011 spending bills was enacted. The previous stopgap funding resolution (PL 111-317) expired Dec. 21.

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[52] Jared Allen, "Dems Won't Pass Budget in 2010," *The Hill*, June 21, 2010, http://thehill.com/homenews/house/104635-dems-wont-pass-budget
[53] "Monthly Budget Review, Fiscal Year 2010," CBO, Nov. 5, 2010, http://www.cbo.gov/ftpdocs/118xx/doc11873/NovemberMBR.pdf

"Although the bill, which Senate Majority Leader Harry Reid, D-Nev., introduced Dec. 19, maintains fiscal 2010 funding for most accounts, it also includes millions of dollars in additional funds for some programs, including some aimed at students and veterans.

"Overall, the bill would increase spending at an annual rate of $1.16 billion in fiscal 2011 compared with fiscal 2010, although the government will get less than that because the stopgap will last only to early March, not through the entire fiscal year."[54]

[54] Charlene Carter and Kerry Young, "Government Funded Through March 4," *CQ Weekly*, Dec. 27, 2010, http://www.cq.com/doc/weeklyreport-3786965?wr=UEhZTDhpeFBiKnBzY2JxRkhZdDdaZw

BUDGETING AND SPENDING: 112TH CONGRESS

H. Res. 38, A Resolution Reducing Non-Security Spending to Fiscal Year 2008 Levels or Less

Since the Democrats' stop-gap spending measure would not expire until March 4, 2011, House Republicans decided to instead immediately call for reduced spending levels for the remainder of FY 2011. On Jan. 25, 2011, the House passed H. Res. 38, an instruction resolution. Specifically, the resolution instructed House Budget Committee Chairman Paul Ryan to publish 302(a) allocations that "assumes a transition to non-security spending at FY 2008 levels." H. Res. 38 allowed Chairman Ryan to move toward setting non-security discretionary spending limits at FY 2008 levels. Specifically, the resolution instructs Chairman Ryan to publish a discretionary spending total, known as a section 302(a) after the section of the budget act where it appears, that "assumes a transition to non-security spending at FY 2008 levels."

While the new House procedures adopted under the rules package gave Chairman Ryan all the authority he needs to set enforceable budget aggregates and allocations, it did not specifically require that he trim spending to 2008 levels. GOP leaders believe a favorable House vote on the resolution would put the chamber on record in favor of the Republican leaders' pledge to reduce non-defense and non-security related spending to 2008 levels.

You can see how they voted here.

Background: The House rules adopted earlier in January 2011, gave Budget Committee Chairman Paul Ryan the authority to submit budget totals for the remainder of FY 2011 and the following four fiscal years. Under the rule, when Chairman Ryan publishes the budget numbers in the Congressional Record, they become enforceable budget limits without further congressional action….essentially, for lack of a better word, "deeming" a budget. (A short summary of this provision can be found on page 7 of the Rules Committee's Section by Section Analysis of H.Res.5, Adopting Rules for the 112th Congress)

House leaders and appropriators will use Ryan's budgetary guidelines to cut discretionary spending for the remainder of FY 2011, fulfilling a campaign promise to reduce spending by $100 billion below President Obama's FY 2011 budget proposals.

Democrats and some independent budget analysts have criticized the rule change, which they said gave Ryan too much power and accused GOP leaders of subverting traditional House budget procedure. Republicans countered that the authority was necessary to set enforceable spending limits quickly, since Congress failed to enact a budget or any of the 12 appropriations bills for FY 2011, so that FY 2011 appropriations can be finalized before Congress begins its work on FY 2012 budget legislation.

FY 2011 Spending/Appropriations Legislation

H.R. 1, FY 2011 Full-Year Continuing Appropriations Act: The House began consideration of H.R. 1 on Feb. 15, 2011. On Feb. 19, 2011, the House passed H.R. 1 by a vote of 235-189. You can see how they voted here. H.R. 1 was never taken up by the Senate.

Editor's Note: *The following information is primarily derived from the House Appropriations Committee Republicans and the House GOP Conference.*

H.R. 1 was the largest reduction of non-security discretionary spending in the history of the United States. It is also the first time that a CR has contained spending reductions.

Highlights of H.R. 1 as introduced included:

- Over $100 billion in savings (compared to the President's FY 2011 discretionary spending request)
- $81 billion in cuts to non-security programs
- $19 billion in cuts to security-related programs
- Continued critical funding for national defense at a two percent increase over 2010's level
- No new earmarks, and elimination of all previous earmark funding from FY 2010, saving approximately $8.5 billion
- Elimination of any unobligated "stimulus" funding, saving as much as $2 billion, including prohibition on using funds for "signage" promoting stimulus programs and projects
- Prevention of funding to implement the "1099" provision from the Democrats' health care overhaul law
- Prohibition of funding for the so-called "Health Care Czar" and "Climate Change Czar"
- Restoration of the prohibition against federal funding of abortion and needle exchange programs
- Elimination of funding for the Corporation for Public Broadcasting
- Increase in funding for veterans disability claims processing

H.R. 1 would have provided discretionary funding for the remainder of FY 2011. According to CBO, H.R. 1 would have provided $1.028 trillion in discretionary budget authority for the remainder of FY 2011. H.R. would have provided $106.5 billion in savings compared to the President's FY 2011 discretionary spending request and $58.6 billion in savings compared to the current CR.

H.R. 1 represented the largest reduction in non-security discretionary spending in the history of our country. It was the first CR in history to contain spending reductions. Of the more than $100 billion in savings (compared to the President's FY 2011 budget request), $81 billion would have been cut from non-security programs and security-related programs would have been reduced by $19 billion.

A more detailed summary of H.R. 1 and its provisions can be found here courtesy of the House Appropriations Committee Republicans. Additionally, a summary of the successful amendments to H.R. 1 can be found here.

H. J. Res. 44, Further Continuing Appropriations Amendments of 2011 (The First FY 2011 Short-Term CR): Following the failure of H.R. 1 to move any further in the legislative process, the House took up a three-week continuing resolution, H. J. Res. 44. It was passed on March 1, 2011, by a vote of 335 to 91. You can see how they voted here. President Obama signed it into law on March 2, 2011 (P.L. 112-004).

H. J. Res. 44 extended funding for the federal government through March 18, 2011, providing additional time for negotiations on a bill to fund the government through the remainder of FY 2011. In order to avoid a government shutdown from taking place on March 4, 2011, when the current funding was set to expire, House leaders proposed and passed H. J. Res. 44 which contained $4 billion in compromise spending cuts.

Below are selected vote hits on Democrats who voted against H. J. Res. 44:

- **Voted against cutting $4 billion from federal spending and preventing a shutdown of the federal government**

  - Voted against passage of the joint resolution that would provide continuing appropriations through March 18, 2011 for all government agencies and programs. Most spending levels would be based on fiscal 2010 levels, less certain eliminations and reductions totaling $4 billion. It would eliminate funding for earmarks that were included under the continuing appropriations law expiring March 4. (Passed: 335-91; D: 104-85; R: 231-6)[55]

  - In a March 1, 2011, article *CBS News* reported, "The House passed the short-term continuing resolution 335 to 91 on Tuesday afternoon, with six Republicans and 85 Democrats voting against it. (Two of those Republicans -- Michele Bachmann and Ron Paul -- are considering presidential runs.) According to Reid, it will move to the Senate for passage within the next two days. The White House has signaled that it will then be signed by President Obama.

    "Democrats and Republicans were able to work out a deal on the extension bill, which cuts four billion from the government, because the cuts came from areas where both parties agree. Yet the agreement ultimately represents a temporary reprieve, not a solution. The extension runs out on March 18th, a Friday - the new date for the start of a government shutdown if no further action is taken."[56]

  - The article went on to say, "The $4.1 billion in cuts in the extension bill includes $1.24 billion in cuts to eight programs that Mr. Obama targeted for termination in his 2012 budget. Those programs include $650 million in highway funding and $468 million in education funding among other measures. The remaining $2.7 billion is from cutting 2010 earmark funding."[57]

- **$2.7 billion of cuts were from eliminating earmarks**

  - In a March 1, 2011, article *CBS News* reported, "The $4.1 billion in cuts in the extension bill includes $1.24 billion in cuts to eight programs that Mr. Obama targeted for termination in

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[55] H.J. Res. 44, CQ Vote #154, March 1, 2011
[56] Brian Montopoli, "Government shutdown to be averted - for now," *CBS News*, March 1, 2011, http://www.cbsnews.com/8301-503544_162-20037886-503544.html
[57] Brian Montopoli, "Government shutdown to be averted - for now," *CBS News*, March 1, 2011, http://www.cbsnews.com/8301-503544_162-20037886-503544.html

his 2012 budget. Those programs include $650 million in highway funding and $468 million in education funding among other measures. The remaining $2.7 billion is from cutting 2010 earmark funding."[58]

H. J. Res. 48, Short-Term Continuing Resolution (The Second FY 2011 Short-Term CR): On March 15, 2011, the House passed H. J. Res. 48, by a vote of 271 to 158. You can see how they voted here. President Obama signed H. J. Res. 48 into law on March 18, 2011 (P.L. 112-006).

H. J. Res. 48 provided funding for the federal government until April 8, 2011, and cut federal spending by $6 billion over that time. Current funding at that time for the federal government was set to expire on March 18, 2011.

Below are selected vote hits on Democrats who voted against H. J. Res. 48:

- **Voted against cutting $6 billion from federal spending and preventing a shutdown of the federal government**

    - Voted against Passage of the joint resolution that would provide continuing appropriations for the federal government through April 8, 2011. Most spending levels would be based on fiscal 2010 levels, with the exception of adjustments contained in previous continuing resolutions and the measure. It would make $6 billion in program reductions and eliminations, including reductions to several accounts funded in fiscal 2010 to reflect the elimination of earmarks and the rescission of money left unspent by the 2010 Census. (Passed: 271-158; D: 85-104; R: 186-54)[59]

    - In a March 17, 2011, article, *National Journal* reported, "The Senate Thursday sent President Obama legislation that would cut $6 billion from current discretionary spending and fund the government for another three weeks beyond Friday when the current stopgap spending bill expires.

      "Along with avoiding a government shutdown, the new short-term continuing resolution (CR), which passed 87 to 13, is designed to provide additional time for lawmakers to negotiate a deal for the remainder of the fiscal year, which ends Sept. 30.

      "Senate action comes as the House passed the bill Tuesday, 271 to 158, with 54 Republicans joining 104 Democrats opposing the measure. The House vote—with so many Republicans voting against their leadership—reflects a growing impatience with the fight over fiscal 2011 spending. Only six Republicans voted against the previous extension."[60]

H. R. 1363, Further Additional Continuing Appropriations Amendments of 2011 (The Third FY 2011 Short-Term CR): On April 7, 2011, the House passed H.R. 1363, by a vote of 247 to 181. You can see

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[58] Brian Montopoli, "Government shutdown to be averted - for now," *CBS News*, March 1, 2011, http://www.cbsnews.com/8301-503544_162-20037886-503544.html
[59] H. J. Res. 48, CQ Vote #179, March 15, 2011
[60] Humberto Sanchez, "Three-Week Funding Measure Headed to President," *National Journal*, March 17, 2010, http://nationaljournal.com/member/congress/three-week-funding-measure-headed-to-president-20110317?mrefid=site_search

how they voted here. The Senate voted on it, sent it back to the House and the House passed it just in time to extend federal funding for FY 2011 for one week through April 15, 2011.

Below are selected vote hits on Democrats who voted against H.R. 1363:

- **Voted against preventing a government shutdown and ensuring members of the armed forces, including combat troops in Iraq, Afghanistan and Libya get paid through the fiscal year**

    - Voted against passage of the bill that would provide continuing appropriations for all government agencies through April 15, 2011, except the Defense Department, which would receive $515.8 billion in base funding for fiscal 2011. Most spending levels would be based on fiscal 2010 levels, less certain eliminations, reductions and rescissions totaling $12 billion. It would bar the District of Columbia from using funds appropriated by the bill or its own tax dollars to pay for abortions, with some exceptions. (Passed: 247-181; D: 15-175; R: 232-6)[61]

    - According to an April 7, 2011, Brian Montopoli post on *CBS News'* Political Hot Sheet blog, "With a government shutdown looming, the GOP-led House has passed a bill that would fund the government for a week and also fund the Department of Defense for the rest of the fiscal year.

      "The measure, which includes $12 billion in spending cuts, passed 247 to 181. The vote was largely along party lines, though six Republicans opposed it and 15 Democrats supported it.

      "The passage was likely symbolic, since it is unlikely to pass the Democrat-led Senate and President Obama has vowed to veto it if it does. It appears designed to boost Republican arguments that Democrats should be blamed if the government shuts down.

      "In addition to funding the government for another week and providing $516 billion for the Department of Defense, the bill includes a policy provision that would prohibit federal or local funding paying for abortions in Washington D.C."[62]

- **Secretary of Defense Robert Gates said U.S. troops could receive partial or delayed paychecks if the government shutdown, saying that any interruption would hurt military families**

    - In an April 7, 2011, article, *The Washington Post* reported, "Defense Secretary Robert M. Gates warned a group of U.S. forces here Thursday that a government shutdown could delay the issuing of paychecks to military personnel.

      "A question about the standoff between President Obama and Congress came up in a question-and-answer session that Gates held with about 175 troops at Baghdad's Camp

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[61] H.R. 1363, CQ Vote #247. April 7, 2011
[62] Brian Montopoli blog post, "House passes one-week budget bill; Obama vows veto," *CBS News'* Political Hot sheet blog, April 7, 2011, http://www.cbsnews.com/8301-503544_162-20051803-503544.html

Liberty. The government is scheduled to shut down normal operations at midnight Friday if no deal is reached.

"'First of all, you will get paid,' Gates said, joking that it's wise for governments 'to always pay the guys with guns first.'

"But he added that a shutdown would mean that military personnel would get partial paychecks for the first half of April. If a shutdown lasted through the second half of April, paychecks would stop until the federal government resumed normal operations. Any missed pay would be reimbursed at that time.

"Military paychecks generally arrive on the first and the 15th day of each month, although they come earlier if those dates land on holidays or weekends.

"Gates said that any interruption would hurt military families.

"'A lot of these young troops live pretty much paycheck to paycheck,' he said, adding, 'So I hope they work this whole thing out.'

"He declined to comment on whether he is frustrated with Congress for not reaching a deal yet. 'I'm not going to wade into that swamp,' he said."[63]

H.R. 1473, Appropriations for Department of Defense and Other Departments and Agencies for FY 2011: On April 14, 2011, the House passed H.R. 1473, by a vote of 260 to 167. You can see how they voted here. President Obama signed H.R. 1473 into law (P.L. 112-010) on April 15, 2011. H.R. 1473 provided funding for the federal government through the remainder of FY 2011 (which ended on Sept. 30, 2011). H.R. 1473 cut $39.9 billion from the previous year's funding levels and included policy riders that reauthorized the D.C. Opportunity Scholarships, prevented the transfer of detainees from Guantanamo Bay, Cuba and prevented the District of Columbia from using government funds to provide abortions.

There was a lot of discussion and confusion regarding the magnitude of the cuts contained in H.R. 1473 and what they actually meant for overall spending. The following *Weekly Standard* blog posting should help clarify some of the questions and uncertainty surrounding this final CR for FY 2011:

[63] Craig Timberg, "Gates says shutdown could delay troops' paychecks," *The Washington Post*, April 7, 2011, hhttp://www.washingtonpost.com/world/gates-concerned-about-impact-of-shutdown-on-troops/2011/04/07/AFjL5TtC_story.html

April 14, 2011

The Blog

Budget Confusion

By JOHN MCCORMACK

"Some conservatives were taken aback by the AP's report yesterday that the continuing resolution (CR) that cuts $38 billion will only reduce this fiscal year's deficit--i.e. reduce total outlays through September 30--by $352 million.

"Is the CR a sham? Nope, not really.

"*Politico*'s veteran congressional reporter David Rogers explains at the end of this story that the reduction in outlays through the next five months was always going to be significantly less than the total level of cuts in budget authority.

"H.R. 1, the original House GOP budget that was supported by Tea Partiers and was passed in February, had a cuts-to-outlay reduction ratio of 4 to 1 for non-defense spending. The ratio for the CR agreed to by Boehner, Reid, and Obama is 5 to 1. The CR reduces outlays by $8.2 billion on non-defense spending through the end of the September.

"As Rogers writes:

> '[W]hen CBO estimated the initial House bill in February, it projected that the $61.3 billion in nonemergency appropriations cuts would result in $9.2 billion in outlay reductions by Sept. 30 when measured against comparable outlay estimates two months earlier, on Dec. 20.
>
> 'By comparison, the precise appropriations cut now, $37.7 billion, translates into a vastly smaller sum, $352 million, using the same standard.
>
> 'A more accurate picture can be drawn by separating out the annual Pentagon portion of the bills.
>
> 'When this is done, the House bill in February can be seen as having truly proposed to cut more than $68 billion from largely domestic and foreign aid appropriations. The resulting 2011 outlay reduction forecast by CBO was about $18 billion — a roughly 4-1 ratio.
>
> 'By comparison, the deal now cuts $42 billion from non-Pentagon accounts, but the outlay reduction is about $8.2 billion — a 5-1 ratio.

