

112TH CONGRESS }  
*2d Session*

HOUSE OF REPRESENTATIVES

{ REPORT  
112-000

**CONCURRENT RESOLUTION  
ON THE BUDGET—  
FISCAL YEAR 2013**

—  
R E P O R T

OF THE

COMMITTEE ON THE BUDGET  
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

**H. Con. Res. 000**

ESTABLISHING THE BUDGET FOR THE UNITED STATES GOVERN-  
MENT FOR FISCAL YEAR 2013 AND SETTING FORTH APPRO-  
PRIATE BUDGETARY LEVELS FOR FISCAL YEARS 2014 THROUGH  
2022

together with

MINORITY VIEWS



MARCH 00, 2012.—Committed to the Committee of the Whole House on  
the State of the Union and ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE

00-000

WASHINGTON : 2012

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CONCURRENT RESOLUTION ON THE BUDGET—  
FISCAL YEAR 2013

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ESTABLISHING THE BUDGET FOR THE UNITED STATES GOVERNMENT  
FOR FISCAL YEAR 2013 AND SETTING FORTH APPROPRIATE BUDGETARY  
LEVELS FOR FISCAL YEARS 2014 THROUGH 2022

—————  
MARCH 00, 2012.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

—————  
Mr. RYAN, from the Committee on the Budget,  
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H. Con. Res. 000]

## **STATEMENT OF CONGRESSIONAL AUTHORITY UNDER THE CONSTITUTION AND THE LAW**

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Article I of the U.S. Constitution grants Congress the power to appropriate funds from the Treasury, pay the obligations of and raise revenue for the Federal Government, and publish statements and accounts of all financial transactions.

In addition, the Congressional Budget and Impoundment Act of 1974 requires Congress to write a budget each year representing its plan to carry out these transactions in the forthcoming fiscal years. While the President is required to propose his administration's budget requests for Congress's consideration, Congress alone is responsible for writing the laws that raise revenues, appropriate funds, and prioritize taxpayer dollars within an overall Federal budget.

The budget resolution is the only legislative vehicle that views government comprehensively. It provides the framework for the consideration of other legislation. Ultimately, a budget is much more than series of numbers. It also serves as an expression of Congress's principles, vision, and philosophy of governing.

This budget, submitted to the U.S. House of Representatives for fiscal year 2013 and beyond, builds upon the budget that was written and passed by the new House majority last year. Like last year's budget, it is offered on time, in accordance with the 1974 Budget Act, out of respect for the law and in order that the public be given a timely and transparent accounting of their government's work.

Like last year's budget, it is committed to the timeless principles of American government enshrined in the U.S. Constitution—liberty, limited government, and equality under the rule of law.

And like last year's budget, it seeks to guide the Nation's policies by those principles, freeing it from the crushing burden of debt now threatening its future.

This budget is submitted, as prescribed by law, to clarify the challenges and the choices facing the American people, to provide a blueprint for the orderly execution of Congress's constitutional duties, and to describe a path forward that renews the promise of this exceptional Nation.

## INTRODUCTION

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### A Nation Challenged

The challenges this Nation faces are among the largest in its history.

**[GPO: Insert Figure 1 here]**

For years, bad policies advanced by both political parties have contributed to an irresponsible build-up of debt in the economy, and this debt now poses a fundamental challenge to the American way of life.

This build-up of debt has manifested its effects in both the private and public sectors. In 2008, excessive leverage in the financial sector overwhelmed many banks, businesses and families. Irresponsible decisions in Washington and on Wall Street fueled a housing-price bubble that collapsed and turned mortgage-backed securities into “toxic assets.” It soon became clear that these assets, which were spread throughout the financial sector, posed a systemic risk to the economy. The resulting wave of panics, bankruptcies and foreclosures brought the global financial system to the brink of collapse.

America is still living with the painful consequences of that crisis today. While some of the Federal Government’s emergency actions in late 2008 helped to stem the immediate financial crisis, much of its intervention in the wake of the crisis simply aggravated the underlying problems. In most cases, policymakers sought to address the symptoms of the crisis by transferring private-sector debt to the public balance sheet. Since Election Day 2008, debt held by the public has increased by roughly \$4.5 trillion—a 70 percent increase in a mere four years.

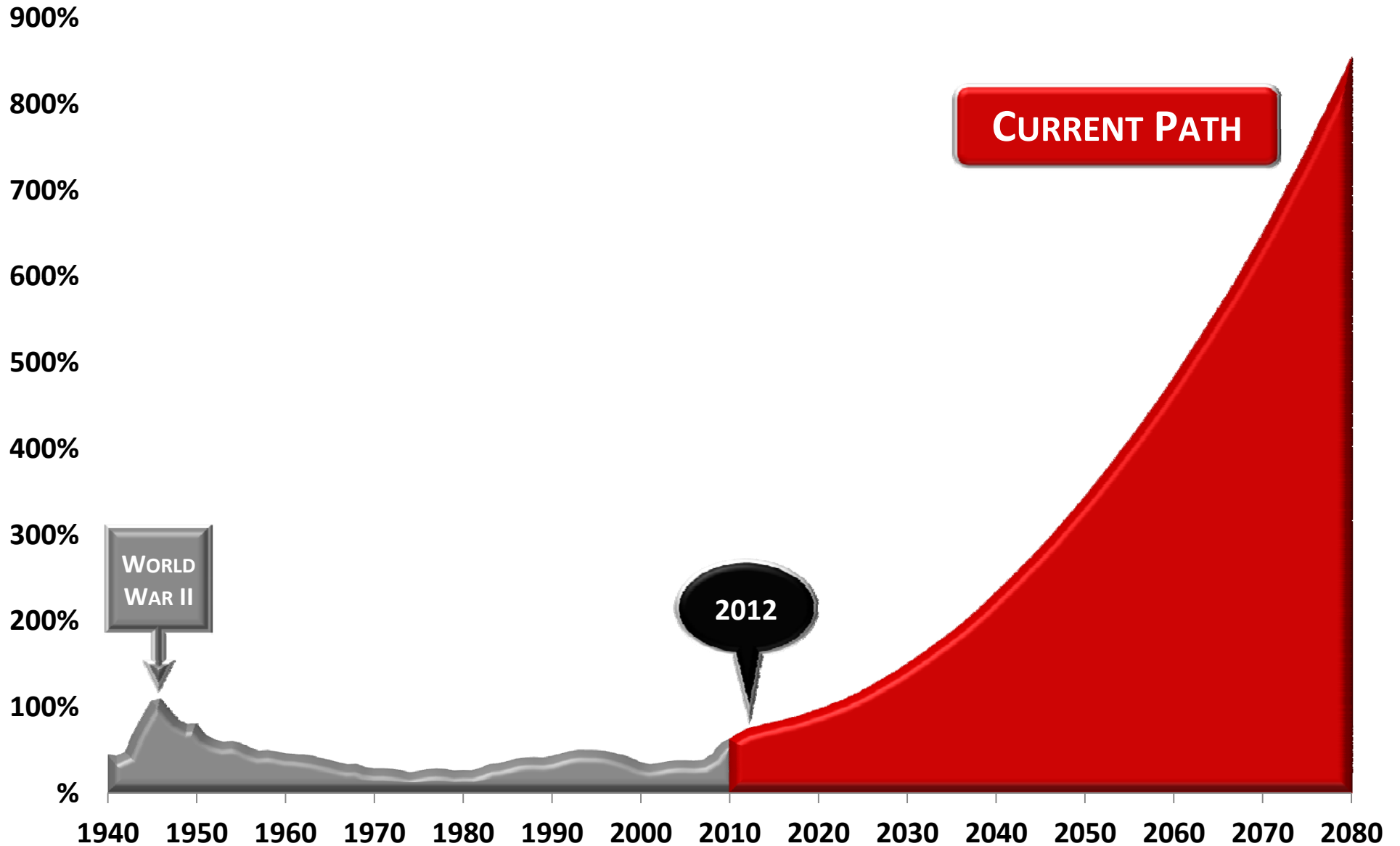
This remedy didn’t just ignore the underlying cause of the problem—it made the problem far worse. In Europe, the accumulation of public-sector debt now threatens to cause an even bigger calamity than the one caused by private-sector debt in 2008. The world’s new “toxic asset” is the sovereign debt of irresponsible European governments, infecting the balance sheets of major banks and threatening the stability of the global economy. And in the United States, government debt continues to rise at a frightening pace, raising fears that a similar crisis may happen here.

The growing possibility of such a crisis is creating debilitating uncertainty

FIGURE 1

# CRUSHING BURDEN OF DEBT

(U.S. DEBT HELD BY PUBLIC AS A SHARE OF ECONOMY)



SOURCE: OMB/CBO

about the future, hurting job creation and economic growth today. The economy has picked up in recent quarters, but overall growth and job creation remain sub-par, and unprecedented numbers of Americans have simply given up trying to find work. Real GDP grew by just 1.7 percent in 2011, and private-sector forecasters are calling for growth of 2.3 percent in 2012—well below the 3.0 percent historical trend rate of U.S. growth and just a fraction of the growth pace observed in a typical recovery from recession. Noted economists, including Federal Reserve Chairman Ben Bernanke, have argued that enacting a credible plan to deal with America's long-term debt build-up would have a positive effect on growth and jobs immediately.

Unfortunately, in the years following the meltdown, the President and his party's leaders failed to use their full control of Washington to offer any plan to lift the debt and foster sustainable economic growth. Instead, the crisis was used as an excuse to enact unprecedented and counterproductive expansions of government power. A massive stimulus package failed to deliver promised reductions in unemployment. An unpopular health care takeover was jammed through Congress on a party-line vote. A short-sighted financial-regulatory overhaul failed to fix what was broken on Wall Street and made future bailouts more likely. And Federal policymakers in thrall to a misguided form of environmental activism pushed through regulations and other policies that are making energy more expensive in the midst of a weak economy.

Through it all, the government's fiscal position sharply deteriorated. Total Federal debt has now surpassed the size of the entire U.S. economy. And the government's non-partisan auditors have issued report after report warning of even larger debts to come, driven by health and retirement security programs that are being weakened by severe demographic and economic challenges.

Instead of taking action, the administration punted the Nation's fiscal problems to a bipartisan commission, whose recommendations it proceeded to ignore in favor of proposals filled with gimmicks instead of real solutions. And the Democratic leaders of the Senate have altogether abandoned their legal obligation to provide a budget plan—it has been three years since the Senate passed a budget.

### **A Choice of Two Futures**

Both parties share the blame for failing to take action over the years. But

while Republicans offered a budget last year that would lift the crushing burden of debt and restore economic growth, the President and his party's leaders are still refusing to take seriously the urgent need to advance credible solutions to the looming fiscal crisis. Instead, they are still offering little more than false attacks and failed leadership.

Questioned about this disappointing reality at a recent House Budget Committee hearing, Treasury Secretary Timothy Geithner admitted, "We're not coming before you to say we have a definitive solution to our long-term problem. What we do know is we don't like yours."<sup>1</sup> The President's strategy seems to amount to this: Let somebody else propose a path forward, and then attack them for political gain.

This budget offers a better path. The following report lays out the challenge—and the choice—that America faces in each key area of the budget. The common thread connecting them all is that a sharp and sudden debt crisis would threaten the entire American project: It would weaken national security, shred the safety net that vulnerable Americans rely on, break promises to seniors, impose massive tax increases on families, and leave all Americans with a diminished future.

This looming crisis represents an enormous challenge, but it also represents a defining choice: whether to continue down the path of debt, doubt and decline, or put the Nation back on the path to prosperity. It also represents a tremendous opportunity for this generation of Americans to rise to the challenge, as previous generations have, and fulfill this Nation's unique legacy of leaving future generations with a freer, more prosperous America.

### **A Blueprint for American Renewal**

This budget sets forth a model of government guided by the timeless principles of the American Idea: free enterprise and economic liberty; limited government and spending restraint; traditional family and community values; and a strong national defense.

The Federal Government has strayed from these American principles. This budget offers a set of fundamental reforms to put the Nation back on the right track.

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<sup>1</sup> Geithner, Timothy. "The President's Fiscal Year 2013 Budget: Revenue and Economic Policy Proposals." House Budget Committee hearing. February 16, 2012.

The role of the Federal Government is both vital and limited. When government takes on too many tasks, it usually does not do any of them very well. Limited government also means effective government. This budget recommits the Federal Government to the security of every American citizen's natural right to life, liberty and the pursuit of happiness, while fostering an environment for economic growth and private-sector job creation.

## **1. Prioritize Defense Spending to Keep America Safe**

With American men and women in uniform currently engaged with a fierce enemy and dealing with emerging threats around the world, this budget takes several steps to ensure that national security remains government's top priority.

Providing for the common defense: This budget rejects proposals to make thoughtless, across-the-board cuts in funding for national defense. Instead, it provides \$554 billion for national defense spending, an amount that is consistent with America's military goals and strategies. This budget preserves necessary defense spending to protect vital national interests today and ensures future real growth in defense spending to modernize the armed forces for the challenges of tomorrow.

Reprioritizing sequester savings to protect the Nation's security: The defense budget is slated to be cut by \$55 billion, or 10 percent, in January of 2013 through the sequester mechanism enacted as part of the Budget Control Act of 2011. This reduction would be on top of the \$487 billion in cuts over ten years proposed in President Obama's budget. This budget eliminates these additional cuts in the defense budget by replacing them with other spending reductions. Spending restraint is critical, and defense spending needs to be executed with effectiveness and accountability. But government should take care to ensure that spending is prioritized according to the nation's needs, not treated indiscriminately when it comes to making cuts. The nation has no higher priority than safeguarding the safety and liberty of its citizens from threats at home and abroad.

## **2. End Cronyism and Restore Free Enterprise**

A growing economy, increased employment and higher wages will come from traditional American ingenuity and enterprise, not from government. To achieve this end, small businesses need to be empowered, and the size

and scope of Washington need to be reduced so that the hard work and enterprise of Americans can lead a strong, sustained recovery.

Ending corporate welfare: There is a growing and pernicious trend of government overreach into the private economy—a trend that stacks the deck in favor of entrenched interests and stifles growth. This budget stops Washington from picking winners and losers across the economy. It rolls back corporate subsidies in the energy sector. It ends the taxpayer bailouts of failed financial institutions, including Fannie Mae and Freddie Mac. It repeals the government takeover of health care enacted last year and begins to move toward patient-centered reform. And it reduces the bureaucracy’s reach by applying private-sector realities to the Federal Government’s civilian workforce.

Boosting American energy resources: Too great a percentage of America’s vast natural resources remain locked behind bureaucratic barriers and red tape. This budget lifts moratoriums on safe, responsible energy exploration in the United States, ends Washington policies that drive up gas prices, and unlocks American energy production to help lower costs, create jobs and reduce dependence on foreign oil.

Streamlining other government agencies: Domestic government agencies have grown too much and too fast over the past decade, and much of their funding has gone to harmful programs and dead-end projects. This budget starts to restore spending discipline. It builds on efforts undertaken last year to contain the government’s growth, and it targets hundreds of government programs that have outlived their usefulness.

### **3. Strengthen the Social Safety Net**

This budget builds upon the historic progress of bipartisan welfare reform in the late 1990s. It strengthens Medicaid, food stamps and job-training programs by providing States with greater flexibility to help recipients build self-sufficient futures for themselves and their families.

Repairing a broken Medicaid system: Medicaid’s flawed financing structure has created rapidly rising costs that are nearly impossible to check. Mandate upon mandate has been foisted upon States under the flawed premise that the best ideas for repairing this important health care safety net can come only from Washington. This budget ends that misguided approach and instead converts the Federal share of Medicaid spending into a block grant, thus freeing States to tailor their Medicaid



programs to the unique needs of their own populations.

Prioritizing assistance for those in need: The welfare reforms of the 1990s, despite their success, were never extended beyond cash welfare to other means-tested programs. This budget completes the successful work of transforming welfare by reforming other areas of America's safety net to ensure that welfare does not entrap able-bodied citizens into lives of complacency and dependency.

Ensuring educational and job-training opportunities for a 21<sup>st</sup> century economy: The government's well-intentioned approach to higher education and job training in America has failed those who most need these forms of assistance. Federal tuition subsidies are often captured by (and to a certain extent drive) rapidly rising tuition costs for those higher-education programs that should be the first rung on the ladder of opportunity. Meanwhile, dozens of job-training programs suffer from overlapping responsibilities and too often lack accountability.

This budget begins to address the problem of tuition inflation and consolidates a complex maze of dozens of job-training programs into more accessible, accountable career scholarships aimed at empowering American workers with the resources they need to pursue their dreams.

#### **4. Fulfill the Mission of Health and Retirement Security**

This budget puts an end to empty promises from Washington, offering instead real security through real reforms. The framework established in this budget ensures no disruptions to existing health and retirement benefit programs for those beneficiaries who have organized their retirements around them, while at the same time building stronger programs that future beneficiaries can count on when they retire.

Saving Medicare: Medicare is facing an unprecedented fiscal challenge. Its failed reliance on bureaucratic price controls and government rationing, combined with rising health care costs, is jeopardizing seniors' access to critical care and threatening to bankrupt the system—and ultimately the Nation. This budget saves Medicare by fixing flaws in its structure so it will be there for future generations. By putting these solutions in place now, this budget ensures that changes will not affect those in and near retirement in any way.

When younger workers become eligible for Medicare a decade or more

from today, they will be able to choose from a list of guaranteed coverage options, including a traditional Medicare fee-for-service plan. This flexibility will allow seniors to enjoy the same kind of choices in their plans that members of Congress enjoy. Medicare will provide a payment to subsidize the cost of the plan. In addition, Medicare will provide increased assistance for lower-income beneficiaries and those with greater health risks. Reform that empowers individuals — with a strengthened safety net for the poor and the sick — will guarantee that Medicare can fulfill the promise of health security for America's seniors.

Advancing Social Security solutions: The risk to Social Security, driven by demographic changes, is nearer at hand than most acknowledge. This budget heads off a crisis by calling on the President *and* both chambers of Congress to ensure the solvency of this critical program.

## **5. Enact Pro-Growth Tax Reform**

This budget recognizes that the Nation's fiscal health requires a vibrant, growing private sector. It charts a prosperous path forward by reforming a tax code that is overly complex and unfair.

Individual tax reform: The current code for individuals is too complicated, with high marginal rates that discourage hard work and entrepreneurship. This budget embraces the widely acknowledged principles of pro-growth tax reform by proposing to consolidate tax brackets and lower tax rates, with just two rates of 10 and 25 percent, while clearing out the burdensome tangle of loopholes that distort economic activity.

Corporate tax reform: American businesses are overburdened by one of the highest corporate income tax rates in the developed world. The perverse incentives created by the corporate income tax do a lot of damage to both workers and investors, yet the tax itself raises relatively little revenue. This budget improves incentives for job creators to work, invest, and innovate in the United States by lowering the corporate rate from 35 percent to a much more competitive 25 percent and by shifting to a territorial system that will ensure a level playing field for American businesses.

## **6. Change Washington's Culture of Spending**

Across the political spectrum, experts agree that the budget process is badly broken and in need of reform. The process fails to control spending,

fails to provide adequate oversight, and fails to allow the transparency needed for accountability to the Nation's citizens.

Controlling spending: The budget process in Washington contains numerous structural flaws that bias the Federal Government toward ever-higher levels of spending. This budget would lock in savings with enforceable spending caps and budget process reforms, limiting what Washington spends and how tax dollars are spent.

Enhancing oversight: This budget gives Congress greater tools to perform oversight over wasteful Washington spending.

Increasing Transparency: This budget promotes reforms that would give taxpayers more information over how Washington is spending their hard-earned dollars.

## **7. Lift the Crushing Burden of Debt**

This budget charts a sustainable path forward, ultimately erases the budget deficit completely, and begins paying down the national debt.

Americans truly face a monumental choice—a choice that can no longer be avoided.

*The Path to Prosperity* advances the serious conversation begun last year about the future of this exceptional Nation and the fundamental choices Americans must soon make about the kind of Nation they want America to be.

This budget would put in place a comprehensive framework to address the Nation's greatest challenges. It provides an opportunity to initiate the actual work of statecraft. The elected representatives of the American people—in the House of Representatives, in the Senate and in the White House—now must take up this budget and start building the future Americans deserve.

**[GPO: Insert Tables 1-5 here]**

**TABLE 1 - FISCAL YEAR 2013 BUDGET RESOLUTION**

[In millions of dollars]

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>Summary</b>													
Total Spending:													
BA.....	3,576,980	3,436,054	3,391,981	3,512,186	3,690,871	3,850,367	4,019,146	4,247,596	4,471,854	4,649,958	4,926,727	17,881,460	40,196,741
OT.....	3,623,538	3,530,285	3,476,424	3,535,921	3,690,295	3,824,127	3,977,472	4,199,374	4,408,773	4,604,697	4,887,781	18,057,052	40,135,150
On-Budget:													
BA.....	3,069,905	2,793,848	2,681,566	2,756,471	2,888,570	2,998,681	3,117,133	3,290,908	3,455,514	3,570,712	3,780,807	14,119,136	31,334,211
OT.....	3,120,064	2,891,589	2,769,702	2,784,233	2,892,523	2,977,372	3,080,794	3,248,524	3,398,470	3,531,790	3,748,801	14,315,418	31,323,798
Off-Budget:													
BA.....	507,075	642,206	710,415	755,716	802,301	851,686	902,012	956,687	1,016,341	1,079,246	1,145,920	3,762,323	8,862,530
OT.....	503,474	638,696	706,722	751,689	797,772	846,755	896,678	950,850	1,010,303	1,072,907	1,138,980	3,741,633	8,811,352
Revenues:													
Total.....	2,443,522	2,733,724	2,980,200	3,232,358	3,449,239	3,642,356	3,811,288	3,986,140	4,184,235	4,388,149	4,600,541	16,037,876	37,008,228
On-Budget.....	1,887,024	2,058,604	2,248,773	2,459,718	2,627,541	2,770,342	2,891,985	3,021,132	3,173,642	3,332,602	3,498,448	12,164,977	28,082,785
Off-Budget.....	556,498	675,120	731,427	772,640	821,698	872,014	919,303	965,008	1,010,593	1,055,547	1,102,093	3,872,899	8,925,443
Recommended Change in Revenues													
Total.....	-12,193	-234,735	-302,411	-356,566	-388,565	-423,997	-460,304	-497,440	-534,378	-574,350	-617,033	-1,706,274	-4,389,779
On-Budget.....	-12,193	-234,735	-302,411	-356,566	-388,565	-423,997	-460,304	-497,440	-534,378	-574,350	-617,033	-1,706,274	-4,389,779
Off-Budget.....	0	0	0	0	0	0	0	0	0	0	0	0	0
Surplus/Deficit(-):													
Total.....	-1,180,016	-796,561	-496,224	-303,563	-241,056	-181,771	-166,185	-213,234	-224,537	-216,549	-287,240	-2,019,176	-3,126,921
On-Budget.....	-1,233,040	-832,985	-520,930	-324,515	-264,982	-207,030	-188,810	-227,392	-224,828	-199,189	-250,353	-2,150,442	-3,241,013
Off-Budget.....	53,024	36,424	24,705	20,951	23,926	25,259	22,625	14,158	290	-17,360	-36,887	131,266	114,091
Debt Held by the Public (end of year).....	11,355,344	12,261,337	12,860,706	13,260,430	13,597,083	13,874,203	14,125,515	14,417,373	14,717,285	15,005,091	15,363,610		
Debt Subject to Limit (end of year).....	16,071,738	17,072,810	17,769,762	18,277,348	18,752,806	19,216,661	19,676,545	20,168,534	20,657,588	21,121,620	21,627,396		
<b>By Function</b>													
National Defense (050)													
BA.....	560,847	562,166	574,807	588,501	602,958	618,519	635,241	653,094	671,528	690,261	709,450	2,946,952	6,306,525
OT.....	679,089	621,469	589,720	586,446	599,658	607,874	617,648	639,165	656,950	675,190	699,316	3,005,167	6,293,435
International Affairs (150)													
BA.....	47,798	43,128	40,113	38,271	38,082	40,446	42,366	43,303	44,294	45,329	46,649	200,040	421,981
OT.....	51,147	46,999	44,758	45,707	46,041	46,529	46,777	45,780	45,774	46,737	47,872	230,034	462,974
General Science, Space and Technology (250)													
BA.....	29,139	28,001	28,154	28,633	29,176	29,759	30,412	31,066	31,747	32,454	33,173	143,723	302,575
OT.....	30,319	29,204	28,535	28,591	29,006	29,526	30,127	30,719	31,377	31,973	32,680	144,862	301,738
Energy (270)													
BA.....	6,972	-3,025	1,670	952	990	960	960	1,017	975	863	900	1,547	6,262
OT.....	16,566	9,407	4,220	2,375	2,128	1,832	1,903	2,103	2,110	2,130	2,221	19,961	30,426
Natural Resources & Environment (300)													
BA.....	36,777	33,274	31,554	30,181	30,868	31,848	33,140	33,981	35,132	35,338	36,046	157,725	331,362
OT.....	41,681	37,882	36,144	35,058	33,832	33,756	33,245	33,845	34,707	35,178	35,666	176,672	349,313
Agriculture (350)													
BA.....	21,995	21,691	18,145	19,395	19,142	18,962	19,291	19,556	20,045	20,543	20,571	97,335	197,340
OT.....	18,642	24,611	19,113	19,107	18,761	18,571	18,849	19,152	19,667	20,154	20,187	100,163	198,172

