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# COMMITTEE ON THE BUDGET

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## **Budget Accomplishments of the 110<sup>th</sup> Congress Thus Far**

### **An August Recess Packet**

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## **Budget Accomplishments of the 110<sup>th</sup> Congress Thus Far**

In its first seven months, the 110<sup>th</sup> Congress has taken important steps to restore fiscal responsibility to the federal budget, return the federal budget to a path towards balance, and make down payments on addressing longstanding domestic and security needs.

**Reinstated and Enforced Pay-as-you-go Rule** — One of the House's first actions in January was to reestablish a pay-as-you-go rule requiring all new mandatory spending or tax changes to be deficit neutral. And the House has stuck by that principle: every bill that the House has since passed has complied with the pay-as-you-go rule. The statutory pay-as-you-go rule in place in the 1990s was a valuable tool in helping to turn then-record budget deficits into surpluses by the early part of this decade, but Republicans did not renew the pay-as-you-go rule after it expired in 2002.

**Completed Fiscal Year 2007 Appropriations That Republicans Left Undone** — When the 110<sup>th</sup> Congress was sworn in on January 4, the fiscal year was more than four months old but most of the government still lacked funding for the rest of the year. By mid-February the new Congress had managed what the previous Congress had failed to do all year – enact year-long funding for all government services in compliance with the limits approved by the previous Congress.

**Passed 2008 Budget Resolution That Returns to Balance with Sensible Priorities** — In May, Congress approved a final budget resolution for 2008 that sets the country on a course to build a sound future for our children and grandchildren. The budget balances in 2012 while accommodating additional tax relief for millions of middle-income families. By contrast, the President's budget never reaches balance. The budget resolution allocates funding for national priorities like children's health care and education. Finally, it begins to reverse six years of harmful spending cuts and fiscal mismanagement. Prior Congresses failed to approve a budget resolution in two of the three previous years, leaving the government without a long-term plan for spending and revenues.

**Passed Reconciliation Bill That Cuts Excess Subsidies in Student Loan Program** — Both the House and Senate have passed budget reconciliation bills that cut net spending by more than \$750 million over the next five years while investing billions of dollars in making college more affordable for millions of students. To offset the cost of increasing the maximum Pell Grant and enhancing student benefits in the loan programs, the House reduces the extra subsidies that the government pays to banks for each student loan. These reductions are similar to the subsidy cuts in the President's 2008 budget proposal and those in H.R. 5, which the House passed in January by a bipartisan vote of 356-71.

**Scheduled to Pass All 2008 Appropriations Bills Before Leaving** — The House is on schedule to pass all appropriations bills for 2008 before recessing in August. The President has threatened to veto all the appropriations bills that provide more funding than he requested except for the military construction/veterans affairs bill. However, the inadequate funding in the President's 2008 budget requires steep cuts in vital programs – such as a \$1.5 billion cut to education programs and a \$982 million (42 percent) cut to first responder funding – cuts that the House funding bills reject. The House-passed bills stay within the spending limits set by the budget resolution that reaches balance in five years. However, in contrast to the President's budget, the

House bills make additional investments in needed services to support families and communities, including veterans, children's health and education, and homeland security programs.

## **House Passes Fiscally Responsible Legislation**

The budget resolution contains a number of deficit-neutral "reserve funds" that facilitate the enactment of important legislation as long as it complies with the pay-as-you-go rule.

**Passed Farm Bill That Addresses New Priorities Without Busting the Budget** — The House just passed a farm bill governing federal assistance for agricultural commodities, natural resources conservation, renewable energy, and food assistance programs. The bill contains significant increases in funding for food stamps, conservation, and renewable energy, as well as other improvements for commodity support programs – but the bill does not increase the deficit, because any new or expanded funding is fully offset. The bill also includes provisions to reduce waste, fraud, and abuse in the federal crop insurance program, and helps to control rising crop insurance costs by cutting the government's reimbursements to private companies for administration and operating expenses.

**Fiscally Responsible CHIP Expansion Does Not Add to the Deficit** — The House just passed a bill that provides health insurance to five million more children through the state Children's Health Insurance Program (CHIP) without increasing the deficit. The bill also improves Medicare benefits for seniors and people with disabilities and protects access to Medicare in rural areas. The bill strengthens Medicare for all beneficiaries by phasing out wasteful overpayments to private health plans. If left in place, these overpayments would drive up all beneficiaries' premiums and shorten the life of the Medicare trust fund by two years. The bill fully complies with the pay-as-you-go principle included in the budget resolution.