"This is all a little confusing, but the bottom line is that the conservative angst over the CR seems to be much ado about little."

FY 2012 Budget Requests and Legislation

President Obama's FY 2012 Budget Request: On Feb. 14, 2011, President Obama submitted his FY 2012 Budget Request.

Editor's Note: *The following information is courtesy of the House Budget Committee Republicans.*

- **$8.7 trillion in new spending**
  - $46 trillion (over 10 years) in total spending
  - $3.8 trillion in spending for FY 2012 alone, or 25.3 percent of Gross Domestic Product (GDP) – highest since World War II
- **$1.6 trillion in new taxes**
  - $919 billion income tax hike
  - $118 billion death tax hike
  - $435 billion transportation tax hike
- **$13 trillion added to the debt**
  - $13 trillion in new debt
  - $26.3 trillion (10.7 percent of GDP) gross debt by end of decade
  - $844 billion in annual interest payments by end of the decade
  - $5.7 trillion in total interest payments on debt

The House Budget Committee Republicans provided a document summarizing the President's FY 2012 Budget Request that is available at the below link:

The President's Budget for Fiscal Year 2012: More Spending, Taxes and Debt [2/15/2011]

H. Con. Res. 34, FY 2012 House Budget Resolution: On April 15, 2011, the House passed H. Con. Res. 34, the House Republican FY 2012 Budget Resolution, by a vote of 235 to 193. You can see how they voted here.

H. Con. Res. 34 passed the House Republican budget which set target spending levels for the various agencies of the federal government and would have acted as a guideline for the Appropriations Committee when crafting their FY 2012 appropriations bills. It is worth nothing that in the prior year, the Democrat-controlled 111th Congress failed to pass an FY 2011 budget for the first time in the history of the modern budgeting process. Unfortunately, H. Con. Res. 34 did not proceed in the Senate.

The FY 2012 House Republican Budget Resolution would have cut government spending by $6.2 trillion over the next decade as compared to the President's FY 2012 budget proposal. H. Con. Res. 34 would also have reduced the deficit by $4.4 trillion over the next ten years as compared to the President's budget proposal and $3.2 trillion as compared to the House Democrat's proposed budget. The budget also proposed changes to Medicare for people under 55 and Medicaid to protect both of these programs for future generations. Furthermore, it proposed changes to simplify the federal tax code and lower corporate tax rates to globally-competitive levels.

Key components of the FY 2012 GOP Budget are:

- Brings non-defense discretionary spending below 2008 levels

- Gradually shifts Medicare from the current claim payment system to a premium support system. People who are 55 and older, including all current beneficiaries, would see no change in their benefits

- Shifts Medicaid to a block grant system allowing individual states to administer their own Medicare funds

- Would simplify the tax code by reducing the top personal and corporate income tax brackets to 25 percent while eliminating most of the current deductions

After the FY 2012 House Republican Budget was released, criticism of the President's FY 2012 budget request prompted President Obama to give a speech making additional proposals to address deficits. His new proposal advocated raising the top income tax rate, eliminating tax deductions for top income earners – all cost-saving proposals were non-specific.

Click here to view the House Budget Committee Republicans' fact sheet about the FY 2012 House Republican Budget Resolution.

The House also considered several alternative budget proposals: the Congressional Black Caucus (CBC), Progressive Caucus, Republican Study Committee (RSC) and the House Democrat alternative budgets. Selected hits for several of these alternative budgets can be found below.

Below are selected vote hits on Democrats who voted against H. Con. Res. 34, the FY 2012 House Republican Budget Resolution:

- **Voted against passage of the FY2012 House budget resolution**

    - Voted against adoption of the concurrent resolution that would allow $2.859 trillion in new budget authority for the federal government for fiscal 2012, including up to $1.019 trillion in non-emergency discretionary spending. It would set federal security spending at $659 billion and non-security spending at $360 billion. The resolution would propose converting the federal share of Medicaid to a block grant to states. It calls for converting Medicare for persons currently younger than 55 into a "premium support system" through which the government would pay private insurance companies directly for each enrollee. It also proposes consolidating the current six tax brackets and cutting the corporate tax rate and top individual tax rate to 25 percent. The resolution would assume the extension of the tax cuts enacted in 2001 and 2003 past their current expiration at the end of 2012. It also would assume reduction in the deficit to $384.9 billion by fiscal 2021. (Adopted 235-193; D: 0-189; R: 235-4)[64]

- **The FY2012 House budget resolution cuts $6.2 trillion in government spending over the next decade compared to the President's budget, and $5.8 trillion relative to the current policy baseline**

  - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

    - "Cuts $6.2 trillion in government spending over the next decade compared to the President's budget, and $5.8 trillion relative to the current-policy baseline."[65]

  - In an April 5, 2011, article, *Congressional Quarterly* reported, "Whatever the ultimate fate of Rep. Paul D. Ryan's 2012 budget plan, his vision of the nation's fiscal future has certainly sparked a debate."[66]

  - According to the same *Congressional Quarterly* article, "Ryan's plan, which will be marked up in the House Budget Committee on Wednesday and is likely to be considered on the House floor next week, calls for cutting about $6 trillion in spending over a decade, restructuring programs such as Medicaid and Medicare, and replacing the current tax system with one that is simpler and has lower rates. It's the first congressional plan put on the table since the 2010 election that would actually address entitlement programs, despite a lot of talk in both parties.

    "When measured against the baseline of the Congressional Budget Office (CBO), the plan would cut spending by $5.8 trillion over the next 10 years and reduce projected deficits by $1.6 trillion. Compared with Obama's budget, it would cut spending by $6.2 trillion and reduce deficits by $4.4 trillion."[67]

- **The FY2012 House budget resolution reduces deficits by $4.4 trillion over the next decade**

  - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

    - "Reduces deficits by $4.4 trillion compared to the President's budget over the next decade."[68]

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64 H. Con. Res. 34. CQ Vote #277, April 15, 2011
65 "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
66 Paul Krawzak and Joseph Schatz, "Ryan's Budget Opens Debate on Major Issues," *Congressional Quarterly*, April 5, 2011
67 Paul Krawzak and Joseph Schatz, "Ryan's Budget Opens Debate on Major Issues," *Congressional Quarterly*, April 5, 2011
68 "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf

- In an April 15, 2011 article, *The Washington Post* reported, "House Republicans approved a budget on Friday that would fundamentally alter Medicare and Medicaid, lower taxes on individuals and corporations and cut $4.4 trillion from the nation's deficit over the next decade."[69]

➢ **The FY2012 House budget resolution would repeal the President's health care law**

- According to the House Committee on the Budget summary of the FY2012 Budget resolution:

    - "*PATIENT-CENTERED HEALTH CARE:* Repeals and defunds the President's health care law, advancing instead common-sense solutions focused on lowering costs, expanding access and protecting the doctor-patient relationship."[70]

- In an April 5, 2011, article, *The Huffington Post* reported, "The big numbers from Paul Ryan's budget: It will reduce spending by $6.2 trillion over the next decade and reduce the deficit by $4.4 trillion.

  "It also cuts the top income tax rate by nearly a third, from 35 percent to 25 percent.

  "A big part of the House Budget Chairman's plan rests on the assumption that President Barack Obama's health care law will be repealed. Over the next decade, that would cut $1.4 trillion in spending alone, according to Ryan's budget."[71]

➢ **The FY2012 House budget resolution would lower the U.S. corporate tax rate from 35 percent to 25 percent bringing it in line with the global average for most industrialized countries**

- According to the House Committee on the Budget summary of the FY2012 Budget resolution:

    - "Corporate Tax Reform: Improves incentives for job creators to work, invest, and innovate in the United States by lowering the corporate tax rate from 35 percent, which is the highest in the industrialized world, to a more competitive 25 percent."[72]

- In an April 7, 2011, article, *Bloomberg Businessweek* wrote, "The U.S. corporate tax code is an opaque morass of special-interest giveaways. It distorts investment decisions, fuels CEOs'

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[69] Paul Kane and Phillip Rucker, "House Passes GOP Budget Plan for 2012," *The Washington Post*, April 15, 2011, http://www.washingtonpost.com/business/economy/house-passes-gop-budget-plan-for-2012/2011/04/15/AFSEaujD_story.html
[70] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
[71] Jon Ward, "Paul Ryan's Budget Proposal: Analysis Of The Numbers [UPDATE]," *The Huffington Post*, April 5, 2011, http://www.huffingtonpost.com/2011/04/05/paul-ryan-budget-analysis-numbers_n_844946.html
[72] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf

addiction to debt, and discourages corporations from settling in the U.S. Oh, and its 35 percent statutory rate is the highest in the world."[73]

- According to the same *Bloomberg Businessweek* article, "For all its free-market brio, the U.S. has stayed on the sidelines of a global trend to cut corporate tax rates. From 2000 to 2010, the average statutory corporate rate among members of the Organization for Economic Co-operation and Development fell from 32.8 percent to 25.7 percent."[74]

  Editor's Note: *The OECD is an organization of 34 countries that promote global development. It includes most of the world's most advanced countries such as the United States, Japan and European nations as well as some emerging countries like Mexico, Chile and Turkey.*

➢ **The FY2012 House budget resolution would simplify the tax code by eliminating loopholes and some deductions**

- According to the House Committee on the Budget summary of the FY2012 Budget resolution:

  - "Corporate Tax Reform: Improves incentives for job creators to work, invest, and innovate in the United States by lowering the corporate tax rate from 35 percent, which is the highest in the industrialized world, to a more competitive 25 percent."[75]

- In an April 12, 2011, article, *U.S. News & World Report* reported, "Ryan's budget calls for simplifying the tax code by eliminating loopholes and some deductions. Also, the plan would lower the top tax rates for individuals and corporations from 35 percent to 25 percent, a measure that Ryan says should increase the nation's competitiveness and lead to growth. Scott Hodge, president of the Tax Foundation, a Washington-based nonpartisan tax research group, says that, disregarding the repeal of the tax increases included in the healthcare reform law, the changes to the tax code alone won't significantly alter the amount of revenue the government takes in. 'At the end of the day, it's probably a pretty neutral plan,' says Hodge. 'It could actually increase the progressivity of the tax code by eliminating many of those deductions that are largely benefitting upper income people… The overall balance of who bears the burden of tax will probably remain the same.'"[76]

➢ **The House budget committee projects that the FY2012 Budget resolution would create nearly 1 million new private-sector jobs next year and result in 2.5 million additional private sector jobs in the last year of the decade**

- According to the House Committee on the Budget summary of the FY2012 Budget resolution:

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[73] David Lynch, "Why Corporate Tax Reform Is So Tricky," *Bloomberg Businessweek*, April 7, 2011, http://www.businessweek.com/magazine/content/11_16/b42240B2361232.htm
[74] David Lynch, "Why Corporate Tax Reform Is So Tricky," *Bloomberg Businessweek*, April 7, 2011, http://www.businessweek.com/magazine/content/11_16/b42240B2361232.htm
[75] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
[76] Jessica Rettig, "House Set to Debate Paul Ryan's 2012 Budget," *U.S. News & World Report*, April 12, 2011, http://www.usnews.com/mobile/articles_mobile/house-set-to-debate-paul-ryans-2012-budget

- "Creates nearly 1 million new private-sector jobs next year and results in 2.5 million additional private sector jobs in the last year of the decade."[77]

- **The House budget committee projects that the FY2012 Budget resolution would increase real GDP by $1.5 trillion over the next decade, with $1.1 trillion in higher wages and an average increase of $1,000 in family income**

  - According to the House Committee on the Budget summary of the FY2012 Budget resolution:

    - "Spurs economic growth, increasing real GDP by $1.5 trillion over the decade.

    - "Unleashes prosperity and economic security, yielding $1.1 trillion in higher wages and an average $1,000 per year in higher income for each family."[78]

- **The FY2012 House budget resolution was called a "serious, honest, straightforward approach to addressing our nation's enormous fiscal challenges" by the Co-chairs of President Obama's own fiscal commission**

  - In an April 5, 2011, post on *The Hill's* Congress blog Alan Simpson and Erskine Bowles wrote, "The budget released this morning by House Budget Committee Chairman Paul Ryan is a serious, honest, straightforward approach to addressing our nation's enormous fiscal challenges. We applaud him for his work in putting forward a proposal which will reduce the country's deficit by approximately the same amount as the plan of the President's Fiscal Commission."[79]

    Editor's Note: *Alan Simpson and Erskine Bowles are co-chairs of the President's National Commission on Fiscal Responsibility and Reform. Alan Simpson is a former Republican Senator from Wyoming and Erskine Bowles is the former chief of staff for President Bill Clinton.*

Democrat budget alternative: Congressional Democrats proposed an alternative budget whose key facts can be viewed here. The Democrat budget would have continued to spend at current levels for non-security programs and then cuts security funding. The Democrat budget increases taxes on job creators and small businesses. It would have retained the government takeover of health care and would have implemented new mandatory spending. This alternative was defeated by a vote of 166 to 259. You can see how they voted here.

[77] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
[78] "Summary Of The Fiscal Year 2012 Budget Resolution," House Committee on the Budget, April 5, 2011, http://budget.house.gov/UploadedFiles/KeyFactsSummary.pdf
[79] Alan Simpson and Erskine Bowles, "Paul Ryan's budget is a positive step," *The Hill,* April 5, 2011, http://thehill.com/blogs/congress-blog/economy-a-budget/154033-paul-ryans-budget-is-a-positive-step-

Below are selected vote hits on Democrats who voted for the FY 2012 Democrat alternative budget proposal:

- **Voted for the fiscal year 2012 Democrat budget alternative**

  - Voted for the Rep. Van Hollen (D-Md.) substitute amendment that would allow $3.02 trillion in new budget authority for the federal government for fiscal 2012. It would call for a freeze in non-security discretionary spending for five years and propose phasing out overseas contingency funding. It also would propose making the 2001 and 2003 tax cuts permanent for those making less than $250,000 a year, but would allow the expiration of tax cuts for those with higher incomes. It would revise allocation amounts to increase funding for infrastructure, child-care programs, energy independence, veterans support programs, college affordability, and housing. It also would aim to put the budget in "primary balance" by fiscal 2018, meaning the budget would be balanced except for interest payments on the debt. (Rejected 166-259; D: 166-23; R: 0-236)[80]

Non-Security Discretionary Spending

- **The FY2012 Democrat budget alternative would freeze non-security discretionary spending at current levels for the next five years**

  - In an April 13, 2011, report, the Committee on the Budget House Democrat caucus wrote, "The Democratic budget matches the President in freezing total non-security discretionary funding for five years, although it does not advocate all of his specific programmatic funding increases and cuts."[81]

  - In an April 5, 2011, article, *The Hill* reported, "The blueprint, which attracted strong criticism from the White House, sets federal discretionary spending in 2012 below 2008 levels and freezes it for five years. President Obama, meanwhile, has proposed freezing non-security spending at 2010 levels for five years."[82]

- **According to the Congressional Budget Office (CBO), the federal government spent $614.2 billion in FY2010 on non-defense discretionary items, which is a 27 percent increase over 2008 pre-stimulus levels**

  - In a Nov. 8, 2010, Sunday Replay blog post, the non-partisan, Annenburg Public Policy Center wrote, "A more current and accurate measure of non-defense discretionary spending can be found in two recent CBO reports: The Budget and Economic Outlook issued in January 2010 and The Budget and Economic Outlook: An Update issued in August 2010.

    "In the January 2010 report, the CBO reports that total non-defense discretionary outlays were $522 billion in 2008 (actual), $581 billion in 2009 (actual) and $682 billion in 2010

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[80] H. Con. Res. 34, CQ Vote #276, April 15, 2011
[81] "Key Aspects of the 2012 Democratic Budget," House Budget Committee Democratic Staff, April 13, 2011, http://democrats.budget.house.gov/doc-library/FY2012/04132011-summaryofthedemocraticbudgetupdated.pdf
[82] Erik Wasson, "What's in the plan: Point-by-point analysis," *The Hill*, April 5, 2011, http://thehill.com/homenews/house/154145-whats-in-the-plan-point-by-point-analysis

(estimated). That's an increase of 31 percent, from $522 billion to $682 billion. The 2009 and 2010 figures include stimulus funds.