**TABLE 1 - FISCAL YEAR 2013 BUDGET RESOLUTION**

[In millions of dollars]

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>Commerce &amp; Housing Credit (370)</b>													
On-Budget													
BA.....	45,474	-7,095	-1,455	711	2,675	5,135	6,515	7,778	9,491	10,206	11,311	-29	45,272
OT.....	53,218	-3,151	-12,070	-11,591	-12,166	-11,195	-10,525	-15,134	-14,115	-6,446	-6,533	-50,173	-102,926
Off-Budget													
BA.....	2,755	-788	-1,655	-2,697	-2,792	-2,903	-2,612	-2,524	-2,438	-2,351	-2,263	-10,835	-23,023
OT.....	2,755	-788	-1,655	-2,697	-2,792	-2,903	-2,613	-2,525	-2,439	-2,352	-2,264	-10,835	-23,028
Transportation (400)													
BA.....	88,613	57,139	80,829	74,602	76,512	77,561	80,640	81,636	85,165	80,486	93,104	366,642	787,673
OT.....	92,707	49,729	84,541	77,294	79,831	80,358	81,412	81,348	84,201	79,090	91,180	371,752	788,983
Community & Regional Development (450)													
BA.....	20,875	11,047	7,307	7,389	7,415	7,427	7,435	7,410	7,501	7,604	7,726	40,585	78,260
OT.....	26,962	21,732	16,886	13,927	10,647	8,848	8,044	7,673	7,691	7,805	7,997	72,040	111,249
Education, Training, Employment, and Social Services (500)													
BA.....	74,006	57,626	56,151	63,904	71,626	79,630	84,076	87,738	89,329	90,305	91,458	328,936	771,841
OT.....	91,615	78,335	60,269	64,931	71,719	78,652	84,121	87,647	89,911	91,272	92,408	353,905	799,263
Health (550)													
BA.....	355,177	363,596	358,322	365,058	376,993	393,219	404,124	419,428	446,427	449,759	471,657	1,857,188	4,048,583
OT.....	356,534	365,614	362,556	369,455	376,408	394,754	406,143	417,557	433,169	446,710	468,212	1,868,787	4,040,578
Medicare (570)													
BA.....	492,317	510,144	532,701	554,995	601,515	615,386	634,539	692,173	737,284	784,647	866,591	2,814,741	6,529,975
OT.....	491,887	510,056	532,004	554,555	601,281	614,665	634,089	691,921	736,531	784,158	866,448	2,812,561	6,525,708
Income Security (600)													
BA.....	553,756	517,076	475,714	472,820	453,169	450,453	453,608	469,525	481,660	494,347	511,458	2,369,233	4,779,830
OT.....	552,903	516,848	474,603	471,200	455,843	448,404	447,336	467,922	480,331	493,341	515,356	2,366,899	4,771,184
Social Security (650)													
On-Budget													
BA.....	145,203	53,216	31,892	35,135	38,953	43,140	47,590	52,429	57,425	62,604	68,079	202,336	490,463
OT.....	145,098	53,296	32,002	35,210	38,991	43,140	47,590	52,429	57,425	62,604	68,079	202,639	490,766
Off-Budget													
BA.....	633,415	769,017	833,719	875,372	920,161	970,485	1,025,249	1,085,035	1,149,358	1,216,007	1,286,128	4,368,754	10,130,531
OT.....	629,814	765,507	830,026	871,345	915,632	965,554	1,019,916	1,079,199	1,143,321	1,209,669	1,279,189	4,348,064	10,079,358
Veterans Benefits and Services (700)													
BA.....	128,245	134,635	137,004	139,862	148,556	147,499	146,341	156,034	160,511	165,065	175,431	707,556	1,510,938
OT.....	128,499	135,222	137,230	139,774	148,044	146,846	145,634	155,291	159,760	164,272	174,607	707,116	1,506,680

**TABLE 1 - FISCAL YEAR 2013 BUDGET RESOLUTION**

[In millions of dollars]

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>Administration of Justice (750)</b>													
BA.....	54,849	54,277	51,201	52,499	55,868	55,704	57,407	59,263	61,091	63,137	68,922	269,548	579,369
OT.....	56,206	57,623	54,168	54,276	56,929	56,547	60,053	60,828	62,003	64,045	69,817	279,544	596,289
<b>General Government (800)</b>													
BA.....	23,904	23,155	23,415	23,067	22,814	23,149	23,734	24,304	24,751	25,358	25,881	115,600	239,628
OT.....	29,577	25,051	24,042	23,435	22,961	23,170	23,699	23,897	24,365	24,896	25,449	118,659	240,965
<b>Net Interest (900)</b>													
<b>On-Budget</b>													
BA.....	337,501	344,415	356,352	391,014	447,356	506,642	565,014	618,628	664,102	696,908	730,179	2,045,779	5,320,611
OT.....	337,501	344,415	356,352	391,014	447,356	506,642	565,014	618,628	664,102	696,908	730,179	2,045,779	5,320,611
<b>Off-Budget</b>													
BA.....	-113,700	-110,204	-105,321	-100,071	-97,577	-97,813	-101,874	-106,345	-110,411	-113,580	-116,450	-510,987	-1,059,646
OT.....	-113,700	-110,204	-105,321	-100,071	-97,577	-97,813	-101,874	-106,345	-110,411	-113,580	-116,450	-510,987	-1,059,646
<b>Allowances (920)</b>													
BA.....	-3,400	-22,607	-87,771	-90,146	-94,030	-96,411	-101,394	-106,767	-113,223	-120,493	-121,281	-390,966	-954,125
OT.....	-3,400	859	-50,682	-80,035	-93,943	-101,325	-106,211	-111,171	-117,350	-123,784	-125,413	-325,127	-909,055
<b>Undistributed Offsetting Receipts (950)</b>													
<b>On-Budget</b>													
BA.....	-76,687	-84,736	-78,697	-84,531	-86,226	-94,507	-98,066	-104,845	-103,878	-108,168	-110,655	-428,697	-954,309
OT.....	-76,687	-84,736	-78,697	-84,531	-86,226	-94,507	-98,066	-104,845	-103,878	-108,168	-110,655	-428,697	-954,309
<b>Off-Budget</b>													
BA.....	-15,395	-15,819	-16,328	-16,888	-17,491	-18,083	-18,751	-19,479	-20,168	-20,830	-21,495	-84,609	-185,332
OT.....	-15,395	-15,819	-16,328	-16,888	-17,491	-18,083	-18,751	-19,479	-20,168	-20,830	-21,495	-84,609	-185,332
<b>Global War on Terrorism (970)</b>													
BA.....	126,544	96,725	44,159	44,159	44,159	44,159	44,159	44,159	44,159	44,159	44,159	273,361	494,156
OT.....	0	51,125	54,010	48,034	45,422	44,284	43,912	43,770	43,741	43,727	43,727	242,875	461,752

**Notes:**

1. Only on-budget amounts for fiscal years 2013-2022 are entered into the budget resolution legislative text. Off-budget amounts are shown for display purposes only.
2. The fiscal year 2013 budget resolution does not revise fiscal year 2012 amounts. Fiscal year 2012 is shown for display purposes only.
3. The Office of Management and Budget and the Congressional Budget Office do not separately track outlays for the Global War on Terrorism (GWOT) once funds have been appropriated. The budget, therefore, shows in function 970 GWOT outlays that result from new budget authority occurring in fiscal years 2013-2022 only. Outlays resulting from GWOT activity prior to fiscal year 2013 are included in budget functions 050 and 150.

**TABLE 2 - FISCAL YEAR 2013 BUDGET RESOLUTION DISCRETIONARY SPENDING**

[In millions of dollars]

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>Total Spending</b>													
BA.....	1,198,319	1,124,621	1,017,312	1,037,853	1,059,778	1,084,107	1,109,702	1,136,766	1,164,168	1,190,626	1,220,434	5,323,671	11,145,367
OT.....	1,302,598	1,221,207	1,160,905	1,113,788	1,115,288	1,120,306	1,133,719	1,161,962	1,190,161	1,210,778	1,255,314	5,731,493	11,683,428
<b>Defense (050 + 970):</b>													
BA.....	680,784	650,965	610,892	624,325	638,537	653,838	670,304	687,891	706,027	724,459	743,334	3,178,558	6,710,572
OT.....	672,549	664,659	635,628	626,052	636,418	643,248	652,396	673,506	690,967	708,893	732,710	3,206,005	6,664,476
<b>Non Defense:</b>													
BA.....	517,535	473,656	406,420	413,528	421,241	430,269	439,398	448,875	458,141	466,167	477,100	2,145,113	4,434,795
OT.....	630,049	556,548	525,278	487,736	478,870	477,058	481,323	488,456	499,194	501,885	522,604	2,525,489	5,018,951
<b>By Function</b>													
<b>National Defense (050)</b>													
BA.....	554,240	554,240	566,733	580,166	594,378	609,679	626,145	643,732	661,868	680,300	699,175	2,905,197	6,216,416
OT.....	672,549	613,534	581,618	578,018	590,996	598,964	608,484	629,736	647,226	665,166	688,983	2,963,130	6,202,724
<b>International Affairs (150)</b>													
BA.....	43,875	40,905	39,757	40,421	41,171	41,982	42,886	43,776	44,723	45,703	46,729	204,236	428,053
OT.....	51,977	47,522	45,097	46,910	46,523	46,218	46,590	47,164	48,183	49,163	50,074	232,270	473,444
<b>General Science, Space and Technology (250)</b>													
BA.....	29,039	27,901	28,054	28,533	29,076	29,659	30,312	30,966	31,647	32,354	33,073	143,223	301,575
OT.....	30,193	29,088	28,430	28,491	28,906	29,426	30,027	30,619	31,277	31,873	32,580	144,341	300,717
<b>Energy (270)</b>													
BA.....	4,731	2,007	2,036	2,063	2,098	2,137	2,182	2,219	2,263	2,309	2,355	10,341	21,669
OT.....	14,338	8,424	5,546	4,495	4,184	3,603	3,666	3,714	3,784	3,852	3,916	26,251	45,181
<b>Natural Resources &amp; Environment (300)</b>													
BA.....	34,706	30,559	29,690	28,924	29,779	30,617	31,562	32,568	33,555	34,561	35,662	149,569	317,477
OT.....	39,851	35,435	33,997	33,432	32,522	32,321	31,615	32,377	33,246	34,199	35,265	167,707	334,409
<b>Agriculture (350)</b>													
BA.....	5,851	5,872	6,017	6,164	6,326	6,489	6,675	6,866	7,062	7,266	7,475	30,868	66,211
OT.....	5,895	5,820	5,976	6,095	6,251	6,409	6,590	6,779	6,972	7,173	7,377	30,551	65,442
<b>Commerce &amp; Housing Credit (370)</b>													
On-Budget													
BA.....	-1,452	-8,018	-8,266	-6,455	-5,102	-5,134	-5,006	-4,702	-4,292	-3,662	-2,644	-32,975	-53,281
OT.....	886	-6,349	-7,834	-6,503	-5,169	-5,207	-5,088	-4,792	-4,379	-3,754	-2,742	-31,062	-51,817
Off-Budget													
BA.....	255	262	272	281	292	303	314	327	339	352	365	1,410	3,107
OT.....	255	262	272	281	292	303	313	326	338	351	364	1,410	3,102
<b>Transportation (400)</b>													
BA.....	33,767	30,197	30,751	32,257	33,128	34,018	35,018	36,067	37,136	38,210	39,339	160,350	346,120
OT.....	90,324	47,874	83,046	75,221	77,601	78,625	79,240	79,358	82,130	77,388	89,305	362,366	769,787

TABLE 2 - FISCAL YEAR 2013 BUDGET RESOLUTION DISCRETIONARY SPENDING

(In millions of dollars)

Fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
Community & Regional Development (450)													
BA.....	18,483	10,927	7,422	7,534	7,668	7,818	7,986	8,151	8,318	8,494	8,681	41,369	82,998
OT.....	25,254	19,850	15,304	12,489	10,221	9,192	8,651	8,556	8,637	8,815	9,000	67,056	110,714
Education, Training, Employment, and Social Services (500)													
BA.....	92,241	91,498	92,910	94,214	95,655	97,234	99,001	100,786	102,647	104,570	106,380	471,510	984,893
OT.....	98,918	93,643	93,726	93,279	94,572	96,041	97,681	99,398	101,198	103,075	104,958	471,260	977,569
Health (550)													
BA.....	56,089	56,621	57,624	58,684	59,866	61,134	62,547	63,981	65,457	66,995	68,561	293,929	621,470
OT.....	61,505	58,231	58,240	58,456	59,352	60,259	60,839	62,125	63,530	65,018	66,516	294,538	612,566
Medicare (570)													
BA.....	6,312	6,676	7,071	7,487	7,928	8,389	8,895	9,451	10,024	10,617	11,240	37,551	87,778
OT.....	6,285	6,604	7,027	7,426	7,864	8,321	8,824	9,371	9,941	10,532	11,151	37,242	87,061
Income Security (600)													
BA.....	61,253	59,901	60,074	60,028	60,123	60,425	61,815	63,318	64,904	66,552	67,963	300,552	625,103
OT.....	66,121	63,964	62,839	62,008	61,418	60,771	61,593	62,837	64,326	65,886	67,304	311,001	632,946
Social Security (650)													
On-Budget													
BA.....	0	0	0	0	0	0	0	0	0	0	0	0	0
OT.....	-105	80	110	75	38	0	0	0	0	0	0	303	303
Off-Budget													
BA.....	5,643	5,784	5,953	6,127	6,314	6,506	6,718	6,945	7,170	7,401	7,643	30,684	66,561
OT.....	5,642	5,774	5,960	6,100	6,285	6,475	6,685	6,909	7,133	7,363	7,604	30,594	66,288
Veterans Benefits and Services (700)													
BA.....	58,820	61,342	63,266	64,449	66,172	68,074	70,202	72,440	74,684	76,990	79,406	323,303	697,025
OT.....	59,203	62,063	63,610	64,459	65,742	67,491	69,560	71,760	73,998	76,288	78,667	323,365	693,618
Administration of Justice (750)													
BA.....	51,188	51,836	49,546	51,094	52,768	54,467	56,337	58,293	60,225	62,218	64,315	259,710	561,099
OT.....	53,664	53,751	51,964	52,871	54,077	55,551	57,389	59,313	61,133	63,154	65,262	268,215	574,465
General Government (800)													
BA.....	16,734	16,818	17,002	16,628	16,304	16,711	17,149	17,607	18,060	18,526	19,015	83,463	173,820
OT.....	19,843	18,479	17,638	16,944	16,429	16,733	17,162	17,230	17,654	18,110	18,590	86,223	174,969
Allowances (920)													
BA.....	0	-17,432	-82,758	-84,905	-88,324	-90,561	-95,196	-100,182	-105,779	-113,289	-118,456	-363,981	-896,884
OT.....	0	6,034	-45,669	-74,794	-88,237	-95,475	-100,013	-104,586	-109,906	-116,580	-122,588	-298,142	-851,814
Global War on Terrorism (970)													
BA.....	126,544	96,725	44,159	44,159	44,159	44,159	44,159	44,159	44,159	44,159	44,159	273,361	494,156
OT.....	0	51,125	54,010	48,034	45,422	44,284	43,912	43,770	43,741	43,727	43,727	242,875	461,752



**TABLE 3 - FISCAL YEAR 2013 BUDGET RESOLUTION MANDATORY SPENDING**

[in millions of dollars]

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>Total Spending:</b>													
BA.....	2,378,661	2,311,433	2,374,669	2,474,333	2,631,093	2,766,260	2,909,444	3,110,830	3,307,686	3,459,332	3,706,293	12,557,789	29,051,374
OT.....	2,320,940	2,309,078	2,315,519	2,422,133	2,575,007	2,703,821	2,843,753	3,037,412	3,218,612	3,393,919	3,632,467	12,325,558	28,451,722
<b>On-Budget:</b>													
BA.....	1,877,484	1,675,273	1,670,479	1,725,026	1,835,398	1,921,383	2,014,463	2,161,414	2,298,855	2,387,839	2,568,381	8,827,559	20,258,512
OT.....	1,823,363	1,676,418	1,615,029	1,676,826	1,783,812	1,863,844	1,954,073	2,093,797	2,215,780	2,328,726	2,501,455	8,615,929	19,709,760
<b>Off-Budget:</b>													
BA.....	501,177	636,160	704,190	749,308	795,695	844,877	894,980	949,415	1,008,832	1,071,493	1,137,912	3,730,229	8,792,862
OT.....	497,577	632,660	700,490	745,308	791,195	839,977	889,680	943,615	1,002,832	1,065,193	1,131,012	3,709,629	8,741,962
<b>By Function</b>													
<b>National Defense (050)</b>													
BA.....	6,607	7,926	8,074	8,335	8,580	8,840	9,096	9,362	9,660	9,961	10,275	41,755	90,109
OT.....	6,540	7,935	8,102	8,428	8,662	8,910	9,164	9,429	9,724	10,024	10,333	42,037	90,711
<b>International Affairs (150)</b>													
BA.....	3,923	2,223	356	-2,150	-3,089	-1,536	-520	-473	-429	-374	-80	-4,196	-6,072
OT.....	-830	-523	-339	-1,203	-482	311	187	-1,384	-2,409	-2,426	-2,202	-2,236	-10,470
<b>General Science, Space and Technology (250)</b>													
BA.....	100	100	100	100	100	100	100	100	100	100	100	500	1,000
OT.....	126	116	105	100	100	100	100	100	100	100	100	521	1,021
<b>Energy (270)</b>													
BA.....	2,241	-5,032	-366	-1,111	-1,108	-1,177	-1,222	-1,202	-1,288	-1,446	-1,455	-8,794	-15,407
OT.....	2,228	983	-1,326	-2,120	-2,056	-1,771	-1,763	-1,611	-1,674	-1,722	-1,695	-6,290	-14,755
<b>Natural Resources &amp; Environment (300)</b>													
BA.....	2,071	2,715	1,864	1,257	1,089	1,231	1,578	1,413	1,577	777	384	8,156	13,885
OT.....	1,830	2,447	2,147	1,626	1,310	1,435	1,631	1,468	1,460	978	401	8,965	14,904
<b>Agriculture (350)</b>													
BA.....	16,144	15,819	12,128	13,231	12,816	12,473	12,616	12,690	12,983	13,277	13,096	66,467	131,129
OT.....	12,747	18,791	13,137	13,012	12,510	12,162	12,259	12,373	12,695	12,981	12,810	69,612	132,730
<b>Commerce &amp; Housing Credit (370)</b>													
<b>On-Budget</b>													
BA.....	46,926	923	6,811	7,166	7,777	10,269	11,521	12,480	13,783	13,868	13,955	32,946	98,553
OT.....	52,332	3,198	-4,236	-5,088	-6,997	-5,988	-5,437	-10,342	-9,736	-2,692	-3,791	-19,111	-51,109
<b>Off-Budget</b>													
BA.....	2,500	-1,050	-1,927	-2,978	-3,084	-3,206	-2,926	-2,851	-2,777	-2,703	-2,628	-12,245	-26,130
OT.....	2,500	-1,050	-1,927	-2,978	-3,084	-3,206	-2,926	-2,851	-2,777	-2,703	-2,628	-12,245	-26,130

**TABLE 3 - FISCAL YEAR 2013 BUDGET RESOLUTION MANDATORY SPENDING**

[in millions of dollars]

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
<b>Transportation (400)</b>													
BA.....	54,846	26,942	50,078	42,345	43,384	43,543	45,622	45,569	48,029	42,276	53,765	206,292	441,553
OT.....	2,383	1,855	1,495	2,073	2,230	1,733	2,172	1,990	2,071	1,702	1,875	9,386	19,196
<b>Community &amp; Regional Development (450)</b>													
BA.....	2,392	120	-115	-145	-253	-391	-551	-741	-817	-890	-955	-784	-4,738
OT.....	1,708	1,882	1,582	1,438	426	-344	-607	-883	-946	-1,010	-1,003	4,984	535
<b>Education, Training, Employment, and Social Services (500)</b>													
BA.....	-18,235	-33,872	-36,759	-30,310	-24,029	-17,604	-14,925	-13,048	-13,318	-14,265	-14,922	-142,574	-213,052
OT.....	-7,303	-15,308	-33,457	-28,348	-22,853	-17,389	-13,560	-11,751	-11,287	-11,803	-12,550	-117,355	-178,306
<b>Health (550)</b>													
BA.....	299,088	306,975	300,698	306,374	317,127	332,085	341,577	355,447	380,970	382,764	403,096	1,563,259	3,427,113
OT.....	295,029	307,383	304,316	310,999	317,056	334,495	345,304	355,432	369,639	381,692	401,696	1,574,249	3,428,012
<b>Medicare (570)</b>													
BA.....	486,005	503,468	525,630	547,508	593,587	606,997	625,644	682,722	727,260	774,030	855,351	2,777,190	6,442,197
OT.....	485,602	503,452	524,977	547,129	593,417	606,344	625,265	682,550	726,590	773,626	855,297	2,775,319	6,438,647
<b>Income Security (600)</b>													
BA.....	492,503	457,175	415,640	412,792	393,046	390,028	391,793	406,207	416,756	427,795	443,495	2,068,681	4,154,727
OT.....	486,782	452,884	411,764	409,192	394,425	387,633	385,743	405,085	416,005	427,455	448,052	2,055,898	4,138,238
<b>Social Security (650)</b>													
<b>On-Budget</b>													
BA.....	145,203	53,216	31,892	35,135	38,953	43,140	47,590	52,429	57,425	62,604	68,079	202,336	490,463
OT.....	145,203	53,216	31,892	35,135	38,953	43,140	47,590	52,429	57,425	62,604	68,079	202,336	490,463
<b>Off-Budget</b>													
BA.....	627,772	763,233	827,766	869,245	913,847	963,979	1,018,531	1,078,090	1,142,188	1,208,606	1,278,485	4,338,070	10,063,970
OT.....	624,172	759,733	824,066	865,245	909,347	959,079	1,013,231	1,072,290	1,136,188	1,202,306	1,271,585	4,317,470	10,013,070
<b>Veterans Benefits and Services (700)</b>													
BA.....	69,425	73,293	73,738	75,413	82,384	79,425	76,139	83,594	85,827	88,075	96,025	384,253	813,913
OT.....	69,296	73,159	73,620	75,315	82,302	79,355	76,074	83,531	85,762	88,004	95,940	383,751	813,062
<b>Administration of Justice (750)</b>													
BA.....	3,661	2,441	1,655	1,405	3,100	1,237	1,070	970	866	919	4,607	9,838	18,270
OT.....	2,542	3,872	2,204	1,405	2,852	996	2,664	1,515	870	891	4,555	11,329	21,824
<b>General Government (800)</b>													
BA.....	7,170	6,337	6,413	6,439	6,510	6,438	6,585	6,697	6,691	6,832	6,866	32,137	65,808
OT.....	9,734	6,572	6,404	6,491	6,532	6,437	6,537	6,667	6,711	6,786	6,859	32,436	65,996

**TABLE 3 - FISCAL YEAR 2013 BUDGET RESOLUTION MANDATORY SPENDING**

[in millions of dollars]

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
Net Interest (900)													
On-Budget													
BA.....	337,501	344,415	356,352	391,014	447,356	506,642	565,014	618,628	664,102	696,908	730,179	2,045,779	5,320,611
OT.....	337,501	344,415	356,352	391,014	447,356	506,642	565,014	618,628	664,102	696,908	730,179	2,045,779	5,320,611
Off-Budget													
BA.....	-113,700	-110,204	-105,321	-100,071	-97,577	-97,813	-101,874	-106,345	-110,411	-113,580	-116,450	-510,987	-1,059,646
OT.....	-113,700	-110,204	-105,321	-100,071	-97,577	-97,813	-101,874	-106,345	-110,411	-113,580	-116,450	-510,987	-1,059,646
Allowances (920)													
BA.....	-3,400	-5,175	-5,013	-5,241	-5,706	-5,850	-6,198	-6,585	-7,444	-7,204	-2,825	-26,985	-57,241
OT.....	-3,400	-5,175	-5,013	-5,241	-5,706	-5,850	-6,198	-6,585	-7,444	-7,204	-2,825	-26,985	-57,241
Undistributed Offsetting Receipts (950)													
On-Budget													
BA.....	-76,687	-84,736	-78,697	-84,531	-86,226	-94,507	-98,066	-104,845	-103,878	-108,168	-110,655	-428,697	-954,309
OT.....	-76,687	-84,736	-78,697	-84,531	-86,226	-94,507	-98,066	-104,845	-103,878	-108,168	-110,655	-428,697	-954,309
Off-Budget													
BA.....	-15,395	-15,819	-16,328	-16,888	-17,491	-18,083	-18,751	-19,479	-20,168	-20,830	-21,495	-84,609	-185,332
OT.....	-15,395	-15,819	-16,328	-16,888	-17,491	-18,083	-18,751	-19,479	-20,168	-20,830	-21,495	-84,609	-185,332