**Pending Energy Bill That Is Budget Neutral** — This week the House is also scheduled to consider a comprehensive energy package which, like the Farm Bill and CHIP legislation, makes use of one of the budget resolution's reserve funds to ensure that any new spending is fully offset.

**Passed Bill to Reduce Fraud and Help Elderly and Disabled Refugees** — In July, the House passed H.R. 2608, a bill that allows the IRS to garnish income tax refunds to recover fraudulent unemployment payments. Recovering the overpayments improves the condition of state unemployment trust funds, which will trigger business tax cuts in some states. It also generates savings that the bill uses to extend Supplemental Security Income to a small group of elderly and disabled refugees who would otherwise lose their income and health coverage.

**Enacted Tax Cuts for Small Businesses** — In May, Congress enacted deficit-neutral legislation to provide small businesses with \$4.8 billion in tax cuts; every penny of new tax cuts was offset.

**Passed Bill to Reform Government-Sponsored Enterprises and Create Affordable Housing Fund** — H.R. 1427, which the House passed by an overwhelming bipartisan majority, uses a share of the profits generated by Fannie Mae and Freddie Mac to create an affordable housing fund. The fund will help states address the all-time high number of renters paying more than 30 percent of their income for housing and to replace affordable housing units lost since 2001.

## Realigning Priorities and Cutting Waste

The House is moving to make the government more efficient and to cut down on waste and fraud. These actions include approving House rules reinstating the pay-as-you-go rule and establishing transparency for earmarks, providing dedicated funding to prevent fraud in high-risk programs, holding oversight hearings on a variety of topics, and passing legislation that reallocates less important spending to higher priority services.

**Program Integrity Funding in 2008 Appropriations Bills** — The budget resolution provided the Appropriations Committee with \$1 billion to be used in the 2008 appropriations bills to fund program integrity initiatives at specified levels. The budget resolution – and now the appropriations bills – targets the additional dedicated funding to four purposes: to help the Internal Revenue Service reduce the size of the tax gap (the difference between taxes owed and what the IRS actually collects); to help reduce Medicare fraud; to ensure periodic reevaluations of medical eligibility for Disability Insurance and Supplemental Security Income benefits; and to help people return to work more quickly and reduce the amount of time they need unemployment benefits.

**Investigating Ways to Cut Waste** — Like other committees, the House Budget Committee is investigating ways to reduce waste in the federal government. The Committee has already held oversight hearings on the following topics (summaries of most of the hearings are available on the Budget Committee website at [budget.house.gov](http://budget.house.gov)):

- **Program Integrity** — highlighting initiatives in which additional, dedicated funding is provided to reduce Medicare fraud and the size of the tax gap (the difference between taxes owed and the amount of taxes actually collected), to periodically redetermine eligibility for Social Security disability benefits, and to lessen the amount of time it takes for someone to get a new job and stop receiving unemployment benefits. HHS Secretary Leavitt testified that the government could recover 13-15 times its investment in preventing Medicare fraud, and SSA Chief Actuary Goss testified that continuing disability reviews net \$10 in savings for every \$1 spent.
- **Medicare Advantage** — reviewing the ways in which the Medicare Advantage program is not cost effective.
- **War Costs** — examining the costs of military operations and reconstruction in Iraq and Afghanistan.

**Budget Committee Oversight** — The Budget Committee also recently held hearings on the following important factors in the federal budget:

- **Foreign Debt** — examining the dramatic increase in the government's debt over the last several years and the effects of having 80 cents of every dollar of new debt held by foreign investors, including foreign governments.
- **Renewing Statutory Pay-as-you-go** — assessing the issues involved with reinstating a statutory pay-as-you-go rule.
- **Budgetary Effects of Hurricanes Katrina and Rita** — exploring the long-term impact that Hurricanes Katrina and Rita will have on the federal budget, particularly how poor decision-making slowed down rebuilding and increased costs, and attempting to provide an accounting of federal spending to date.