"The August update revised the 2010 non-defense discretionary figure downward to $666 billion, meaning the increase from 2008 to 2010 is now at 28 percent. The fiscal year closed on Sept. 30, so the 2010 figure issued in August should be close to the actual amount."[83]

- In a Jan. 27, 2011, article, the Annenberg Public Policy Center reported, "The partisan Republican report claimed that "domestic discretionary spending" increased 84 percent from 2008 to 2010 when including the stimulus. But the nonpartisan Congressional Budget Office issued a report this month that shows (on table E-7) that domestic discretionary spending rose from $485.1 billion in 2008 to $614.2 billion in 2010, an increase of $129.1 billion or 27 percent. The CBO figures include all discretionary spending, including stimulus funds in 2009 and 2010."[84]

  Editor's note: *The $682 billion dollar figure quoted in the Nov. 8, 2010 blog post was from an estimate of FY2010 spending levels. The $614.2 billion figure quoted in the Jan. 27, 2011 article was taken from a Jan. 2011 CBO report and reflects the actual FY2010 spending levels and is therefore more accurate.*

- **The federal government is expected to run a $1.5 trillion deficit in FY2011, which would be the third straight year that the deficit was more than a trillion dollars**

  - In an April 19, 2011 article, *The Washington Post* reported, "The U.S. government is projected to run a record $1.5 trillion deficit this year, marking the third straight year that the deficit topped $1 trillion."[85]

Bush Tax Cuts

- **The FY2012 Democrat budget alternative would raise taxes on individuals making more than $200,000 and married couples making more than $250,000 per year, increasing taxes by about $690 billion over the next 10 years**

  - In an April 13, 2011, report, the Committee on the Budget House Democrat caucus wrote, "The Democratic budget makes permanent the 2001 and 2003 tax cuts for working Americans (individuals with income below $200,000 and couples below $250,000), but does not extend the tax cuts for those with higher incomes."[86]

  - In a July 29, 2010, article, The Center for American Progress wrote, "We estimate, using Congressional Budget Office and Joint Committee on Tax projections, that maintaining the

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[83] Brooks Jackson, Lori Robertson, D'Angelo Gore, Eugene Kiely, Viveca Novak and Michael Morse, "Sunday Replay," Annenberg Public Policy Center, Nov. 8, 2010, http://factcheck.org/2010/11/sunday-replay-29/
[84] "Fact Checking the GOP Response," Annenberg Public Policy Center, Jan. 27, 2011, http://factcheck.org/2011/01/factchecking-the-gop-response/
[85] Associated Press writer, "Geithner confident Congress can reach deal to reduce deficit, downplays credit agency warning," *Washington Post,* April 19, 2011, http://www.washingtonpost.com/business/geithner-confident-congress-can-reach-deal-to-reduce-deficit-downplays-credit-agency-warning/2011/04/19/AFtSl64D_story.html
[86] "Key Aspects of the 2012 Democratic Budget," House Budget Committee Democratic Staff, April 13, 2011, http://democrats.budget.house.gov/doc-library/FY2012/04132011-summaryofthedemocraticbudgetupdated.pdf

Bush tax cuts for the wealthiest 2 percent of Americans will directly reduce revenues by about $690 billion over the next 10 years."[87]

Editor's Note: *The Center for American Progress is a left leaning public policy think tank that is designed to provide leadership and support for the progressive movement. Michael Linden is the Associate Director for Tax and Budget Policy and Michael Ettlinger is the Vice President for Economic Policy at American Progress.*

- **Allowing the 2001 and 2003 tax cuts to expire would return the top two personal income tax rates to their pre-2001 levels; the top marginal personal income tax rate will increase from 35 percent to 39.6 percent, and the second highest rate will increase from 33 percent to 36 percent**

  - In a July 22, 2010, article, *Forbes* wrote, "The two major tax-cutting bills from the Bush era were the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001, and the Jobs and Growth Tax Relief Reconciliation Act of 2003. These two laws cut taxes across the board for earned income, long-term capital gains and dividends. The legislation also expanded the child tax credit and made dozens of other changes and adjustments to the tax code, involving exemptions, deductions and the marriage penalty."[88]

  - According to the same article, "EGTRRA created six tax rate brackets--10%, 15%, 25%, 28%, 33% and 35%, based on income levels. If no extension is passed and signed into law, then the pre-2001 tax rates will go back into effect starting in tax year 2011. The 10% bracket would disappear, and those taxpayers would move up to the 15% bracket, which would apply to all incomes below $34,550. The other tax rates would increase to 28%, 31%, 36% and 39.6% for the highest earners making more than $379,650."[89]

- **Small businesses are not required to pay the corporate income tax and approximately 35 percent of small businesses report income on the owner's individual income tax return**

  - According to an Oct. 28, 2008, Tax Foundation commentary, "An under-appreciated feature of the U.S. tax system is that most small businesses are not required to pay the corporate income tax. Instead, small business income "flows through" to the owners who report it on their individual income tax returns. About 35 percent of business taxes are paid in this manner by the owners of sole proprietorships, partnerships and S corporations."[90]

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[87] Michael Linden and Michael Ettlinger, "Three Good Reasons to Let the High-End Bush Tax Cuts Disappear This Year," The Center For American Progress, July 29, 2010, http://www.americanprogress.org/issues/2010/07/let_cuts_expire.html
[88] Eric Fox, "How Will The Expiring Bush Tax Cuts Effect You?," *Forbes*, July 22, 2010, http://www.forbes.com/2010/07/22/expiring-bush-cuts-affect-personal-finance-taxes_print.html
[89] Eric Fox, "How Will The Expiring Bush Tax Cuts Effect You?," *Forbes*, July 22, 2010, http://www.forbes.com/2010/07/22/expiring-bush-cuts-affect-personal-finance-taxes_print.html
[90] Robert Carroll commentary, "Small Business and the Personal Income Tax Rates," The Tax Foundation, Oct. 28, 2008, http://www.taxfoundation.org/news/show/23860.html

- **In a 2007 survey, about 15 percent of small business owners said they expected their incomes to exceed $200,000**

    - In an April 27, 2009, article, *The Washington Post* reported, "Though certain very large companies must organize as separate entities that are taxed twice -- on profits and shareholder dividends -- most smaller businesses opt to be taxed only once by reporting their profits on the personal tax returns of their shareholders."[91]

    - According to the same article, "In a 2007 survey, the National Federation of Independent Business found that about 15 percent of small-business owners -- and half of those with at least 20 employees -- said they expected their household income to exceed $200,000."[92]

- **"If taxes are raised on the top tax brackets, more than half of reported small business income would be hit with a tax increase"**

    - According to an Aug. 6, 2009, brief analysis by the National Center for Policy Analysis, "According to the U.S. Treasury, flow-through small businesses account for 93 percent of all businesses in the United States. If taxes are raised on the top tax brackets, more than half of reported small business income would be hit with a tax increase."[93]

- **About 894,000 small businesses would see their taxes go up if the top tax brackets were raised**

    - According to a Sept. 8, 2010, *ABC News* fact check by John Karl regarding extension of the 2001 and 2003 Bush tax cuts for top income earners, "Democrats say only a tiny fraction of small businesses would be affected. That's true, according to the Tax Policy Center, which says only 2.5 percent of small businesses would see their taxes go up. So, two point five percent affected. We asked the Tax Policy Center how many businesses that is, their answer, 894,000 small businesses that would see their taxes go up. A small percentage, but a large number of small businesses."[94]

    Editor's Note: *To see video of the full fact check, see http://abcnews.go.com/WNT/video/fact-checking-tax-cut-debate-rich-wealthy-extend-small-business-concerns-unemployment-11588336*

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[91] Lori Montgomery and V. Dion Haynes, "Small Businesses Brace For Tax Battle," *The Washington Post,* April 27, 2009, http://www.washingtonpost.com/wp-dyn/content/article/2009/04/26/AR2009042602838.html?nav=emailpage
[92] Lori Montgomery and V. Dion Haynes, "Small Businesses Brace For Tax Battle," *The Washington Post,* April 27, 2009, http://www.washingtonpost.com/wp-dyn/content/article/2009/04/26/AR2009042602838.html?nav=emailpage
[93] Biff Jones and Pamela Villarreal, "Soaking the Rich and Drenching Small Business," Brief analysis No. 671, National Center for Policy Analysis, http://www.ncpa.org/pdfs/ba671.pdf, Aug. 6, 2009
[94] John Karl, "Fact Checking the Tax-Cut Debate," *ABC News*, Sept. 8, 2010, Time Stamp 01:42, http://abcnews.go.com/WNT/video/fact-checking-tax-cut-debate-rich-wealthy-extend-small-business-concerns-unemployment-11588336

Security Spending

- **The FY2012 Democrat budget alternative would cut security spending by $89 billion over ten years compared with current levels, with a funding level $308 billion below what President Obama requested**

    - In an April 13, 2011, report, the Committee on the Budget House Democrat caucus wrote, "The Democratic budget assumes proposals to streamline security programs, generating savings while maintaining a strong military, homeland security, and international presence. Security savings total $89 billion over ten years compared with current levels, with a level $308 billion less than the President's request."[95]

- **Secretary of Defense Robert Gates said that the level of defense spending in President Obama's budget request left "the minimum level of defense spending that is necessary given the complex and unpredictable array of security challenges the United States faces around the globe"**

    - In a Jan. 6, 2011, article, *The New York Times* reported, "The president's budget for the 2012 fiscal year, which is due by mid-February, would freeze discretionary spending, but that would not apply to military, veterans and Homeland Security programs. Last fall, a majority of the members of Mr. Obama's bipartisan National Commission on Fiscal Responsibility and Reform, including three Republican senators, said military spending also should be reduced as part of a long-term debt-reduction plan.

      "The Pentagon's proposed operating budget for 2012 is expected to be about $553 billion, which would still reflect real growth, even though it is $13 billion less than expected. The Pentagon budget will then begin a decline in its rate of growth for two years, and stay flat — growing only to match inflation — for the 2015 and 2016 fiscal years. (The Pentagon operating budget is separate from a fund that finances the Afghanistan and Iraq wars.)

      "'This plan represents, in my view, the minimum level of defense spending that is necessary, given the complex and unpredictable array of security challenges the United States faces around the globe: global terrorist networks, rising military powers, nuclear-armed rogue states and much, much more,' Mr. Gates said."[96]

- **Additionally, the FY2012 Democrat budget alternative would eliminate funding for overseas contingency operations after 2014, cutting an additional $309 billion from defense and national security spending as requested in President Obama's budget**

    - In an April 13, 2011, report, the Committee on the Budget House Democrat caucus wrote, "The Democratic budget includes the President's Overseas Contingency Operations level through 2014, but provides no funding for 2015 and beyond. This is consistent with the President's stated policy that all troops will be redeployed from Iraq by the end of 2011 and

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[95] "Key Aspects of the 2012 Democratic Budget," House Budget Committee Democratic Staff, April 13, 2011, http://democrats.budget.house.gov/doc-library/FY2012/04132011-summaryofthedemocraticbudgetupdated.pdf

[96] Thom Shanker and Christopher Drew, Pentagon Seeks Biggest Military Cuts Since Before 9/11," *The New York Times*, Jan. 6, 2011, http://www.nytimes.com/2011/01/07/us/07military.html

that Afghan forces will take the lead in security operations in Afghanistan by the end of 2014. The budget saves $309 billion relative to the President's placeholder for overseas contingencies."[97]

- **According to President Obama's FY2012 budget request overseas contingency operations includes military and civilian costs necessary to achieve U.S. national security goals in Iraq, Afghanistan, and Pakistan**

  - According to overseas contingency operations funding highlights in President Obama's FY 2012 budget request:

    "Adopts a uniform approach to budgeting in conflict areas, thereby aligning priorities among Departments and improving coordination and efficiency.

    "Includes the military and civilian costs necessary to achieve U.S. national security goals in Iraq, Afghanistan, and Pakistan including the transition from a military to a civilian-led mission in Iraq.

    "Integrates International Affairs resource requirements related to extraordinary and temporary national security needs in Iraq, Afghanistan, and Pakistan with Department of Defense budget planning through creation of an Overseas Contingency Operations budget for the Department of State."[98]

- **According to President Obama's FY2012 budget request beginning in FY 2012, the overseas contingency operations budget will also provide funding to the Department of State and the U.S. agency for International Aid (USAID) for development, stabilization, counterinsurgency and security operations separate from military operations**

  - According to President Obama's FY 2012 budget request, "Beginning with the 2012 Budget request, certain temporary and extraordinary Department of State diplomatic, development, and related assistance in Iraq, Afghanistan, and Pakistan will likewise be requested as OCO and be similarly funded. This approach improves budget transparency and fiscal discipline by extending the separate OCO mechanism to related international affairs spending in these countries, particularly as operations transition from military to civilian leadership."[99]

  - According to the same budget request, "The Budget reflects the OCO costs associated with Department of State activities in Iraq, Afghanistan, and Pakistan. These costs, such as certain near-term security and development components of assistance programs related to stabilization and counterinsurgency operations, protection of civilian personnel, and oversight activities of the Special Inspectors General for Iraq and Afghanistan, are required to meet U.S. objectives."[100]

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[97] "Key Aspects of the 2012 Democratic Budget," House Budget Committee Democratic Staff, April 13, 2011, http://democrats.budget.house.gov/doc-library/FY2012/04132011-summaryofthedemocraticbudgetupdated.pdf
[98] "Fiscal Year 2012 Budget," Office of Management and Budget (OMB), http://www.gpoaccess.gov/usbudget/fy12/pdf/BUDGET-2012-BUD.pdf
[99] "Fiscal Year 2012 Budget," OMB, http://www.gpoaccess.gov/usbudget/fy12/pdf/BUDGET-2012-BUD.pdf
[100] "Fiscal Year 2012 Budget," OMB, http://www.gpoaccess.gov/usbudget/fy12/pdf/BUDGET-2012-BUD.pdf

Editor's Note: *President Obama's FY2012 budget request allocates $50 billion for overseas contingency operations for the fiscal years 2014 through 2021. Please refer to page 198 of President Obama's FY 2012 budget request to view specific outlays by year.*

Health Care

- **The FY2012 Democrat budget alternative would preserve the Patient Protection and Affordable Care Act, also known as the government takeover of health care**

  - In an April 13, 2011, report, the Committee on the Budget House Democrat caucus wrote, "The budget protects the important new reforms enacted in the Affordable Care Act, the vast majority of which the Republican budget will repeal."[101]

  - In an April 2, 2010, editorial, *The Washington Times* wrote, "President Obama claimed it was necessary for the government to take over health care to make U.S. companies more competitive internationally. The president's argument was that Obama care would lower company costs for providing health insurance. Surprise, surprise, the opposite is true, as corporations are predicting crippling health care costs in the wake of the Democrats' new law.

    "Barely a week after Mr. Obama signed the government health care takeover, numerous major corporations have announced huge write downs because of increased costs. These adjustments reflect sudden unexpected increases over what these firms had previously budgeted to spend before Obama care became the law of the land."[102]

    Editor's Note: *For more information on the job-killing government takeover of health care please contact the NRCC.*

    Editor's Note: *Opponents often refer to the Patient Protection and Affordable Care Act as ObamaCare or the government takeover of health care.*

Medicare

- **The FY2012 Democrat budget proposal "does not fundamentally address the spiraling cost of entitlement programs - particularly Medicare - which both parties say are the leading contributors to future deficits"**

  - In an April 14, 2011, article, *The Baltimore Sun* reported, "The Democratic proposal does not fundamentally address the spiraling cost of entitlement programs - particularly Medicare - which both parties say are the leading contributors to future deficits."[103]

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[101] "Key Aspects of the 2012 Democratic Budget," House Budget Committee Democratic Staff, April 13, 2011, http://democrats.budget.house.gov/doc-library/FY2012/04132011-summaryofthedemocraticbudgetupdated.pdf
[102] Editorial, "Obama care sticks companies with higher bills," *The Washington Times*, April 2, 2010, http://www.washingtontimes.com/news/2010/apr/2/obamacare-sticks-companies-with-higher-bills
[103] John Fritze, "Van Hollen Takes The Lead In Democratic Budget Effort; Montgomery County Lawmaker Unveils His Party's Proposals," *The Baltimore Sun*, April 14, 2011

FY 2012 Spending/Appropriations Legislation

In Summary: In the end, Congress completed FY 2012 appropriations through two final pieces of legislation – a three-bill "minibus" package and a nine-bill measure (just short of being able to be defined as an omnibus). Even despite having several times nearly brought the federal government to the brink of a shutdown, Congress finished the 12 FY 2012 appropriations bills by Dec. 17, 2011. This was the earliest passage of the final annual spending bill since 2004 (although two months of FY 2012 had lapsed before the work was done).

As previously mentioned, the House passed an FY 2012 budget resolution (H. Con. Res. 34) in April 2011, with a $1.019 trillion cap on FY 2012 discretionary spending – a significant cut from the $1.050 trillion level in FY 2011. While Democrats in the Senate and President Obama were never likely to acquiesce to cutting this deeply in a single year, House Republicans plunged into Floor work on spending bills developed under that cap.

By the end of July 2011, the House has passed six appropriations measures. But the House GOP leadership agreed with Democrats to raise the FY 2012 spending cap to $1.043 trillion as part of the August debt limit law.

Editor's Note: *For more information regarding the August 2011, debt limit law, please refer to the Deficit, Debt and Debt Limit chapter of the 2012 NRCC Issues Book.*

House Republicans then stopped bringing stand-alone spending bills to the Floor, where there was a possibility of opposition to the new spending cap, effectively placing a halt to the FY 2012 appropriations process. Congress barely averted an Oct. 1, 2011, government shutdown: Republicans and Democrats were split over whether to pay for FY 2011 disaster aid, with Democrats arguing that offsets are traditionally not required and Republicans maintaining that the debt crisis required pay-fors. Congress cleared a stop-gap measure (P.L. 112-33) on Oct. 4, 2011, but only after Obama Administration officials concluded they could get by without the FY 2011 disaster funds. Congress gave itself a four-day window to finalize the bill, which kept the government operating through Nov. 18, 2011.