**TABLE 4 - SUMMARY OF FISCAL YEAR 2013 BUDGET RESOLUTION**  
**[As a percentage of GDP]**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Average 2013-2022
<b>Deficit:</b> .....												
Committee Recommendation.....	7.6%	5.0%	3.0%	1.7%	1.3%	0.9%	0.8%	1.0%	1.0%	0.9%	1.2%	1.7%
CBO.....	7.6%	3.8%	2.3%	1.5%	1.4%	1.0%	0.8%	1.0%	1.0%	1.0%	1.2%	1.5%
President's Budget.....	8.1%	6.1%	4.2%	3.1%	2.8%	2.5%	2.5%	2.8%	2.8%	2.9%	3.0%	3.3%
<b>Debt Held by the Public:</b> .....												
Committee Recommendation.....	73.2%	77.0%	77.6%	75.3%	72.7%	70.4%	68.4%	66.7%	65.1%	63.5%	62.3%	na
CBO.....	73.2%	75.8%	75.8%	73.3%	70.9%	68.8%	66.9%	65.3%	63.9%	62.4%	61.3%	na
President's Budget.....	73.7%	78.7%	80.4%	79.4%	78.2%	77.2%	76.6%	76.4%	76.3%	76.3%	76.3%	na
<b>Outlays:</b> .....												
Committee Recommendation.....	23.4%	22.2%	21.0%	20.1%	19.7%	19.4%	19.3%	19.4%	19.5%	19.5%	19.8%	20.0%
CBO.....	23.4%	22.5%	22.1%	21.8%	21.9%	21.7%	21.5%	21.8%	21.9%	22.0%	22.4%	22.0%
President's Budget.....	23.5%	23.4%	23.0%	22.4%	22.4%	22.1%	22.0%	22.3%	22.5%	22.6%	22.8%	22.5%
<b>Revenues:</b> .....												
Committee Recommendation.....	15.8%	17.2%	18.0%	18.3%	18.4%	18.5%	18.4%	18.4%	18.5%	18.6%	18.7%	18.3%
CBO.....	15.8%	18.7%	19.8%	20.4%	20.5%	20.6%	20.7%	20.7%	20.9%	21.0%	21.2%	20.4%
President's Budget.....	15.4%	17.2%	18.7%	19.4%	19.6%	19.6%	19.6%	19.6%	19.7%	19.7%	19.8%	19.3%

**TABLE 5 - FISCAL YEAR 2013 BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022
	[in millions of dollars]												
	Fiscal Year 2013 Budget Resolution												
<b>Total Spending:</b>													
BA.....	3,576,980	3,436,054	3,391,981	3,512,186	3,690,871	3,850,367	4,019,146	4,247,596	4,471,854	4,649,958	4,926,727	17,881,460	40,196,741
OT.....	3,623,538	3,530,285	3,476,624	3,535,921	3,690,295	3,824,127	3,977,472	4,199,374	4,408,773	4,604,697	4,887,781	18,057,052	40,135,150
<b>On-Budget:</b>													
BA.....	3,069,905	2,793,848	2,681,566	2,756,471	2,888,570	2,998,681	3,117,133	3,290,908	3,455,514	3,570,712	3,780,807	14,119,136	31,334,211
OT.....	3,120,064	2,891,589	2,769,702	2,784,233	2,882,523	2,977,372	3,080,794	3,248,524	3,398,470	3,531,790	3,748,801	14,315,418	31,323,798
<b>Off-Budget:</b>													
BA.....	507,075	642,206	710,415	755,716	802,301	851,686	902,012	956,687	1,016,341	1,079,246	1,145,920	3,762,323	8,862,530
OT.....	503,474	638,696	706,722	751,689	797,772	846,755	896,678	950,850	1,010,303	1,072,907	1,138,980	3,741,633	8,811,352
<b>Revenues:</b>													
Total.....	2,443,522	2,733,724	2,980,200	3,232,358	3,449,239	3,642,356	3,811,288	3,986,140	4,184,235	4,388,149	4,600,541	16,037,876	37,008,228
On-Budget.....	1,887,024	2,058,604	2,248,773	2,459,718	2,627,541	2,770,342	2,891,985	3,021,132	3,173,642	3,332,602	3,498,448	12,164,977	28,082,785
Off-Budget.....	556,498	675,120	731,427	772,640	821,698	872,014	919,303	965,008	1,010,593	1,055,547	1,102,093	3,872,899	8,925,443
<b>Surplus/Deficit(-):</b>													
Total.....	-1,180,016	-796,561	-496,224	-303,563	-241,056	-181,771	-166,185	-213,234	-224,537	-216,549	-287,240	-2,019,176	-3,126,921
On-Budget.....	-1,233,040	-832,985	-520,930	-324,515	-264,982	-207,030	-188,810	-227,392	-224,828	-199,189	-250,353	-2,150,442	-3,241,013
Off-Budget.....	53,024	36,424	24,705	20,951	23,926	25,259	22,625	14,158	290	-17,360	-36,887	131,266	114,091
Debt Held by the Public (end of year).....	11,355,344	12,261,337	12,860,706	13,260,430	13,597,083	13,874,203	14,125,515	14,417,373	14,717,285	15,005,091	15,363,610	na	na
Debt Subject to Limit (end of year).....	16,071,738	17,072,810	17,769,762	18,277,348	18,752,806	19,216,661	19,676,545	20,168,534	20,657,588	21,121,620	21,627,396	na	na
<b>CBO Reestimate of the President's FY2013 Budget</b>													
<b>Total Spending:</b>													
BA.....	3,752,667	3,624,411	3,748,644	3,942,229	4,193,744	4,399,345	4,617,546	4,862,376	5,134,473	5,380,295	5,652,070	19,908,373	45,555,133
OT.....	3,647,389	3,717,485	3,806,624	3,951,672	4,186,081	4,356,249	4,532,698	4,829,023	5,083,044	5,338,933	5,612,643	20,018,111	45,434,452
<b>On-Budget:</b>													
BA.....	3,245,498	2,981,512	3,036,509	3,183,712	3,388,753	3,545,013	3,713,179	3,903,527	4,116,158	4,299,370	4,504,615	16,135,499	36,672,348
OT.....	3,143,868	3,078,215	3,098,134	3,197,095	3,385,620	3,506,849	3,653,640	3,875,989	4,070,744	4,264,323	4,472,110	16,265,913	36,602,719
<b>Off-Budget:</b>													
BA.....	507,169	642,899	712,135	758,517	804,991	854,332	904,367	958,849	1,018,315	1,080,925	1,147,455	3,772,874	8,882,785
OT.....	503,521	639,270	708,490	754,577	800,461	849,400	899,058	953,034	1,012,300	1,074,610	1,140,533	3,752,198	8,831,733
<b>Revenues:</b>													
Total.....	2,394,315	2,740,795	3,104,533	3,412,944	3,657,048	3,867,882	4,042,765	4,227,347	4,444,985	4,661,235	4,884,592	16,783,204	39,044,127
On-Budget.....	1,837,844	2,065,796	2,373,500	2,640,705	2,835,767	2,996,291	3,123,888	3,262,770	3,434,833	3,606,140	3,782,963	12,912,059	30,122,653
Off-Budget.....	556,471	675,000	731,033	772,239	821,281	871,591	918,877	964,577	1,010,152	1,055,095	1,101,630	3,871,144	8,921,475
<b>Surplus/Deficit(-):</b>													
Total.....	-1,253,074	-976,690	-702,091	-538,728	-529,033	-488,367	-509,933	-601,676	-638,059	-677,698	-728,051	-3,234,907	-6,390,325
On-Budget.....	-1,306,024	-1,012,419	-724,634	-556,390	-549,853	-510,558	-529,752	-613,219	-635,911	-658,083	-689,047	-3,353,854	-6,479,866
Off-Budget.....	52,950	35,730	22,543	17,662	20,820	22,191	19,819	11,543	-2,148	-19,615	-39,003	118,946	89,542
Debt Held by the Public (end of year).....	11,426,551	12,517,072	13,330,583	13,981,546	14,618,296	15,215,406	15,824,696	16,518,942	17,245,767	18,007,496	18,818,701	na	na
Debt Subject to Limit (end of year).....	16,140,034	17,314,780	18,251,238	19,050,579	19,855,892	20,624,430	21,419,275	22,288,175	23,197,859	24,143,484	25,123,397	na	na

TABLE 5 - FISCAL YEAR 2013 BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013-2017	2013-2022																																																																																																																																																																																																																																																												
	[in millions of dollars]																																																																																																																																																																																																																																																																								
	Difference																																																																																																																																																																																																																																																																								
Total Spending:														BA.....	-175,687	-188,357	-356,663	-430,043	-502,873	-548,978	-598,400	-614,780	-662,619	-730,337	-725,343	-2,026,913	-5,358,392	OT.....	-23,851	-187,200	-330,200	-415,751	-495,786	-532,122	-575,226	-629,649	-674,271	-734,236	-724,862	-1,961,059	-5,299,302	On-Budget:														BA.....	-175,593	-187,664	-354,943	-427,241	-500,183	-546,332	-596,046	-612,619	-660,644	-728,658	-723,808	-2,016,363	-5,338,137	OT.....	-23,804	-186,626	-328,432	-412,862	-493,097	-529,477	-572,846	-627,465	-672,274	-732,533	-723,309	-1,950,495	-5,278,921	Off-Budget:														BA.....	-94	-693	-1,720	-2,801	-2,690	-2,646	-2,355	-2,162	-1,974	-1,679	-1,535	-10,551	-20,255	OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na
BA.....	-175,687	-188,357	-356,663	-430,043	-502,873	-548,978	-598,400	-614,780	-662,619	-730,337	-725,343	-2,026,913	-5,358,392	OT.....	-23,851	-187,200	-330,200	-415,751	-495,786	-532,122	-575,226	-629,649	-674,271	-734,236	-724,862	-1,961,059	-5,299,302	On-Budget:														BA.....	-175,593	-187,664	-354,943	-427,241	-500,183	-546,332	-596,046	-612,619	-660,644	-728,658	-723,808	-2,016,363	-5,338,137	OT.....	-23,804	-186,626	-328,432	-412,862	-493,097	-529,477	-572,846	-627,465	-672,274	-732,533	-723,309	-1,950,495	-5,278,921	Off-Budget:														BA.....	-94	-693	-1,720	-2,801	-2,690	-2,646	-2,355	-2,162	-1,974	-1,679	-1,535	-10,551	-20,255	OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na														
OT.....	-23,851	-187,200	-330,200	-415,751	-495,786	-532,122	-575,226	-629,649	-674,271	-734,236	-724,862	-1,961,059	-5,299,302	On-Budget:														BA.....	-175,593	-187,664	-354,943	-427,241	-500,183	-546,332	-596,046	-612,619	-660,644	-728,658	-723,808	-2,016,363	-5,338,137	OT.....	-23,804	-186,626	-328,432	-412,862	-493,097	-529,477	-572,846	-627,465	-672,274	-732,533	-723,309	-1,950,495	-5,278,921	Off-Budget:														BA.....	-94	-693	-1,720	-2,801	-2,690	-2,646	-2,355	-2,162	-1,974	-1,679	-1,535	-10,551	-20,255	OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na																												
On-Budget:														BA.....	-175,593	-187,664	-354,943	-427,241	-500,183	-546,332	-596,046	-612,619	-660,644	-728,658	-723,808	-2,016,363	-5,338,137	OT.....	-23,804	-186,626	-328,432	-412,862	-493,097	-529,477	-572,846	-627,465	-672,274	-732,533	-723,309	-1,950,495	-5,278,921	Off-Budget:														BA.....	-94	-693	-1,720	-2,801	-2,690	-2,646	-2,355	-2,162	-1,974	-1,679	-1,535	-10,551	-20,255	OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na																																										
BA.....	-175,593	-187,664	-354,943	-427,241	-500,183	-546,332	-596,046	-612,619	-660,644	-728,658	-723,808	-2,016,363	-5,338,137	OT.....	-23,804	-186,626	-328,432	-412,862	-493,097	-529,477	-572,846	-627,465	-672,274	-732,533	-723,309	-1,950,495	-5,278,921	Off-Budget:														BA.....	-94	-693	-1,720	-2,801	-2,690	-2,646	-2,355	-2,162	-1,974	-1,679	-1,535	-10,551	-20,255	OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na																																																								
OT.....	-23,804	-186,626	-328,432	-412,862	-493,097	-529,477	-572,846	-627,465	-672,274	-732,533	-723,309	-1,950,495	-5,278,921	Off-Budget:														BA.....	-94	-693	-1,720	-2,801	-2,690	-2,646	-2,355	-2,162	-1,974	-1,679	-1,535	-10,551	-20,255	OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na																																																																						
Off-Budget:														BA.....	-94	-693	-1,720	-2,801	-2,690	-2,646	-2,355	-2,162	-1,974	-1,679	-1,535	-10,551	-20,255	OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na																																																																																				
BA.....	-94	-693	-1,720	-2,801	-2,690	-2,646	-2,355	-2,162	-1,974	-1,679	-1,535	-10,551	-20,255	OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na																																																																																																		
OT.....	-47	-574	-1,768	-2,888	-2,689	-2,645	-2,380	-2,184	-1,997	-1,703	-1,553	-10,565	-20,381	Revenues:														Total.....	49,207	-7,072	-124,334	-180,586	-207,810	-225,526	-231,477	-241,207	-260,750	-273,086	-284,051	-745,328	-2,035,899	On-Budget.....	49,180	-7,192	-124,728	-180,987	-208,226	-225,949	-231,903	-241,638	-261,191	-273,538	-284,515	-747,083	-2,039,868	Off-Budget.....	27	120	394	401	417	423	426	431	441	452	463	1,755	3,968	Surplus/Deficit(-):														Total.....	-73,058	-180,128	-205,866	-235,165	-287,977	-306,596	-343,748	-388,442	-413,521	-461,150	-440,811	-1,215,732	-3,263,403	On-Budget.....	-72,984	-179,434	-203,704	-231,875	-284,871	-303,528	-340,943	-385,827	-411,083	-458,895	-438,694	-1,203,412	-3,238,853	Off-Budget.....	-74	-694	-2,162	-3,289	-3,105	-3,068	-2,806	-2,615	-2,438	-2,255	-2,116	-12,320	-24,550	Debt Held by the Public (end of year).....	-71,207	-255,735	-469,878	-721,116	-1,021,213	-1,341,203	-1,699,181	-2,101,569	-2,528,482	-3,002,405	-3,455,092	na	na	Debt Subject to Limit (end of year).....	-68,296	-241,970	-481,476	-773,232	-1,103,085	-1,407,769	-1,742,730	-2,119,641	-2,540,271	-3,021,864	-3,496,001	na	na																																																																																																																
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## **ECONOMIC ASSUMPTIONS OF THE BUDGET RESOLUTION**

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### **Introduction**

The U.S. economy picked up in the final quarter of 2011 but overall growth and job creation remain sub-par. Real gross domestic product [GDP] grew by just 1.7 percent in 2011 and private-sector forecasters are calling for growth of 2.2 percent in 2012—well below the 3.0 percent historical trend rate of U.S. growth and just a fraction of the growth pace observed in a typical recovery from recession. Employment increased by 243,000 in January, an encouraging sign, and the unemployment rate edged down to a 3-year low of 8.3 percent but there is still an enormous “jobs deficit” in the economy. It is sobering to point out that of the nearly 8.8 million jobs that were lost in the 2008/2009 recession and aftermath, only about one-third have been recovered. Economists now estimate that with such sub-par economic growth the unemployment rate will probably not return to its pre-recession level until very late in the decade.

Three key factors are likely to contribute to below-trend U.S. economic growth in the near term: 1) likelihood of a recession in Europe and fears of global financial market contagion sparked by Europe’s ongoing sovereign debt crisis, 2) prolonged weakness in the U.S. housing market, including a continued decline in home values, 3) only modest job growth, which constrains wage and income growth and therefore consumer spending (which typically accounts for 70 percent of U.S. GDP). In addition, gasoline prices have risen 15 percent since the beginning of the year and will likely rise further this spring and summer, which promises to reduce consumers’ purchasing power. Noting the sub-par growth outlook and the attendant downside risks, the Federal Reserve believes that it will most likely keep interest rates at or near zero until the end of 2014.

### **The Current Economic Situation**

The current economic data suggest that the U.S. economy is expanding at a moderate pace, although the recovery from the recession and financial crisis still promises to be long and difficult.

Real GDP grew by 3.0 percent in the fourth quarter of 2011, up from 1.8 percent in the third quarter. Roughly two-thirds of that increase, however, was due to business inventory restocking, a temporary boost to

GDP that will not be sustained in the coming quarters. The economy grew by a sluggish 1.7 percent in 2011 and the Blue Chip consensus of private-sector forecasters sees GDP rising by just 2.2 percent in 2012. The Federal Reserve has characterized the current economic recovery as “uneven and modest by historical standards.”

Total payroll employment rose by 227,000 in February. Recent monthly job gains have been encouraging, though at this pace it would still take until the end of the decade to return to a pre-recession level of unemployment.

The unemployment rate remained at a three-year low of 8.3 percent in February. Still, a broader gauge of under-employment, which includes people who have stopped looking for work or who can't find full-time jobs, is still over 15 percent. In addition, the long-term unemployment remains near record levels as the share of the unemployed population who have been out of work for six months or more is 43 percent.

The housing market remains a key drag on growth. Housing prices have yet to fully bottom out and have showed some renewed signs of decline in parts of the country. The ratio of home equity to income is at an all-time low—a measure of the enormous amount of housing wealth that has been lost due to the drop in home prices. As households feel less wealthy, they are less likely to spend, which puts a damper on the overall economy.

Average U.S. gasoline prices have risen 15 percent so far this year as geopolitical tensions in the Middle East have contributed to a sharp increase in oil prices. Analysts point out that gas prices will likely continue to rise through the spring and summer months, with some experts warning that prices could reach \$5 per gallon in some parts of the country. This run-up in prices will have the effect of dampening consumers' purchasing power.

The rise in energy prices is likely to lead to a bump-up in the overall rate of inflation in coming months, though the Federal Reserve expects this increase to be temporary. The Fed generally expects inflation will run “at or below” its preferred rate of 2.0 percent (as measured by the price deflator for personal consumption expenditures) in the coming quarters.

The yield on 10-year Treasuries has dipped to an all-time low of just under 2 percent in recent months. Jitters about the debt/ financial crisis in



Europe have caused global investors to seek out a relatively risk-free safe haven. This dynamic has benefited the Treasury market and has helped to push U.S. borrowing rates to very low levels.

The stock market has been on a recovery track after posting sharp declines in the latter part of last year. Since dipping to a cyclical low last October the S&P 500 has gained about 20 percent. This has been due to somewhat more positive U.S. economic data combined with some decline in the fear that the situation in Europe will spark a more serious global financial crisis.

### **The Economic Outlook**

The economic projections from the administration, the CBO, and private forecasters generally show moderate to robust growth in the next few years, though the range of predictions is relatively wide.

**[GPO: Insert Table 6 here]**

CBO expects real GDP growth of 2.2 percent in 2012, in line with private-sector forecasters, before slipping to just 1.0 percent in 2013. In its forecast, CBO is obligated to assume all of the sizeable tax increases and spending reductions that are currently built into current law, but which are unlikely to occur in their totality. Beyond 2013, CBO expects fairly robust annual growth ranging between 3 and nearly 5 percent over the medium term. The administration's growth trajectory forecast is generally in line with that of CBO, though on average it is slightly more optimistic on the rate of growth, particularly in the latter part of the decade. In contrast, the private-sector Blue Chip growth forecast is more subdued than either the CBO or the administration, with annual GDP growth failing to breach the 3 percent threshold throughout the 10-year horizon.

Most forecasts see the unemployment rate declining slowly from its current elevated level. CBO, for instance, expects the unemployment rate to remain above 7 percent until the middle of the decade. Both CBO and the administration don't see the unemployment rate falling back to the pre-recession, pre-financial crisis range of just over 5.0 percent until the latter part of the decade. The Blue Chip consensus does not see the unemployment rate dipping below 6 percent at any point in the 10-year horizon.

**TABLE 6 - ECONOMIC PROJECTIONS: ADMINISTRATION, CBO, AND PRIVATE FORECASTERS**

[Calendar years]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Percent Change</b>												
<b>Real GDP:</b>												
Administration Budget.....	1.8	2.7	3.0	3.6	4.1	4.0	3.9	3.2	2.7	2.5	2.5	2.5
CBO (Jan. 2012).....	1.7	2.2	1.0	3.6	4.9	4.2	3.3	2.8	2.6	2.5	2.4	2.4
Blue Chip*.....	1.8	2.2	2.6	2.9	2.9	2.9	2.7	2.5	2.5	2.5	2.5	2.5
<b>Consumer Price Index:</b>												
Administration Budget.....	3.2	2.2	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1
CBO (Jan. 2012).....	3.2	1.7	1.5	1.5	1.7	2.0	2.2	2.3	2.3	2.3	2.3	2.3
Blue Chip*.....	3.2	2.1	2.1	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5
<b>Annual Average, Percent</b>												
<b>Unemployment Rate</b>												
Administration Budget.....	9.0	8.9	8.6	8.1	7.3	6.5	5.8	5.5	5.4	5.4	5.4	5.4
CBO (Jan. 2012).....	9.0	8.8	9.1	8.7	7.4	6.3	5.7	5.5	5.5	5.4	5.4	5.3
Blue Chip*.....	9.0	8.7	8.3	7.7	7.1	6.6	6.2	6.0	6.0	6.0	6.0	6.0
<b>3-Month Treasury Bill:</b>												
Administration Budget.....	0.1	0.1	0.2	1.4	2.7	3.8	4.1	4.1	4.1	4.1	4.1	4.1
CBO (Jan. 2012).....	0.1	0.1	0.1	0.4	1.6	2.6	3.2	3.6	3.8	3.8	3.8	3.8
Blue Chip*.....	0.1	0.1	0.4	1.9	3.0	3.4	3.7	3.7	3.7	3.7	3.7	3.7
<b>10-Year Treasury Note:</b>												
Administration Budget.....	2.8	2.8	3.5	3.9	4.4	4.7	5.0	5.1	5.1	5.1	5.3	5.3
CBO (Jan. 2012).....	2.8	2.3	2.5	2.9	3.5	4.1	4.6	4.8	5.0	5.0	5.0	5.0
Blue Chip*.....	2.8	2.3	3.0	4.1	4.5	4.7	4.9	4.9	4.9	4.9	4.9	4.9

\* Figures for 2012 and 2013 are from the January 2012 Blue Chip forecast. Subsequent years are from Blue Chip's long-term projections released in October 2011.

Sources: Office of Management and Budget, Congressional Budget Office, Blue Chip Economic Indicators.

As the economy recovers, the forecasts predict that interest rates will gradually move higher. According to CBO, the 10-year Treasury rate, which is currently at an all-time low below 2 percent, will rise to about 4 percent in 2016 and 5 percent towards the end of the decade. Both the administration and the Blue Chip consensus foresee higher interest rates than CBO over both the near and medium-term.

Rates of inflation are also expected to normalize in the coming years from their current low levels. CBO expects inflation rates to remain quite low for longer than either the administration or the private sector. Under CBO's forecast, annual growth in the consumer price index remains below 2 percent until 2016. In contrast, the Blue Chip consensus sees inflation reaching nearly 2.5 percent as early as 2014.

CBO's annual economic assumptions were adopted for use in the budget resolution and are shown in Table 7.

