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The Democratic Budget: Fiscal Responsibility and Accountable Government

Overview — After six years of an irresponsible fiscal policy that yielded record deficits, the Democratic budget restores fiscal responsibility and brings the budget back to surplus by 2012. The budget reverses the recent trend toward unaccountable and inefficient government by including initiatives to crack down on wasteful spending.

Budget Brings the Budget Back to Balance — The budget resolution shows a surplus of \$153 billion in 2012, while the President's budget does not reach balance in the five-year period. Over five years, the budget has a bottom line \$234 billion better than the President's plan.

Budget Follows Pay-As-You-Go (PAYGO) Principle — In January, the House passed a tough new PAYGO rule, requiring that any increased costs for mandatory spending or tax policy be offset elsewhere in the budget. The budget resolution fully complies with the House PAYGO principle, and endorses making PAYGO even tougher by reinstating the statutory PAYGO law that was in place from 1990 until Republicans allowed it to lapse in 2002. This means that, in contrast to hundreds of billions of dollars of new mandatory spending that has occurred over the last six years, every penny of any new additional mandatory spending that occurs under this budget will be offset and will not make the deficit situation worse.

Administration Continues Fiscally Irresponsible Policies — By contrast, the Administration's budget continues the same policies that have shortchanged critical national priorities while increasing deficits. Since January 2001, a \$5.6 trillion ten-year surplus has been converted into record deficits and mounting debt.

More Responsible Budget Means Less Wasteful Spending for Interest on Debt — Because this budget has lower deficits and then reaches balance in 2012, it builds up less debt than the President's budget. By 2012, debt under the President's budget reaches \$5.8 trillion, while the tally under this budget is substantially less. In addition, lower deficits mean less spending for interest payments. Over five years, the budget resolution contains \$9.0 billion less in interest payments than the President.

This Budget is Latest Chapter in Democrats' History of Fiscal Responsibility — We have consistently put forward budgets that reach balance and invest in the right priorities. Last year, the Democratic budget balanced in 2012, and produced a better bottom line than the Republican budget or the President's budget, showing lower deficits than the President of \$45 billion over five years (2007-2011). The year before, the Democratic budget reached balance and beat the Bush budget by \$42 billion over five years (2006-2010) and the House-passed Republican budget by \$65 billion over the same period.

Budget Includes Program Integrity Initiative to Reduce Wasteful Spending — Our budget contains tough program integrity measures to crack down on wasteful spending while ensuring

that legitimate recipients of federal funds and law-abiding taxpayers are not penalized. To achieve this goal, the resolution provides for an adjustment of appropriations caps for four programs that account for a significant share of improper payments and, in the case of the IRS, unpaid taxes. These programs include: Social Security Administration Continuing Disability Reviews, IRS Tax Enforcement, the Medicare/Medicaid Health Care Fraud and Abuse Control Program, and Unemployment Insurance. The purpose of the cap adjustments is to provide more funding for enforcement activities that will generate significant savings without reducing needed funding for other appropriated programs.

Billions of Dollars in Wasteful Spending and Unpaid Taxes Identified — According to OMB, federal agencies made over \$40 billion in improper payments in 2006. An improper payment is defined as a payment made to the wrong recipient, containing an incorrect amount or involving an improper use of funds. In addition, the Internal Revenue Service has estimated that the “tax gap” (e.g. the gap between the amount of taxes owed and those collected) has ballooned to around \$300 billion a year, although not all of that total can be collected.

Deficit -Neutral Reserve Funds Promote Efficiencies — The Chairman’s mark includes a number of deficit-neutral reserve funds to fund high-priority initiatives like children’s health insurance, creating long-term energy alternatives, affordable housing, and higher education. These reserve funds force Committees to identify wasteful spending or lower priorities that can be cut to finance these initiatives.

Chairman’s Mark Calls for Annual Performance Reviews — In addition to program integrity enforcement initiatives, the Chairman’s mark directs House committees to conduct regular performance reviews of key federal programs to help eliminate unnecessary and wasteful spending, as part of the views and estimates process required by Section 301(d) of the Congressional Budget Act. Regular performance reviews have become an important tool by federal, state and local governments to stretch limited government dollars and seek better and smarter ways to improve government services. First advocated by the Clinton Administration, the National Performance Review (NPR) process directed agencies to identify problems, offer solutions and ideas for savings across personnel, procurement and budget categories. In its first year, the NPR produced 385 recommendations, saving \$108 billion.

Increases Funding to Speed Disability Claims Processing — Our budget increases funding above the President’s budget for VA to reduce its inventory of pending claims, and improve the speed and accuracy of its disability claims processing. Our budget allows VA to hire many more new personnel than the President’s budget. The additional resources for the Social Security Administration will prevent increases in the backlogs of disability decisions and hearings that would occur under the President’s budget. The resolution will enable SSA to address the significant number of individuals waiting for disability and hearing decisions.