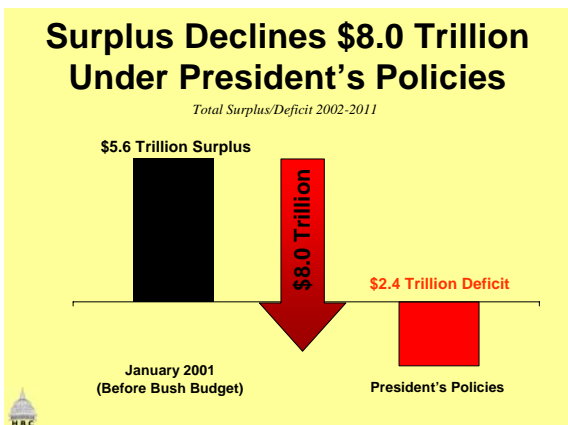
## Helpful Material Available on Budget Committee Website

The House Budget Committee website ([budget.house.gov](http://budget.house.gov)) has additional charts, fact sheets, and data on the budget, debt, and ways that the 110<sup>th</sup> Congress is working to cut waste, fraud, and abuse in government programs. Some key items include the following:

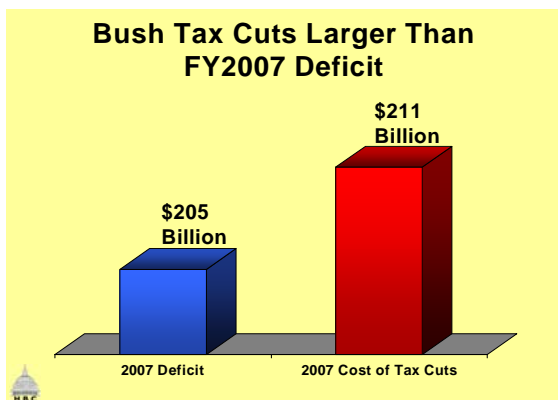
- **State-by-State Allocations: House-Passed 2008 Funding vs. Bush Budget** — The President has threatened to veto appropriations bills for 2008 that are above the levels in his budget. The Budget Committee staff analyzed how much the President's budget would give each state for key programs that provide grants for education, veterans' health care, clean water, rural air service, and community development. That state-by-state analysis shows, for example, that compared with the House-passed appropriations bills, the President's budget provides funding for 9,000 fewer classroom teachers, 4,500 fewer fire department safety initiatives, and nearly 12,000 fewer police officers. The President's lower funding levels also reduce federal funding to schools for special education by an average of \$125 per child and keep almost 20,000 children from participating in Head Start. See the state-by-state breakdown of nine grant programs for more details (to be posted in August).
- **Independence Day Recess Packet on the Budget** — charts and talking points on the fiscal mess created over the last six years and the steps that the 110<sup>th</sup> Congress has taken to begin digging out of the deficit ditch while addressing longstanding needs (June 27).
- **Critique of the Administration's Poor Economic Record** — a report, published with the Joint Economic Committee, highlighting the inadequate economic performance under this Administration's policies. Unemployment has risen, real income for the typical family has actually fallen since 2001, and the Administration's fiscal choices have made the problems worse; it has financed oversized tax cuts with debt owed in large part to foreign investors, and it has chipped away at investments critical to the strength of the U.S. economy (to be posted in August).
- **Foreign Debt, Wasteful Medicare Advantage Spending, and Fraud Prevention** — summaries of recent Budget Committee hearings, including:
  - ▶ ways that the Medicare Advantage program is not cost effective (July 20);
  - ▶ the effect of the country's dramatically rising debt and the increasing share that is foreign-owned (July 24); and
  - ▶ program integrity efforts that Congress has enhanced to prevent fraud. These include efforts to reduce \$40 billion in annual improper payments (HHS Secretary Leavitt testified that the government will recover 13-15 times the investment in fighting Medicare fraud), and reduce and recover more of the tax gap (the \$345 billion difference between taxes owed and what was collected in 2001) (to be posted in August).
- **Fact Sheets on the 2008 Budget Resolution** (May 24).
- **Harmful Cuts in the President's Budget** — An in-depth analysis of the President's 2008 budget, including some of the harmful cuts it makes to key federal services, including education, homeland security, and health care (February 8).

# Budget Charts and Talking Points

## 1. Record Fiscal Deterioration under Republican Budgets



Since January 2001, Republicans have overseen the largest fiscal deterioration in history. They inherited a budget surplus of \$5.6 trillion projected over ten years (2002-11), which has now been transformed into a projected deficit of \$2.4 trillion over the same period – a decline of \$8 trillion. In fact, according to the non-partisan Congressional Budget Office (CBO), the President's 2008 budget never reaches balance over the five years that it covers (2008-12). That budget simply continues the same failed policies and misguided priorities that led to our current budget deficits.