**[GPO: Insert Tables 7 and 8 here]**

**TABLE 7 - ECONOMIC ASSUMPTIONS OF THE FISCAL YEAR 2013 BUDGET RESOLUTION**

	[Calendar years]											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	<b>Percent Change</b>											
Real GDP:												
CBO (Jan, 2012).....	1.7	2.2	1.0	3.6	4.9	4.2	3.3	2.8	2.6	2.5	2.4	2.4
Consumer Price Index:												
CBO (Jan, 2012).....	3.1	1.7	1.5	1.5	1.7	2.0	2.2	2.3	2.3	2.3	2.3	2.3
	<b>Annual Average, Percent</b>											
Unemployment Rate												
CBO (Jan, 2012).....	9.0	8.8	9.1	8.7	7.4	6.3	5.7	5.5	5.5	5.4	5.4	5.3
3-Month Treasury Bill:												
CBO (Jan, 2012).....	0.1	0.1	0.1	0.4	1.6	2.6	3.2	3.6	3.8	3.8	3.8	3.8
10-Year Treasury Note:												
CBO (Jan, 2012).....	2.8	2.3	2.5	2.9	3.5	4.1	4.6	4.8	5.0	5.0	5.0	5.0

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
<b>National Defense</b>											
Exclusion of benefits and allowances to armed forces personnel.....	---	---	---	---	---	4.1	4.6	5.1	5.4	5.6	24.7
Exclusion of military disability benefits.....	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	1.1
Deduction for overnight-travel expenses of national guard and reserve members.....	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of combat pay.....	---	---	---	---	---	1.0	1.0	1.1	1.2	1.2	5.5
<b>International Affairs</b>											
Exclusion of certain allowances for Federal employees abroad.....	---	---	---	---	---	1.7	1.8	1.9	2.0	2.1	9.5
Exclusion of foreign earned income:											
Housing.....	---	---	---	---	---	1.3	1.4	1.4	1.5	1.6	7.2
Salary.....	---	---	---	---	---	6.1	6.3	6.5	6.7	6.9	32.5
Inventory property sales source rule exception.....	6.0	6.1	6.2	6.3	6.4	---	---	---	---	---	31.0
Deduction for foreign taxes instead of a credit.....	0.2	0.2	0.2	0.3	0.3	---	---	---	---	---	1.2
Interest expense allocation:											
Unavailability of symmetric worldwide method*.....	-2.6	-2.6	-2.8	-3.0	-3.2	---	---	---	---	---	-14.2
Separate grouping of affiliated financial companies.....	1.1	1.2	1.2	1.3	1.3	---	---	---	---	---	6.1
Apportionment of research and development expenses for determination of foreign tax credits.....	0.3	0.4	0.4	0.4	0.4	---	---	---	---	---	1.9
Special rules for interest-charge domestic international sales corporations.....	0.6	0.6	0.4	0.1	0.1	---	---	---	---	---	1.8



**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Credits for electricity production from renewable resources (section 45):											
Wind.....	1.1	1.3	1.4	1.5	1.5	[5]	[5]	[5]	[5]	[5]	6.8
Closed-loop biomass.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Geothermal.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Qualified hydropower.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Solar (limited to facilities placed in service before 1/1/06).....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Small irrigation power.....	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	0.1
Municipal solid waste.....	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	0.1
Open-loop biomass.....	0.3	0.3	0.3	0.3	0.2	[5]	[5]	[5]	[5]	[5]	1.7
Special rule to implement electric transmission restructuring.....	1.8	-0.2	-0.2	-0.2	-0.1	---	---	---	---	---	1.1
Credits for investments in clean coal facilities.....	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	1.0
Coal production credits:											
Refined coal.....	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	0.1
Indian coal.....	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	0.1
Credit for the production of energy-efficient appliances.....	0.2	0.1	[5]	[5]	[5]	---	---	---	---	---	0.4
Credits for alternative technology vehicles:											
Hybrid vehicles.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Other alternative fuel vehicles.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Credit for clean-fuel vehicle refueling property.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3
Residential energy-efficient property credit.....	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	0.9
New energy-efficient home credit.....	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	0.1

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Credit for certain alternative motor vehicles that do not meet existing criteria of a qualified plug-in electric drive motor vehicle.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	---	---	---	0.2
Credit for plug-in electric vehicles.....	0.1	0.2	0.3	0.4	0.4	[5]	0.1	0.1	0.1	0.1	1.8
Credit for investment in advanced energy property.....	0.7	0.4	0.2	0.1	[5]	[5]	[5]	[5]	[5]	[5]	1.4
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2
Deduction for expenditures on energy-efficient commercial building property.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9
Expensing of exploration and development costs, fuels:											
Oil and gas.....	0.8	0.8	0.8	0.7	0.8	[5]	[5]	[5]	[5]	[5]	3.9
Other fuels.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.5
Excess of percentage over cost depletion, fuels:											
Oil and gas.....	0.9	0.9	0.9	1.0	1.0	[5]	[5]	[5]	[5]	[5]	4.7
Other fuels.....	0.2	0.2	0.2	0.2	0.2	[5]	[5]	[5]	[5]	[5]	0.8
Amortization of geological and geophysical expenditures associated with oil and gas exploration.....	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	0.6
Amortization of air pollution control facilities.....	0.2	0.2	0.2	0.2	0.2	---	---	---	---	---	0.8
Depreciation recovery periods for energy-specific items:											
Five-year MACRS for certain energy property (solar, wind, etc.).....	0.3	0.3	0.2	0.2	0.1	[5]	[5]	[5]	[5]	[5]	1.1
10-year MACRS for smart electric distribution property.....	0.1	0.1	0.1	0.2	0.2	---	---	---	---	---	0.7



**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
15-year MACRS for certain electric transmission property.....	0.1	0.2	0.2	0.2	0.2	---	---	---	---	---	0.8
15-year MACRS for natural gas distribution line.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.6
Election to expense 50 percent of qualified property used to refine liquid fuels.....	0.8	0.7	0.6	0.6	0.4	---	---	---	---	---	3.0
Exceptions for publicly traded partnership with qualified income derived from certain energy-related activities.....	---	---	---	---	---	0.2	0.2	0.2	0.3	0.3	1.2
<b>Natural Resources and Environment</b>											
Special depreciation allowance for certain reuse and recycling property.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Expensing of exploration and development costs, nonfuel minerals.....	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	0.3
Excess of percentage over cost depletion, nonfuel minerals.....	0.1	0.1	0.1	0.1	0.1	[5]	[5]	[5]	[5]	[5]	0.4
Expensing of timber-growing costs.....	0.2	0.2	0.2	0.2	0.2	[5]	[5]	[5]	[5]	[5]	1.2
Special rules for mining reclamation reserves.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2
Special tax rate for nuclear decommissioning reserve funds.....	0.9	1.0	1.1	1.1	1.2	---	---	---	---	---	5.3
Exclusion of contributions in aid of construction for water and sewer utilities.....	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	0.2
Exclusion of earnings of certain environmental settlement funds.....	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	0.1
Amortization and expensing of reforestation expenditures.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.1
Special tax rate for qualified timber gain.....	---	---	---	---	---	0.4	0.4	0.4	0.5	0.5	2.2

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules.....	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.3
<b>Agriculture</b>											
Expensing of soil and water conservation expenditures.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3
Expensing of the costs of raising dairy and breeding cattle.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.5
Exclusion of cost-sharing payments.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Exclusion of cancellation of indebtedness income of farmers.....	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Income averaging for farmers and fishermen.....	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	0.1
Five-year carryback period for net operating losses attributable to farming.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.8
Expensing by farmers for fertilizer and soil conditioner costs.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.3
<b>Commerce and Housing</b>											
<i>Housing:</i>											
Deduction for mortgage interest on owner-occupied residences.....	---	---	---	---	---	77.6	83.7	89.6	99.8	113.4	464.1
Deduction for property taxes on real property.....	---	---	---	---	---	24.3	15.1	22.8	27.1	27.8	117.1
Exclusion of capital gains on sales of principal residences.....	---	---	---	---	---	18.4	22.9	26.1	27.2	28.5	123.2
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing.....	0.3	0.3	0.3	0.4	0.4	0.8	0.8	1.0	1.1	1.1	6.4
Deduction for premiums for qualified mortgage insurance.....	---	---	---	---	---	0.2	[5]	---	---	---	0.2

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Exclusion of income attributable to the discharge of principal residence acquisition indebtedness.....	---	---	---	---	---	1.0	1.0	0.3	---	---	2.3
Credit for low-income housing .....	5.1	5.3	5.6	5.9	6.2	0.3	0.3	0.3	0.3	0.3	29.3
Credit for rehabilitation of historic structures.....	0.4	0.4	0.4	0.4	0.4	0.1	0.2	0.2	0.2	0.2	2.9
Credit for rehabilitation of structures, other than historic structures.....	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	1.2
Exclusion of interest on State and local government qualified private activity bonds for rental housing.....	0.3	0.3	0.3	0.3	0.3	0.6	0.7	0.8	0.8	0.9	5.2
Depreciation of rental housing in excess of alternative depreciation system.....	0.6	0.5	0.5	0.4	0.4	5.1	4.7	4.6	4.0	4.0	24.8
<i>Other business and commerce:</i>											
Exclusion of interest on State and local government small-issue qualified private activity bonds.....	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	2.0
Carryover basis of capital gains on gifts.....	---	---	---	---	---	6.3	6.3	22.1	-2.4	-5.7	26.6
Deferral of gain on non-dealer installment sales [7].....	1.3	6.0	7.0	6.9	6.9	-1.3	1.3	2.6	2.7	2.1	35.5
Deferral of gain on like-kind exchanges.....	1.3	1.7	2.0	2.3	2.6	0.6	1.0	1.0	1.3	1.4	15.2
Expensing under section 179 of depreciable business property.....	1.1	1.2	[5]	-0.3	-0.2	4.6	5.1	0.2	-1.5	-0.7	9.5
Amortization of business startup costs.....	0.1	0.1	[5]	[5]	[5]	1.3	1.1	1.0	0.9	0.8	5.3
Reduced rates on first \$10,000,000 of corporate taxable income.....	3.2	3.2	3.1	3.1	3.1	---	---	---	---	---	15.7
Exemptions from imputed interest rules.....	[5]	[5]	[5]	[5]	[5]	0.5	0.5	0.6	0.6	0.6	2.8





**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Special deduction for Blue Cross and Blue Shield companies.....	0.4	0.4	0.4	0.5	0.5	---	---	---	---	---	2.2
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.3
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies.....	0.7	0.7	0.8	0.8	0.8	---	---	---	---	---	3.8
Proration for property and casualty insurance companies.....	0.3	0.4	0.4	0.4	0.4	---	---	---	---	---	1.9
<b>Transportation</b>											
Exclusion of employer-paid transportation benefits (parking, van pools, and transit passes).....	---	---	---	---	---	5.0	5.2	5.5	5.7	5.8	27.2
Deferral of tax on capital construction funds of shipping companies.....	0.1	0.1	0.1	0.1	0.1	---	---	---	---	---	0.5
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities.....	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.1	0.1	0.5
High-speed intercity rail vehicle speed requirement for exempt high-speed rail facility bonds.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.1
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities.....	0.2	0.2	0.2	0.2	0.3	0.6	0.6	0.7	0.7	0.8	4.5

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
<b>Community and Regional Development</b>											
Empowerment zone tax incentives.....	0.2	0.1	[5]	[5]	[5]	0.2	0.1	[5]	[5]	[5]	0.9
Renewal community incentives.....	[5]	[5]	[5]	[5]	[5]	---	---	---	---	---	0.2
New markets tax credit.....	0.4	0.6	0.8	0.9	0.9	[5]	[5]	[5]	[5]	[5]	3.9
District of Columbia tax incentives.....	0.1	[5]	[5]	[5]	[5]	0.1	0.1	0.1	0.1	0.1	0.7
Credit for Indian reservation employment.....	[5]	[5]	[5]	---	---	[5]	[5]	[5]	[5]	[5]	0.1
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities.....	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.4	0.4	2.2
Issuance of recovery zone economic development bonds [3] [4].....	[5]	[5]	[5]	[5]	[5]	0.1	0.2	0.2	0.2	0.2	0.9
Build America bonds [3] [4].....	---	---	---	---	---	2.5	3.9	3.9	3.9	3.9	18.1
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest .....	0.3	0.3	0.3	0.3	0.3	---	---	---	---	---	1.7
<i>Disaster Relief:</i>											
National disaster relief.....	----- Estimate Contained in Other Provisions -----										
<b>Education, Training, Employment, and Social Services</b>											
<i>Education and training:</i>											
Deduction for interest on student loans.....	---	---	---	---	---	1.1	1.2	0.7	0.5	0.5	4.1
Deduction for higher education expenses.....	---	---	---	---	---	0.8	0.2	---	---	---	1.0
Exclusion of earnings of Coverdell education savings accounts.....	---	---	---	---	---	0.1	0.1	0.1	0.1	0.2	0.5
Exclusion of scholarship and fellowship income.....	---	---	---	---	---	2.2	2.4	2.5	2.7	2.8	12.6

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Exclusion of income attributable to the discharge of certain student loan debt and NHSC and certain state educational loan repayments.....	---	---	---	---	---	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of employer-provided education assistance benefits.....	---	---	---	---	---	0.9	0.9	0.9	1.0	1.0	4.7
Exclusion of employer-provided tuition reduction benefits.....	---	---	---	---	---	0.2	0.2	0.2	0.2	0.2	1.1
Parental personal exemption for students aged 19 to 23.....	---	---	---	---	---	4.4	2.0	2.2	2.4	2.1	13.1
Exclusion of interest on State and local government qualified private activity bonds for student loans.....	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.4	0.4	0.5	2.7
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities.....	0.9	0.9	0.9	1.0	1.0	2.2	2.3	2.8	2.9	3.0	18.0
Credit for holders of qualified zone academy bonds [3] [4].....	0.2	0.2	0.2	0.2	0.2	[5]	0.1	0.1	0.1	0.1	1.2
Deduction for charitable contributions to educational institutions.....	0.3	0.3	0.3	0.3	0.3	5.0	5.4	6.3	7.0	7.2	32.4
Deduction for teacher classroom expenses.....	---	---	---	---	---	0.2	0.1	---	---	---	0.3
Credits for tuition for post-secondary education:											
Hope credit [4].....	---	---	---	---	---	7.1	8.3	4.1	2.5	2.5	24.4
Lifetime learning credit.....	---	---	---	---	---	1.9	2.1	2.8	3.0	3.0	12.9
Exclusion of tax on earnings of qualified tuition programs:											
Prepaid tuition programs.....	---	---	---	---	---	[5]	0.1	0.1	0.1	0.1	0.4
Savings account programs.....	---	---	---	---	---	0.5	0.6	0.7	0.8	1.0	3.6





**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Limits on deductible compensation [12]*.....	-0.5	-0.5	-0.6	-0.7	-0.7	---	---	---	---	---	-2.9
Work opportunity tax credit.....	0.6	0.4	0.2	0.1	[5]	0.1	0.1	[5]	[5]	[5]	1.5
Credit for retention of certain newly hired workers.....	1.7	0.9	0.3	0.2	0.1	1.5	0.6	[5]	[5]	[5]	5.4
<i>Social services:</i>											
Credit for children under age 17 [4].....	---	---	---	---	---	56.4	56.9	25.7	15.1	14.9	168.9
Credit for child and dependent care and exclusion of employer-provided child care [13].....	---	---	---	---	---	4.6	3.1	2.6	2.6	2.5	15.4
Credit for employer-provided dependent care.....	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	[5]	0.2
Exclusion of certain foster care payments.....	---	---	---	---	---	0.4	0.4	0.4	0.4	0.4	2.3
Adoption credit and employee adoption benefits exclusion.....	---	---	---	---	---	1.0	0.5	[5]	[5]	[5]	1.7
Deduction for charitable contributions, other than for education and health [14].....	0.9	0.9	0.9	0.9	1.0	29.1	31.5	37.3	41.0	42.7	186.1
Credit for disabled access expenditures.....	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	[3]	0.4
<b>Health</b>											
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [15].....	---	---	---	---	---	109.3	128.1	147.8	164.2	175.6	725.0
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare.....	---	---	---	---	---	2.5	2.6	2.7	2.7	2.8	13.3

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare.....	---	---	---	---	---	1.5	1.7	2.0	2.3	2.5	10.0
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed.....	---	---	---	---	---	4.1	4.6	5.4	5.9	6.1	26.0
Deduction for medical expenses and long-term care expenses.....	---	---	---	---	---	9.5	11.4	14.1	16.6	19.0	70.5
Exclusion of workers' compensation benefits (medical benefits).....	---	---	---	---	---	6.0	6.3	5.4	5.4	5.6	28.9
Health savings accounts.....	---	---	---	---	---	1.2	1.3	1.8	2.1	2.3	8.8
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities.....	0.6	0.6	0.6	0.7	0.7	1.5	1.6	1.9	2.0	2.1	12.3
Deduction for charitable contributions to health organizations.....	1.6	1.6	1.6	1.7	1.8	2.5	2.7	3.3	3.6	3.8	24.1
Credit for purchase of health insurance by certain displaced persons [4].....	---	---	---	---	---	0.2	0.2	[5]	---	---	0.5
Credit for orphan drug research.....	0.6	0.7	0.7	0.8	0.8	[5]	[5]	[5]	[5]	[5]	3.5
Premium subsidy for COBRA continuation coverage [4].....	---	---	---	---	---	1.2	[5]	---	---	---	1.3
Tax credit for small businesses purchasing employer insurance.....	0.3	0.6	0.7	0.9	1.1	1.9	4.1	4.7	6.0	7.3	27.6
Subsidies for participation in exchanges [4].....	---	---	---	---	---	---	---	---	25.5	52.4	77.9
<b>Medicare</b>											
Exclusion of Medicare benefits:											
Hospital insurance (Part A).....	---	---	---	---	---	30.3	31.4	37.2	38.8	39.4	177.1

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
Supplementary medical insurance (Part B).....	---	---	---	---	---	21.2	23.2	28.6	29.3	30.9	133.0
Prescription drug insurance (Part D).....	---	---	---	---	---	6.1	6.6	7.3	8.1	9.0	36.9
Exclusion of certain subsidies to employers who maintain prescription drug plans for Medicare enrollees.....	0.5	0.5	0.3	---	---	---	---	---	---	---	1.3
<b>Income Security</b>											
Exclusion of workers' compensation benefits (disability and survivors payments).....	---	---	---	---	---	3.7	3.9	4.1	4.4	4.7	20.8
Exclusion of damages on account of personal physical injuries or physical sickness.....	---	---	---	---	---	1.6	1.6	1.6	1.6	1.7	8.0
Exclusion of special benefits for disabled coal miners.....	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	0.1
Exclusion of cash public assistance benefits.....	---	---	---	---	---	3.4	4.4	4.9	5.0	5.1	22.9
Net exclusion of pension contributions and earnings [7]:											
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans").....	---	---	---	---	---	14.2	15.5	15.8	16.3	16.9	78.7
Defined benefit plans.....	---	---	---	---	---	42.7	46.3	54.3	58.7	61.6	263.7
Defined contribution plans.....	---	---	---	---	---	48.4	60.8	76.9	87.7	102.1	375.9
Individual retirement arrangements:											
Traditional IRAs .....	---	---	---	---	---	7.3	8.2	13.3	16.0	17.5	62.4
Roth IRAs.....	---	---	---	---	---	3.2	4.0	4.9	5.6	6.4	24.1
Credit for certain individuals for elective deferrals and IRA contributions.....	---	---	---	---	---	1.0	1.0	1.0	1.0	1.0	5.0



**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
<b>General Purpose Fiscal Assistance</b>											
Exclusion of interest on public purpose State and local government bonds.....	8.5	9.0	9.5	9.8	10.0	21.9	23.1	27.8	28.6	29.4	177.6
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes.....	---	---	---	---	---	42.4	31.4	46.0	54.0	56.5	230.3
<b>Interest</b>											
Deferral of interest on savings bonds.....	---	---	---	---	---	1.4	1.4	1.5	1.5	1.5	7.3

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding. An "\*" indicates a negative tax expenditure for the 2011-2015 period.

[1] Reflects legislation enacted by January 10, 2012.

[2] Does not include provision that permits look-through of payments between related foreign corporations.

[3] Estimate includes an outlay to State and Local governments. For the purposes of this table outlays are attributed to individuals.

[4] Estimate includes refundability associated with the following

outlay effects:	Corporations					Individuals					Total
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2011-15</u>
Clean Renewable energy bonds.....	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	0.1
Qualified energy conservation bonds.....	---	---	---	---	---	[5]	[5]	[5]	[5]	[5]	0.2
Recovery zone bonds.....	---	---	---	---	---	0.1	0.2	0.2	0.2	0.2	0.7
Build America bonds.....	---	---	---	---	---	2.5	3.9	3.9	3.9	3.9	18.1
Qualified Zone Academy bonds.....	---	---	---	---	---	[5]	0.1	0.1	0.1	0.1	0.3

**TABLE 8 - TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2011 - 2015 [1]**

[Billions of dollars]

Function	Corporations					Individuals					Total
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011-15
HOPE credit.....	---	---	---	---	---	1.9	1.8	0.4	---	---	4.2
Qualified school construction bonds.....	---	---	---	---	---	0.4	0.7	0.9	1.2	1.3	4.7
Credit for children under age 17.....	---	---	---	---	---	32.2	29.1	28.5	4.4	4.5	98.7
Credit for health insurance by certain displaced person.....	---	---	---	---	---	0.2	0.2	[5]	---	---	0.4
Premium subsidy for COBRA continuation coverage.....	---	---	---	---	---	0.1	[5]	---	---	---	0.1
Subsidies for participation in exchanges.....	---	---	---	---	---	---	---	---	19.4	39.8	59.2
Earned income credit.....	---	---	---	---	---	52.7	51.0	51.4	46.7	47.8	249.7
Making work pay credit.....	---	---	---	---	---	4.7	---	---	---	---	4.7

[5] Positive tax expenditure of less than \$50 million.

[6] In addition to the amounts above, the excise tax credit for alcohol fuel mixtures results in a reduction in excise tax receipts, net of income, of \$6.0 billion over the fiscal years 2011 through 2015.

[7] Pattern differs from tax expenditure calculated in prior pamphlets because of economic conditions in 2008 and 2009.

[8] Includes bonus depreciation and general acceleration under MACRS.

[9] Negative tax expenditure of less than \$50 million.

[10] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.

[11] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008.

[12] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008. Estimate includes effects of changes made by Patient Protection and Affordable Care Act enacted in 2010.

[13] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

[14] In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rules.

[15] Estimate includes employer-provided health insurance purchased through cafeteria plans.

## FUNCTION-BY-FUNCTION PRESENTATION

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The budget resolution often is described as the “architecture” of policy—and the metaphor is fitting in several ways. First, the budget resolution is the one legislative measure in which the U.S. Congress states a framework for the entire Federal Government through a federal budget. Second, the measure allows Congress to establish priorities through the proposed allocation of resources. Third, it establishes total revenue, spending, deficit, and debt levels, thus setting overall fiscal policy.

The budget resolution implements this architecture through a myriad of technical components – chiefly numbers and procedural mechanisms. Total spending in the budget is divided among 21 budget “functions.” Each function represents a broad area of government activities—national defense, international affairs, transportation, education, health, and so on.

The functions have antecedents dating back decades, but they are not directly linked to specific congressional committees, agencies of the Executive Branch, or, for the most part, particular programs; they transcend these units. Because the totals in the functions are *prospective*—the budget is a planning document, not an audit—they are not binding; they simply describe how the Budget Committee views the expected distribution of resources under the budget’s guidelines. But the committee allocations that flow from these function levels (see “The Congressional Budget Process” later in this report) do have a means of enforcement; and in that sense, the function levels in the resolution are relevant to the programs over which legislative committees have jurisdiction.

The budget functions presented here are the following:

- 050 National Defense
- 150 International Affairs
- 250 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  
970 Overseas Deployments and Other Activities

When the function totals and committee allocations differ from those estimated in baseline spending projections, it means some form of policy change must occur to meet the budget levels. The budget does not prescribe the *specific* policies—the committees of jurisdiction make those decisions—but it does drive changes in policy.

This budget assumes significant policy changes, and a major readjustment of the federal government’s fiscal course. To demonstrate the viability of these assumptions—and to prove the credibility of the budget itself—this report offers a range of policy options to help demonstrate how the budget’s fiscal goals could be achieved. These options are *illustrative*; as noted, any actual policy changes are the discretion of the committees with jurisdiction over the programs involved. Nevertheless, the options are serious proposals, the projections are based on Congressional Budget Office estimates, and the proposals are justified in the report text. They are worthy of consideration when House committees develop their legislative proposals.

## **FUNCTION 050: NATIONAL DEFENSE**

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### **Function Summary**

The first job of the Federal Government is securing the safety and liberty of its citizens from threats at home and abroad. Whether defeating the terrorists who attacked this country on September 11, 2001, combating piracy off the Horn of Africa, or battling insurgents who would harbor terrorist networks that threaten Americans' lives and livelihoods, the men and women of the United States' military have performed superbly. As reflected in the National Defense function, this budget provides for the best equipment, training, and compensation for their continued success.

National Defense includes funds to compensate, train, maintain, and equip the military forces of the United States. More than 95 percent of the funding in this function goes to Department of Defense [DOD] military activities; the remainder applies to the atomic energy defense activities of the Department of Energy, and other defense-related activities (primarily in connection with homeland security).

Funding for the Department of Defense's non-enduring activities in Afghanistan and Iraq is reflected in Function 970 rather than in this account.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$562.2 billion in budget authority and \$621.5 billion in outlays in fiscal year 2013. Most of the spending in the function is discretionary, which in fiscal year 2013 totals \$554.2 billion in budget authority and \$613.5 billion in outlays. Mandatory spending in 2013 is \$7.9 billion in budget authority and \$7.9 billion in outlays. The 10-year totals for budget authority and outlays are \$6.306 trillion and \$6.293 trillion, respectively.

The recommended discretionary levels are \$2.4 billion above the President's requested levels and equal to the amounts enacted for fiscal year 2012. With nearly 70,000 U.S. soldiers, airmen, sailors, and marines engaged in combat operations against a fierce and stubborn enemy, it is simply not the time to reduce defense spending. This funding level will ensure adequate resources to maintain a high level of operational readiness in fiscal year 2013 and address the numerous operational

readiness needs identified by the House Armed Services Committee in its *Views and Estimates* letter on the fiscal year 2013 budget request.

This resolution also protects the defense budget from the nearly \$1 trillion in indiscriminate, across-the-board cuts that would result from the planned sequester under section 302 of the Budget Control Act of 2011 (see “Reprioritizing Sequester Savings” for full details on how this budget addresses the sequester). Instead of the 10 percent reduction that would result from the sequester, this resolution provides for modest real growth in each of the out-years of the budget resolution. This funding path allows for the much-needed modernization of the military’s conventional and strategic weapons systems.

This resolution does not, however, provide a blank check for the Department of Defense. More than two decades after the legal requirement was imposed, DOD is still not auditable. Moreover, the civilian workforce at DOD has grown by 89,000 personnel (11 percent) since 2008. The Department can and should become a better steward of the taxpayer funds entrusted to it and more efficient in how it chooses to expend those funds.

Secretary Panetta is to be commended for his focus on achieving auditability, but the poor track record of DOD in achieving previous audit improvement plans raises serious doubt as to the likelihood of success in these efforts.

In 2011, the Department made a good start toward becoming more efficient with the \$78 billion in efficiency savings that were proposed by Secretary Gates and incorporated into the budget resolution passed by the House of Representatives. Secretary Panetta has proposed an additional \$60 billion in savings through the more disciplined use of defense resources. This resolution assumes these savings can be achieved, but cautions against ephemeral savings that merely push costs outside DOD’s five-year planning window or that produce near-term savings but result in greater long-term costs.