The Senate then passed a three-bill spending package (P.L. 112-55) on Nov. 1, 2011, that covered the Departments of Agriculture, Commerce, Justice, Transportation and Housing and Urban Development (HUD), along with science programs. After conference negotiations, both the House and Senate agreed to the package Nov. 17, 2011. The measure also contained a CR running through Dec. 16, 2011. House and Senate conferees assembled a nine-bill measure in December 2011, using the conference report for H.R. 2055, the FY 2012 Military Construction-Veterans Affairs bill, as a vehicle. The House passed the bill on Dec. 16, 2 011, also passing by voice vote a short-term 24-hour-CR lasting through Dec. 17, 2011 (H. J. Res. 94), and a longer one running through Dec. 23, 2011 (H. J. Res. 95), to allow time for the bill to clear and be enacted. The Senate cleared the measure Dec. 17, 2011, along with the two CRs the House had passed the day before (P.L. 112-67, P.L. 112-68).

Editor's Note: *The remainder of this section of this chapter is more "in-depth" information on each separate FY 2012 appropriations measure. The appropriations process for FY 2012 was a bit confusing and laborious due to the use of several previously-passed appropriations bills as "vehicles" for larger appropriations packages at the end of 2011.*

H.R. 2017, FY 2012 Homeland Security Appropriations/Continuing Appropriations Act: On June 2, 2011, the House passed H.R. 2017, by a vote of 231 to 188. You can see how they voted here. This vote was a vote on the standalone FY 2012 Homeland Security Appropriations bill. The final version of H.R. 2017 that was signed into law (P.L. 112-33) on Sept. 30, 2011, was a CR (the CR language was added by the Senate and then voice voted by the House) that funded the federal government (and not just DHS) through Oct. 4, 2011.

As previously mentioned in this section, the FY 2012 funding bill for the Department of Homeland Security (DHS) was entangled for a time in a partisan dispute over whether to offset emergency disaster aid with cuts elsewhere. The final-version language of FY 2012 DHS Appropriations was eventually included in the nine-bill appropriations package (H.R. 2055) that Congress cleared Dec. 17, 2011.

H.R. 2017, as passed by the House on June 2, 2011, contained $40.9 billion in discretionary spending authority, including $1 billion in emergency disaster relief that was offset with unused spending authority from a 2009 advanced car technology program (P.L. 111-5). This version contained $900 million for state and local first-responder grants, far less than either President Obama or Democrats wanted, with Republicans citing undistributed dollars in the pipeline from past spending measures. President Obama had requested $3.7 billion and the FY 2011 law had provided $2.1 billion.

Senate appropriators approved their version of H.R. 2017 in September 2011, calling for $44.5 billion in discretionary spending as well as $6 billion in disaster relief. Democrats said that emergency spending traditionally was not offset and that getting the money out to needy communities was too important to delay by trying to find cuts in other areas. The Senate bill included $1.4 billion for state and local grants for first-responders. The overall DHS budget was bolstered in the Senate version by a proposed $1.50-per-passenger airline security fee increase requested by the Obama Administration, which was expected to produce an estimated $280 million.

After the Senate Appropriations Committee approved its version of FY 2012 DHS Appropriations, Senate Majority Leader Harry Reid (D-Nev.) stripped the non-offset emergency disaster relief funding to try to force votes on it. That delayed Senate Floor consideration of H.R. 2017. In the end, lawmakers broke a $8.6 billion disaster relief package out of the nine-bill package and cleared it separately (P.L. 112-77) in December 2011.

The final version of the DHS Appropriations bill included $2.4 billion for state and local first-responders. Conferees also agreed to split the difference on another component of the Department set for a reduction in science and technology. The bill provided $668 million, more than the House would have allocated, but less than what was sought by the Senate and by the Obama Administration, which had requested $1.2 billion. The final bill also excluded the airline security fee increase.

The reductions in first-responder funding and in science and technology allowed appropriators to make sure most other major components of DHS got a boost. Not counting fees, the bill included $10.2 billion for Customs and Border Protection (CBP) - $275 million more than in FY 2011; $10.3 billion for the Coast Guard – an $85 million increase; $7.8 billion for the Transportation Security Administration (TSA) – a $153 million increase; and $5.9 billion for Immigration and Customs Enforcement (ICE) – a $362 million boost. It also provided $4.3 billion for the Federal Emergency Management Agency (FEMA) – a $2.9 billion cut that reflected the reductions for first responders.

H.R. 2055, FY 2012 Military Construction and Veterans Affairs Appropriations: On June 14, 2011, the House passed H.R. 2055, the FY 2012 Military Construction and Veterans Affairs Appropriations Act, by a vote of 411 to 5. You can see how they voted here. H.R. 2055 eventually ended up serving as the vehicle for the nine-bill FY 2012 omnibus package, which was cleared Dec. 17, 2011.

H.R. 2055, as passed by the House on June 14, 2011, provided $137.3 billion, which included $73.7 billion in discretionary spending. The discretionary amount was $3.2 billion below FY 2011 funding and $2 billion less than what President Obama had requested. The reduction was more than twice what had been anticipated.

The bill provided $53.1 billion for the Veterans Health Administration, including $52.5 billion in advance funding for three main VA medical programs in fiscal 2013. (The programs got $50.6 billion in advance funding from the prior fiscal year.) For military construction projects and family housing, the measure provided $13 billion, a $3.5 billion reduction from fiscal 2011. However, the legislation also included $270 million in overseas contingency-operations funding for eight military construction projects designed to advance efforts to combat terrorism.

The measure blocked the use of funds for any military facility construction in the United States or overseas that is not specifically authorized. It also blocked funding for any architectural or engineering contracts that exceed $500,000 for projects in Japan, any North Atlantic Treaty Organization member country or in countries bordering the Arabian Sea, unless the contracts go to U.S. firms or to joint ventures including U.S. firms and companies in the host nation. Many lawmakers have sought a reduction in the number of overseas facilities to avoid facing tough budget decisions at home. **There were no cuts to veterans spending in H.R. 2055**.

H.R. 2112, FY 2012 Agriculture Appropriations: On June 16, 2011, the House passed H.R. 2112, the FY 2012 Agriculture Appropriations Act by a vote of 217 to 203. You can see how they voted here. This was the standalone measure for FY 2012 Agriculture Appropriations, but H.R. 2112 was later used as the vehicle for a "minibus" appropriations package in November 2011.

In general, H.R. 2112 would have provided $125.5 billion in both mandatory and discretionary funding, $283 million more than the current level, but $7 billion (five percent) less than President Obama's budget request. It would have reduced current spending levels for mandatory food and nutrition assistance programs by 13 percent and cut $686 million from the Women, Infants and Children (WIC) program which provides nutrition services to women and children during and after pregnancy. Several Democrat amendments attempted to restore this funding to WIC, but none were successful. But, despite general spending reductions to food and nutrition programs in the bill, spending on child nutrition programs was actually increased by $1.5 billion from then-current levels.

H.R. 2112 would also have made a three percent reduction to the amount available for food safety and would have provided half of the President's budget request for the Commodities Futures Trading Commission (CFTC). These reductions were aimed at stalling the implementation of additional regulations and regulatory agencies created by the Food Safety Enhancement Act and the Dodd-Frank Wall Street Reform Act that were enacted in the 111th Congress. Additional spending reductions include a 14 percent reduction for rural development programs, seven percent reduction for farm programs and 11 percent reduction for conservation programs.

An amendment to the bill offered by Rep. Ron Kind (D-Wis.) was passed in a Floor vote and would prevent funds in the bill from being used to pay a $147 million settlement to Brazil for violations of the World Trade Organization's (WTO's) treaty regarding cotton subsidies. Another amendment to the bill offered by Rep. Steve King (R-Iowa) was passed in a Floor vote and would prevent funds in the bill from being used to pay for mifepristone, commonly known as RU-486, or the morning after pill.

<u>Below are selected vote hits on Democrats who voted against H.R. 2112:</u>

- **Voted against the fiscal year 2012 agricultural appropriations bill, which provided $125.5 billion for agriculture programs**

    - Voted against passage of a bill that would provide $125.5 billion in fiscal 2012 for the Agriculture Department and related agencies, including $17.3 billion in discretionary funding. The bill would provide $24.5 billion for agricultural programs, $2.2 billion for the Food and Drug Administration and $172 million for the Commodity Futures Trading Commission. It would fund the food stamp program at $71.2 billion and the child nutrition program at $18.8 billion. It would provide $5.9 billion for the Women, Infants and Children program and $1 billion for the Food for Peace program. (Passed 217-203; D: 0-184; R: 217-19)[104]

- **The bill provides $7.1 billion less than President Obama's request for Agriculture in FY2012**

    - In a June 17, 2011, House Action Report, *Congressional Quarterly* reported, "As amended, the bill provides a total of $125.4 billion in both mandatory and discretionary funding — $33 million more than the current level, but $7.1 billion (5%) less than the president's budget request. The total includes $17.2 billion in discretionary funding — $3.1 billion (15%) less than the current level and $5.2 billion (23%) less than the request. It also includes $108 billion in mandatory funding, $3.0 billion (3%) more than the current level."[105]

- **The bill cuts discretionary spending by $3.1 billion compared to current levels**

    - In a June 17, 2011, House Action Report, *Congressional Quarterly* reported, "As amended, the bill provides a total of $125.4 billion in both mandatory and discretionary funding — $33 million more than the current level, but $7.1 billion (5%) less than the president's budget request. The total includes $17.2 billion in discretionary funding — $3.1 billion (15%) less than the current level and $5.2 billion (23%) less than the request. It also includes $108 billion in mandatory funding, $3.0 billion (3%) more than the current level."[106]

- **The bill provides $18.1 billion for child nutrition programs, an increase of $1.5 billion over last year**

    - In a June 17, 2011, House Action Report, *Congressional Quarterly* reported, "The measure provides nearly $90 billion for mandatory food and nutrition programs within the Agriculture Department — including the Supplemental Nutrition Assistance Program and

[104] H.R. 2112, CQ Vote #459, June 16, 2011
[105] "Agriculture Appropriations for FY 2012," *Congressional Quarterly*, House Action Reports, June 17, 2011
[106] "Agriculture Appropriations for FY 2012," *Congressional Quarterly*, House Action Reports, June 17, 2011

child nutrition. The total is 13% less than the current level, and 21% less than the request. The bill funds the Women, Infants, and Children (WIC) nutrition program at $6 billion — $686 million (10%) less than the current level. The measure also provides $18.8 billion for child nutrition programs, $1.5 billion more than the current level; and $2.2 billion for agriculture research programs, 14% less than the current level."[107]

- **The bill provides $71.2 billion for the supplemental nutrition assistance program (SNAP) (formerly known as food stamps), an increase of $6 billion**

  - In a June 13, 2011, House Action Report, *Congressional Quarterly* reported, "The measure provides $71.2 billion for SNAP (formerly known as food stamps), which is 57% of the bill's total — nearly $6 billion (9%) more than FY 2011, but $2 billion (3%) less than requested."[108]

- **The bill provides $4.8 billion in loans to farmers for various purposes, including farm operation and farm ownership**

  - In a June 13, 2011, House Action Report, *Congressional Quarterly* reported, "The Agriculture Credit Insurance Fund offers loans to farmers, including farm-operating, farm-ownership, American Indian tribal land acquisition and boll weevil eradication loans.

    "The bill assumes the fund will provide $4.8 billion in various loans, $136 million (3%) more than the current level and $40 million (1%) more than the president's request. The majority of the fund's total loan authorization goes toward farm-ownership loans and farm-operation loans."[109]

- **The bill provides $3.7 billion for the Food and Drug Administration, $631 million (15 percent) less than what President Obama requested, which regulates food, cosmetics, human and animal drugs, and medical devices**

  - In a June 13, 2011, House Action Report, *Congressional Quarterly* reported, "The Food and Drug Administration (FDA), part of the Health and Human Services Department, regulates food, cosmetics, human and animal drugs, and medical devices. The bill provides the FDA with $3.7 billion — $2 million more than the current level, but $631 million (15%) less than the president's request. The bill's appropriation is $2.2 billion, with $1.5 billion provided in user fees."[110]

- **The bill provides $972 million for food safety and inspection to enforce laws requiring that meat and poultry products are "wholesome, unadulterated, and properly packaged and labeled"**

  - In a June 13, 2011, House Action Report, *Congressional Quarterly* reported, "The Food Safety and Inspection Service (FSIS) enforces laws requiring meat and poultry products to be

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107 "Agriculture Appropriations for FY 2012," *Congressional Quarterly*, House Action Reports, June 17, 2011
108 "Agriculture Appropriations for FY 2012," *Congressional Quarterly*, House Action Reports, June 13, 2011
109 "Agriculture Appropriations for FY 2012," *Congressional Quarterly*, House Action Reports, June 13, 2011
110 "Agriculture Appropriations for FY 2012," *Congressional Quarterly*, House Action Reports, June 13, 2011

wholesome, unadulterated and properly packaged and labeled. It also inspects egg-processing plants and administers a pathogen reduction program.

"The measure provides $972 million — $34 million (3%) less than the current level, and $39 million (4%) less than the president's request."[111]

- **The bill prevents a $147 million annual payment to Brazil's cotton industry**

  - In a June 20, 2011, article, *Congressional Quarterly* reported, "Carefully balancing the interests of those who wanted either fewer or more cuts, House GOP leaders narrowly won the chamber's endorsement of a fiscal 2012 agriculture spending bill, spurning bipartisan efforts to lower farm subsidies but making significant cuts in international and domestic food aid.

    "The bill (HR 2112) passed 217-203 on June 16 after two days of debate and votes on scores of amendments. It would slash discretionary funding for the Agriculture Department and related agencies by 13 percent, but the cuts are not as deep as the chamber's more conservative members would have liked. Nineteen Republicans joined all Democrats in voting against it."[112]

  - According to the same *Congressional Quarterly* article, "In addition to the split over farm subsidies, lawmakers also were sharply divided over a $147 million annual payment to Brazil's cotton industry. The House voted 223-197 for an amendment blocking the payment to Brazil in fiscal 2012, renewing a decade-old trade dispute. Most Democrats voted for the amendment and most Republicans against, although the partisan division was not as strong as on the bill itself. (House vote 439, p. 1334)

    "The United States agreed last year to make the annual payment after Brazil threatened to raise tariffs on hundreds of millions of dollars in U.S. goods. The policy was put in place until the Agriculture Committee can revisit the issue in the farm authorization bill, and many lawmakers said it was inappropriate to untangle the trade agreement until then."[113]

H.R. 2219, FY 2012 Defense Appropriations Act: On July 8, 2011, the House passed H.R. 2219, by a vote of 336 to 87. You can see how they voted here.

H.R. 2219 would have provided $649.2 billion for defense programs in FY 2012, $8.1 billion less than President Obama's FY 2012 budget request and $21.9 billion less than the then-current funding level. Of the $649.2 billion provided in the bill, $530 billion was dedicated to regular programs at the Defense Department, including procurement, research and development, military personnel salaries and benefits, etc., while $118.7 billion was dedicated to contingency funds, which are specifically set aside to support operations in Iraq, Afghanistan and the global war on terrorism (although other funds from the bill could be used to support these operations). This represented a $40 billion reduction from the then-current level, which reflected the reduced costs due to the troop drawdown in Iraq.

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[111] "Agriculture Appropriations for FY 2012," *Congressional Quarterly*, House Action Reports, June 13, 2011
[112] Emma Dumain and Ellyn Ferguson, "House Agriculture Bill is a Balancing Act," *Congressional Quarterly*, June 20, 2011
[113] Emma Dumain and Ellyn Ferguson, "House Agriculture Bill is a Balancing Act," *Congressional Quarterly*, June 20, 2011

The bill also contained funding for a 1.6 percent pay increase for military personnel in FY 2012, $32.9 billion for defense health programs and $6 billion for measures to counter improvised explosive devices and mine-resistant ambush-protected vehicles.

Below are selected vote hits on Democrats who voted against H.R. 2219:

- **Voted against the fiscal year 2012 defense appropriations bill, which provided $649.2 billion for defense programs, including a pay raise for military personnel**

  - Voted against passage of a bill that would provide $649.2 billion for the Defense Department in fiscal 2012. That total includes $530 billion in discretionary funding and an additional $118.7 billion in funding for overseas contingency operations such as the wars in Afghanistan and Iraq. Of the regular funding, $170 billion would be provided for operations and maintenance, $107.6 billion for procurement and $73 billion for research and development. It would provide about $10 billion for ballistic missile defense; $32.3 billion for the Defense Health Program; and $132.1 billion for military personnel, including a 1.6 percent pay raise. (Passed 336-87; D: 112-75; R: 224-12)[114]

- **The underlying bill cut $21.9 billion from the current level and provided $8.1 billion less than President Obama's request for defense spending**

  - In a July 8, 2011, House Action Report for FY2012 Defense Appropriations, *Congressional Quarterly* reported, "This Floor Summary describes changes made to HR 2219, Defense Appropriations for FY 2012, which the House passed July 8 by a vote of 331 to 87. For a summary of the bill considered on the House floor, see House Action Reports Fact Sheet No. 112-10, June 22, 2011.