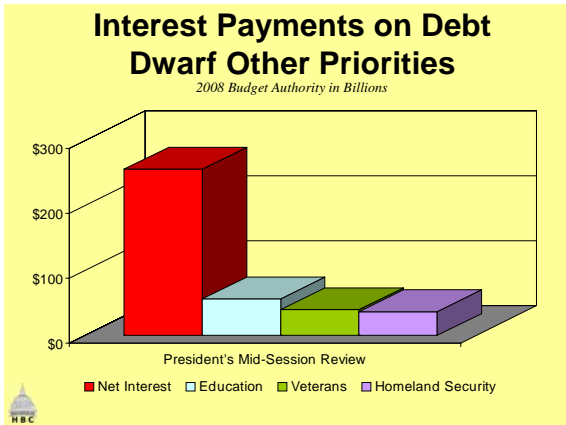


Without the Administration's tax cuts, the federal budget would not be in deficit this year or in any of the following four years. Using revenue estimates by the Joint Committee on Taxation from the time the 2001 and 2003 tax cuts were enacted, CBO recently estimated that the cost of the tax cuts – plus the interest on the debt they caused – exceeds the size of currently estimated deficits. In other words, the federal budget would be in surplus this year and over the following four years were it not for the 2001 and 2003 tax cuts.

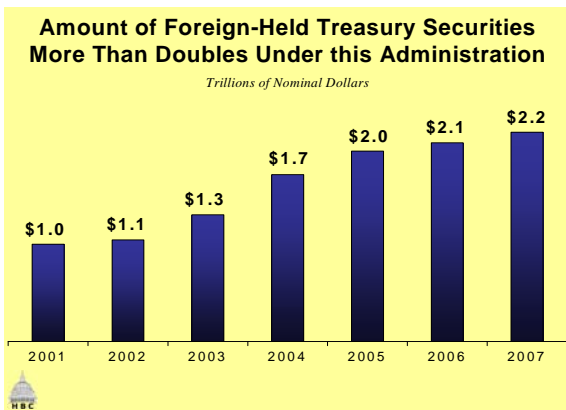
**Future War Costs: CBO Calculates Between \$924 Billion and \$1 Trillion**  
 (Budget Authority in Billions of Dollars)

|                            | 2008-2017          |
|----------------------------|--------------------|
| Military Operations        | 845 - 931          |
| Indigenous Security Forces | 50                 |
| Foreign Aid and Diplomacy  | 16                 |
| Veterans Services          | 13                 |
| <b>Total</b>               | <b>924 - 1,010</b> |

The wars in Iraq and Afghanistan have already cost \$600 billion since 2001 (\$450 billion for military operations and reconstruction in Iraq alone). CBO testified before the House Budget Committee that the wars could cost close to \$1 trillion more over the next ten years even if troop levels in the Iraq and Afghanistan theaters reduce to 75,000 by 2013.

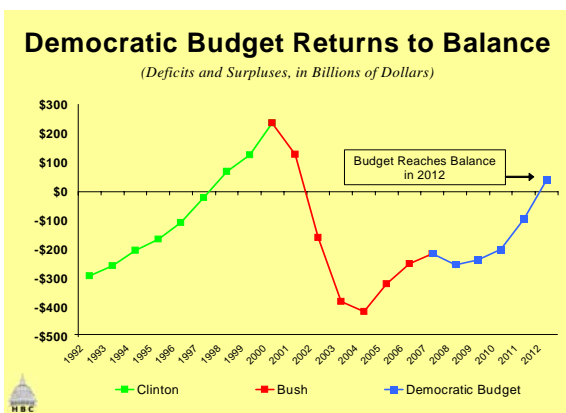


The government's huge annual deficits under this Administration come with a hefty price tag – downward pressure on economic growth, and debt that our children will have to repay. Interest on the federal debt is one of the fastest growing components of the federal budget, and it dwarfs our investment in other high priority areas. This year we will spend 4.5 times more on debt service than on all funding for the Department of Education, 6.5 times more than for all veterans' health care, and 7 times more than on homeland security.



The amount of our national debt that is foreign-owned has more than doubled under this Administration, to \$2.2 trillion. The government is now relying on foreign investors to purchase most of its debt – about 80 cents of every dollar of new debt since 2001 is owed to foreign investors. The high level of indebtedness to foreign investors heightens the economy's exposure to potential instability from abroad. If foreign investors' willingness to purchase American debt drops, it could trigger serious economic consequences, including higher interest rates and a weaker dollar.