A robust national defense requires a substantial commitment of national resources, and Congress and the administration must remain vigilant to ensure the national defense program is executed efficiently and accountably. The Armed Services Committee has conducted an aggressive oversight agenda in the 112<sup>th</sup> Congress to “ensure that the Department of Defense is operated efficiently and with fiscal discipline

in order to maximize the return on the taxpayers' investments." A critical element of that oversight agenda is a review of acquisition programs with an eye toward reevaluating those programs that "no longer represent the best value for the taxpayer." The Committee commends the Armed Services Committee for its work in this area and encourages further detailed examination of ways for the United States to maximize the value of every defense dollar.

### **Illustrative Policy Options**

#### DISCRETIONARY SPENDING

*Fully Fund Military Modernization.* The new strategic orientation toward the Asia-Pacific region announced by the President will place greater reliance on the size and capability of U.S. air and naval forces. Unfortunately the budget requested by the President in furtherance of this strategy does little to address the modernization needs of these forces.

General Norton Schwartz, Chief of Staff of the Air Force, has noted that today's Air Force is "already smaller and older than at the end of the post-Cold War downsizing."<sup>1</sup> The President's budget proposes to delay the Air Force's major modernization program.

The President's budget also proposes to abandon the longstanding goal of expanding the naval battle fleet to 313 ships. Instead, the President's budget would result in a persistently smaller fleet than at any time since the Second World War. While U.S. naval forces unquestionably have tremendous capabilities, any battle group can only be in one place at one time. This reality is why, despite the purported "pivot" to Asia, the Chief of Naval Operations, Admiral Jonathan Greenert, has said that there will not be any increase in the naval presence in the region.<sup>2</sup>

By providing for real budget growth in future years, this budget resolution ensures that the men and women of the armed forces will have the resources needed to procure the equipment and capabilities that will be essential to protecting American interests abroad.

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<sup>1</sup> General Norton Schwartz, "Air Force Strategic Choices and Budget Priorities Brief at the Pentagon," January 27, 2012.

<http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4965>

<sup>2</sup> Sandra Jontz, "Greenert reviews Navy's upcoming changes with Naples sailors," *Stars and Stripes*, February 23, 2012. <http://www.stripes.com/mobile/news/greenert-reviews-navy-s-upcoming-changes-with-naples-sailors-1.169556>

High priorities include ensuring adequate funding for the modernization of U.S. nuclear weapons, forces, and supporting infrastructure in accord with the President's commitments made at the time of the ratification of the New START treaty; and restoring needed funding to the shipbuilding and naval aircraft accounts to ensure the full potency of U.S. carrier strike groups.

*Reject cost-shifting.* The President's budget request assumes over \$42 billion in savings over the next five years from restructuring several major procurement programs. What the President's budget doesn't say is that most of those "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.

*Air National Guard.* The Air National Guard remains a critical component of our national air defense system. This budget recognizes the relative cost-effectiveness of the Air Guard, which currently provides 35 percent of the U.S. Air Force's capability for 6 percent of the budget. Forty-nine (49) of our nation's governors have called on the U.S. Air Force to reconsider its fiscal year 2013 budget request wherein the Air National Guard absorbs 59 percent of the total aircraft budget reductions and nearly six times the per capita personnel reductions. The Committee takes a continuing interest in ensuring that precipitous defense spending reductions do not jeopardize the nation's security.

## **FUNCTION 150: INTERNATIONAL AFFAIRS**

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### **Function Summary**

The foreign affairs budget plays a critical role in advancing American interests abroad, including national security. This budget includes programs pertaining to international development and humanitarian assistance; international security assistance; the conduct of foreign affairs; foreign information and exchange activities; and international financial programs. The primary agencies responsible for executing these programs include the Departments of Agriculture, State, Treasury, the United States Agency for International Development [USAID], and the Millennium Challenge Corporation [MCC].

Over the past 10 years, Function 150 funding has more than doubled, increasing by 135 percent. This budget reflects a thorough re-evaluation of accounts in Function 150 and prioritizes programs that are both integral to the core budget and that achieve desired results in an efficient manner. U.S. interests are best achieved when these goals are met, and taxpayer dollars should only be used to fund programs that are effective. This budget assumes continued funding only for those programs critical to advancing U.S. interests abroad.

Funding for the State Department and USAID's non-enduring civilian activities in the frontline states of the global war on terrorism is reflected in Function 970 rather than in this account.

### **Summary of Committee-Reported Resolution**

For fiscal year 2013, the resolution proposes \$43.128 billion in total budget authority (including mandatory and discretionary spending) and \$46.999 billion in outlays. For fiscal year 2013, Function 150 discretionary spending, which accounts for the vast majority of the budget, is \$40.905 billion in budget authority and \$47.522 billion in outlays. Mandatory spending for 2013 is \$2.223 billion in budget authority and -\$523 million in outlays. (The negative outlay figure reflects receipts from foreign military sales and foreign military financing transactions.) Over 10 years, budget authority totals \$421.981 billion, with outlays of \$462.974 billion.

### **Illustrative Policy Options**

While final policy and funding decisions will ultimately be made by the committees of jurisdiction, the following policies are recommendations for these committees on how to meet the proposed budget targets.

#### DISCRETIONARY SPENDING

*Consolidate USAID's Development Assistance [DA] with MCC.* The United States has two primary foreign development assistance programs: USAID's Development Assistance program and the Millennium Challenge Corporation [MCC]. Investing in foreign aid and helping other nations rise towards prosperity keeps the United States safe and strengthens the economy by establishing new trading partners and markets. However, development assistance is only worthwhile if it produces results for aid recipients.

America's experience with having two development assistance programs has shown that MCC's model better reflects this principle when compared to DA. MCC's emphasis on outputs rather than inputs needs to be the foundation of all U.S. foreign assistance programs. Other elements of MCC's model that should be extended throughout U.S. development assistance programs include:

- strict requirements on recipient countries to prove strong commitments to good governance, economic freedom, and investment in their citizens in order to be considered for aid;
- willingness of the U.S. Government to terminate assistance if an aid recipient starts slipping on these critical commitments;
- country ownership, which requires the country to plan its own aid project and lead implementation; and
- strict timelines for aid projects.

These principles are critical to ensuring the long-term sustainability of projects once U.S. assistance concludes, thus avoiding creating a culture of dependency on U.S. aid. USAID claims to be moving toward adoption of more accountable policy standards, country ownership, and timetables, but success remains elusive. MCC's model is more effective and efficient in delivering foreign aid and results in the most benefits for the taxpayer dollar. For these reasons, this budget proposes MCC to be the lead agency on foreign development assistance.

*Eliminate Complex Crises Fund [CCF].* Established in 2010 to support stabilization activities and conflict prevention in countries demonstrating high risks of insecurity, the CCF has never been authorized by the committee of jurisdiction and is duplicative of the missions performed by the recently re-organized Bureau of Conflict Stabilizations at the State Department. The Bureau of Conflict and Stabilization Operations is similarly responsible for developing a civilian capacity to prevent and counter crises in nations where security issues are of high concern. Due to mission overlap, eliminating the CCF and allowing the Bureau of Conflict and Stabilization Operations to lead conflict prevention efforts is recommended. The House Committee on Foreign Affairs makes the same recommendation in its *Views and Estimates* letter for fiscal year 2013.

*Eliminate Funding for Peripheral Foreign Affairs Institutions.* The U.S. funds multiple independent agencies and quasi-private institutions through the foreign affairs budget. Included in this list are the Inter-American Foundation, the African Development Foundation, the East-West Center, the Asia Foundation, and the Center for Middle Eastern-Western Dialogue. These institutions all engage in programming that is redundant of the State Department and USAID activities. Consolidating and eliminating funding for multiple institutions that perform similar tasks will make U.S. engagement with the world more efficient and cost-effective. Further, some of these organizations already receive private funding, and could continue on with non-government funds.

*Reduce Funding for Broadcasting Board of Governors.* The Broadcasting Board of Governors (BBG) manages all U.S. civilian international broadcasting and helps connect people around the world in support of democracy. While the goals of the BBG are laudable, its budget has increased by almost 40 percent over the past decade and some of these programs are proving to be less effective than intended. Further, although the Cold War ended over 20 years ago, the BBG still provides broadcasting services to 10 Eastern European countries. Given the fiscal situation of the U.S. Government, the time has come to reevaluate the usefulness of some of these services and to reduce funding accordingly.

*Reduce Educational and Cultural Exchange Programs.* The purpose of educational and cultural exchange programs is to encourage mutual understanding between Americans and citizens around the world through scholarship and leadership programs. While this mission is laudable, exchange programs are not an essential component of the foreign affairs



budget. Over the past five years, funding for these programs has increased by 24 percent. The administration has requested less funding for these activities relative to last year's spending levels. This budget reflects the priority accorded these activities.

*Eliminate Contributions to Clean Technology Fund and Strategic Climate Fund.* The Clean Technology and Strategic Climate Funds both support energy-efficient technologies intended to reduce energy use and avert climate change. Both of these funds were created by the Obama administration in fiscal year 2010. At a time when fiscal restraint is necessary, expanding U.S. international assistance into new areas is not financially wise. Further, as discussed elsewhere in this budget (see Function 250), the U.S. track record with energy-related research and development is poor. This budget recommends the elimination of both programs, reserving U.S. foreign assistance for core foreign policy interests.

*Reduce Contributions to International Organizations and Programs.* The United States voluntarily contributes to several multilateral organizations and programs to promote U.S. interests and achieve transnational goals. These contributions are duplicative of funding provided in the Contribution to International Organizations [CIO] account, which includes obligatory payments to international organizations with which the United States has signed treaties. While this budget fully funds the CIO account, it does not support voluntary contributions to the duplicative International Organizations and Programs account.

*Eliminate Feed the Future.* Initiated by the Obama administration in 2009, Feed the Future aims to end global food insecurity through investments in nutrition and agriculture abroad. While addressing the issues of poverty and malnutrition around the globe is important, the U.S. Government's fiscal condition does not permit the expansion of U.S. foreign assistance initiatives, especially ones that overlap with existing programs. The United States currently has two other major food aid programs: Food for Peace (the primary food aid account) and the McGovern-Dole International Food for Education and Child Nutrition Program. Both of these aid programs address global food insecurity in the world's poorest countries, including through agricultural development efforts. This budget reflects a need to consolidate our food aid programs in order to eliminate associated costs with mission redundancy.

*Reduce funding for USAID's International Disaster Assistance.* The International Disaster Assistance [IDA] account prepares for and mitigates emergencies overseas by providing humanitarian assistance to individuals affected by disasters and conflict. While America has always been the first to assist countries experiencing catastrophe, its resources are limited and funding levels need to reflect this reality. The President's request for IDA, \$960 million, is an 83 percent increase from spending levels five years ago. This dramatic increase in spending is not representative of the 10-year spending average on international disasters, which is \$590 million, nor the 20-year average, \$380 million. It is time to reassess funding for the IDA account and adjust funding levels to be more reflective of historical disaster trends.

## **FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY**

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### **Function Summary**

The largest component of this function—about half of total spending—is for the space flight, research, and supporting activities of the National Aeronautics and Space Administration [NASA]. The function also contains general science funding, including the budgets for the National Science Foundation [NSF] and the Department of Energy [DOE] Office of Science.

Spending for this function has grown by about 9 percent since President Obama took office.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$28 billion in budget authority and \$29.2 billion in outlays in fiscal year 2013. Nearly all the spending in the function is discretionary, which totals \$27.9 billion in 2013 budget authority, and \$29.1 billion in outlays. Mandatory budget authority in 2013 is \$100 million, with \$116 million in related outlays. The 10-year totals for budget authority and outlays are \$302.6 billion and \$301.7 billion, respectively.

The budget reduces excess and unnecessary spending, while supporting core government responsibilities. The resolution preserves basic research, providing stable funding for NSF to conduct its authorized activities in science, space and technology basic research, development and STEM education. The budget supports the fiscal year 2013 requested level for NASA and recognizes the vital strategic importance of the United States remaining the pre-eminent space-faring nation. In the President's request, the administration again shifted priorities away from the 2010 NASA authorization, allocating \$830 billion to commercial cargo and crew initiatives. This budget realigns funding in accordance with the NASA authorization and its specified spending limits to support robust space capability, allow for exploration beyond low Earth orbit, and support our aerospace workforce and scientific as well as educational base. While the Committee recommendation is a disciplined budget that will require committees of jurisdiction and agencies to set priorities and achieve efficiencies, it does not take the arbitrary approach that will

result from the Budget Control Act's sequester. The House Republican budget replaces the sequester. If not replaced, based on staff estimates, this function would be reduced by another \$2.0 billion below the committee recommendation in fiscal year 2013.

### **Illustrative Policy Options**

#### DISCRETIONARY SPENDING

The committees of jurisdiction will determine policies to align with the spending levels in the resolution. The options below are offered as illustrations of the kinds of proposals that can help meet the budget's fiscal guidelines.

*Restore Core Government Responsibilities.* Spending for the Department of Energy's Office of Science included some areas, such as biological and environmental research, that could potentially crowd out private investment. The resolution levels support preserving the Office of Science's original role as a venue for groundbreaking scientific discoveries and a driver for innovation and economic growth, while responsibly paring back applied and commercial research and development.

*Reduce Expenses for the DHS Science and Technology.* The committee recommends reductions in management and administrative expenses for the Department of Homeland Security's [DHS] Directorate of Science and Technology, while shifting funding resources to frontline missions and capabilities.

## FUNCTION 270: ENERGY

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### Function Summary

This category includes civilian energy and environmental programs of the Department of Energy [DOE]. Function 270 also includes the Rural Utilities Service of the Department of Agriculture, the Tennessee Valley Authority [TVA], the Federal Energy Regulatory Commission, and the Nuclear Regulatory Commission. (It does not include DOE's national security activities—the National Nuclear Security Administration—which are in Function 050, or its basic research and science activities, which are in Function 250.)

Since the start of the current administration, total outlays in Function 270 have increased by almost 390 percent. The President has installed a heavy-handed compliance culture dependent on regulations and spending on administration-favored constituencies. Regulations have cost people and small businesses some \$1.75 trillion per year, according to a report from the Small Business Administration, including \$281 billion for environmental regulations that disproportionately hit small businesses.<sup>1</sup> The President has also stifled domestic energy production by blocking or delaying production both onshore and offshore, destroying jobs and idling American energy sources. As the administration took action to stifle private-sector development of domestic energy resources, it dramatically increased funding for favored energy sectors. The stimulus alone allocated \$80 billion of taxpayers' dollars specifically for politically favored renewable-energy interests.

The results are plain to see: gasoline prices have more than doubled since the President took office and the administration has only created additional barriers for needed capital investment and job creation.

Burdensome and ineffective regulations have driven up the prices of many products and services. For example: In executing a previously enacted ban on traditional incandescent light bulbs, the current administration tried to promote a "green" replacement bulb by holding a contest. The "winning" bulb costs \$50—a 4,900 percent increase over the price of a traditional incandescent bulb. This policy will now have

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<sup>1</sup> Nicole V. Crain and W. Mark Crain, "The Impact of Regulatory Costs on Small Firms," *Small Business Research Survey*, September 2010.

taxpayers paying twice – once by providing \$10 million in prize money for this contest, and again in the form of more expensive light bulbs.

All this for little gain. According to a 2011 Congressional Research Service report, “The potential for job creation has become a key factor in evaluating renewable energy investment incentives and programs, [yet] quantifying and measuring green job creation and growth has been difficult.”<sup>2</sup>

### **Summary of Committee-Reported Resolution**

The resolution calls for \$2 billion in budget authority and \$8.4 billion in outlays in discretionary spending in fiscal year 2013. Mandatory spending in 2013 is -\$5 billion in budget authority and \$983 million in outlays. The negative balances reflect the incoming repayment of loans, receipts from the sale of electricity produced by Federal entities, and charges for the disposal of nuclear waste, which are accounted for as “negative spending.” The 10-year totals for budget authority and outlays are \$21.7 billion and \$45.1 billion, respectively, for discretionary spending. The 10-year totals for budget authority and outlays are -\$15.4 billion and -\$14.8 billion, respectively, for mandatory spending. The large disparity between budget authority and outlays results mainly from a large infusion of stimulus funds that are still being expended nearly four years later. The function grew almost four-fold since the start of the Obama administration because of Recovery Act funding. Over the course of the decade, outlays return to more normal ranges.

The resolution reduces funding for non-core energy research, loan guarantees for lower-demand programs, and excess and unnecessary spending in the DOE’s civilian accounts, which received large funding levels in the stimulus bill.

### **Illustrative Policy Options**

The committees of jurisdiction will determine policies to align with the spending levels in the resolution. The options below are offered as illustrations of the kinds of proposals that can help meet the budget’s fiscal guidelines.

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<sup>2</sup> Phillip Brown and Molly Sherlock, “ARRA Section 1603 Grants in Lieu of Tax Credits for Renewable Energy: Overview, Analysis and Policy Options,” Congressional Research Service, March 2011.

#### DISCRETIONARY SPENDING

*Reduce Administrative Costs at DOE.* The resolution supports streamlining and boosting accountability of vendor support and administrative costs across DOE's offices. The Government Accountability Office described the vendor selection and procurement process as decentralized and fragmented in the agency. This budget supports better governance and consolidation of contract management and procurement processes across functions to reduce costs.

*Scale Back Corporate Subsidies in the Energy Industry.* The resolution provides sufficient funding for essential government missions, including energy security and basic research and development. It 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. For example, renewable projects have received substantial subsidies. According to the Energy Information Administration, 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. In addition, according to the Congressional Budget Office [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. The budget aims to roll back such Federal intervention and corporate welfare spending across energy sectors.

#### MANDATORY SPENDING

*Rescind Unobligated Balances in DOE's Green Subsidies and Loan Portfolio.* The budget recommends rescinding unobligated balances in DOE's 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. Already, multi-million dollar projects that were labeled as successes have failed.

The first renewable energy loan guarantee recipient, solar start-up Solyndra, received a loan guarantee for \$535 million in the fall of 2009, even after repeated warnings from career Federal financial analysts. In the spring of 2010, it failed to complete its initial public offering after an independent audit questioned the ongoing viability of the firm. Then, in

the fall of 2010, the firm closed one of its manufacturing facilities and laid off 180 workers. Finally, the firm declared bankruptcy and laid off 1,100 employees only 15 months after President Obama visited a company factory.

The Advanced Vehicle Technology Manufacturing program was intended to provide debt capital to domestic auto manufacturers to fund projects that help vehicles made in the United States meet higher mileage requirements. However, the funds have largely been unused as production has not met current demand. Loan beneficiaries have included manufacturers shifting jobs overseas, such as Fisker, which was provided over \$500 million and ended up assembling cars in Finland.

Moreover, Americans deserve the most honest, accurate assessment of how Washington spends their tax dollars. Yet the costs of DOE's loans are currently calculated using the inadequate methodology prescribed in the Federal Credit Reform Act [FCRA]. Under FCRA rules, government-backed loans are discounted at risk-free interest rates – the interest rates on U.S. Treasury securities. As CBO has stated and the White House's own independent analysis has acknowledged, by incorporating market-based risk premiums, fair-value estimates recognize the financial risks that the government assumes when issuing credit guarantees.

*Repeal Stimulus-Driven Borrowing Authority Specifically for Green Transmission.* The \$3.25 billion borrowing authority in the Western Area Power Administration's [WAPA] Transmission Infrastructure Program provides loans to develop new transmission systems aimed solely at integrating renewable energy. To date, WAPA has announced only one project under the borrowing authority: a wind transmission project owned by a foreign company. This authority was inserted into the stimulus bill without the opportunity for debate. Of most concern, the authority includes a bailout provision that would require American taxpayers to pay outstanding balances on projects that private developers fail to repay.

*Eliminates Oil and Gas Research and Development Program.* The Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Fund is primarily operated by a private-sector consortium and duplicates efforts already made by the private investors. The resolution supports prioritizing Federal funding and preventing Federal investment from crowding out private investment across energy sectors.



## **FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT**

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### **Function Summary**

Spending on programs contained in the Natural Resources and Environment function has increased 20.4 percent since the start of the current administration. The budget resolution recognizes the importance of these activities—which include overseeing water resources, conservation, land management, and recreational resources—but bigger government has not equated to better government, and the increase in resources has only invited mismanagement and duplication.

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 administration has blocked and delayed domestic energy production both onshore and offshore, costing jobs and sidelining American energy sources at a time of rising gasoline prices and instability in the Middle East and North Africa. The budget resolution provides for a more measured approach, allowing for more resources from bonus bids, rents, royalties, and fees as a result of unlocking domestic energy supplies in a safe, environmentally responsible manner. 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.

In addition, the budget recognizes the importance of preserving significant habitats, while properly maintaining America's existing public lands. The Federal Government owns and controls 650 million acres of land in the United States—one out of every three acres—especially in areas of the western United States. But the government has not adequately maintained this land, some of which could return value to States and counties through more productive use. The Federal Government opts instead to acquire more while neglecting maintenance

and upkeep of what it already controls. While the President's budget almost doubles funding for the Land and Water Conservation Fund [LWCF] to acquire more land—from \$255 million in fiscal year 2008 to \$450 million in his fiscal year 2013 budget—Federal lands suffer from a current maintenance backlog that measures in the billions of dollars. The government has a responsibility to maintain and care for existing resources before acquiring more land.

In addition, the budget acknowledges the importance of maintaining our ports and waterways to encourage commercial deep-draft navigation and economic competitiveness. In fiscal year 2012, a total of \$898 million was appropriated from the Harbor Maintenance Trust Fund [HMTF], an increase of \$109 million over the administration's request. However, there continues to be a large balance in the fund and outstanding harbor maintenance needs.

The Natural Resources and Environment category consists of major departments and agencies such as the Department of the Interior, which includes the National Park Service [NPS], the Bureau of Land Management [BLM], the Bureau of Reclamation, and the Fish and Wildlife Service [FWS]; conservation-oriented and land management agencies within the Department of Agriculture [USDA] including the Forest Service; the National Oceanic and Atmospheric Administration [NOAA] in the Department of Commerce; the Army Corps of Engineers; and the Environmental Protection Agency [EPA]. The discussion below elaborates on the budget resolution's recommended policies in these areas.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$33.3 billion in budget authority and \$37.9 billion in outlays in fiscal year 2013. Discretionary budget authority in 2013 totals \$30.6 billion, with \$35.4 billion in related outlays; mandatory spending is \$2.7 billion in budget authority and \$2.4 billion in outlays. Over 10 years, budget authority totals \$331.4 billion, and outlays are \$349.3 billion.

### **Illustrative Policy Options**

The resolution focuses on paring back unnecessary spending to carry out overreaching regulatory expansion. This budget also emphasizes core government responsibilities, while reducing spending in areas of

duplication or non-core functions. While the actual policies will be determined by the committees of jurisdiction, options to meet budget targets include those listed below.

#### DISCRETIONARY SPENDING

*Focus on Maintaining Existing Land Resources.* Annual funding for the Land and Water Conservation Fund has typically ranged between \$250 million and \$450 million. The President's budget requests \$450 million for fiscal year 2013, but this allocation cannot be used for maintenance. As noted previously, the Federal Government already is struggling with a maintenance backlog on the millions of acres it controls—a backlog totaling between \$13.2 and \$19.4 billion—but the administration is seeking to acquire even more land. This budget focuses on eliminating the maintenance backlog before moving to acquire additional lands.

*Streamline Climate Change Activities Across Government.* This budget resolution reduces spending for government-wide climate change-related activities and recommends better coordination of programs and funds to eliminate duplicative and unnecessary spending.

*Streamline Fragmented and Overlapping Agency Programs.* The resolution supports consolidating programs across Federal agencies and reducing spending in areas identified by the Government Accountability Office [GAO], bipartisan deficit reduction commissions, and H.R. 1. These programs include overlapping diesel emission monitoring programs. GAO identified 14 fragmented programs at Energy, DOT and EPA whose missions cover reducing mobile-source diesel emissions, resulting in duplication of efforts and unnecessary funding sometimes going to the same recipients. The President's Fiscal Commission also identified hundreds of millions of dollars in water treatment efforts duplicated across the Army Corps of Engineers, EPA and USDA, not pertaining in some cases to these agencies' core missions.

#### MANDATORY SPENDING

*Revise and Reauthorize the Bureau of Land Management's 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 the Treasury for the purposes of deficit reduction by reauthorizing and revising the Federal Land Transaction Facilitation Act and other land

management statutes. It would limit the Department of the Interior's share of the receipts to \$60 million per year (plus an additional amount to cover BLM's administrative costs) for land acquisition and restoration projects on BLM lands. The option would also reduce the amount of Federal spending not subject to regular oversight through the congressional appropriation process. The change would reduce the Federal budget deficit and ensure that U.S. taxpayers benefit directly from land sales.

*Stop Mine Cleanup Payments to States with Certified Reclaimed Mines.* The federal government collects fees from coal mining companies to restore abandoned mining sites. Money from those fees is paid to states to restore abandoned mines within their state. However, several states have successfully restored all of their abandoned mining sites but are still permitted to use the federal mine cleanup payments. Effectively, for the states that have been "certified" as having successfully restored critical mining sites, the mine payments serve as an unrestricted federal subsidy. Several tribal governments also receive payments despite having already remediated all contaminated mining sites on their land. The administration has proposed terminating these mine reclamation payments to states that no longer use them for their intended purpose, and this budget proposes terminating them as well.