    "As passed by the House, the bill appropriates $649.2 billion for defense programs in FY 2012, $8.1 billion less than the request and $21.9 billion less than the current level. The total includes $118.7 billion in specific funds for the wars in Iraq and Afghanistan and the general war on terrorism, although other funds could be used for those purposes. That amount is almost $40 billion less than the current level — largely due to the drawdown of U.S. forces in Iraq."[115]

- **The bill provides a 1.6 percent pay raise for military personnel**

  - In a June 21, 2011, bill analysis of H.R. 2219, *Congressional Quarterly* found, "The bill would provide a 1.6 percent military pay raise, matching the administration's request."[116]

- **The bill provides $32.2 billion for defense health programs**

  - In a June 21, 2011, bill analysis of H.R. 2219, *Congressional Quarterly* found, "The bill would provide $32.2 billion for the Defense Health Program, which is $119 million more than the president's request. From that amount, the bill would provide $223 million for cancer

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[114] H.R. 2219, CQ Vote #532, July 8, 2011
[115] CQ House Action Report, "Defense Appropriations for FY2012," *Congressional Quarterly*, July 8, 2011
[116] CQ Bill Analysis, "H.R. 2219," *Congressional Quarterly*, June 21, 2011

research, $125 million for traumatic brain injury and psychological health treatment, $30 million for orthopedic research and $15 million for restorative transplant research. The measure also would include $2.3 billion for family support and advocacy programs."[117]

- **The bill provides $223 million for cancer research**

  - In a June 21, 2011, bill analysis of H.R. 2219, *Congressional Quarterly* found, "The bill would provide $32.2 billion for the Defense Health Program, which is $119 million more than the president's request. From that amount, the bill would provide $223 million for cancer research, $125 million for traumatic brain injury and psychological health treatment, $30 million for orthopedic research and $15 million for restorative transplant research. The measure also would include $2.3 billion for family support and advocacy programs."[118]

    Editor's Note: *The $223 million for cancer research in the bill is included in the $32.2 billion total for defense health programs.*

- **The bill provides $3.2 billion for mine resistant ambush protected trucks known as MRAPs**

  - In a June 21, 2011, bill analysis of H.R. 2219, *Congressional Quarterly* found, "The bill would provide $3.2 billion for mine resistant ambush protected trucks, or MRAPs."[119]

- **In June 2011, then secretary of defense Robert Gates said that MRAPs have "saved thousands of lives"**

  - In a June 27, 2011, article, *USA Today* reported, "Armored trucks designed to withstand roadside bomb blasts have saved 'thousands of lives' and prevented at least as many maimings [sic] since being sent to Afghanistan and Iraq, Defense Secretary Robert Gates said in an interview with USA TODAY.

    "Gates, who retires Thursday, said he pushed to get more Mine Resistant Ambush Protected (MRAP) vehicles to the front after a 2007 article in USA TODAY reported that no Marines had been killed in 300 attacks on MRAPs in Iraq."[120]

- **In 2010 the number of U.S. Troops in Afghanistan killed or wounded by roadside bombs was 3,628**

  - In a Jan. 25, 2011, article, *The Washington Post* reported, "The number of U.S. troops killed by roadside bombs in Afghanistan soared by 60 percent last year, while the number of those wounded almost tripled, new U.S. military statistics show.

    "All told, 268 U.S. troops were killed by the improvised explosive devices, or IEDs, in 2010, about as many as in the three previous years combined, according to the figures, obtained by

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[117] CQ Bill Analysis, "H.R. 2219," *Congressional Quarterly*, June 21, 2011
[118] CQ Bill Analysis, "H.R. 2219," *Congressional Quarterly*, June 21, 2011
[119] CQ Bill Analysis, "H.R. 2219," *Congressional Quarterly*, June 21, 2011
[120] Tom Vanden Brook, "Gates: MRAPs save 'Thousands' of troop lives," *USA Today*, June 27, 2011, http://www.usatoday.com/news/military/2011-06-27-gates-mraps-troops_n.htm?csp=34news#

The Washington Post. More than 3,360 troops were injured, an increase of 178 percent over the year before."[121]

H.R. 2354, FY 2012 Energy and Water Appropriations: On July 15, 2011, the House passed H.R. 2354, by a vote of 219 to 196. You can see how they voted here. H.R. 2354 would have provided $30.7 billion for the Department of Energy and water programs in FY 2012 - $5.9 billion less than President Obama's request and $1.7 billion less than its then-current funding level. The bill also contained an additional $1 billion in emergency funding to the Army Corps of Engineers for emergency disaster relief in areas affected by storms, tornados and flooding. Since the spending is designated as emergency, it did not count toward the bill's total appropriated amount, however, the spending was offset by rescinding $1 billion in unobligated funds that had been authorized for high speed rail.

H.R. 2354 also contained $7.1 billion for the development of nuclear weapons - an increase of $195 million over then-current levels. Additionally, the measure contained a total of $35 million to continue the licensing process for the Yucca Mountain nuclear waste storage facility. The original bill contained only $25 million in funding for the facility, but an amendment offered by Rep. John Shimkus (R-Ill.) passed, adding an additional $10 million in funds. (***Note:*** *The final bill language for FY 2012 Energy and Water Appropriations, which was rolled into the nine-bill omnibus appropriations package H.R. 2055 in December, left out this funding for Yucca Mountain.*)

An amendment by Rep. Tom Cole (R-Okla.) was also passed which prohibits the use of funds in the bill to implement any rules or regulations that would require federal contractors to disclose political contributions.

Below are selected vote hits on Democrats who voted against H.R. 2354:

- **Voted against the fiscal year 2012 energy and water appropriations bill, which provided $30.7 billion for energy and water projects, and cut spending by $1.1 billion**
    - Voted against passage of a bill that would provide $30.6 billion in fiscal 2012 to fund the Energy Department, the Army Corps of Engineers, the Interior Department's Bureau of Reclamation and several regional water and power authorities. It also would provide $1 billion in emergency aid to areas in the Missouri and Mississippi River basins. In total, the bill would provide the Energy Department with $24.7 billion, of which $1.3 billion is designated for renewable energy and energy-efficiency programs. The bill also would provide $10.6 billion for the National Nuclear Security Administration, as well as $4.8 billion for the Army Corps of Engineers. (Passed 219-196; D: 10-175; R: 209-21)[122]

- **The bill provides $5.9 billion (16 percent) less than President Obama's request for FY 2012 and $1.1 billion (3 percent) less than the current level of funding**
    - In a July 18, 2011, floor summary of H.R. 2354, *Congressional Quarterly* found, "This Floor Summary describes changes made to HR 2354, Energy and Water Appropriations for FY 2012, which the House passed on July 15 by a vote of 219 to 196. For a summary of the bill considered on the floor, see House Action Reports Fact Sheet No. 112-11, July 6, 2011.

[121] Craig Whitlock, "Number of Casualties From Roadside Bombs in Afghanistan Skyrocketed From 2009 to 2010," *The Washington Post,* Jan. 25, 2011, http://www.washingtonpost.com/wp-dyn/content/article/2011/01/25/AR2011012506691.html
[122] H.R. 2354, CQ Vote #600, July 15, 2011

"As passed by the House, the bill provides a total of $30.7 billion — $5.9 billion (16%) less than requested and $1.1 billion (3%) less than the FY 2011 level."[123]

- **The bill provides $1 billion in emergency funding for projects related to major flooding in the Mississippi and Missouri River Basins**

  - In a July 18, 2011, floor summary of H.R. 2354, *Congressional Quarterly* found, "The bill also provides $1 billion in emergency funding to the Corps for projects relating to major flooding in the Mississippi and Missouri River Basins. The funding is designated as 'emergency' and does not count against the bill's total appropriated amount. The measure, however, offsets the funds by rescinding $1 billion in unobligated funds previously appropriated for high-speed rail."[124]

- **The bill provides $10.6 billion in funding for the National Nuclear Security Administration, which is responsible for modernizing and securing the U.S. nuclear weapons stockpile**

  - In a July 18, 2011, floor summary of H.R. 2354, *Congressional Quarterly* found, "Within the Energy Department, the bill provides $10.6 billion for the National Nuclear Security Administration (NNSA) — $1.1 billion (9%) less than requested, but approximately $100 million more than the current level. NNSA is responsible for modernizing and securing the U.S. nuclear weapons stockpile and managing certain nuclear nonproliferation programs."[125]

H.R. 2551, FY 2012 Legislative Branch Appropriations: On July 22, 2011, the House passed H.R. 2551, by a vote of 252 to 159. You can see how they voted here. This vote was on the standalone measure for FY 2012 Legislative Branch appropriations. H.R. 2551 was rolled into the nine-bill omnibus appropriations package (H.R. 2055) that was eventually cleared by Congress in December 2011.

Agencies and entities covered by Legislative Branch Appropriations include the House of Representatives, joint House-Senate items and legislative branch entities such as the Library of Congress, United States Capitol Police (USCP), Congressional Budget Office (CBO), Government Accountability Office (GAO) and the Government Printing Office (GPO). The bill, as passed by the House, provided $3.3 billion in funding - $227 million less than FY 2011 funding and $472 million less than requested. This $3.3 billion figure did not include any funds for the Senate, which adds its own funds to its own version of the bill (which brought the total to around $4.4 billion).

H.R. 2551 reduced funding for every account covered by the bill with the exception of the USCP, which maintained its then-current funding levels. This included a six percent reduction from FY 2011 levels and an 11 percent reduction less than was requested in funding for Member Representational Allowances (MRAs) and House committees (except the Appropriations Committee endured a nine percent cut), a seven percent reduction for the Architect of the Capitol (AOC) and an eight percent reduction for the Library of Congress.

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[123] CQ Floor Summary, "Energy and Water Appropriations for FY 2012," *Congressional Quarterly*, July 18, 2011
[124] CQ Floor Summary, "Energy and Water Appropriations for FY 2012," *Congressional Quarterly*, July 18, 2011
[125] CQ Floor Summary, "Energy and Water Appropriations for FY 2012," *Congressional Quarterly*, July 18, 2011

Again, H.R. 2551 was eventually rolled into H.R. 2055, the nine-bill omnibus appropriations package, at the end of the year (more on that below).

Below are selected vote hits on Democrats who voted against H.R. 2551 (as passed by the House in July 2011):

- **Voted against the FY2012 legislative appropriations bill, which cuts 7 percent from the current funding level for House operations, cut members' office budgets by 6 percent, and cut members' allowance and expense budgets by 8 percent**

    - Voted against passage of a bill that would provide $3.33 billion for legislative branch operations, excluding Senate operations, in fiscal 2012. The total would include $1.23 billion for House operations, $575.3 million for the Library of Congress, $511.3 million for the Government Accountability Office, $489.6 million for the Architect of the Capitol, and $340.1 million for the Capitol Police. The bill would provide $5.8 million for a transition quarter, from Sept. 30, 2012 through Dec. 31, 2012, to allow leadership offices to operate according to the sessions of Congress, similar to member offices. (Passed 252-159; D: 39-143; R: 213-16)[126]

    - In a July 22, 2011, Floor Summary for Legislative Branch Appropriations for FY 2012, *Congressional Quarterly* reported, "This Floor Summary describes changes made to HR 2551, Legislative Branch Appropriations for FY 2012, which the House passed July 22 by a vote of 252 to 159. For a summary of the bill considered on the floor, see House Action Reports Fact Sheet No. 112-13, July 20, 2011.

      "As passed by the House, the bill provides $3.3 billion for House operations, joint House-Senate items and legislative branch entities, such as the Library of Congress, the Capitol Police, the Government Accountability Office and the Government Printing Office. In keeping with long-established practice, the measure contains no funding for the Senate, which will add funds to its version, bringing the total to about $4.4 billion.

      "The $3.3 billion total is $233 million (7%) less than the current level, and $477 million (13%) less than requested by the offices and agencies covered by the measure. All accounts funded by the bill have been reduced from their FY 2011 levels, except for the Capitol Police, which was increased by $1 million to establish a security fund for members' district office security upgrades."[127]

    - In a July 20, 2011, House Action Report for Legislative Branch Appropriations for FY 2012, *Congressional Quarterly* reported, "The bill appropriates $1.2 billion for operations of the House, $85 million (7%) less than the current level, and $107 million (8%) less than requested.

      "The total for the House includes the following:

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[126] H.R. 2551, CQ Vote #629, July 22, 2011
[127] CQ Floor Summary, "Legislative Branch Appropriations for FY 2012," *Congressional Quarterly*, July 22, 2011

> "Members' Offices — $574 million for operating members' offices, $39 million (6%) less than current funding and $60 million (9%) less than requested.
>
> "Allowances and Expenses — $293 million for allowances and expenses, $24 million (8%) less than current funding and $15 million (5%) less than requested."[128]

H.R. 2608, FY 2012 Continuing Appropriations Act (Rounds 1&2): This particular stopgap measure, or CR, went through several hoops before being finally enacted to thwart yet another looming government shutdown situation. On Sept. 21, 2011, the House failed to pass H.R. 2608, by a vote of 195-230, with six Democrats supporting the bill and 48 Republicans voting against it. You can see how they voted here.

H.R. 2608, as failed by the House, would have set total annual spending through Nov. 18, 2011, at $1.043 trillion, in accordance with the August debt limit law. This bill would have reduced the funding for most federal agencies and programs by 1.5 percent from their FY 2011 levels. It also included $3.7 billion in disaster relief, which was partially offset by a $1.5 billion reduction in funds for a Department of Energy (DOE) Advanced Technology Vehicles Manufacturing Loan Program.

In order to avoid procedural issues in the Senate, the legislation was brought up as a motion to concur with the Senate's amendments to H.R. 2608 (the House had previously passed H.R. 2608 by voice vote on July 26, 2011) with a House amendment which would have replaced the bill's original language with the CR language to fund the government through Nov. 18, 2011.

On Sept. 23, 2011, the House passed H.R. 2608, by a vote of 219 to 203. You can see how they voted here. The measure remained largely unchanged from the previous version that was defeated in the House two days prior. But, 24 Republicans continued to oppose the measure – many because they had wanted to hold spending closer to the $1.019 trillion level set by the House-adopted budget resolution for FY 2012.

After the earlier version of H.R. 2608 failed to pass the House, an additional $100 million offset was added which would have taken the funds from the DOE Section 1705 innovative technology program, a stimulus program that authorized $535 million in loan guarantees to the now-bankrupt solar energy company Solyndra. The bill moved onto the Senate even though both House and Senate Democrats said at the time that they preferred a measure sponsored by Senate Majority Leader Harry Reid that would provide $500 million in FY 2011 disaster aid, without offsets, and $6.9 billion for FY 2012.

H.R. 2017, Continuing Appropriations for FY 2012: As was previously detailed, H.R. 2017 was passed by the House on June 2, 2011, as the standalone FY 2012 Homeland Security Appropriations bill. Because of the contention between the House and the Senate and between Democrats and Republicans regarding H.R. 2608 and the disaster funding, things had once again gotten down to the wire as far as a possible government shutdown. With the current CR about to run out on Sept. 30, 2011, the Senate sent back H.R. 2017 to the House as just a short-term CR to fund and keep the federal government running through Oct. 4, 2011. It was passed by unanimous consent during a pro forma session of the House on the morning of Sept. 29, 2011. President Obama signed it into law (P.L. 112-33) on Sept. 30, 2011.

H.R. 2608, Continuing Appropriations for FY 2012 (Round 3): Late on Sept. 26, 2011, the Senate passed a six-week CR - effectively replacing the language of H.R. 2608, with its own – that would provide $2.65 billion for FEMA and other disaster aid programs instead of the $3.65 billion in the House-passed

[128] CQ House Action Report, "Legislative Branch Appropriations for FY 2012," *Congressional Quarterly*, July 20, 2011

version. By removing $1 billion in disaster aid for FY 2011 that was in the House-passed bill (H.R. 2608), the Senate averted a standoff with the House over $1.6 billion in offsets taken from loan guarantees to promote energy efficiency which was intended to offset the FY 2011 disaster funding. Without the FY 2011 funds, the offset was no longer needed. This move came after FEMA officials said its Disaster Relief Fund had enough money to edge in the FY 2012.

On Oct. 4, 2011, the House passed H.R. 2608, by a vote of 352 to 66. You can see how they voted here. This measure provided funding for the federal government through Nov. 18, 2011, averting a government shutdown. Largely unchanged from the original version that passed the House back in September, the revised measure eliminated the $1 billion in FY 2011 disaster aid along with $1.6 billion in offsets taken from the two loan guarantee programs to promote energy efficiency. Fifty-three Republicans voted against it, many of them unhappy with the rate of spending the measure would provide for the first few weeks of FY 2012 (the topline amount was $24 billion more than adopted in the House-passed FY 2012 budget resolution). H.R. 2608 was finally signed into law (P.L. 112-36) by President Obama on Oct. 5, 2011.