## 2. 110<sup>th</sup> Congress Is Digging out of the Deficit Ditch



Congress's 2008 budget resolution restores fiscal responsibility, bringing the budget back to balance in 2012 without raising taxes. It also extends and strengthens the pay-as-you-go rule requiring that new entitlement spending or revenue changes be deficit neutral, which the House immediately reestablished in January. Within tight overall spending constraints, the budget also begins to reverse six years of fiscal mismanagement and harmful cuts in key areas, making necessary investments in our infrastructure, communities, and families.



## Making Government Efficient & Accountable

### The 2008 Budget:

- Achieves surplus by 2012, thereby reducing interest payments
- Includes initiatives to crack down on wasteful spending
- Accommodates efforts to close the \$300 billion tax gap
- Provides resources to reduce backlogs in veterans' and Social Security disability claims

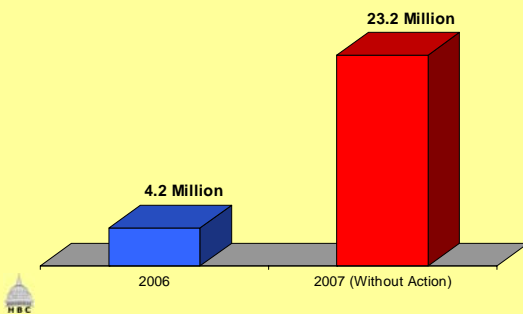


This Congress passed a budget – something that previous Congresses failed to do in two of the last three years – that strengthens efforts to make government more accountable. It creates a Senate pay-as-you-go rule that complements the rule that the House adopted earlier this year. It institutes tough initiatives to crack down on wasteful spending in areas that account for the majority of the federal government's improper payments, and to ensure that taxes owed are properly collected.

## 3. A Balanced Budget with Balanced Priorities

### Democratic Budget Protects 19 Million Families From Tax Increase

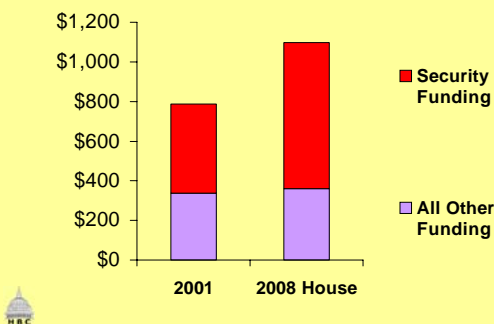
Number of Families Paying the Alternative Minimum Tax



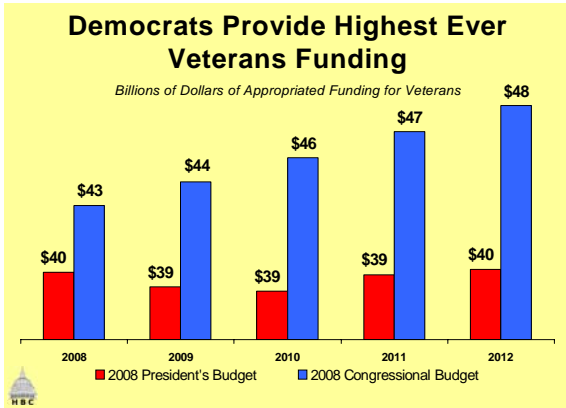
The 2008 budget resolution accommodates relief for the tens of millions of middle-income households who would otherwise be subject to the Alternative Minimum Tax. Unless the AMT is reformed, 19 million additional families will have to pay higher taxes in 2007. The budget also accommodates extension of other middle-income tax relief, consistent with the pay-as-you-go principle, including the child tax credit, marriage penalty relief, the 10 percent bracket, and the deduction for state and local sales taxes.

### Discretionary Growth is Mostly for Security

2008 Constant Dollars in Billions



The government's current deficit was not caused by a dramatic increase in appropriations for domestic needs. In fact, even counting the increased funding that Democrats have approved as a down-payment to address long-standing domestic needs, the total for 2008 non-security appropriations bills is not much higher than for 2001 in constant dollars. In contrast, security funding – appropriations bills for the defense, homeland security, military construction/veterans, and state/foreign operations – has risen dramatically since 2001.



Within the constraints of a budget that reaches balance in 2012, the House has approved funding bills for 2008 that make necessary investments in high-priority areas, including veterans' health care, homeland security, and education. The House passed a 2008 funding bill that provides \$43 billion for veterans, a record increase of \$6.7 billion over current funding and \$3.8 billion above the President's request. The funding will allow VA to treat about 6 million patients, including about 263,000 Iraq and Afghanistan veterans.

*Full-page charts are available on the Budget Committee website at <[budget.house.gov](http://budget.house.gov)>.*