## **FUNCTION 350: AGRICULTURE**

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### **Function Summary**

The agriculture function includes funds for direct assistance and loans to food and fiber producers; export assistance; market information; inspection services; and agricultural research. Farm policy is driven by the Food, Conservation and Energy Act of 2008 (the Farm Bill), which provides farmers protection against uncertainties, such as poor weather conditions and unfavorable market conditions.

Farm safety net programs are divided into three areas: commodity programs, crop insurance, and supplemental disaster assistance. Commodity programs, which the Farm Bill authorizes through the 2012 crop/marketing year, include both direct payments and price-based counter-cyclical payments; the marketing assistance loan program; and the average crop revenue election payment program. Due to recent strength in agricultural markets, outlays for price-based programs have declined. Nevertheless, direct payments, which do not vary with market prices, have remained steady at \$5 billion each year. Crop insurance outlays, while volatile, have trended sharply higher and averaged \$5.6 billion over 2008-10, more than double their 2000-02 average level.

With farm income, crop prices, and Federal deficits hitting new highs, and with food prices going up, it is time to reform agricultural support programs, while maintaining a strong safety net for farmers.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$21.7 billion in budget authority and \$24.6 billion in outlays in fiscal year 2013. Discretionary spending in fiscal year 2013 is \$5.9 billion in budget authority and \$5.8 billion in outlays; mandatory spending, the majority of the function's total, is \$15.8 billion in budget authority, with outlays of \$18.8 billion. The 10-year totals for budget authority and outlays are \$197.3 billion and \$198.2 billion, respectively.

### **Illustrative Policy Options**

Specific policies in this function will be determined by the committees of jurisdiction. Among the options they may wish to consider are the following.

#### MANDATORY SPENDING

*Reform Agricultural Commodity and Insurance Programs.* Under this option, mandatory agricultural outlays, other than food and nutrition programs, will be reduced by \$29.3 billion relative to the currently anticipated levels from fiscal year 2013 through fiscal year 2022. These savings 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. Farmers will benefit greatly from other provisions in this budget, including regulatory relief, the maintenance of low capital gains and estate taxes, and lower interest rates due to reduced Federal borrowing.

## **FUNCTION 370: COMMERCE AND HOUSING CREDIT**

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### **Function Summary**

The Federal Government's commerce and housing activities should focus limited resources on efforts to bolster free enterprise and economic growth. Such an approach would have the additional direct benefit of reducing government spending, easing the demand for higher taxes or more borrowing, and curbing corporate welfare in the housing, financial services, and telecommunications industries. This budget calls for an end to the cycle of future bailouts perpetuated by the financial regulation law authored by Senator Dodd and Representative Frank, as well as putting a stop to taxpayer subsidies and bailouts for Fannie Mae and Freddie Mac.

This budget function has four components: mortgage credit; the Postal Service (mostly off budget); deposit insurance (negligible spending due to reserve-supporting fees and the like); and other commerce activities (the majority of the net discretionary and mandatory spending in this function).

The mortgage credit component of this function includes housing assistance through the Federal Housing Administration [FHA], the Federal National Mortgage Association [Fannie Mae], the Federal Home Loan Mortgage Corporation [Freddie Mac], the Government National Mortgage Association [Ginnie Mae], and rural housing programs of the Department of Agriculture. The function also includes net postal service spending and spending for deposit insurance activities of banks, thrifts, and credit unions. Finally, most of the Commerce Department is provided for in this function, including the International Trade Administration, the Bureau of Economic Analysis, the Patent and Trademark Office, the National Institute of Standards and Technology, the National Telecommunications and Information Administration, and the Bureau of the Census. Also funded through this function are independent agencies such as the Securities and Exchange Commission [SEC], the Commodity Futures Trading Commission, the Federal Trade Commission, the Federal Communications Commission [FCC], and the majority of the Small Business Administration [SBA].

### **Summary of Committee-Reported Resolution**

In this function, the budget resolution provides for -\$7.9 billion in budget authority and -\$3.9 billion in outlays in fiscal year 2013. Of that total,

2013 discretionary spending is -\$7.8 billion in budget authority and -\$6.1 billion in outlays. Mandatory spending in 2013 is -\$0.1 billion in budget authority and \$2.1 billion in outlays. The function totals over 10 years are \$22.2 billion in budget authority and -\$125.9 billion in outlays.

On-budget totals for fiscal year 2013 are -\$7.1 billion in budget authority and -\$3.2 billion in outlays. Of these amounts, discretionary budget authority is -\$1.1 billion, with outlays of -\$1.1 billion as well. Mandatory on-budget spending for fiscal year 2013 is \$0.9 billion in budget authority and \$3.2 billion in outlays. Over 10 years, the on-budget totals are \$45.3 billion in budget authority and -\$102.9 billion in outlays.

Negative discretionary totals for budget authority and outlays mainly reflect the negative subsidy rates applied to certain loan and loan guarantee programs scored under the guidelines of the Federal Credit Reform Act [FCRA], such as FHA and Ginnie Mae programs. It should be noted that FHA loans are scored using a different accounting method than the fair-value estimates that CBO applies to Fannie Mae and Freddie Mac, resulting in budget disparities (see discussion under Mandatory Spending).

Negative mandatory totals for outlays in this function mainly result from the wind-down of several programs created in response to the financial crisis that initially produced large positive outlays, such as those associated with the Troubled Asset Relief Program [TARP] and various deposit insurance programs. It should be noted that from 2008 through 2009, total outlays in Function 370 were a positive \$319 billion.

Off-budget totals for fiscal year 2013 are -\$0.8 billion in budget authority and -\$0.8 billion in outlays. Of these amounts, discretionary budget authority is \$0.26 billion in budget authority and \$0.26 in outlays. Over 10 years, the discretionary off-budget totals are \$3.1 billion in budget authority and \$3.1 billion in outlays. Mandatory off-budget spending for fiscal year 2013 is -\$1.1 billion in budget authority and -\$1.1 billion in outlays. Over ten years, the mandatory off-budget totals are -\$26.1 billion in budget authority and -\$26.1 billion in outlays. The negative totals for budget authority and outlays in the off-budget portion of this function represent savings from our two policy proposals described below in addition to monies received by the Treasury from the U.S. Postal Service Public Enterprise Fund.

### **Illustrative Policy Options**



The resolution aims to limit and reform programs in this function to reduce spending; to limit the Federal Government's role in housing, financial, and telecommunications markets; and to curtail the corporate welfare that distorts and misdirects the flow of capital in the free market. While the committees of jurisdiction will determine the actual policies in pursuit of these goals, the options below offer several potential approaches.

#### DISCRETIONARY SPENDING

##### *Eliminate Corporate Welfare Within the Department of Commerce.*

Business subsidies distort the economy, impose unfair burdens on taxpayers, and are especially problematic given the fiscal problems facing the U.S. Government. With potential savings of roughly \$6.9 billion over 10 years, programs that should be considered for elimination include the following:

- The Hollings Manufacturing Extension Program, which subsidizes a network of nonprofit extension centers that provide technical, financial and marketing services for small and medium-size businesses that are largely available in the private market. The program already obtains two-thirds of its funding from non-Federal sources, and was originally intended to be self-supporting.
- Trade Promotion Activities at the International Trade Administration [ITA]. This agency, within the Department of Commerce, provides trade promotion services for U.S. companies. The fees it charges for these services do not cover the cost of these activities. Businesses can obtain similar services from State and local governments and the private market. The ITA should be eliminated or charge for the full cost of these services.

*Tighten the Belts of Government Agencies.* Duplication, hidden subsidies, and large bureaucracies are symptomatic of many agencies within Function 370. Among them are the following:

- The General Services Administration's [GSA] Federal Citizen Services Fund. This fund is the e-mail, print, and telephone information service of the GSA, managing websites for the general public such as USA.gov. Many of its responsibilities, however, duplicate those of other offices within the GSA, including the Electronic Government Fund. In light of cutbacks in

various government agencies, this resolution supports rationalizing the GSA wherever possible. As an agency whose mission is to provide services to other parts of the government, the GSA stretches across many budget functions: It has 6,900 full-time employees; owns or leases about 9,600 buildings and related assets; and has a budget of more than \$960 million, an increase of 220 percent since 2008.

- The Small Business Administration [SBA]. The SBA provides almost \$60 million in grants, hidden in its discretionary salaries and expenses budget, which could be canceled.
- The Securities and Exchange Commission [SEC]. In 2011, the SEC spent more than \$1.2 billion on salaries and expenses, 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. The SEC's budget has swollen by 34 percent since 2008. The President's budget requests \$1.6 billion in 2013, an increase of 73 percent from 2008 levels. On top of this, the Dodd-Frank Wall Street Reform and Consumer Protection Act [Dodd-Frank] requests doubling the size of the SEC's budget from current levels, increasing it to \$2.25 billion in fiscal year 2015.

In its 2013 *Views and Estimates*, the House Committee on Financial Services notes the regulatory failures of the SEC leading up to the financial crisis:

In the run-up to the financial crisis, the SEC repeatedly failed to fulfill any part of its mission: the SEC failed to adequately supervise the Nation's largest investment banks, which resulted in the bailout of Bear Stearns and the collapse of Lehman Brothers and the ensuing financial panic; the SEC failed to supervise the credit rating agencies that bestowed AAA ratings on securities that later proved to be no better than junk; and the SEC failed to ensure that issuers made adequate disclosures to investors about securities cobbled together from poorly underwritten mortgages that were bound to fail. Apart from these failures, the SEC's inability to detect the Madoff and Stanford Ponzi schemes cast further doubt on its ability to protect investors.

The Government Accountability Office [GAO] issued a report in 2010 in which it identified material weaknesses in the SEC's controls. It

demonstrated deficiencies in the SEC's reporting of financials, budgetary resources, and other internal controls.

While the administration requests expanding the SEC's budget, this resolution questions the premise that more funding for the SEC means better, smarter regulation. It denies the claim that adding reams of regulations to the books and scores of regulators to the payrolls will provide greater transparency, consumer protection, and enforcement for increasingly complex markets. At a time when trimming the deficit is imperative, the SEC should create headroom in its budget by streamlining and making more efficient its operations and resources; defraying taxpayer expenses by designating self-regulatory organizations (subject to SEC oversight) to perform needed examinations of investment advisors; and enhancing collaboration with other agencies, such as the Commodity Futures Trading Commission, to reduce duplication, waste, and overlap in supervision. Ultimately, the committees of jurisdiction will establish the specific policies.

#### MANDATORY SPENDING

*Terminate Grants to Worsted Wool Manufacturers and Payments to Wool Manufacturers.* The Miscellaneous Trade and Technical Corrections Act of 2004 (Public Law 108-429) established the Wool Apparel Manufacturers Trust Fund. This fund authorizes the Department of Commerce to provide grants to certain manufacturers of worsted wool products to ease adjustment to changes in trade law. The grants, originally slated to end in 2007, still exist and have been extended until 2014. Termination of this temporary grant program is overdue. This Act also directs Customs to make payments to wool manufacturers from certain duties collected to provide import tax relief. This account has been extended twice through amendments and has also outlived its original purpose.

*Terminate Corporation for Travel Promotion.* In 2010, the Congress established a new annual payment to the travel industry and created a new government agency, the Corporation for Travel Promotion (now called Brand USA), to conduct advertising campaigns encouraging foreign travelers to visit the United States. This budget recommends ending these subsidies and eliminating the new agency because it is not a core responsibility of the Federal Government to pay for and conduct advertising campaigns for a certain industry. Moreover, the travel industry can and should pay for the advertising that it benefits from.

*Restrict New FDIC Authority to Bail Out Bank Creditors.* This budget proposes to preempt the cycle of future bailouts set in motion by Dodd-Frank.

This financial regulatory overhaul is not reform. It expands and centralizes power in Washington, doubling down on the root causes of the 2008 crisis. It contains layer upon layer of new bureaucracy sewn together by complex regulations, yet it fails to address key problems, such as Fannie Mae and Freddie Mac, that contributed to the worst financial meltdown in recent history. Although the bill is dubbed “Wall Street Reform,” it actually intensifies the problem of too-big-to-fail by giving large, interconnected financial institutions advantages that small firms will not enjoy.

While the proponents of Dodd-Frank went to great lengths to denounce bailouts, this law only sustains them. The Federal Deposit Insurance Corporation [FDIC] now has the authority to access taxpayer dollars in order to bail out the creditors of large, “systemically significant” financial institutions. CBO estimates the cost for this new authority at \$26 billion, although CBO Director Elmendorf has testified that “the cost of the program will depend on future economic and financial events that are inherently unpredictable.” In other words, another large-scale financial crisis in which creditors are guaranteed government bailouts could cost much, much more.

This resolution calls for ending this regime, now enshrined into law, which paves the way for future bailouts. House Republicans put forth an enhanced bankruptcy alternative that—instead of rewarding corporate failure with taxpayer dollars—would place the responsibility of large, failing firms in the hands of the shareholders who own them, the managers who run them, and the creditors who finance them.

This resolution also supports cancelling the ability of the Bureau of Consumer Financial Protection (created by Dodd-Frank) to fund its operations by spending from the Federal Reserve’s yearly remittances to the Treasury Department. The bill was written to provide off-budget financing for the new Bureau, which will be housed at the Federal Reserve but have complete autonomy from the Fed. To preserve its independence as the Nation’s monetary authority, the Federal Reserve is off-budget and its excess earnings from monetary operations are returned to the Treasury to reduce the deficit. Now, instead of directing these remittances to reduce the deficit, Dodd-Frank requires diverting a portion of them to pay for a

new bureaucracy with the authority to write far-reaching rules on financial products and restrict credit to the very customers it seeks to “protect.”

*Privatize the Business of Government-Controlled Mortgage Giants Fannie Mae and Freddie Mac.* Since being placed into government conservatorship in 2008, Fannie Mae and Freddie Mac, absent major reforms, are expected to have an all-in cost to taxpayers of more than \$335 billion through 2022, according to CBO estimates. This includes losses on preexisting commitments—those entered into prior to conservatorship—of about \$248 billion. CBO has recorded Fannie and Freddie as explicit financial components of the Federal budget, accounting for their liabilities as liabilities of the government. In contrast, the administration does not fully account for taxpayer exposure to Fannie and Freddie and leaves them off budget instead.

So far, Treasury has bailed out Fannie and Freddie to the tune of \$180 billion. Fannie Mae, Freddie Mac, and FHA now dominate 97 percent of the market for the issuance of new mortgage-backed securities.

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.* As the bailouts of Fannie and Freddie continue, another bailout to a housing giant looms. The market share of the FHA has exploded in recent years, crowding out private sector investment by 70 percent since 2007. Accompanying this rise in market share has been a reduction in the capital ratio of the FHA’s Mutual Mortgage Insurance [MMI] Fund to levels far below the Fund’s congressionally-mandated ratio of 2 percent. Should the capital ratio fall below zero, yet another taxpayer bailout of a housing finance giant will be automatically triggered.

Given the precarious financial position the FHA, the government should adopt measures to discourage shifting of taxpayer risk to the FHA and other government-backed entities as Fannie and Freddie are wound down. Right now, there are notable differences between the accounting treatment of FHA-insured loans and Fannie- and Freddie-guaranteed loans.

FHA's MMI loans are scored according to the Federal Credit Reform Act of 1990, which determines budgetary cost by calculating the net present value of the cash flows associated with loans and discounting those flows using risk-free marketable Treasury security rates. By contrast, CBO uses fair-value scoring for Fannie Mae- and Freddie Mac-guaranteed loans. Fair-value scoring recognizes that adverse economic events such as market downturns can cause loan defaults to rise, thus it reflects the full financial risk incurred by the taxpayer of backing these loans.

In other words, the current budgetary treatment of FHA loans understates the full costs associated with them, thus it encourages policymakers to shift risk from Fannie and Freddie to FHA.

This resolution authorizes the use of fair-value scoring for Federal credit programs. Without it, the full risk of FHA loans—effectively borne by taxpayers—cannot be properly accounted for in the budget.

As the government reforms its role in the U.S. housing markets, which this resolution supports, Fannie, Freddie and FHA loans should be treated with parity and full transparency on the budget. The housing-finance system of the future, however, will allow private-market secondary lenders to fairly, freely, and transparently compete, with the knowledge that they will ultimately bear appropriate risk for the loans they guarantee. Their viability will be determined by the soundness of their practices and the value of their services.

#### OFF-BUDGET MANDATORY SPENDING

*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.

## **FUNCTION 400: TRANSPORTATION**

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### **Function Summary**

Transportation infrastructure is a vital component of the U.S. economy, but the funding mechanisms for Federal highway and transit spending have become distorted, leading to imprudent, irresponsible, and sometimes downright wasteful spending. Further, however worthy some transportation projects might be, their capacity as job creators has been vastly oversold, as demonstrated by the extravagant but unfulfilled promises that accompanied the 2009 “stimulus” bill. Spending in the function has increased over 30 percent since the start of the administration.

This budget category includes ground, air, water and other transportation funding. The major agencies and programs here include the Department of Transportation (including the Federal Aviation Administration [FAA]; the Federal Highway Administration; the Federal Transit Administration; highway, motor carrier, rail and pipeline safety programs; and the Maritime Administration); the Department of Homeland Security (including the Federal Air Marshals, the Transportation Security Administration, and the U.S. Coast Guard); the aeronautical activities of the National Aeronautics and Space Administration [NASA]; and the National Railroad Passenger Corporation [Amtrak].

### **Summary of Committee-Reported Resolution**

The resolution calls for \$57.1 billion in budget authority and \$49.7 billion in outlays in fiscal year 2013. Discretionary budget authority in 2013 is \$30.2 billion, with outlays of \$47.9 billion; and mandatory spending is \$26.9 billion in budget authority and \$1.9 billion in outlays. The large discrepancies between budget authority and outlays here results from the split treatment of the transportation trust funds, such as the Highway Trust Fund, through which funding is provided as a type of mandatory budget authority; and outlays, which are controlled by annual limitations on obligations set in appropriations acts. Over 10 years, budget authority totals \$787.7 billion, with outlays of \$789 billion.

### **Illustrative Policy Options**



The budget supports maintaining essential funding for highways, aviation and safety, offset by reductions in other transportation activities of lower priority to the Federal Government. As is true elsewhere, actual policy decisions will be determined by the committees of jurisdiction. Nevertheless, the options below suggest one set of policies that can help meet the budget's levels.

#### DISCRETIONARY SPENDING

*Eliminate Funding for High-Speed Rail.* High-speed rail projects and any new intercity rail projects should be pursued only if they can be established as self-supporting commercial services. The threat of large, endless subsidies is precisely the reason governors across the country are rejecting federally funded high-speed rail projects. There are only two high-speed rail lines in the world that break even: one in Europe and one in Japan. Both are in areas that have unusually high population densities and extremely high gasoline prices.

*Terminate and reform spending on ineffective, wasteful subsidies and underperforming programs.* The budget includes reductions for terminating the New Starts and Small Starts programs within the Department of Transportation. The benefits of these mass transit projects are local, not national. They should be funded at the local level. The budget supports continued reforms for Amtrak—including requiring overtime limits for Amtrak employees—and reductions in headquarters and administrative costs for agencies.

#### MANDATORY SPENDING

*Avert the Bankruptcy of the Highway Trust Fund.* The budget recognizes that the Highway Trust Fund is projected by CBO to 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. Congress needs to reform this critically important program to put it on a sound financial footing—without further bailouts using borrowed money.

The budget recommends sensible reforms to avert the bankruptcy of the Highway Trust Fund by aligning spending from the Trust Fund with incoming gas revenues collected. The budget also includes additional provisions to: 1) assume a new potential funding stream in the form of oil and gas revenues; 2) allow flexibility for a transportation reauthorization so long as the legislation does not increase the deficit and

is fully offset (such an authorization is currently being discussed in both the House and the Senate); and 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.*

Taxpayers currently subsidize more than half the cost of aviation security for the travelers who use and directly benefit from the system. This burden could be eased by shifting greater responsibility to these beneficiaries. 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.* The FAA regulates the registration of aircraft and the licensing and certification of pilots. Currently, taxpayers subsidize aircraft owners and operators because there is no charge for some of these licenses, while others are issued below cost. The costs for these services should be borne by those who benefit from them.

*Terminate the Ocean Freight Differential Program for Food Aid.* Current law requires the Department of Transportation to reimburse other Federal agencies for the extra costs the agencies pay because of legal requirements that food aid be shipped on U.S. ships. The budget exempts food aid from this required reimbursement, which needlessly adds to taxpayer cost for these humanitarian missions.

## **FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT**

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### **Function Summary**

This category includes programs that provide Federal funding for economic and community development in both urban and rural areas, including: Community Development Block Grants [CDBGs]; the non-power activities of the Tennessee Valley Authority; the regional commissions, including the Appalachian Regional Commission; the Economic Development Administration [EDA]; and partial funding for the Bureau of Indian Affairs.

Homeland Security spending in this function includes the State and local government grant programs of the Department of Homeland Security, including partial funding for the Federal Emergency Management Agency [FEMA].

Aside from those programs related to emergency preparedness and critical needs, this resolution supports streamlining non-essential community and regional initiatives that are not core functions of the Federal Government.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$11 billion in budget authority and \$21.7 billion in outlays in fiscal year 2013. Discretionary budget authority in 2013 is \$10.9 billion, with \$19.9 billion in associated outlays. Mandatory spending in 2013 is \$120 million in budget authority and \$1.9 billion in outlays. The 10-year totals for budget authority and outlays are \$78.3 billion and \$111.2 billion, respectively.

The large gap between budget authority and outlays in the function totals and discretionary levels results mainly from the spending out of budget authority provided in the stimulus bill.

### **Illustrative Policy Options**

As elsewhere, the committees of jurisdiction will make final policy determinations. The proposals below indicate policy options that might be considered.

## DISCRETIONARY SPENDING

*Eliminate Non-Core Programs.* At a time when shrinking spending is imperative for the government's fiscal well-being, this resolution recommends taking a hard look at community and regional programs; focusing on those that deliver funds for non-core Federal Government functions; and consolidating and streamlining programs wherever possible. Among programs that should be considered in this review are the following:

*The Community Development Fund [CDF].* Historically, about 80 to 90 percent of funding for the CDF is spent on the Community Development Block Grant [CDBG]. CDBG is an annual formula grant directed to State and local governments to address a broad array of initiatives. In 2012, \$2.9 billion was appropriated for CDBG. Currently, there is no maximum community poverty rate to be eligible for funds, nor is there an exclusion for communities with high average income.

*Federal Emergency Management Agency Reforms.* The budget supports FEMA reforms advocated in the House, including improving efficiencies in state and local programs. The budget also supports efforts in the FEMA authorization this year to incorporate initiatives such as improved cost-estimating and efforts to help states and localities use existing resources to help communities recover from disasters expeditiously and cost-effectively.

The budget also acknowledges the need to look at reforms in disaster-relief assistance to ensure that those state and local governments most in need are receiving the assistance required. The current administration has issued a total of 2,213 disaster declarations—66 percent of all FEMA disaster declarations since 1953 in the span of three years alone.<sup>1</sup> According to the Government Accountability Office [GAO], this is part of a broader trend.<sup>2</sup> From 2002 to 2011, presidents have declared 35 percent more disasters than they did during the preceding decade. The disaster declaration is intended as a process to help state and local governments receive Federal assistance when the severity and magnitude

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<sup>1</sup> Matt Mayer, "Congress Should Limit the Presidential Abuse of FEMA", Heritage Foundation, January 2012.

<sup>2</sup> "2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue," Government Accountability Office, February 2012.

of the disaster exceeds state and local resources, and when Federal assistance is absolutely necessary. When disaster-relief decisions are not made judiciously, limited resources are diverted away from communities that are truly in need.

The budget supports GAO recommendations and takes a closer look at: 1) reducing Federal expenditures by updating disaster declaration eligibility indicators, like per capita thresholds and other major disaster metrics, by (for example) adjusting for inflation; and 2) providing more scrutiny on cost-share levels and waivers. For example, preparedness programs like the Emergency Management Performance Grants have shown greater buy-in by state and local governments; demonstrated better performance in delivering resources to first responders; and ensured efficient and effective response operations. These types of reforms will increase transparency in the way that disaster declaration decisions are made and in accurately measuring a state's capacity to respond to a disaster.

#### MANDATORY SPENDING

*Reform the National Flood Insurance Program [NFIP].* This program, administered by FEMA, provides subsidized and unsubsidized flood insurance to the private sector and seeks to provide an alternative to disaster assistance by reducing the damage done to property by flooding. While collections from policyholders should cover the costs associated with flood insurance activities, the NFIP owes a debt of \$17.8 billion to the Treasury, on which it must also pay debt service. Most of this debt accumulated during the hurricane season of 2005. Currently, 20 percent of NFIP policies are subsidized. On average, taking into account subsidized and unsubsidized policies under NFIP, premium collections cover only 35 to 40 percent of the actuarial value of the insurance.

NFIP, like many other government programs, was designed as a temporary incentive for homeowners who were unaware of their flood risks (before flood-mapping began in 1975) to purchase flood insurance. At present, however, homeowners can receive NFIP subsidies for new purchases of existing properties with high-flood risk (even though flood mapping occurred decades ago), including for second and vacation homes, and for properties that realize repeated losses from flood damage. The budget 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.* The budget reduces spending for rural green energy loan guarantees. These loan guarantees come with Federal mandates that channel private investments into financing the administration's preferred renewable energy and energy efficiency interests at taxpayers' expense.

