



John Spratt,
Chairman

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

207 Cannon House Office Building, Washington, DC 20515 (202) 226-7200 ★ www.budget.house.gov

March 11, 2008

Summary of the 2009 Democratic Budget

Fiscal Responsibility

- Reaches balance in 2012 and remains in balance in 2013 using realistic CBO estimates
- Posts smaller deficits than the President's over the 5 years 2009 to 2013
- Continues House emphasis on fiscal discipline by following pay-as-you-go rule
- Includes program integrity funding to root out wasteful spending

Discretionary Funding Highlights

- Increases veterans funding for 2009 by \$3.6 billion (8 percent) above current services
- Provides additional resources to address long-standing domestic priorities within a fiscally responsible framework, including increased funding for scientific innovation and energy initiatives, and education, training, and social services
- Does not include proposed Administration cuts, including cuts to environmental protection, first responders, and LIHEAP
- Funds defense, while targeting resources toward our most pressing security needs

Mandatory Programs

- Accommodates the following initiatives:
 - expansion of children's health insurance coverage
 - reforms to improve Medicare for beneficiaries and protect access to care
 - enhancement of benefits for service members, veterans, and their families
 - reforms of the Higher Education Act to make college more affordable and accessible
- Rejects Administration cuts to Medicare and Medicaid
- Includes reconciliation instructions to the Ways and Means Committee

Revenues

- Provides for immediate and long-term AMT fix, consistent with pay-as-you-go
- Provides for additional middle-class tax relief and enhanced economic equity through tax policies, consistent with pay-as-you-go
- Includes reconciliation instructions to the Ways and Means Committee

Scope of the budget resolution

- Establishes a framework to guide budgetary decisions for the year
- Leaves specific spending, revenue initiatives, and offset decisions to authorizing and appropriations committees



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2009 Democratic Budget: Rebuilding America's Future — Top Five Reasons to Support the Budget

This budget makes another down payment to fulfill commitments we have made to the American people, while restoring fiscal responsibility by putting us on the path to budget surpluses starting in 2012. The budget invests in proven programs that boost economic growth, create jobs, make America safer, promote fiscally responsible tax relief to millions of households, and help families struggling to make ends meet in an economic downturn.

Restores Fiscal Responsibility — The budget resolution is fiscally responsible, returning to balance in 2012 and beating the President's bottom line by \$413 billion over its five years (2009-2013). It complies with the House pay-as-you-go rule that requires all mandatory spending and revenue provisions to be deficit-neutral. The budget also provides reconciliation protection that could be used for a repair of the Alternative Minimum Tax that is fully paid for. It contains initiatives to crack down on wasteful spending, and its deficit-neutral reserve funds will ensure that new initiatives are offset by reductions in lower priority spending. The budget relies on realistic economic assumptions from the non-partisan Congressional Budget Office.

Rejects the President's Harmful Cuts — The budget rejects the President's deep cuts affecting a wide range of services and constituencies, including:

- \$479 billion of Medicare cuts and \$94 billion in cuts to Medicaid over ten years;
- more than \$18 billion over five years in new fees for veterans and military retirees;
- the elimination of several state and local law enforcement programs, including the State Criminal Alien Assistance Program, Byrne Grants, and COPS; and
- cuts to EPA grants that help protect public health and maintain environmental quality.

Strengthens the Economy — The budget invests in programs that boost our economy, including:

- **Innovation** — Provides crucial funding for the Democratic innovation agenda and the America COMPETES Act to enhance our competitive edge, increasing funding for math and science education and research.
- **Energy** — Increases funding for efficient and renewable energy programs, rejecting the President's cuts to research as well as weatherization assistance for lower-income families, and accommodates legislation to encourage the production of renewable energy alternatives,

increased energy efficiency, investments in new energy and vehicle technologies, and training workers for “green collar” jobs.

- **Education** — Provides \$7.1 billion more than the President for vital education, job training, and social services programs for 2009.
- **Infrastructure** — Invests in highways, water, and other infrastructure by providing sufficient funding and a reserve fund to facilitate new initiatives in a deficit neutral manner.