H.R. 2112, Conference Report on Agriculture, Commerce-Justice-Science (CJS) and Transportation-Housing and Urban Development (HUD) "Minibus" Appropriations and Short-Term Continuing Appropriations: As previously mentioned, H.R. 2112, the standalone FY 2012 Agriculture Appropriations bill that passed the House back in June 2011, was used as the legislative vehicle for a "minibus" appropriations package. On Nov. 17, 2011, the House passed H.R. 2112, the FY 2012 "Minibus" Appropriations and Short-Term Continuing Appropriations Act, by a vote of 298 to 121. You can see how they voted here. President Obama signed it into law (P.L. 112-55) on Nov. 18, 2011.

This "minibus" appropriations package funded the departments and agencies of the federal government covered by three regular appropriations bills for FY 2012: Agriculture, Commerce-Justice-Science and Transportation-HUD. The three combined bills provided $128 billion in discretionary spending, which is in keeping with the $1.043 trillion aggregate cap on discretionary spending agreed to in the August 2011 debt limit law.

The package also included $2.3 billion in emergency funding for disaster relief, which is exempt from the $1.043 trillion cap. It also extended then-current funding levels for the remaining departments and agencies of the federal government not covered by the minibus portion of the bill through Dec. 16, 2011. H.R. 2112 also contained several "noteworthy" policy riders including:

- Barred farmers with incomes exceeding $1 million from receiving subsidies under the direct payment program
- Upheld Senator Collins' (R-Maine) amendment that blocked the U.S. Department of Agriculture (USDA) from limiting the frequency with which white potatoes and other starchy vegetables are served in school lunches
- Prevented the Department of Justice (DOJ) from consolidating firearms sales records, electronically retrieving the records of former firearms dealers and maintaining information on persons who have passed firearms background checks
- Prohibited the DOJ from requiring imported shotguns to meet a "sporting purposes" test

- No funding to establish a new National Oceanic and Atmospheric Administration (NOAA) Climate Service

- Prohibited the transfer or release of any Guantanamo Bay, Cuba (Gitmo) detainee into the U.S.

- Banned abortion funding for federal prisoners and provided conscience protection for prison employees

- Prohibited the Legal Services Corporation funds from being used for organizations that engage in abortion-related litigation

- Did not defund or prohibit funds from going to Operation Fast & Furious (Senate version was amended to prohibit funds from going to Operation Fast & Furious), but has a section which basically states that no funds under the bill can be used by U.S. Federal law enforcement officers to transfer a firearm to a known or suspected drug cartel member

- No funding for High Speed Rail or Intercity Passenger Rail Service

- Raised the Federal Housing Administration (FHA) conforming loan limits through Dec. 31, 2013 (from $625,000 to $729,750) – excluded the GSEs (Fannie & Freddie) from this increase

- Reformed the grossly mismanaged HUD program, HOME Investment Partnerships Program as well as cut its funding by 37.5 percent

- Reversed a recent Federal Aviation Administration (FAA) proposal to allow public access to general aviation aircraft movements, effectively restoring the Block Aircraft Registry Request (BARR) program (there has been bipartisan outcry against this FAA proposal, primarily from the House General Aviation Caucus, as well as most aviation and pilot outside groups)

- Reduced funding for Amtrak subsidy grants and made several reforms to Amtrak's business model: requires overtime limits on employees to reduce costs; prohibits federal funding for routes where Amtrak offers a discount of 50 percent or more off normal, peak fares

- Prohibited any funds from the bill from going to ACORN or it subsidiaries

H.R. 2055, Consolidated Appropriations Act for FY 2012: The previously passed H.R. 2055, Military Construction and Veterans Affairs Appropriations Act for FY 2012, was used as a vehicle for this consolidated appropriations bill for FY 2012 that combined the remaining appropriations bills to fund the federal government for the remainder of FY 2012. The House passed H.R. 2055, the Consolidated Appropriations for FY 2012 Act, on Dec. 16, 2011, by a vote of 296 to 121. You can see how they voted here. It was signed into law (P.L. 112-74) by President Obama on Dec. 23, 2011.

H.R. 2055 funded the departments and agencies of the federal government covered by the following nine remaining regular appropriations bills for FY 2012: Defense, Energy and Water, Financial Services, Homeland Security, Interior and Environment, Labor-Health and Human Services (HHS)-Education, Legislative Branch, Military Construction-Veterans Affairs and State-Foreign Operations. In conjunction with the passage of H.R. 2055, the House also passed H. J. Res. 94 and H. J. Res. 95 (both by voice vote) to keep the federal government funded for an additional 24 hours and for an additional week through Dec. 23, 2011, respectively, while the Senate considered this House-passed conference report.

In addition to funding, H.R. 2055 also contained several policy riders including:

- Barred the use of funds to transfer or release Guantanamo Bay detainees into the U.S.
- Eliminated funding for the alternative engine for the F-35 Joint Strike Fighter program.
- Provided a 1.6 percent pay raise for all military personnel
- Eliminated funding in the bill for the Yucca Mountain Nuclear waste depository
- Required that federal agencies use the E-verify system to verify the legal immigration status of any employee hired after the bill's enactment.
- Prohibited the use of funds to pay salaries of certain administration "czars": health care, energy and climate, auto industry manufacturing, urban affairs
- Prohibited the use of federal and local funds for abortion in DC except in cases of rape or incest or to save the life of the woman
- Included a three percent increase for Customs and Border Protection (CBP)
- 39 percent cut to FEMA state and local programs
- Reduced funding for Interior Department Land Acquisition programs and EPA grant programs
- Prevented the EPA from regulating livestock-related greenhouse gas emissions or from imposing greenhouse gas emission reporting requirements
- Reduced EPA funding by $220 million from FY2011 and by $500 million from the president's request
- Prohibited the use of federal funds for needle exchange programs
- Prohibited the implementation of mine safety rules regarding exposure to coal dust
- Limited National Labor Relations Board (NLRB) authority in permitting electronic unionization elections (or "ambush" elections which the House voted on a few weeks ago)
- $23 million for Republican and Democrat leadership offices, party caucuses and party committees, six percent less than FY2011 funding
- $574 million for Members' MRAs, six percent less than FY2011
- $153 million for House committee salaries and expenses, six percent less than FY2011

- Did not provide funding for the relocation of the Marine Corps from Okinawa to Guam

- Included the "Tiahrt Amendment" (ensures family-planning programs are voluntary and the "Helms Amendment" (bans foreign aid from being spent on abortions)

- Prohibited any U.S. funds from going to the U.N. Population Fund if it is determined that the fund supports or participates in the management of a program of coercive abortion or involuntary sterilization or if any of its funds are used in China

FY 2013 Budget Requests and Legislation

President Obama's FY 2013 Budget Request: On Feb. 13, 2012, President Obama formally released his FY 2013 budget proposal. His budget can be found here. The request broadly outlined a $3.8 trillion budget for FY 2013 – barely more than the $3.796 trillion in outlays estimated for FY 2012, but would still be the highest dollar amount of government spending in history.

As a result, the deficit would narrow to $901 billion in FY 2013, or 5.5 percent of gross domestic product (GDP), from an estimated $1.33 trillion in FY 2012. After shrinking to $575 billion in FY 2018, the deficit would begin to widen again and reach $704 billion in 2022. The deficit was $1.30 trillion in FY 2011.

Under President Obama's proposal, debt held by the public would "stabilize" at 76.5 percent of GDP by 2018 - about twice the historical average. That level would be slightly more than an estimated 74.2 percent of GDP in FY 2012.

The Congressional Budget Office (CBO), using somewhat different assumptions, projects that the debt would expand to 94 percent of GDP by 2022. That estimate is based on an alternative fiscal scenario that assumes the continuation of current tax and spending policies and the repeal of the automatic sequester, which will amount to about nine percent of discretionary spending next year.

Editor's Note: *For more information regarding the automatic sequester, please refer to the Deficit, Debt and Debt Limit chapter for the 2012 NRCC Issues Book.*

The Obama Administration has promoted this FY 2013 budget proposal as reducing the deficit by $4 trillion – but that counts $1 trillion in savings from appropriations caps enacted as part of the August 2011 debt limit law. The Administration has also advertised its FY 2013 budget plan as consisting of $2.50 in spending cuts for every $1 raised in revenue. But that ratio is achieved by adding $1.7 trillion in spending cuts agreed to in the FY 2011 and FY 2012 appropriations bills and the $1 trillion in savings from the August 2011 debt limit law to proposed spending reductions in President Obama's FY 2013 budget proposal.

The President's FY 2013 budget plan would implement short-term "job-creation" proposals by spending $176 billion on "jobs programs" and $125 billion on transportation and infrastructure.

To help pay for his priorities, President Obama's budget proposal would raise taxes by at least $1.5 trillion over the next ten years. According to the Obama Administration's estimates, total revenue would grow to $2.90 trillion in FY 2013 from an estimated $2.47 trillion in the current FY 2012. Increased revenue in his budget includes almost $850 billion raised by allowing the 2001 and 2003 Bush tax cuts to expire at the end of 2012 for families that earn more than $250,000 annually. Reducing the value of tax breaks for upper-income earners would bring in $580 billion. Another $480 billion would result from raising the estate tax, from closing credits and deductions for oil, gas and coal and from other tax changes. It also proposes $352 billion in new tax breaks for families and companies.

His tax proposals center on the tax reductions enacted in the 2001 and 2003 Bush tax cuts. Below is an outline of President Obama's tax proposals found in his FY 2013 budget, courtesy of the Office of Management and Budget (OMB):

Baseline adjustments and increases

Alternative Minimum Tax — Cost: $1.898 trillion over 10 years. Extend the current law's exemption for the AMT and index it to inflation.

Individual income tax rates — Cost: $563.5 billion over 10 years. Extend the lower-income tax brackets created in 2001 and 2003 for all but high-earning taxpayers — those who make more than $200,000 annually and joint filers who make more than $250,000.

Estate tax — Cost: $431 billion over 10 years. Reimpose the tax on estates at the level in place for 2009, including a $3.5 million per-person exemption from the estate tax and a 45 percent top rate.

Capital gains and dividends — Cost: $162.0 billion over 10 years Extend special low rates on capital gains and dividends, capped at 15 percent, for all but high earners.

Child credit — Cost: $196.4 billion* over 10 years. Extend the child tax credit, which was doubled to $1,000 in 2001.

Marriage penalty — Cost: $66.2 billion* over 10 years. Extend changes to tax brackets designed to prevent married people from paying more taxes together than they would if they were single.

Small-business expensing — Cost: $48.9 billion over 10 years. Extend special provisions permitting a larger deduction for the cost of investments in the year they are made, in lieu of depreciating the cost over time.

Education incentives — Cost: $21.5 billion over 10 years. Extend certain education incentives, including exclusion from income of employer-provided tuition assistance and expansion of student loan interest deduction to taxpayers with larger incomes.

Other tax increases

Cap on tax benefits for high earners — Raises: $584.2 billion over 10 years. Limit the amount by which itemized deductions and other tax breaks reduce taxable income to 28 percent of their value.

Multinational corporations — Raises: $147.5 billion over 10 years. Limit the ability of corporations to defer taxes on profit earned overseas, limit their ability to shift income to foreign subsidiaries and make other changes in the corporate tax code.

Inventory valuation — Raises: $73.8 billion over 10 years. Repeal the use of last-in, first-out accounting and require companies to deduct the value of their oldest inventories, which presumably would increase the taxable portion of the company's revenue.

Bank fee — Raises: $61.3 billion over 10 years. Impose a financial crisis fee on the largest banks to recover some bailout costs.

Oil, gas and coal — Raises: $29.6 billion over 10 years. Eliminate various tax incentives for the production of oil, natural gas and coal.

Superfund — Raises: $20.9 billion over 10 years. Reinstate for 10 years taxes on petroleum and certain chemicals to finance the cleanup of hazardous waste sites.

Carried interest — Raises: $13.5 billion over 10 years. Tax certain income of private equity fund managers and venture capitalists as ordinary income, not at the lower rates owed on capital gains.

Tax cuts

Research and development credit — Cost: $108.5 billion over 10 years. Make permanent a tax break for company spending on research that has repeatedly lapsed and been extended temporarily.

Tuition credit — Cost: $137.4 billion* over 10 years. Make permanent a $2,500-per-year tax credit for college tuition and other expenses.

Small businesses — Cost: $25.2 billion over 10 years. Eliminate capital gains tax on small business stock, double deduction for start-up costs and expand credit for contributions to employee health insurance plans.

Automatic IRA enrollment — Cost: $15 billion* over 10 years. Require any company with more than 10 workers that has no retirement plan to automatically enroll employees in an individual retirement account in 2014 and after. Workers could opt out of the IRA or change its terms.

(***NOTE:*** *Costs in the baseline-adjustment section are measured against current law. Revenue gains from tax increases and revenue losses from tax cuts are measured against the adjusted baseline. All scores are over the 2013-22 period. Proposals marked with an asterisk (*) have outlay costs that are not accounted for here.*)

★★★★★★★★★★

"For our part, we refuse to accept the diminished future outlined by President Obama's budget. A growing bipartisan consensus recognizes the core elements our country needs: responsible spending restraint; a repaired safety net; reforms that ensure real health and retirement security; and a simplified tax code oriented toward growth…President Obama and his party's leaders have taken the opposite approach. In dealing with the most predictable economic crisis in our nation's history, they have decided to duck behind and empty promise and hope that those they serve don't notice. The good news, of course, is that citizens are noticing, and they will have the final say."

~ Rep. Paul Ryan (R-Wis.) and Senator Jeff Sessions (R-Ala.) op-ed, *The Washington Post*, Feb. 16, 2012

The House Budget Committee Republicans prepared a series of documents on the President's FY 2013 budget request that candidates and campaigns may find useful. You can access these documents through the links below:

Analysis of the President's Budget for FY 2013: The President's Budget Increases Spending, Raises Taxes and Offers No Plan to Lift the Debt (2/24/2012)

Tax and Spending Increases in the President's FY 2013 Budget

The President's Budget: President's Budget Charts Path to Debt and Decline

The House Republican Conference prepared a series of bulleted highlights and talking points on the President's FY 2013 budget request that candidates and campaigns may find useful:

Deficits

- The president's budget projects a $1.3 trillion federal deficit in 2012, or 8.5 percent of Gross Domestic Product (GDP).
- 2012 would mark the fourth consecutive year under President Obama with a deficit of more than $1 trillion. Before President Obama took office, the highest deficit ever was $459 billion.
- The 2012 budget deficit would be the second highest of all time, only behind 2009.
- Despite the president's promise to cut the deficit in half in four years, the deficit has grown by 190 percent from 2008 to 2012.
- The 2012 deficit in the president's budget is $248 billion more than the estimated deficit in CBO's January 2012 estimate and $371 billion more than the White House estimated in August 2011.
- From 2012 through 2022, annual deficits would average $728 billion under the president's budget and the federal budget would never balance.
- Under this budget, President Obama will have been responsible for the five highest deficits of all time:
    - $1.413 trillion in 2009
    - $1.294 trillion in 2010
    - $1.299 trillion in 2011
    - $1.327 trillion in 2012
    - $901 billion in 2013

- Even with $1.9 trillion in tax increases, the president's budget would still result in $6.7 trillion in deficits from 2013 through 2022.

Taxes

- The president's budget contains the largest tax increase in U.S. history which would further hamstring our economic recovery by imposing $1.9 trillion in tax increases on American families and job creators at the worst possible time.

- Tax increases in the president's budget include:

    - $1.4 trillion in income tax increases on families and small business owners earning $250,000 (couples) or $200,000 (individuals)

    - $143 billion by increasing the death tax

    - $41 billion in tax increases on energy producers

    - More than $300 billion in additional tax increases

- The budget would allow current tax levels to expire for families and small business owners earning $250,000 (couples) or $200,000 (individuals) beginning in 2013. The budget would, among other things, increase the two top tax rates from 33 percent to 36 percent and from 35 percent to 39.6 percent, respectively.

- The president's budget would impose the so-called "Buffett Rule," requiring that anyone earning $1 million or more annually pay a federal tax rate of at least 30 percent, no matter how their income is derived. While the president claims our tax system allows "millionaires and billionaires" to pay lower tax rates than other Americans, analysis from the Joint Committee on Taxation shows that Americans with incomes between $50,000 and $75,000 will pay an average tax rate of 12.8 percent in 2011. Those with incomes over $1,000,000 will pay an average tax rate of 23.6 percent.

- While the president's budget includes the single largest tax increase ever on families and job producers in the name of "fairness," it fails to reform or eliminate tax subsidies and special preferences for the president's allies, like those that were given to Solyndra. The budget proposes:

    - $2 billion in new tax credits for the production of advanced technology vehicles;

    - $1.7 billion in new tax credits for medium and heavy duty alternative-fuel commercial vehicles;

- $3.8 billion to "extend and modify certain energy incentives" which could include Clean Renewable Energy Bonds;

- $4 billion for a "new Manufacturing Communities" tax credit;

- $2.7 billion in additional tax credits to extend a stimulus program encouraging investments in advanced energy manufacturing projects which would reward renewable energy companies like Solyndra; and

- $4.7 billion for in new spending for "strengthening the teaching profession," while just last year GAO found 82 duplicative and wasteful "teacher quality programs."