## **FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES**

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### **Function Summary**

One of the key drivers of strong economic growth is a well-trained and educated workforce. As the U.S. economy becomes more complex in the face of globalization and technological advances, it is vital that workers have the ability to pursue effective life-long learning. While Federal spending on the Department of Education and related education programs has grown significantly over the past few decades, academic achievement has not seen a commensurate improvement.

Now more than ever, the Nation's students must have the opportunity to access the high-quality education and skills-training needed to enable the workforce to compete in the rapidly changing global economy. At the same time, Congress must make every dollar count by eliminating wasteful, duplicative, and ineffective programs. In March 2011, the U.S. Government Accountability Office [GAO] identified many areas that are ripe for reform. In the area of education, their report identified 82 separate programs designed to improve teacher quality across 10 Federal agencies, and dozens of overlapping job training programs.

Reforms in these areas are reflected in Function 500, which covers Federal spending primarily in the Departments of Education, Labor, and Health and Human Services for programs that directly provide—or assist States and localities in providing—services to young people and adults. Activities reflected here provide developmental services to low-income children; help fund programs for disadvantaged and other elementary and secondary school students; make grants and loans to post-secondary students; and fund job-training and employment services for people of all ages.

### **Summary of Committee-Reported Resolution**

The resolution provides \$57.6 billion in budget authority and \$78.3 billion in outlays in fiscal year 2013. In that year, discretionary spending is \$91.5 billion in budget authority and \$93.6 billion in outlays; mandatory spending in 2013 is -\$33.9 billion in budget authority and -\$15.3 billion in outlays. Over 10 years, spending in this function totals \$771.8 billion in budget authority and \$799.3 billion in outlays.

The large gap between budget authority and outlays in the function totals and discretionary levels results mainly from prior-year outlays from the stimulus bill. The negative mandatory numbers are due to the direct lending program, in which the Education Department acts effectively as a bank making student loans. However, for reasons addressed later in this section, these projected future savings are somewhat misleading because they fail to account for the market risk of the loans.

While the Committee recommendation is a disciplined budget that will require committees of jurisdiction and agencies to set priorities and achieve efficiencies, it does not take the arbitrary approach that will result from the Budget Control Act's sequester. The House Republican budget replaces the sequester. If not replaced, based on staff estimates, this function would be reduced by another \$9.0 billion below the committee recommendation in fiscal year 2013.

### **Illustrative Policy Options**

The committees of jurisdiction will make final policy determinations, but options worthy of consideration include the following.

#### DISCRETIONARY SPENDING

*Reform Job Training Programs.* Federal job training programs are balkanized, difficult to access, and lacking in accountability. There are at least 49 job training programs spread across nine different agencies. In January 2011, the Government Accountability Office [GAO] issued a report that found almost all federal employment and training programs overlap with at least one other program, providing similar services to similar populations. Together, these programs spent \$18 billion in fiscal year 2009, including stimulus dollars, and at least \$14.5 billion in fiscal year 2010. Additionally, Senator Coburn has presented a report highlighting the high amount of waste, fraud, and abuse that occurs in these programs.

All congressional committees with jurisdiction over job training programs should look to consolidate as many administrative structures as possible to eliminate duplication and maximize taxpayer funds by focusing them on the most effective means of delivering job training activities. The Education and the Workforce Committee, for instance, recently introduced legislation to that end.



This budget improves accountability by calling for the consolidation of duplicative federal job-training programs into more accountable, targeted career scholarship programs. A streamlined approach with increased oversight and accountability will not only provide administrative savings, but improve access, choice, and flexibility to enable workers and job seekers to respond quickly and effectively to whatever specific career challenges they face.

*Make the Pell Grant Program Sustainable.* Pell Grants are the perfect example of promises that cannot be kept. The program is on an unsustainable path, a fact acknowledged by the President's own fiscal year 2013 budget. The College Cost Reduction and Access Act of 2007 [CCRAA], the Higher Education Opportunity Act of 2008 [HEOA], the "stimulus" bill, and the Student Aid and Fiscal Responsibility Act of 2010 [SAFRA] all made Pell Grants more generous than the Federal budget could afford. This, along with a dramatic rise in the number of eligible students due to the recession, has caused program costs to more than double since 2008, from \$16.1 billion in 2008 to an estimated \$36.4 billion in fiscal year 2013. Moreover, the program is beginning to increasingly rely on mandatory funding to solve its discretionary shortfalls. For instance, the Department of Education warned in 2012 that without changes to reduce program costs, Pell Grants would have an ending shortfall of \$20.4 billion.

Instead of making necessary reforms, Congress again resorted to short-term funding patches—a temporary answer that will not prevent another severe funding cliff for the program in the future. The President has increased the maximum Pell Grant by more than \$900 since 2008, to \$5,635 for the 2013-2014 award year. However, his budget only provides funding for that level of award through the 2014-2015 academic year. This irresponsible spending serves only to put the program at greater risk of ultimately being unable to fulfill its promises to students.

Urgent reforms are necessary to enable the program to continue as the foundation of the Nation's commitment to helping low-income students gain access to higher education. The budget recommends the following:

- Roll back certain recent expansions to the needs analysis to ensure aid is targeted to the truly needy. The Department of Education attributes 14 percent of program growth since 2008 to recent legislative expansions to the needs analysis formula. The biggest cost

drivers come from changes made in the College Cost Reduction and Access Act of 2007 [CCRAA], such as the expansions of the level at which a student qualifies for an automatic zero “Expected Family Contribution” [EFC] and the income protection allowance. These should be returned to pre-CCRAA levels.

- Eliminate administrative fees paid to participating institutions. The government pays participating schools \$5 per grant to administer and distribute Pell awards. Schools already benefit significantly from the Pell program because the aid makes attendance at those schools more affordable.
- Consider a maximum income cap. Currently there is no fixed upper-income limit for a student to qualify for Pell. Figures are simply plugged into a formula to calculate the amount for which the student qualifies. The higher the income level of the student and the student’s family, the smaller grant they receive.
- Eliminate eligibility for less-than-half-time students. Funding should be reserved for students with a larger commitment to their education.
- Adopt a sustainable maximum award level. The Department of Education attributed 25 percent of recent program growth to the \$619 increase in the maximum award done in the stimulus bill that took effect in the 2009-10 academic year. To get program costs back to a sustainable level, the budget recommends a maximum award of \$5,550. This award would be fully funded through discretionary spending.

*Encourage policies that promote innovation.* Federal intervention in higher education should increasingly be focused not solely on financial aid, but on policies that maximize innovation and ensure a robust menu of institutional options from which students and their families are able to choose. Such policies should include reexamining the data made available to students to make certain they are armed with information that will assist them in making their postsecondary decisions. Additionally, the Federal Government should act to remove regulatory barriers in higher education that act to restrict flexibility and innovative teaching, particularly as it relates to non-traditional models such as online coursework.

*Eliminate Ineffective and Duplicative Federal Education Programs.* The current structure for K-12 programs at the Department of Education is fragmented and ineffective. Moreover, many programs are duplicative or are highly restricted, serving only a small number of students. Given the budget constraints, Congress must focus resources on programs that truly help students. The budget calls for reorganization and streamlining of K-12 programs and anticipates major reforms to the Elementary and Secondary Education Act [ESEA], which was last reauthorized as part of the No Child Left Behind Act [NCLB]. The budget would terminate and reduce programs that are failing to improve student achievement. It also recommends that the committees of jurisdiction address the duplication among the 82 programs that are designed to improve teacher quality.

*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. The activities and content funded by these agencies go beyond the core mission of the Federal Government and they are generally enjoyed by people of higher income levels, making them a wealth transfer from poorer to wealthier citizens. These agencies can raise funds from private-sector patrons, which will also free them from any risk of political interference.

*Eliminate the Corporation for National and Community Service.* Programs administered out of this agency—which created the oxymoron “paid volunteer”—provide funding to students and others who work in certain areas of public service. Participation in these programs is not based on need. The Federal Government already has aid programs focused on low-income students, and paying volunteers is not a core Federal responsibility, especially in times of high deficits and debt. Further, it is much more efficient to have such efforts operate at the State and local level by the community that receives the benefit of the service.

*Eliminate Administrative Fees Paid to Schools in the Campus-Based Student Aid programs.* Under current law, participating higher education institutions are allowed to use 5 percent of Federal program funds for administrative purposes. The budget recommends prohibiting these funds from being used for administrative costs. Schools already benefit significantly from participating in federal student aid programs.

*Terminate the Safe and Drug-Free Schools Program.* This program funds grants to reduce youth substance abuse. Program evaluations have repeatedly found the program to be ineffective.

*Promote State, Local, and Private Funding for Museums and Libraries.* The Federal Institute of Museum and Library Services is an independent agency that makes grants to museums and libraries. This is not a core Federal responsibility. This function can be funded at the State and local level and augmented significantly by charitable contributions from the private sector.

#### MANDATORY SPENDING

*Repeal New Funding From the Student Aid and Fiscal Responsibility Act of 2010 [SAFRA].* During the debate on SAFRA, the Congressional Budget Office provided estimates showing that projected future savings from a government takeover of all Federal student loans decreased dramatically when “market risk” was taken into account. Since that time, the President’s National Commission on Fiscal Responsibility and the Pew-Peterson Commission on Budget Reform have recommended the incorporation of fair-value accounting for all Federal loan and loan guarantee programs to enable a true assessment of their cost to taxpayers. And earlier this year the House passed H.R. 3581, the Budget and Accounting Transparency Act of 2011, which would mandate fair-value accounting. Unfortunately, SAFRA used the higher non-adjusted savings projection to subsidize the new health care law and to increase spending on several education programs. Although much of the funding allocations have already been spent, Congress could cancel the future spending in the following ways:

- First, it could repeal the expansion of the Income-Based Repayment [IBR] program. SAFRA made more generous the IBR plan for new borrowers of Direct Loans. This program, created by the CCRAA, is still relatively new. Congress should ensure the program is meeting its intended goals before it is expanded.
- Second, Congress could repeal the new mandatory College Access Challenge Grants. SAFRA dedicated \$750 million in mandatory spending to this discretionary program and created a “funding cliff” with resources abruptly terminating in 2014.

- Third, it could make discretionary payments, rather than mandatory payments, to non-profit servicers. SAFRA established two separate funding categories for Direct Loan servicing contracts, a mandatory stream for eligible non-profit services and a discretionary stream for other servicers. Both of these types of servicers should be funded with discretionary funds.
- Fourth, it could move funding for the Community College/TAA grant program to the discretionary side of the budget. SAFRA provides an additional \$500 million in mandatory funding per year for fiscal years 2011-14 for the Trade Adjustment Assistance [TAA] Community College and Career Training program—a competitive grant program administered by the Department of Labor. This is a discretionary program that should not be funded with mandatory funds.

*Accept the Fiscal Commission's Proposal to Eliminate In-School Interest Subsidies for Undergraduate Students.* The Federal Government focuses aid decisions on family income prior to a student's enrollment, and then provides a number of repayment protections and, in some cases, loan forgiveness after graduation. There is no evidence that in-school interest subsidies are critical to individual matriculation.

*Terminate the Duplicative Social Services Block Grant.* The Social Services Block Grant is an annual payment sent to States without a matching requirement to help achieve a range of social goals, including child care, health services, and employment services. Most of these are also funded by other Federal programs. States are given wide discretion to determine how to spend this money and are not required to demonstrate the outcomes of this spending, so there is no evidence of its effectiveness. The budget recommends eliminating this duplicative spending.

## FUNCTION 550: HEALTH

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### Function Summary

The principal driver of spending in this function is Medicaid, the Federal-State low-income health program. It represents more than 70 percent of the function total, and is growing at a rate of 5 percent per year—far faster than the growth of the overall economy. The Congressional Budget Office [CBO] projects federal spending on this program to be \$258 billion in fiscal year 2012. This is expected to more than double within the next 10 years, reaching \$622 billion by fiscal year 2022.

But this represents only the Federal share of Medicaid. State spending on the program is expected to follow these same trends. According to the Centers for Medicare and Medicaid Services' December 2010 *Actuarial Report on the Financial Outlook on Medicaid*, total State spending will rise from \$133.5 billion in 2010 to \$327.6 billion in 2019.

While these spending trends are clearly unsustainable, Medicaid also has fostered a two-tiered hierarchy in the health care marketplace that stigmatizes Medicaid enrollees. Its perverse funding structure is exacerbating budget pressures at the State and Federal level, while creating a mountain of waste. With administrators looking to control costs and providers refusing to participate in a system that severely under-reimburses their services, Medicaid beneficiaries are ultimately finding it increasingly difficult to obtain even the most basic medical care. Absent reform, Medicaid will not be able to deliver on its promise to provide a sturdy health-care safety net for society's most vulnerable.

Medicaid's current structure gives States a perverse incentive to expand the program and little incentive to save. For every dollar that a State government spends on Medicaid, the Federal Government pays an average of 57 cents. Expanding Medicaid coverage during boom years is tempting and easy to do—State governments pay less than half the cost. Yet to restrain Medicaid's growth, States must rescind a dollar's worth of coverage to save 43 cents.

The recently enacted health care law adds even more liabilities to an already unsustainable program. CBO estimates the new law will increase Federal Medicaid spending by \$931 billion. This is due to the millions of

new beneficiaries that the law drives into the program. In fact, CBO estimates that over the next 10 years, no fewer than 30 million new enrollees will be added the Medicaid program.

For all these reasons, this budget recommends a fundamental reform of the Medicaid Program. One potential approach is described below.

In addition to Medicaid, this budget function includes spending for the State Children's Health Insurance Program [CHIP], health research and training, including the National Institutes of Health [NIH] and substance abuse prevention and treatment; and consumer and occupational health and safety, including the Occupational Safety and Health Administration.

Discretionary spending in this function includes funding for Project Bioshield, NIH, the Food Safety and Inspection Service, and the Food and Drug Administration.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$363.3 billion in budget authority and \$365.5 billion in outlays in fiscal year 2013. Discretionary spending for the year is \$56.6 billion in budget authority and \$58.2 billion in outlays; mandatory spending is \$306.7 billion in budget authority and \$307.3 billion in outlays. The 10-year totals for budget authority and outlays are \$4.05 trillion and \$4.04 trillion, respectively.

While the Committee recommendation is a disciplined budget that will require committees of jurisdiction and agencies to set priorities and achieve efficiencies, it does not take the arbitrary approach that will result from the Budget Control Act's sequester. The House Republican budget replaces the sequester. If not replaced, based on staff estimates, discretionary spending in this function would be reduced by another \$6.5 billion below the committee recommendation in fiscal year 2013.

### **Illustrative Policy Options**

The exact contours of a Medicaid reform—as well as other policies flowing from the fiscal assumptions in this budget resolution—will be determined by the committees of jurisdiction. Nevertheless, the need for fundamental Medicaid reform and other measures to slow the growth of Federal spending are unquestioned, and one set of potential approaches is described below.

## MANDATORY SPENDING

*Transform and Strengthen the Medicaid Safety Net.* One way to secure the Medicaid benefit is by converting the Federal share of Medicaid spending into an allotment tailored to meet each State's needs, indexed for inflation and population growth. Such a reform would end the misguided one-size-fits-all approach that has tied the hands of State governments. States would no longer be shackled by federally determined program requirements and enrollment criteria. Instead, each State would have the freedom and flexibility and to tailor a Medicaid Program that fit the needs of its unique population.

The Chairman's mark proposes to turn Medicaid from an open-ended entitlement into a block-granted program like SCHIP. These programs would be unified under the proposal and grown together for population growth and inflation.

This reform also would improve the health care safety net for low-income Americans by giving States the ability to offer their Medicaid populations more options and better access to care. Medicaid recipients, like all other Americans, deserve to choose their own doctors and make their own health care decisions, instead of having Washington make those decisions for them.

Based on this kind of reform, this budget assumes \$810 billion in savings over 10 years, easing the fiscal burdens imposed on State budgets and contributing to the long-term stabilization of the Federal Government's fiscal path.

*Repeal the Medicaid Expansions in the New Health Care Law.* The recently enacted health care law calls for major expansions in the Medicaid program beginning in 2014. These expansions will have a significant impact on the Federal share of the Medicaid Program, and will dramatically increase outlays.

In the face of enormous stress on Federal and State budgets and declining quality of care for Medicaid, the new health care law would increase the eligible population for the program by one-third. For fiscal years 2014 through 2023, CBO projects the new law will increase Federal spending by \$932 billion.



This future fiscal burden will have serious budgetary consequences for both Federal and State governments. While the health law requires the Federal Government to finance 100 percent of the Medicaid costs associated with covering new enrollees, this provision begins to phase out in fiscal year 2016. At that time, State governments will be required to assume a share of this cost. This share increases from fiscal year 2016 through 2020, when States will be required to finance 10 percent of the health law's expansion of Medicaid.

Not only does this expansion magnify the challenges to both State and Federal budgets, it also binds the hands of local governments in developing solutions that meet the unique needs of their citizens. The health care law would exacerbate the already crippling one-size-fits-all enrollment mandates that have resulted in below-market reimbursements, poor health care outcomes, and restrictive services. The budget calls for repealing the Medicaid expansions contained in the health care law and removing the law's burdensome programmatic mandates on State governments. Adopting this option would save \$932 billion over 10 years.

*Repeal the Exchange Subsidies Created by the New Health Care Law.* According to CBO estimates, the health law proposes to spend \$800 billion over the next 10 years providing eligible individuals with subsidies to purchase government-approved health insurance. These subsidies can only be used to purchase plans that meet standards determined by the new health care law. In addition to this enormous market distortion, the law also stipulates a complex maze of eligibility and income tests to determine how much of a subsidy qualifying individuals may receive.

The new law couples these subsidies with a mandate for individuals to purchase health insurance and bureaucratic controls on the types of insurance that may legally be offered. Taken together, these provisions will undermine the private insurance market, which serves as the backbone of the current U.S. health care system. Exchange subsidies will undermine the competitive forces of the marketplace. Government mandates will drive out all but the largest insurance companies. Punitive tax penalties will force individuals to purchase coverage whether they choose to or not. Further, this budget does not condone any policy that would require entities or individuals to finance activities make health decisions that violate their religious beliefs. This budget repeals the President's onerous health care law for this and many other reasons.

Left in place, the health law will create pressures that will eventually lead to a single-payer system in which the Federal Government determines how much health care Americans need and what kind of care they can receive. 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.

For Function 550, repeal of the insurance subsidies and other exchange-related spending would save roughly \$640 billion over 10 years. To be clear, this budget repeals all federal spending related to the health law's exchange subsidies and related spending. CBO's \$800 billion estimate for the spending associated with exchange subsidies combines a mix of both outlays and revenues. Function 550 reflects only the savings that would result from repealing the federal outlay portion of this spending. The remaining \$160 billion in savings is associated with the revenues spent under the new law for premium credits. This budget assumes full repeal of all of the new health care law's tax increases as part of comprehensive tax reform.

*Other Related Savings:* Interactions from repealing unspent stimulus funding and other associated provisions in the new health care law save roughly \$4 billion over 10 years. This is largely to do streamlining discretionary programs and promoting efficiencies within existing programs.

## FUNCTION 570: MEDICARE

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### Function Summary

With the creation of Medicare in 1965, the United States made a commitment to help fund the medical care of elderly Americans without exhausting their life savings or the assets and incomes of their working children and younger relatives. In urging the creation of Medicare, President Kennedy said that such a program was chiefly needed to protect, not the poor, but people who had worked for years and suddenly found all their savings gone because of a costly health problem.

But spending for Medicare has grown quickly in recent decades—in part because of rising enrollment and in part because of rising costs per enrollee—and has reached unsustainable rates. Between 1970 and 2011, gross federal spending for Medicare rose from 0.7 percent of GDP to 3.7 percent. Under the alternative fiscal scenario in CBO's *The Long-Term Budget Outlook* (June 2011), mandatory spending on Medicare is projected to reach 7 percent of GDP by 2035 and 14 percent of GDP by 2085. CBO's March baseline projects that Medicare's Hospital Insurance Trust Fund will be bankrupt by 2022.

Medicare's imbalance threatens beneficiaries' access to quality, affordable care. The program's fundamentally flawed structure is driving up health care costs, which are, in turn, threatening to bankrupt the system—and ultimately the Nation. Without reform, the program will end up causing exactly what it was created to avoid: millions of America's seniors without adequate health security and a younger working generation saddled with enormous debts to pay for spending levels that cannot be sustained.

Letting government break its promises to current seniors and to future generations is unacceptable. In addition, placing Medicare on a sustainable path is an indispensable part of restoring the Federal Government's fiscal balance. The reforms outlined in this budget protect and preserve Medicare for those in or near retirement, while saving and strengthening the program so future generations can count on it when they retire.

The Medicare program's spending appears in Function 570 of the budget resolution. The function reflects the Medicare Part A Hospital Insurance

[HI] Program, Part B Supplementary Medical Insurance [SMI] Program, Part C Medicare Advantage Program, and Part D Prescription Drug Benefit, as well as premiums paid by qualified aged and disabled beneficiaries.

The various parts of the program are financed in different ways. Part A benefits are financed primarily by a payroll tax (currently 2.9 percent of taxable earnings), the revenues from which are credited to the HI Trust Fund. For Part B, premiums paid by beneficiaries cover about one-quarter of outlays, and the Treasury General Fund covers the rest. (Payments to private insurance plans under Part C are financed by a blend of funds from Parts A and B.) Enrollees' premiums under Part D are set to cover about one-quarter of the cost of the basic prescription drug benefit, although many low-income enrollees receive larger subsidies; general funds cover most of the remaining cost.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$510 billion in budget authority and \$510 billion in outlays in fiscal year 2013. Discretionary spending is \$6.7 billion in budget authority and \$6.6 billion in outlays in fiscal year 2013. Mandatory spending in 2013 is \$503 billion in budget authority and \$503 billion in outlays. The 10-year totals for budget authority and outlays are \$6.5 trillion and \$6.5 trillion respectively.

### **Illustrative Policy Options**

The Medicare program attempts to do two things to make sure that all seniors have secure, affordable health coverage. First, the program pools risk among a specific population of Americans, ensuring that seniors enjoy *secure* access to coverage. The policies supported by this budget strengthen and enhance this aspect of Medicare so seniors will have more health-care choices within the same stabilized risk pool.

Second, Medicare subsidizes coverage for seniors to ensure that coverage is *affordable*. Affordability is a critical goal, but the subsidy structure of Medicare is fundamentally broken and drives costs in the wrong direction. The open-ended, blank-check nature of the Medicare subsidy fuels health care inflation, threatens the solvency of the program, and creates inexcusable levels of waste in the system.

While the committees of jurisdiction will make the final determinations on specific Medicare reforms, the options described below offer one clear and reliable path toward solvency.

#### PREMIUM SUPPORT

In the Medicare system, the Federal Government—not the patient—is the customer; and the government has been a clumsy, ineffective steward of value. Controlling costs in an open-ended fee-for-service system has proved impossible to do without limiting access or sacrificing quality. Over the program’s entire history, in a vain attempt to get control of the waste in the system, Washington has made across-the-board payment reductions to providers without regard to quality or patient satisfaction. It has not worked. Costs have continued to grow, seniors continue to lose access to quality care, and the program remains on a path to bankruptcy. Absent reform, Medicare will be unable to meet the needs of current seniors and future generations.

Reform aimed at empowering individuals—with a strengthened safety net for the poor and the sick—will not only ensure the fiscal sustainability of this program, the Federal budget, and the U.S. economy, but also guarantee that Medicare can fulfill the promise of health security for America’s seniors.

The Medicare reform envisioned in this budget resolution begins with a commitment to keep the promises made to those who now are in or near retirement. Consequently, for those 55 and older, the Medicare program and its benefits will remain as they are, without change.

For future retirees, the budget supports an approach known as “premium support.”

Starting in 2023, seniors (those who first become eligible by turning 65 on or after January 1, 2023) would be given a choice of private plans competing alongside the traditional fee-for-service Medicare program on a newly created Medicare Exchange. Medicare would provide a premium-support payment either to pay for or offset the premium of the plan chosen by the senior, depending on the plan’s cost.

The Medicare recipient of the future would choose, from a list of guaranteed coverage options, a health plan that best suits his or her needs. This is not a voucher program; a Medicare premium-support

payment would be paid, by Medicare, directly to the plan or the fee-for-service program to subsidize its cost. The program would operate in a manner similar to that of the Medicare prescription drug benefit. The Medicare premium-support payment would be adjusted so that the sick would receive higher payments if their conditions worsened; lower-income seniors would receive additional assistance to help cover out-of-pocket costs; and wealthier seniors would assume responsibility for a greater share of their premiums. Also starting in 2023, the age of eligibility for Medicare would begin to rise gradually to correspond with Social Security's retirement age.

This approach to strengthening the Medicare program—which is based on a long history of bipartisan reform plans—would ensure security and affordability for seniors now and into the future. It would set up a carefully monitored exchange for Medicare plans. Health plans that chose to participate in the Medicare Exchange would agree to offer insurance to all Medicare beneficiaries, to avoid cherry-picking and ensure that Medicare's sickest and highest-cost beneficiaries receive coverage.

While there would be no disruptions in the current Medicare fee-for-service program for those currently enrolled or becoming eligible in the next 10 years, all seniors would have the choice to opt-in to the new Medicare program once it began in 2023. This budget envisions giving seniors the freedom to choose a plan best suited for them, guaranteeing health security throughout their retirement years. It would also expand that freedom to non-retirees by giving certain employers the option to offer their employees a free choice option, smoothing the transition from their working years to when seniors become Medicare-eligible. This would enable workers to devote their employer's health coverage contribution to the purchase a health insurance plan that works best for them.