Provides Tax Relief and Help for Struggling Families — The budget rejects the President’s policy of paying for tax cuts by adding to the debt burden of our children and grandchildren and by imposing unacceptable cuts to vital public services.

- **Tax Relief** — Accommodates tax relief from the Alternative Minimum Tax for more than 20 million households, as well as middle-income tax cuts and other tax relief, so long as they comply with the pay-as-you-go rule.
- **Children’s Health** — Accommodates up to a \$50 billion increase to expand children’s health insurance to cover millions of uninsured children, in accordance with the pay-as-you-go rule.
- **Safety Net** — Strengthens safety net programs by providing needed funding for home heating assistance (LIHEAP), the Social Services Block Grant, and housing aid – in contrast to the President’s budget, which cuts funding for these programs.

Makes America Safer — Our budget funds defense, provides additional resources for veterans’ health care, and adds substantially to homeland security.

- **Defense** — Funds defense while shifting funds to high priorities such as reducing “loose nukes” and nuclear nonproliferation programs, and quality of life improvements for the troops and their families.
- **Veterans** — Addresses veterans’ needs by rejecting the President’s proposed new fees and increasing veterans funding by \$3.6 billion relative to the amount needed to keep pace with inflation, enough to allow VA to treat 5.8 million patients in 2009, including 333,275 Iraq and Afghanistan war veterans.
- **Homeland Security** — Protects Americans at home by increasing homeland security funding over the Administration’s request and rejecting the President’s cuts to first responder programs, including Community Oriented Policing Services (COPS) and firefighter assistance grants. Our budget provides higher funding levels for the four budget functions that fund the bulk of the non-DOD homeland security initiatives, compared with the President’s budget.



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President's 2009 Budget: More of the Same Failed Policies; No Solutions for the Future

Administration 2009 Budget Priorities Reflects Same Misguided Priorities –The President's Budget contains the same misguided policies as his previous budgets. Deep cuts in key programs – ranging from health care to education, most of which have proven unpopular in the past, are again used to pay for tax cuts that heavily benefit the most fortunate Americans.

Administration Posts Record Debts and Deficits - According to the Congressional Budget Office, under the policies included in the President's Budget, the deficit will total \$396 billion in 2008 and \$342 billion in 2009. These represent the second and fourth largest deficits ever; the first and third largest deficits also occurred during the Bush Administration. When the Administration took office, they inherited a \$5.6 trillion projected ten-year surplus. That has been completely squandered – we have endured the largest fiscal deterioration in American history.

Increased Debt Has Increased Our Nation's Vulnerability - More than 80 cents of every dollar of new debt since 2001 is owed to foreign investors, including foreign governments. The high level of indebtedness to foreign investors heightens the economy's exposure to potential instability from abroad or even financial threat from unfriendly foreign governments, and places additional burdens on our children and grandchildren.

Damaging Cuts and Freezes Hurt a Wide Range of Programs – The 2009 Budget includes deep cuts affecting a broad spectrum of services and constituencies.

- Nearly \$500 billion in cuts over ten years to the Medicare program, while making no effort to address the well-documented overpayments to Medicare managed care plans
- Nearly \$100 billion in cuts to Medicaid over ten years
- Elimination of Social Services Block Grant, Community Services Block Grant, and Community Oriented Policing
- Deep cuts for state and local law enforcement, Centers for Disease Control, Environmental Protection Agency, Federal Aviation Administration, Community Development Block Grants, and other vital programs
- Freezes National Institutes of Health