Spending

- The budget proposal continues the president's record breaking spending spree by spending $47 trillion over ten years, more than any other budget in history.

- The budget would spend $3.803 trillion in 2013 or 23.3 percent of GDP. This would be the highest dollar amount of government spending in history.

- The budget would increase federal spending each year, reaching $5.82 trillion in 2022.

- Over ten years, the president's budget would increase the size of the federal government by 53 percent.

- From 2008 ($2.982 trillion) to 2013 ($3.803 trillion), government spending will have grown by $820 billion or 27 percent under President Obama.

Debt

- Under this budget, the president's reckless spending spree continues to drive our debt crisis. This budget would increase the gross national debt by $11 trillion between 2012 and 2022, from $15 trillion today to $26 trillion in 2022.

- The president's budget drastically increases borrowing and with it, interest payments made to our competitors like China. Under the president's budget, net interest payments would increase from $248 billion in 2013 to $850 billion in 2022, an increase of 245 percent.

- **Since President Obama took office on January 20, 2009, the national debt has increased by $4.7 trillion or 45 percent in just three years, from $10.6 trillion to nearly $15.4 trillion. During his time in office, President Obama has increased the deficit by 190 percent from 2008 to 2012, presided over the three largest deficits in history, and piled up more debt than every president from George Washington to Bill Clinton combined.**

H. Con. Res. 112, the FY 2013 Congressional Budget Resolution: On March 29, 2012, the House passed H. Con. Res. 112, the House Republican FY 2013 Budget Resolution, by a vote of 228 to 191. You can see how they voted here.

The House Budget Committee Republicans' documents pertaining to the FY 2013 Budget Resolution can be found here: http://budget.house.gov/fy2013prosperity/ The FY 2013 House Budget Resolution, also known as the House Republican budget or the FY 2013 Path to Prosperity, would:

- Set the overall FY 2013 non-emergency, discretionary spending at $1.028 trillion (this was the same amount proposed for FY 2013 in last year's FY 2012 budget) - $1.028 trillion is $19 trillion below the $1.047 trillion spending cap outlined in the August debt limit deal (Budget Control Act) – argument here is that these spending caps are not "targets," but are "limits" and that we should work to achieve less spending than was called for in the Budget Control Act. $1.028 trillion is not as low as some conservatives called for

- Shrink government spending as a share of gross domestic product (GDP) from its current level of 24 percent to 20 percent by 2015

- Consolidate the current six individual income tax brackets into just two brackets of 10 and 25 percent while at the same time, closing tax "loopholes"

- Reduce the corporate rate to 25 percent

- Maintain tax revenue at historical norms of 18 to 19 percent of the economy (GDP)

- Repeal the Alternative Minimum Tax (AMT)

- Shift from a "worldwide" to a "territorial" tax system

- Fully repeal and defund the Democrats' government takeover of health care

- Replace the automatic discretionary sequester with mandatory spending cuts

  Editor's Note: *For more information on the automatic sequester, please refer to the Deficit, Debt and Debt Limit chapter of the 2012 NRCC Issues Book.*

- Cut $5.3 trillion in spending over the next decade (compared with President Obama's budget proposal for FY 2013

- Reduce the accumulated deficit over the next 10 years by $3 trillion more than President Obama's budget proposal for FY 2013

- Prevent $2 trillion in tax increases requested by President Obama

- Reform Medicaid into a block grant program giving states flexibility to tailor it for their needs

- Revamp Medicare following the outline Budget Committee Chairman Paul Ryan (R-Wis.) and Senator Ron Wyden (D-Ore.) proposed earlier in 2012. It would create a premium-support mechanism to replace the current fee-for-service health system for seniors. It differs from the Medicare reform proposal in the FY 2012 budget resolution in that:

    - it is based on a bipartisan proposal with Senator Wyden's involvement as well as it being proposed by Alice Rivlin (former vice-chair of the Federal Reserve. former director of OMB and former director of CBO all under President Bill Clinton – as well as being appointed to President Obama's Fiscal Commission by President Obama); and

    - this plan would allow recipients to remain within the traditional Medicare program if they choose to do so.

The following is a function-by-function summary analysis of the FY 2013 budget resolution, for those interested in the very specific details:

Function 050: National Defense

- FY 2013 total (both mandatory and discretionary): $562.2 billion in budget authority (BA); $621.5 billion in outlays (OT)
    - Discretionary: $554.2 billion (BA); $613.5 billion (OT)
        - $2.4 billion above the President's requested levels
        - Equal to amounts enacted for FY 2012
    - Mandatory: $7.9 billion (BA); $7.9 billion (OT)

- 10-year totals: $6.306 trillion (BA); $6.293 trillion (OT)

- Rejects the assumption in the President's budget request that assumes more than $42 billion in savings over the next five years from restructuring several major procurement programs

    - Per the Budget Committee's committee report on the budget resolution, "What the President's budget doesn't say is that most of these 'savings' are merely shifted into the second five years of the budget window when the only means of actually achieving them will be additional draconian cuts in military end-strength and compensation. This budget rejects this shell game, which would otherwise result in the delayed fielding of needed military capabilities; increased costs for major procurement programs; and an unwise and precipitous reduction in the size of the armed forces."

Function 150: International Affairs

- FY 2013 total: $43.128 billion (BA); $46.999 billion (OT)
    - Discretionary: $40.905 billion (BA); $47.522 billion (OT)
    - Mandatory: $2.223 billion (BA); -$523 million (OT) (this negative outlay amount reflects receipts from foreign military sales and foreign military financing transactions)

- 10-year totals: $421.981 billion (BA); $462.974 billion (OT)

- Policy Language and Recommendations:

- Consolidate USAID's Development Assistance (DA) and the Millennium Challenge Corporation (MCC)
- Eliminate the Complex Crises Fund (CCF)
- Eliminate and/or consolidate funding for peripheral foreign affairs institutes like Inter-American Foundation, the African Development Foundation, the East-West Center, the Asia Foundation, the Center for Middle Eastern-Western Dialogue – many of these institutions are redundant and overlap their mission focus as well as what regions in the world they deal with
- Reduce funding for Broadcasting Board of Governors (BBG)
  - its budget has increased by almost 40 percent over the past 10 years
- Reduce educational and cultural exchange programs
  - funding for these programs has increased by 24 percent over the past five years & Obama Administration has even requested less funding for these relative to last year's spending levels
- eliminate contributions to Clean Technology and Strategic Climate Funds
  - both were created by the Obama Administration in FY 2010
- eliminate Feed the Future
  - initiated by Obama Administration in 2009
  - overlaps with Food for Peace, McGovern-Dole International Food for Education and Child Nutrition Program
- reduce funding for USAID's International Disaster Assistance
  - President requested $960 million, an 83 percent increase from spending levels five years ago
  - 10-year spending average on international disasters is $590 million
  - 20-year spending average on international disasters is $380 million

Function 250: General Science, Space and Technology

- FY 2013 total: $28 billion (BA); $29.2 billion (OT)
  - Discretionary: $27.9 billion (BA); $29.1 billion (OT)
  - Mandatory: $100 million (BA); $116 million (OT)

- 10-year totals: $302.6 billion (BA); $301.7 billion (OT)

- Sequester: if not replaced, this function would be reduced by another $2.0 billion in FY 2013

Function 270: Energy

- FY 2013 totals:
  - Discretionary: $2 billion (BA); $8.4 billion (OT)
  - Mandatory: -$5 billion (BA); $983 million (OT) (negative balances reflect the incoming repayment of loans, receipts from the sale of electricity produced by federal entities for the disposal of nuclear waste, which are accounted for as "negative spending")
  - Since the start of the Obama Administration, total outlays in this function have increased by almost 390 percent

- 10-year totals:
  - Discretionary: $21.7 billion (BA); $45.1 billion (OT)

- Mandatory: $15.4 billion (BA); $14.8 billion (OT)
- The large disparity between BA and OT results mainly from a large infusion of stimulus funds that are still being expended nearly four years later

- Policy Language and Recommendations:
  - Reduce administrative costs at DOE
  - Scale back corporate subsidies in the energy industry – recommends paring back spending in areas of duplication and non-core functions, such as applied and commercial research and development projects "best left to the private sector"
    - According to the Energy Information Administration (EIA), on a dollar-per-unit-of-production basis, the level of subsidies received by the wind and solar industries were almost 100 times greater than those for conventional energy – this does not include the $27.2 billion allocated in the 2009 stimulus bill for energy efficiency and renewable energy research and investment
    - According to CBO, provisions to benefit energy efficiency and renewable energy accounted for 78 percent of the budgetary cost of federal energy-related tax preferences in 2011
  - Rescind unobligated balances in DOE's green subsidies and loan portfolio
    - Since its introduction in the 2009 stimulus bill, DOE has issued over $20 billion in new loans and loan guarantees for private-sector loans for renewable energy projects that would not otherwise have been market-viable
    - Solyndra, the first renewable energy loan guarantee recipient, received a loan-guarantee for $535 million in the fall of 2009
    - Advanced Vehicle Technology Manufacturing program is included in this as well
  - Repeal stimulus-driven borrowing authority specifically for green transmission
    - $3.25 billion borrowing authority in the Western Area Power Administration's (WAPA) Transmission Infrastructure Program was inserted into the stimulus bill – provides loans to develop new transmission systems aimed solely at integrating renewable energy – to date, WAPA has announced only one project under this borrowing authority (a wind transmission project owned by a foreign company)
  - Eliminate the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Fund

<u>Function 300: Natural Resources and Environment</u>

- FY 2013 totals: $33.3 billion (BA); $37.9 billion (OT)
  - Discretionary: $30.6 billion (BA); $35.4 billion (OT)
  - Mandatory: $2.7 billion (BA); $2.4 billion (OT)
  - Spending in this function has increased 20.4 percent since the start of the Obama Administration

- 10-year totals: $331.4 billion (BA); $349.3 billion (OT)

- Policy Language and Recommendations
  - "The fiscal year 2013 budget resolution builds on last year's resolution and supports the Nation's enduring energy policy priorities – economic prosperity, lower gasoline and energy prices, and greater revenue generation from domestic energy production – while moving toward market-based solutions for sustainable energy sources. The resolution draws on the

House Republicans' American Energy Initiative, which seeks to advance an all-of-the-above energy approach for the United States."
    - "The budget also encourages the development of American-made renewable and alternative energy sources, while affirming the position that environmental stewardship and economic growth are not mutually exclusive goals."
    - Focus on maintaining existing land resources and eliminating the maintenance backlog before moving to acquire additional lands
        - President's budget requests $450 million for the Land and Water Conservation Fund
            - Annual funding for this fund typically ranges between $250 million and $450 million
        - this allocation cannot be used for maintenance and the federal government is currently struggling with a maintenance backlog between $13.2 and $19.4 billion
    - streamline climate change activities across the government
    - streamline fragmented and overlapping agency programs by consolidating programs and reducing spending in areas identified by the GAO, bipartisan deficit reduction commissions and H.R. 1 (the full-year CR passed by the House in February 2011) – this includes:
        - overlapping diesel emission monitoring programs – GAO identified 14 fragmented programs at DOE, DOT and EPA whose missions cover reducing mobile-source diesel emissions
        - water treatment efforts duplicated across the Army Corps of Engineers, EPA and USDA – President's Fiscal Commission identified hundreds of millions of dollars here
    - revise and reauthorize the Bureau of Land Management's (BLMs) land sales process
        - instead of requiring that all proceeds from land sales be used to acquire other parcels of land and to cover sales expenses, this option would direct that 70 percent of the proceeds, net of expenses, go to Treasury for deficit reduction by reauthorizing and revising the Federal Land Transaction Facilitation Act and other land management statutes
            - would also limited Interior's share of the receipts to $60 million per year for land acquisition and restoration projects on BLM lands
            - would also reduce the amount of federal spending not subject to regular oversight through the congressional appropriations process
    - stop mine cleanup payments to states with certified reclaimed mines
        - also been proposed by the Obama Administration

<u>Function 350: Agriculture</u>

- FY 2013 totals: $21.7 billion (BA); $24.6 billion (OT)
    - Discretionary: $5.9 billion (BA); $5.8 billion (OT)
    - Mandatory: $15.8 billion (BA); $18.8 billion (OT)

- 10-year totals: $197.3 billion (BA); $198.2 billion (OT)

- Policy Language and Recommendations
    - Reform agricultural commodity and insurance programs

- Will reduce mandatory agricultural outlays (other than food and nutrition programs) by $29.3 billion relative to the currently anticipated levels from FY 2013 through FY 2022
  - "…could be achieved by reducing both direct payments and crop insurance subsidies, and by reforming export assistance programs. The Committee on Agriculture is responsible for implementing these reductions, and to maintain the committee's flexibility, this option assumes the savings will not take effect until the beginning of the next Farm Bill."

<u>Function 370: Commerce and Housing Credit</u>

- FY 2013 totals: $7.9 billion (BA); $3.9 billion (OT)
  - Discretionary: $7.8 billion (BA); $6.1 billion (OT)
  - Mandatory: -$0.1 billion (BA); $2.1 billion (OT)

- 10-year totals: $22.2 billion (BA); $125.9 billion (OT)

- Policy Language and Recommendations
  - Eliminate corporate welfare/business subsidies within the Commerce Department
    - Potential savings over 10 years = $6.9 billion
    - Programs that should be considered for elimination are:
      - Hollings Manufacturing Extension Program
      - Trade Promotion Activities at the International Trade Administration (ITA)
  - "Tighten the Belts of Government Agencies" (duplication, hidden subsidies, large bureaucracies, etc.)
    - General Services Administration (GSA) Federal Citizen Services Fund
    - Small Business Administration (SBA)
      - Provides almost $60 million in grants, hidden in its discretionary salaries and expenses budget, which could be cancelled
    - SEC
      - Spent more than $1.2 billion on salaries and expenses in 2011 with $760 million going to compensation and benefits alone
      - More than 3,800 full-time employees occupied the SEC at the end of 2011, with an average compensation and benefits package of about $198,000 per employee
      - SEC's budget has swollen by 34 percent since 2008
      - President's budget requests $1.6 billion in 2013 (a 73 percent increase from 2008 levels)
      - Dodd-Frank requests doubling the size of its budget from current levels, increasing it to $2.25 billion in FY 2015
  - Terminate grants to worsted wool manufacturers and payments to wool manufacturers
  - Terminate the Corporation for Travel Promotion
  - Restrict new FDIC authority to bail out bank creditors
    - Dodd-Frank gave the FDIC the authority to access taxpayer dollars in order to bail out the creditors of large, "systemically significant" financial institutions – CBO estimates the cost of this new authority at $26 billion

- Supports cancelling the ability of the Bureau of Consumer Financial Protection to fund its operations by spending from the Fed's yearly remittances to Treasury
- "Privatize the Business of Government-Controlled Mortgage Giants Fannie Mae and Freddie Mac"
  - "This budget recommends putting an end to corporate subsidies and taxpayer bailouts in housing finance. It envisions the eventual elimination of Fannie Mae and Freddie Mac, winding down their government guarantee and ending taxpayer subsidies. In the interim, it supports removing distortions to allow an influx of private capital and advancing various measures that would bring transparency and accountability to these two government-sponsored enterprises."
- Reform the Credit Reform Act to incorporate fair-value accounting principles
  - The House passed H.R. 3581, the Budget and Accounting Transparency Act, by a vote of 245-180, on Feb. 7, 2012, that would do this as one of several bills pushed by the Budget Committee as budget process reforms
- Reform the Postal Service
  - "The United States Postal Service [USPS] is unable to meet its financial obligations and in desperate need of structural reforms. The budget recommends giving the Postal Service the flexibility that any business needs to respond to changing market conditions, including declining mail volume, which is down more than 20 percent since 2006.

    "This budget also recognizes the need to reform compensation of postal employees. The House Oversight and Government Reform Committee reported legislation, the Postal Reform Act of 2011, which recommends lowering the Postal Service's share of employee health and life insurance premiums. Currently, USPS pays 79 percent of the health insurance premiums and 100 percent of the life insurance premiums for the majority of its employees. As a result, these employees are paying a smaller share of the costs of their health and life insurance premiums than other federal employees. The Postal Reform Act reforms compensation by requiring that USPS employees contribute at least as much as other federal employees to their health and life insurance premiums.

    "Taken together, these reforms could potentially allow the Postal Service to save $25.7 billion over 10 years and help restore it to solvency."

<u>Function 400: Transportation</u>

- FY 2013 totals: $57.1 billion (BA); $49.7 billion (OT)
  - Discretionary: $30.2 billion (BA); $47.9 billion (OT)
  - Mandatory: $26.9 billion (BA); $1.9 billion (OT)

- 10-year totals: $787.7 billion (BA); $789 billion (OT)

- Policy Language and Recommendations
  - "Eliminate funding for high-speed rail"
    - "…should be pursued only if they can be established as self-supporting commercial services."

- “Terminate and reform spending on ineffective, wasteful subsidies and underperforming programs”
  - Includes reductions for terminating the New Starts and Small Starts programs within DOT – “…benefits of these mass transit projects are local, not national.”
  - “…supports continued reforms for Amtrak – including requiring overtime limits for Amtrak employees- and reductions in headquarters and administrative costs for agencies.”
- “avert the bankruptcy of the Highway Trust Fund”
  - CBO projects that the Highway Trust Fund will go bankrupt in the spring of 2013
  - “By current law and practice, the Department of Transportation would need to reduce spending immediately upon the exhaustion of trust fund balances.”
  - “…recommends sensible reforms to avert the bankruptcy of the Highway Trust Fund by aligning spending from the Trust Fund with incoming gas revenues collected.”
  - Also:
    - “…(1) assume a new potential funding stream in the form of oil and gas revenues” (the House passed H.R. 3408, the Protecting Investment in Oil Shale the Next Generation of Environmental, Energy and Resources Security Act, on Feb. 16, 2012, by a vote of 237-187 – this was intended to be the offset to the highway bill)
    - “… (2) allow flexibility for a transportation reauthorization so long as the legislation does not increase the deficit and is fully offset…”
    - “… (3) plug a loophole in the budget that ensures any future general fund transfer will be fully offset.”
- Simplify the fee structure and help offset costs in aviation security
  - “One way to do so would be by applying a simple flat fee of $5 per one-way trip for security system users, instead of a $2.50 fee for a one-way trip with no stops and a $5 fee for a trip with one or more stops.”
- Reducing subsidies for pilot registration and licensing fees for the FAA
- Terminate the Ocean Freight Differential Program for Food Aid

Function 450: Community and Regional Development

- FY 2013 totals: $11 billion (BA); $21.7 billion (OT)
  - Discretionary: $10.9 billion (BA); $19.9 billion (OT)
  - Mandatory: $120 million (BA); $1.9 billion (OT)

- 10-year totals: $78.3 billion (BA); $111.2 billion (OT)

- Policy Language and Recommendations
  - Consolidating and eliminating non-core programs wherever possible
    - Programs that should be considered in this review:
      - Community Development Fund (CDF) – about 80 to 90 percent of CDF funding is spent on the Community Development Block Grant (CDBG); currently, there is no maximum community poverty rate to be eligible for funs and there is no exclusion for communities with high average income

        - FEMA reforms – improving efficiencies in state and local programs; incorporate initiatives such as improved cost-estimating and efforts to help state and localities use existing resources to help communities recover from disasters expeditiously and cost-effectively
    - Reform the National Flood Insurance Program (NFIP)
        - NFIP currently owes a debt of $17.8 billion to Treasury, on which it must also pay a debt service
        - Supports the House-passed bill, H.R. 1309, to protect taxpayers from excessive and unwarranted exposure, implement these reforms to strengthen the NFIP's financial position, level the playing field for private insurers to enter the market, and sustain the Fund's ability to make good on future claims
    - Reduce energy subsidies for commercial interests
        - Reduce spending for rural green energy loan guarantees

<u>Function 500: Education, Training, Employment, and Social Services</u>

- FY 2013 totals:$57.6 billion (BA); $78.3 billion (OT)
    - Discretionary: $91.5 billion (BA); $93.6 billion (OT)
    - Mandatory: $33.9 billion (BA); -$15.3 billion (OT) (negative numbers are due to the direct lending program, in which the Education Department acts effectively as a bank making student loans – but, these projected future savings are somewhat misleading because they fail to account for the market risk of the loans)

- Sequester: this function would be reduced by another $9.0 billion below the committee recommendation for FY 2013

- Policy Language and Recommendations
    - Consolidate, reform and eliminate duplicative job training programs
    - Make the Pell Grant Program sustainable:
        - "Roll back certain recent expansions to the needs analysis to ensure aid is targeted to the truly needy."
        - "Eliminate administrative fees paid to participating institutions"
        - "Consider a maximum income cap."
        - "Eliminate eligibility for less-than-half-time students."
        - "Adopt a sustainable maximum award level."
    - Remove regulatory barriers in higher education that act to restrict flexibility and innovative teaching
    - Eliminate ineffective and duplicative federal education programs
        - "…calls for reorganization and streamlining of K-12 programs and anticipates major reforms to…" No Child Left Behind
        - "…terminate and reduce programs that are failing to improve student achievement."
    - Encourage private funding for cultural agencies
        - "Federal subsidies for the National Endowment for the Arts, the National Endowment for the Humanities, and the Corporation for Public Broadcasting can no longer be justified."
    - Eliminate the Corporation for National and Community Service
    - Eliminate administrative fees paid to schools in the campus-based student aid programs

- Terminate the Safe and Drug-Free Schools Program
- Promote state, local and private funding for museums and libraries
  - Federal Institute of Museum and Library Services is an independent agency that makes grants to museums and libraries – "…not a core federal responsibility."
- Repeal new funding from the Student Aid and Fiscal Responsibility Act of 2010 (SAFRA)
- Accept the Fiscal Commission's proposal to eliminate in-school interest subsidies for undergraduate students
- Terminate the duplicative Social Services Block Grant

<u>Function 550: Health</u>

- FY 2013 totals: $363.3 billion (BA); $365.5 billion (OT)
  - Discretionary: $56.6 billion (BA); $58.2 billion (OT)
  - Mandatory: $306.7 billion (BA); $307.3 billion (OT)

- 10-year totals: $4.05 trillion (BA); $4.04 trillion (OT)

- Sequester: if not replaced, discretionary spending in this function would be reduced by another $6.5 billion below the committee recommendation in FY 2013

- Policy Language and Recommendations
  - Proposes to turn Medicaid from an open-ended entitlement into a "block-granted program like SCHIP." – this would save $810 billion over 10 years (same as FY 2012 budget proposal)
    - Medicaid is the principal driver of spending in this function
    - Represents more than 70 percent of the function total and is growing at a rate of five percent per year (faster than the growth of the overall economy)
    - For every dollar that a state government spends on Medicaid, the federal government pays an average of 57 cents
    - ObamaCare is estimated to increase federal Medicaid spending by $931 billion due to the millions of new beneficiaries it drives into the program
  - Repeal ObamaCare
    - Would repeal the Medicaid expansions in ObamaCare – would save $932 billion over 10 years
      - ObamaCare would increase the eligible population for Medicaid by one-third
      - ObamaCare requires the federal government to finance 100 percent of the Medicaid costs associated with covering new enrollees – this provisions begins to phase out in FY 2016, when state governments will be required to assume a share of this cost
    - Would repeal the exchange subsidies in ObamaCare and the individual mandate (which is coupled with the exchange subsidies) – would save roughly $640 billion over 10 years
    - "Further, this budget does not condone any policy that would require entities or individuals to finance activities [sic] make health decisions that violate their religious beliefs."
    - "This budget recommends repealing the architecture of this new law, which puts health care decisions into the hands of bureaucrats, and instead allowing Congress to

pursue patient-centered health care reforms that actually bring down the cost of care by empowering consumers." – repeal IPAB
        - Repeal unspent stimulus funding and other associated provisions in ObamaCare – save roughly $4 billion over 10 years

Function 570: Medicare

- FY 2013 totals: $510 billion (BA); $510 billion (OT)
    - Discretionary: $6.7 billion (BA); $6.6 billion (OT)
    - Mandatory: $503 billion (BA); $503 billion (OT)

- 10-year totals: $6.5 trillion (BA); $6.5 trillion (OT)

- Policy Language and Recommendations
    - Medicare Premium Support :
        - Differs from FY 2012 budget proposals' Medicare plan in that seniors can elect to stay in traditional Medicare – the new system is voluntary
        - Based on a framework put forward in December 2011 by Chairman Ryan and Democratic Senator Ron Wyden of Oregon
        - Seniors would receive a government payment to help them buy health insurance, either through a private insurer or the traditional fee-for-service Medicare program, beginning in 2023
        - This means there are no changes for anyone 55 or older at all (current seniors)
        - For future seniors, traditional Medicare will remain an option for them to choose from
    - House budget reinstates Medicare Part D's "donut hole" (since it calls for the full repeal of ObamaCare – the fixes to the donut hole included in ObamaCare are thereby also repealed, thus reinstating the donut hole
    - Proposes a long-term "doc fix"
        - "This budget accommodates legislation that fixes the Medicare physician payment formula for the next 10 years so that Medicare beneficiaries continue to have access to health care."
    - "ending the raid on the Medicare Trust Fund"
        - "This budget calls for directing any potential Medicare savings in current law toward shoring up Medicare, not paying for new entitlements."
    - Medical liability insurance reform
        - "The budget supports several changes to laws governing medical liability, including limits on noneconomic and punitive damages."
    - Means-testing premiums for high-income seniors
        - "This budget also advances a bipartisan proposal to further means-test premiums in Medicare Parts B and D for high-income seniors, similar to the President's proposal in his fiscal year 2013 budget."

Function 600: Income Security

- FY 2013 totals: $517.1 billion (BA); $516.8 billion (OT)
    - Discretionary: $59.9 billion (BA); $63.9 billion (OT)
    - Mandatory: $457.2 billion (BA); $452.9 billion (OT)

- 10-year totals: $4.9 trillion (BA); $4.8 trillion (OT)

- Sequester: if not replaced, this function would be reduced by another $4.7 billion below the committee recommendation in FY 2013

- Policy Language and Recommendations
    - Reduce spending on the Low Income Home Energy Assistance Program (LIHEAP)
        - Assumes the same funding level for LIHEAP in Obama's FY 2013 budget request
        - Saves approximately $500 million in budget authority for FY 2013
    - Block grant the Supplemental Nutrition Assistance Program (SNAP) – formerly known as food stamps
        - "…envisions converting SNAP into an allotment tailored for each state's low-income population, indexed for inflation and eligibility."
        - Would make no changes to SNAP until 2016 (allowing employment to recover)
        - "…envision improving work incentives by requiring a certain amount of people to engage in work activity, such as job search, community service activities and education and job training."
        - cut nearly $122.5 billion from spending on the program
        - SNAP spending has increased dramatically over the past three years
        - Grew from $20.6 billion in 2002 to nearly $40 billion in 2008
        - Projected to be more than $80 billion in 2012
    - Eliminate broad-based categorical eligibility which allows for households to be made eligible through receiving a minimal Temporary Assistance for Needy Families (TANF) fund benefit or service - this allows individuals to qualify for SNAP benefits under less restrictive criteria
    - Eliminate abuse of LIHEAP
    - Reform civil service pensions
        - Calls for federal employees (including Members and their staff) to make greater contributions toward their own retirement
        - Would eliminate the ability for individuals to receive a "special retirement supplement"
        - Save an estimated $112.7 billion over 10 years
    - Conform railroad retirement tier 1 benefits to Social Security benefits
        - Would save $2 billion over 10 years
    - Reform the Pension Benefit Guaranty Corporation (PBGC)
        - Currently faces a $26 billion unfunded liability
        - Does not assume the President's proposal, but recognizes the need to reform PBGC
    - Eliminate TARP housing subsidies
        - Get rid of HAMP
    - "assumes that unemployment benefit expansions and extended benefits expire as scheduled under current law and does not assume another extension of emergency unemployment insurance benefits."
    - Reform Supplemental Security Income (SSI) by creating a sliding scale for children on SSI rather than paying an average of $600 for each and every child in a household that receives benefits

- “Congress should act to reform means-tested entitlements.”

Function 650: Social Security

- FY 2013 totals: $53.2 billion (BA); $53.3 billion (OT)
- 10-year totals: $490.5 billion (BA); $490.8 billion (OT)
- Policy Language and Recommendations
  - Highlights that the President’s Fiscal Commission made a positive first step by advancing solutions to “ensure the solvency of Social Security”
  - “This budget calls for setting in motion the process of reforming Social Security by altering a current-law trigger that, in the event that the Social Security program is not sustainable, requires the President, in conjunction with the Social Security Board of Trustees, to submit a plan for restoring balance to the fund. This option would then require congressional leaders to put forward their best ideas as well.”

Function 700: Veterans Benefits and Services

- FY 2013 totals: $134.6 billion (BA); $135.2 billion (OT) – increase of five percent from last year’s level
- 10-year totals: $1.5 trillion (BA); $1.5 trillion (OT)
- Policy Language and Recommendations
  - Repeal Hartness v. Nicholson court decision
    - Would reaffirm that disability status, not age, determines eligibility for certain pension benefits
  - Round down to the nearest dollar the annual cost of living adjustment (COLA) for veterans’ disability compensation and dependency and indemnity compensation – was also included in the President’s budget request
  - Cap the annual increase in veterans tuition support at three percent

Function 750: Administration of Justice

- FY 2013 totals: $54.3 billion (BA); $57.6 billion (OT)
  - Discretionary: $51.8 billion (BA); $53.8 billion (OT)
  - Mandatory: $2.4 billion (BA); $3.9 billion (OT)
- 10-year totals: $579.4 billion (BA); $596.3 billion (OT)
- Sequester: if not replaced, this function would be reduced by another $5.7 billion in FY 2013
- Policy Language and Recommendations
  - Consolidate justice grants into three categories: first responder, law enforcement and victims
  - Eliminate the duplicative National Drug Intelligence Center – would save more than $400 million over 10 years

Function 800: General Government

- FY 2013 totals: $23.2 billion (BA); $25.1 billion (OT)

- Discretionary: $16.8 billion (BA); $18.5 billion (OT)
- Mandatory: $6.3 billion (BA); $6.6 billion (OT)

- 10-year totals: $239.6 billion (BA); $241.0 billion (OT)

- Policy Language and Recommendations
  - Prohibit new construction for one year of government buildings managed by the GSA
  - Eliminate the Presidential Election Campaign Fund – saves more than $350 million over 10 years
  - Reduce student loan repayment for government jobs
  - Terminate the Election Assistance Commission

FY 2013 budget alternative proposals:

FY 2013 President's Budget alternative proposal: Rep. Mick Mulvaney (R-S.C.) introduced an alternative proposal to the budget that mirrors the President's FY 2013 budget proposal as scored by the CBO. This was done in order to put House Democrats on the record regarding their support of the President's budget proposals. This alternative was defeated by a vote of 0 to 414 on March 28, 2012. You can see how they voted here.

FY 2013 Congressional Black Caucus (CBC) budget alternative: The Congressional Black Caucus (CBC) introduced an alternative proposal to the budget, the key facts and a summary of which can be found here. It was extremely similar to the CBC alternative budget proposal from FY 2012. This alternative was defeated by a vote of 107 to 314 on March 28, 2012. You can see how they voted here.

FY 2013 LaTourette-Cooper budget alternative: A group of bipartisan House members led by Rep. Steve LaTourette (R-Ohio) and Rep. Jim Cooper (D-Tenn.) introduced an alternative proposal to the budget that is **based** on the President's bipartisan National Commission on Fiscal Responsibility and Reform's recommendations (otherwise known as Simpson-Bowles). The key facts and a summary of this proposal can be found here. This alternative was defeated by a vote of 38 to 382 on March 28, 2012. You can see how they voted here.

FY 2013 Congressional Progressive Caucus (CPC) budget alternative: The CPC introduced an alternative proposal to the budget which they called the "#budget4all," the key facts and a summary of which can be found here. This alternative failed by a vote of 78 to 346 on March 29, 2012. You can see how they voted here.

FY 2013 Republican Study Committee (RSC) budget alternative: The RSC introduced an alternative budget proposal, the key facts and a summary of which can be found here. This alternative failed by a vote of 136 to 285 on March 29, 2012. You can see how they voted here.

FY 2012 House Democrat budget alternative: The House Democrats introduced an alternative proposal to the budget, the key facts and a summary of which can be found here. This alternative failed by a vote of 163 to 262 on March 29, 2012. You can see how they voted here.

BUDGET AND FEDERAL SPENDING TALKING POINTS

- Rather than dividing Americans, it is time Washington started having an honest discussion about spending less rather than taxing more.

- The President and his party refuse to take action as their budget consistently calls for more spending and more debt, while Senate Democrats have refused to pass a budget in more than 1,000 days.

- President Obama's fiscally irresponsible budget did not receive one vote of support in either chamber of Congress (414-0 in the House).

- Americans are tired of seeing their hard-earned dollars wasted on Democrats' failed spending sprees and government programs that have led to our skyrocketing national debt. We need to tackle the drivers of our debt to restore a future of opportunity for our children.

ADDITIONAL INFORMATION AND RESOURCES

- Collection of Presidents' Budget Requests Back to FY 1996, Government Printing Office (GPO): http://www.gpo.gov/fdsys/browse/collectionGPO.action?collectionCode=BUDGET
- Congressional Budget Office (CBO): http://www.cbo.gov/
- Government Accountability Office (GAO): http://www.gao.gov/
- House Appropriations Committee: http://appropriations.house.gov/
- House Budget Committee: http://budget.house.gov/
- Office of Management and Budget (OMB): http://www.whitehouse.gov/omb
- Senate Budget Committee: http://budget.senate.gov/