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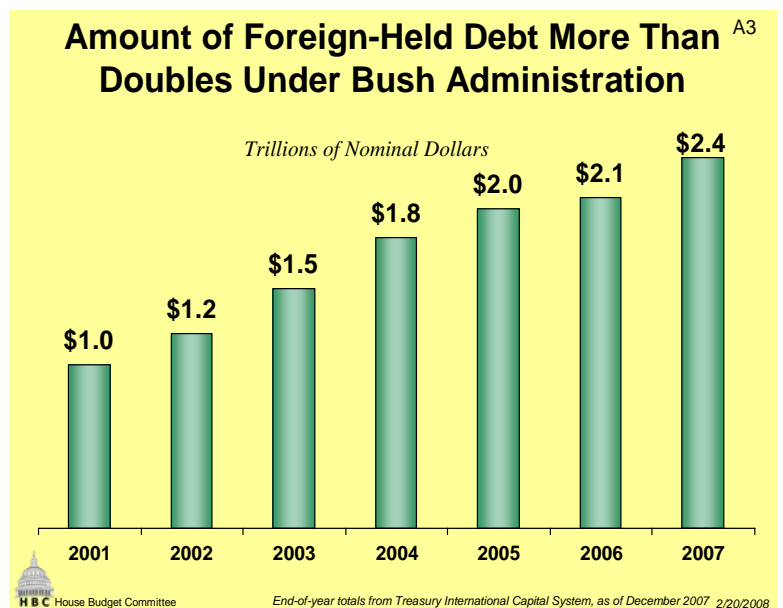
March 11, 2008

Debt and Republican Budgets: The Mountain of Debt Continues to Grow

National Debt Explodes under Republican Policies— Gross Federal debt reached \$9.0 trillion at the end of 2007. CBO projects that the debt will rise by a total of \$3.9 trillion under the President's tenure, from \$5.7 trillion when the President took office to \$9.6 trillion at the end of 2008. The unprecedented rise in debt means that future generations will be forced to pay the price for the Administration's fiscally irresponsible policies.

Administration Has Worst Fiscal Record in History — During the seven years of the current Administration, the government has posted the highest deficits in the nation's history. When the Administration took office, they were welcomed with a \$5.6 trillion projected ten-year surplus. That has been completely squandered – resulting in the largest fiscal deterioration in American history. The President's 2009 Budget continues the failed policies that brought us to this point. CBO's projections for deficits under the proposals in the budget show 2008 and 2009 as the second and fourth largest deficits of all times.

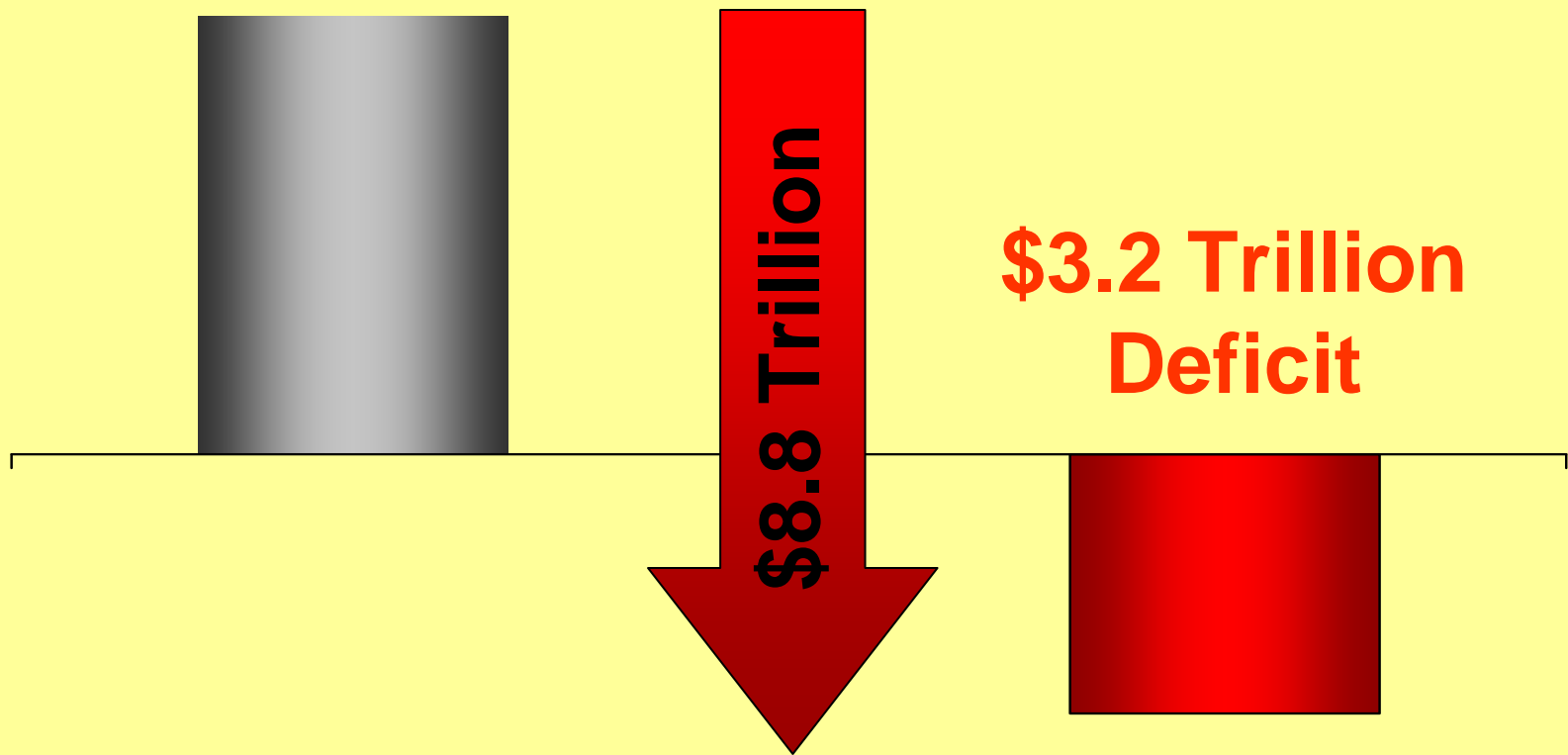
Amount of Foreign-Held Debt Has Doubled Since 2001 — Much of this increased debt has been purchased by foreign lenders. Since 2001, increases in foreign holdings of Treasury securities account for over 80 percent of the newly accumulated public debt – a trend that has more than doubled foreign holdings of Treasury securities and raised the total level of foreign-held debt to over \$2.4 trillion. The high level of indebtedness to foreign investors heightens the economy's exposure to potential instability from abroad or even financial threat from unfriendly governments, and places additional burdens on our children and grandchildren.



Budget Deteriorates by **\$8.8 Trillion** Under Republican Policies

\$5.6 Trillion Surplus

Total Surplus/Deficit 2002-2011



January 2001
(Before Bush Budget)

President's Policies
(Including omitted items)



Gross Federal Debt

| | |
|--|-----------------------|
| Debt When Bush Took Office | \$5.7 Trillion |
| Debt Today | \$9.4 Trillion |
| Debt Added So Far | \$3.6 Trillion |
| Debt Projected At The End of Bush Presidency | \$9.6 Trillion |
| Total Bush Increases To The Debt | \$3.9 Trillion |

President's Deficits Without Social Security Surplus

| | |
|-------------------------|---------------|
| On-Budget Deficit, 2008 | \$592 Billion |
| On-Budget Deficit, 2009 | \$525 Billion |

Cost of Debt Service

| | |
|--------------------|---------------|
| Net Interest, 2002 | \$171 Billion |
| Net Interest, 2009 | \$217 Billion |



Nonpartisan Budget Groups Agree That House Budget Resolution Does Not Raise Taxes

Jason Furman, Hamilton Project of the Brookings Institution

"[T]he House Budget Committee's budget resolution...would not raise taxes... Indeed, your budget indicates that one of your priorities is making up-front cuts in taxes for alternative minimum tax relief that would ultimately be paid for without increasing the budget deficit."

March 7, 2008

Center on Budget and Policy Priorities

"Neither of the plans recommended this week by the budget committees include a tax increase."

March 7, 2008

Concord Coalition

"Allowing some or all of the tax cuts to expire...would not be the result of Congress raising taxes. It would be the result of "sunsets" that were included when these tax cuts were originally enacted to avoid the level of fiscal scrutiny that PAYGO is designed to ensure."

March 3, 2008