This reform also ensures affordability by fixing the currently broken subsidy system and letting market competition work as a real check on widespread waste and skyrocketing health care costs. Putting patients in charge of how their health care dollars are spent will force providers to compete against each other on price and quality.

#### ADDITIONAL IMPROVEMENTS IN THE MEDICARE PROGRAM

*A Long-Term “Doc Fix.”* In recent years, Medicare’s physician reimbursement formula—the “sustained growth rate” [SGR]—has threatened steep reductions in payments, leaving doctors uncertain about their incomes and, in some cases, reluctant to take on additional Medicare patients. Congress has patched over the problem numerous times with ad hoc increases in reimbursements—a practice known as the “doc fix.” These measures have become increasingly expensive to taxpayers without stabilizing the program. 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. It provides for a reimbursement system that fairly compensates physicians who treat Medicare beneficiaries while providing incentives to improve quality and efficiency.

*Ending the Raid on the Medicare Trust Fund.* Supporters of the 2010 government takeover of health care insisted the law would both shore up the Medicare Trust Fund and pay for a new health care entitlement program. In testimony before the Committee, Medicare’s chief actuary stated the truism that the same dollar could not be used twice. This budget calls for directing any potential Medicare savings in current law toward shoring up Medicare, not paying for new entitlements. The budget also urges repeal of the health care law’s new rationing board (the Independent Payment Advisory Board), in addition to stabilizing plan choices for current seniors.

*Medical Liability Insurance Reform.* This budget also advances common-sense curbs on abusive and frivolous lawsuits. Medical lawsuits and excessive verdicts increase health care costs and result in reduced access to care. When mistakes happen, patients have a right to fair representation and fair compensation. But the current tort litigation system too often serves the interests of lawyers while driving up costs. 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**

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### **Function Summary**

The welfare reforms of the late 1990s are a success story of modern domestic policy, but they did not go as far as many think. Reformers were not able to extend their work beyond cash welfare to other means-tested programs. Notably, programs that subsidize food and housing for low-income Americans remain dysfunctional, and their explosive growth is threatening the overall strength of the safety net. If the government continues running trillion-dollar deficits and experiences a debt crisis, the poor and vulnerable will undoubtedly be the hardest hit, as the Federal Government's only recourse will be severe, across-the-board cuts.

Most of the Federal Government's income-support programs are included in Function 600, Income Security. These include: general retirement and disability insurance (excluding Social Security)—mainly through the Pension Benefit Guaranty Corporation [PBGC]—and benefits to railroad retirees. Other components are Federal employee retirement and disability benefits (including military retirees); unemployment compensation; low-income housing assistance, including Section 8 housing; food and nutrition assistance, including food stamps and school lunch subsidies; and other income security programs.

This last category includes: Temporary Assistance to Needy Families [TANF], the Government's principal welfare program; Supplemental Security Income [SSI]; spending for the refundable portion of the Earned Income Credit [EIC]; and the Low Income Home Energy Assistance Program [LIHEAP]. Agencies administering these programs include the Departments of Agriculture, Health and Human Services, Housing and Urban Development, the Social Security Administration (for SSI), and the Office of Personnel Management (for Federal retirement benefits).

### **Summary of Committee-Reported Resolution**

The resolution calls for \$517.1 billion in budget authority and \$516.8 billion in outlays in fiscal year 2013. Discretionary spending is \$59.9 billion in budget authority and \$63.9 billion in outlays in fiscal year 2013. Mandatory spending in 2013 is \$457.2 billion in budget authority and \$452.9 billion in outlays. The 10-year totals for budget authority and outlays are \$4.9 trillion and \$4.8 trillion, respectively.



While the Committee recommendation is a disciplined budget that will require committees of jurisdiction and agencies to set priorities and achieve efficiencies, it does not take the arbitrary approach that will result from the Budget Control Act's sequester. The House Republican budget replaces the sequester. If not replaced, staff estimates show that this function would be reduced by another \$4.7 billion below the committee recommendation in fiscal year 2013.

### **Illustrative Policy Options**

Reforming the Federal Government's income security programs can both strengthen the safety net and protect taxpayers. Among reforms that could be considered by the committees of jurisdiction are the following.

#### DISCRETIONARY SPENDING

*Reduce Spending on the Low Income Home Energy Assistance Program [LIHEAP].* This budget assumes the same level of funding for LIHEAP in President Obama's fiscal year 2013 budget request. This saves approximately \$500 million in budget authority for fiscal year 2013.

#### MANDATORY SPENDING

*Block Grant the Supplemental Nutrition Assistance Program [SNAP].* Spending on SNAP—formerly known as the Food Stamp Program—has increased dramatically over the past three years. SNAP spending grew from \$20.6 billion in 2002 to nearly \$40 billion in 2008, and is projected to be over \$80 billion in 2012. While the increase between 2008 and 2012 is partially due to the recession, SNAP spending is forecast to be permanently higher than previous estimates even after employment has recovered. A variety of factors are driving this growth, but one major reason is that while the States have the responsibility of administering the program, they have little incentive to ensure it is well run.

The budget resolution envisions converting SNAP into an allotment tailored for each State's low-income population, indexed for inflation and eligibility. This option would make no changes to SNAP until 2016—after employment has recovered—providing States with time to structure their own programs. It would also 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. This proposal is estimated to save \$122.5 billion over 10 years.

*Eliminate Broad-Based Categorical Eligibility.* Broad-based categorical eligibility allows for households to be made eligible through receiving a minimal Temporary Assistance for Needy Families [TANF] fund benefit or service. Typically, an individual is made eligible by receiving a TANF brochure or being referred to a social services “800” telephone number. This allows individuals to qualify for SNAP benefits under less restrictive criteria. For example, 40 states currently have no asset test for receiving SNAP benefits.

*Eliminate Abuse of LIHEAP:* The Low Income Home Energy Assistance Program [LIHEAP] provides low-income families with help to pay heating bills. However, many states are providing families with \$1.00 in LIHEAP benefits in order to increase SNAP benefits (see “Categorical Eligibility” above). This proposal would eliminate that abuse.

*Reform Civil Service Pensions.* In keeping with a recommendation from the National Commission on Fiscal Responsibility, this option calls for Federal employees—including Members of Congress and staff—to make greater contributions toward their own retirement. It would also eliminate the ability for individuals to receive a “special retirement supplement,” which pays Federal employees the equivalent of their Social Security benefit at an earlier age. As the Office of Personnel Management states on its website, this benefit is “unique” to the Federal Employee Retirement System. This would achieve significant budgetary savings and also help facilitate a transition to a defined contribution system for new Federal employees that would give them more control over their own retirement security. From a fiscal responsibility standpoint, this option would replace a system that is creating unfunded future liabilities for taxpayers with a fully funded system: it could save an estimated \$112.7 billion over 10 years.

*Conform Railroad Retirement Tier 1 Benefits to Social Security Benefits.* Tier 1 benefits for railroad retirees are supposed to mimic Social Security benefits, but they are more generous than Social Security in many ways. This option would conform Tier 1 so that its benefits would equal those of Social Security, with an estimated savings to taxpayers of \$2 billion over 10 years.

*Reform the Pension Benefit Guaranty Corporation [PBGC].* Currently, the PBGC faces a \$26 billion unfunded liability. While this budget does not assume the President's proposal, it recognizes the need to reform the PBGC to ensure that a future taxpayer funded bailout does not occur. Potential savings could total an estimated \$8.34 billion over 10 years.

*Eliminate the Failed Troubled Asset Relief Program [TARP] Housing Subsidies.* This resolution supports jettisoning the loan subsidy initiative, Home Affordable Modification Program [HAMP], created by the Obama administration as part of TARP for homeowners delinquent on mortgage payments. While the program announced in early 2009 that it would help up to four million homeowners avoid foreclosure, since then it has made only 762,839 loan modifications permanent—just 19 percent of the target. Eliminating HAMP could save \$1.4 billion over 10 years.

*Unemployment Insurance.* This budget resolution 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. The previous expansions have increased UI benefits to 99 weeks—the longest that had ever been offered prior to this recession, and have been extended a record 11 times.

*Reform Supplemental Security Income.* Welfare programs typically pay benefits on a sliding scale. However, SSI is different, paying an average of \$600 for each and every child in a household that receives benefits. This reform would create a sliding scale for children on SSI. Advocates for the disabled have expressed support for creating a sliding scale for children on SSI in the past. For example, Jonathan Stein, a witness for the Democrats at an October 27, 2011 Ways and Means Subcommittee hearing said about this proposal in 1995: “(W)e have a long list of reforms that we do not have time to get into, but we would say for very large families there should be some sort of family cap or graduated sliding scale of benefits.” Providing SSI on a sliding scale would save \$3.5 billion over 10 years.

*Reform Means-Tested Entitlements.* Congress should act to reform means-tested entitlements. These programs have grown rapidly over the past 10 years, and Congress should cap these programs and begin devolving them to the States. This would build upon the historic progress of bipartisan welfare reform in the late 1990s. These reforms transformed cash welfare by encouraging work, limiting the duration of benefits, and giving states more control over how money was being spent. The TANF

reforms of the old Aid for Families with Dependent Children cut welfare caseloads in half as poverty rates declined.

## FUNCTION 650: SOCIAL SECURITY

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### Function Summary

This category consists of the Social Security Program, or Old Age, Survivors, and Disability Insurance [OASDI]. It is the largest budget function in terms of outlays and provides funds for the Government's largest entitlement program. Under provisions of the Congressional Budget Act and the Budget Enforcement Act, Social Security trust funds are considered to be off-budget. But a small portion of spending within Function 650—including general fund transfers of taxes paid on Social Security benefits—is on-budget. Therefore, although the discussion below describes both the on-budget and off-budget components, the budget resolution itself contains only the on-budget portion.

Social Security must be reformed to prevent severe cuts in future benefits. This budget strengthens the program by establishing a requirement that policymakers come to the table and enact common-sense reforms to keep the program solvent for current beneficiaries and make it stronger for future generations.

The President's Commission on Fiscal Responsibility and Reform put forward a proposal in December of 2010 to make Social Security *sustainably* solvent over the 75-year actuarial period that is used to measure the soundness of the program—demonstrating that there is a bipartisan way forward.

### Summary of Committee-Reported Resolution

Social Security contains both on-budget and off-budget spending—the latter consisting of benefit payments for the OASDI program. The budget resolution reflects only the on-budget spending. In that category, the resolution calls for \$53.2 billion in budget authority and \$53.3 billion in outlays in fiscal year 2013. Over 10 years, the on-budget totals are \$490.5 billion in budget authority and \$490.8 billion in outlays.

In the off-budget category, the resolution calls for \$769.0 billion in budget authority for fiscal year 2013 and \$765.5 billion in outlays for fiscal year 2013. Over 10 years, the off-budget totals are \$10.1 trillion in budget authority and \$10.1 trillion in outlays.

## **Illustrative Policy Options**

### FACING SOCIAL SECURITY'S FISCAL PROBLEM

An all-too-common reaction to the fiscal problem in Social Security has been denial that a problem exists. It is claimed that the Social Security Trust Fund will remain solvent for at least a decade, at which point the government could theoretically cover any shortfall by raising taxes. Others downplay the necessity for change, contending that sustained economic growth could take care of the problem all by itself.

Neither is correct. First, any value in the balances in the Social Security Trust Fund is derived from dubious government accounting. The trust fund is not a real savings account. From 1983 to 2011, it collected more Social Security taxes than it paid out in Social Security benefits. But the government borrowed all of these surpluses and spent them on other government programs unrelated to Social Security. The Trust Fund holds Treasury securities, but the ability to redeem these securities is completely dependent on the Treasury's ability to raise money through taxes or borrowing.

Beginning in 2011, Social Security started paying out more in benefits than it collected in taxes—in other words, running cash deficits—a trend that will worsen as the baby boomers continue to retire. To pay full benefits, the government must pay back the money it owes Social Security.

Those who wish to solve this problem by raising taxes ignore the profound economic damage that such large tax increases would entail. Just lifting the cap on income subject to Social Security taxes, as some have proposed, would, when combined with the Obama administration's other preferred tax policies, lift the top marginal tax rate above 50 percent. Most economists agree that raising marginal tax rates that high would create a significant drag on economic growth, job creation, productivity and wages.

Social Security's fragile condition poses a serious problem that threatens to break the broader compact in which workers support the generation preceding them, and earn the support of those who follow.

There is a bipartisan path forward on Social Security—one that requires all parties first to acknowledge the fiscal realities of this critical program. The President's Fiscal Commission made a positive first step by

advancing solutions to ensure the solvency of Social Security. They suggested a more progressive benefit structure, with benefits for higher-income workers growing more slowly than those of workers with lower incomes who are more vulnerable to economic shocks in retirement. The Commission also recommended reforms that take account of increases in longevity, to arrest the demographic problems that are undermining Social Security's finances.

In addition, there is bipartisan consensus that Social Security reform should provide more help to those who fall below the poverty line after retirement. There is no security in a program that is blind to the needs of the Nation's most vulnerable citizens—lower-income seniors should receive more targeted assistance than those who have had ample opportunity to save for retirement.

While certain details of the Commission's Social Security proposals, particularly on the tax side, are of debatable merit, the Commission undoubtedly made positive steps forward on bipartisan solutions to strengthen Social Security. This budget seeks to build on the Commission's important work, calling on action to solve this pressing problem by requiring the President to put forward specific ideas on fixing Social Security. The budget also puts the onus on Congress to offer legislation to ensure the sustainable solvency of this critical program.

#### STARTING THE PROCESS

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. Although the Committee on Ways and Means would make the final determination, this option would require that:

- If in any year the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, in its annual Trustees' Report, determines that the 75-year actuarial balance of the Social Security Trust Funds is in deficit, and the annual balance of the Social Security Trust Funds in the 75<sup>th</sup> year is in deficit, the Board of Trustees should, no later than the 30<sup>th</sup> of September of the same calendar

year, submit to the President recommendations for statutory reforms necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75<sup>th</sup> year.

- No later than the 1<sup>st</sup> of December of the same calendar year in which the Board of Trustees submits its recommendations, the President shall promptly submit implementing legislation to both Houses of Congress including recommendations necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75<sup>th</sup> year;
- Within 60 days of the President submitting legislation, the committees of jurisdiction to which the legislation has been referred shall report the bill which shall be considered by the full House or Senate under expedited procedures.

Again, the aim of this option is to force recognition of the need to save Social Security. This procedure offers a first step in that direction.



## **FUNCTION 700: VETERANS BENEFITS AND SERVICES**

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### **Function Summary**

This category includes funding for the Department of Veterans Affairs [VA], which provides benefits to veterans who meet various eligibility rules. Benefits range from income security for veterans, principally disability compensation and pensions; veterans education, training, and rehabilitation services; hospital and medical care for veterans; and other veterans' benefits and services, such as home loan guarantees.

The past two decades have seen extraordinary growth in the costs of providing benefits and services for the nation's 22 million veterans. The two largest categories of veterans spending are for income security and medical care. This growth occurred despite the declining size of the veterans population and reflects increased benefits legislated by Congress and the aging of the veterans population.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$134.6 billion in budget authority and \$135.2 billion in outlays in fiscal year 2013. This is an increase of 5 percent from last year's level. Discretionary spending is \$61.3 billion in budget authority and \$62.1 billion in outlays in fiscal year 2013. This resolution also provides for up to \$54.5 billion in advance appropriations for medical care, consistent with the Veterans Health Care Budget and Reform Transparency Act of 2009. Mandatory spending in 2013 is \$73.3 billion in budget authority and \$73.2 billion in outlays. The 10-year totals for budget authority and outlays are \$1.5 trillion and \$1.5 trillion, respectively. This is in line with the President's request.

This budget fully funds the Nation's commitment to the services and benefits earned by veterans through their selfless military service. Those who have served in harm's way have earned the gratitude of their countrymen and are the highest priority within this budget.

While the Committee does not assume any savings in Function 700, it notes the bipartisan support for certain mandatory savings proposals. These proposals include:

*Repeal Hartness v. Nicholson court decision.* In 2006, the Court of Appeals for Veteran Claims determined that age can be used to determine qualification for certain pension benefits rather than disability status. Addressing this judicial expansion of the scope of veterans benefits through legislation would clarify eligibility for pension benefits for veterans age 65 and over and reaffirm the original intention of the law: that disability status, and not age, determines eligibility for certain pension benefits. This policy proposal was included in the joint House and Senate Veterans' Affairs Committees' letter to the Joint Select Committee on Deficit Reduction [JSCDR] last year.

*COLA Round-down.* Another savings recommendation included in the joint House and Senate Veterans' Affairs Committees' letter to the JSCDR is to round down to the nearest dollar the annual cost of living adjustment [COLA] for veterans' disability compensation and dependency and indemnity compensation. This minor adjustment to compensation payments would have little impact, if any, on veterans and was also included in the President's fiscal year 2013 budget request.

*Slow the growth in VA contributions towards increasing tuition rates.* Veteran education benefits became significantly more generous following the 2008 passage of the Post-911 GI Bill. The Post-911 GI Bill covers veterans' tuition, fees, and textbook costs, in addition to providing a monthly living stipend. The rapidly increasing average cost of tuition nationwide—about 6 percent per year—is causing unexpected and considerable increases in education benefit spending.

Furthermore, there is strong evidence that uncapped federal student loan programs—both for veterans and for other populations—are enabling the rapid rise of tuition costs. As higher-education analyst Art Hauptman has written, “it is difficult to believe that colleges and universities could have increased their charges so rapidly over time without the ready availability of students' ability to borrow.”

Both the House and Senate Veterans' Affairs Committees proposed to the JSCDR that capping the annual increase in tuition support at 3 percent would lead to substantial savings and, by no longer enabling rapidly rising tuition, would not adversely impact veterans at all.

## **FUNCTION 750: ADMINISTRATION OF JUSTICE**

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### **Function Summary**

The Administration of Justice function consists of Federal law enforcement programs, litigation and judicial activities, correctional operations, and State and local justice assistance. Activities funded within this function include: the Federal Bureau of Investigation [FBI]; the Drug Enforcement Administration [DEA]; border and transportation security; the Bureau of Alcohol, Tobacco, Firearms and Explosives [ATF]; the United States Attorneys; legal divisions within the Department of Justice [DOJ]; the Legal Services Corporation; the Federal Judiciary; and the Federal Bureau of Prisons. This function also includes several components of the Department of Homeland Security.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$54.3 billion in budget authority and \$57.6 billion in outlays in fiscal year 2013. Discretionary spending is \$51.8 billion in budget authority and \$53.8 billion in outlays in fiscal year 2013. Mandatory spending in 2013 is \$2.4 billion in budget authority and \$3.9 billion in outlays. The 10-year totals for budget authority and outlays are \$579.4 billion and \$596.3 billion, respectively.

Spending in this function has increased by \$26.7 billion or an increase of 75 percent over the past decade. According to the Government Accountability Office [GAO], since fiscal year 2005, over \$30 billion has been disbursed to more than 200 DOJ programs authorized through three sources: Community Oriented Policing Services, the Office of Justice Programs, and the Office on Violence Against Women. The GAO has determined that many of these grants—several of which have been used to fund recreational activities, fashion shows, pool parties, and even doughnut-eating contests—could be viewed as wasteful, overlapping and duplicative.

With our nation facing dangerous terrorist threats as well as a tidal wave of debt, Federal taxpayer money for the Department of Justice should be focused on administering justice, arresting and prosecuting terrorists, investigating crimes, and seeking punishment for those guilty of unlawful behavior. It's the job of the States and communities to determine the best course of action in deterring crime. The budget

focuses on funding core government responsibilities and reducing duplication, excess, and unnecessary spending. While the Committee recommendation is a disciplined budget that will require committees of jurisdiction and agencies to set priorities and achieve efficiencies, it does not take the arbitrary approach that will result from the Budget Control Act's sequester. The House Republican budget replaces the sequester. If not replaced, based on staff estimates, this function would be reduced by another \$5.7 billion below the committee recommendation in fiscal year 2013.

### **Illustrative Policy Options**

As elsewhere, the committees of jurisdiction will make final policy determinations. The proposals below indicate policy options that might be considered.

#### DISCRETIONARY SPENDING

*Consolidate Justice Grants.* In 2010, DOJ awarded nearly \$3.9 billion in grants, including \$4.0 billion provided in the 2009 stimulus bill. The Congressional Research Service [CRS] and GAO identified overlap and duplication within many of these grant programs. CRS suggested “possible policy options could include altering the current grant programs to target funding for specific activities in each grant program or consolidating the different grant programs into one large program.” In addition, these grant programs address law-enforcement issues that are primarily state and local responsibilities. This option streamlines grants into three categories—first responder, law enforcement, and victims—while eliminating waste, inefficiency and bureaucracy.

*Adopt ‘YouCut’ Proposals.* The budget also supports several of the House Republican “YouCut” proposals introduced during the 111<sup>th</sup> and 112<sup>th</sup> Congresses. One proposal in Function 750 is the elimination of the duplicative National Drug Intelligence Center, which would save more than \$400 million over 10 years.

## **FUNCTION 800: GENERAL GOVERNMENT**

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### **Function Summary**

General government consists of the activities of the Legislative Branch; the Executive Office of the President; general tax administration and fiscal operations of the Department of the Treasury (including the Internal Revenue Service [IRS]); the Office of Personnel Management, and the real property and personnel costs of the General Services Administration; general purpose fiscal assistance to States, localities, the District of Columbia, and U.S. territories; and other general government activities.

Several programs in general government have seen steady growth since 2008. The American Recovery and Reinvestment Act increased the General Services Administration's budget by \$5.8 billion, for example. The President's 2013 budget requests significant increases for this function, boosting budget authority by 20 percent compared to 2008 levels.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$23.2 billion in budget authority and \$25.1 billion in outlays in fiscal year 2013. Discretionary spending is \$16.8 billion in budget authority and \$18.5 billion in outlays in fiscal year 2013. Mandatory spending in 2013 is \$6.3 billion in budget authority and \$6.6 billion in outlays. The 10-year totals for budget authority and outlays are \$239.6 billion and \$241.0 billion, respectively.

### **Illustrative Policy Options**

The resolution aims to eliminate identified waste across all Federal Government branches and agencies. Federal pay, benefits, and mismanagement of properties are just a few areas into which the government can look for savings that would reduce economic distortions harmful to the private sector. While the committees of jurisdiction will determine the actual policies in pursuit of these goals, the options below offer several potential approaches.

*Prohibit New Construction.* In fiscal year 2010, the government owned 77,700 properties which were either underutilized or not utilized at all, at

a cost of \$1.7 billion. This budget adopts the policy of the fiscal year 2011 continuing resolution, H.R. 1, to prohibit new construction for one year of government buildings managed by the General Services Administration.

*Adopt “YouCut” Proposals.* The budget also incorporates several of the House Republican “YouCut” proposals introduced during the 111<sup>th</sup> and 112<sup>th</sup> Congresses. One example in Function 800 is the elimination of the Presidential Election Campaign Fund, which saves over \$350 million over 10 years.

*Reduce Student Loan Repayment for Government Jobs.* As the Nation struggles with high unemployment and uncertainty in the private sector, taxpayer dollars go to fund Federal jobs that are not only insulated from market forces, but enjoy above-average pay and benefits, one of which is repayments of student loans. The budget calls for reducing this extra benefit that is not generally available in the private sector.

*Terminate the Election Assistance Commission [EAC].* This independent agency was created in 2002 as part of the Help America Vote Act to provide grants to States to modernize voting equipment. Its mission has been fulfilled. Even the National Association of Secretaries of State has passed resolutions stating that the EAC has served its purpose and funding is no longer necessary. EAC should be eliminated and any remaining valuable functions transferred to the Federal Election Commission.

*Accompany pro-growth tax reform with responsible reductions to the Internal Revenue Service [IRS].* Changes in the tax code are occurring at a rate of approximately one a day and the Internal Revenue Code now contains approximately four million words. Each year, taxpayers and businesses spend an unbelievable six billion hours complying with filing requirements. This resolution calls for simplifying the burdensome tax code, naturally reducing the agency’s size by promoting policies that lead to less reliance on the IRS.

## **FUNCTION 900: NET INTEREST**

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### **Function Summary**

One of the worst effects of large, chronic budget deficits is the high interest cost it produces. Interest payments yield no government services or benefits; they are simply excess costs resulting from a history of spending beyond the government's means. These costs are reflected in Function 900, which presents the interest paid for the Federal Government's borrowing less the interest received by the Federal Government from trust fund investments and loans to the public. It is a mandatory payment, with no discretionary components.

For the past three years, the Federal Government has run deficits in excess of \$1 trillion, and despite some discretionary spending reductions since the beginning of the 112<sup>th</sup> Congress, the Federal budget is on track for another year with a deficit above \$1 trillion. Because much of this spending is so deeply entrenched, reducing the associated interest costs will require sustained spending restraint. This budget resolution does so—and it reduces net interest by \$514 billion over 10 years compared with the President's budget.

### **Summary of Committee-Reported Resolution**

The resolution calls for \$234.2 billion in mandatory budget authority and outlays in fiscal year 2012. The 10-year totals for budget authority and outlays are \$4.26 trillion.

On-budget mandatory budget authority and outlays are \$344.4 billion in fiscal year 2013, and \$5.32 trillion over 10 years. The on-budget figures are larger than the function totals because the former are offset by off-budget interest payments to the Social Security Trust Fund, which are reflected as negative numbers.

Off-budget mandatory budget authority and outlays are -\$110.2 billion in fiscal year 2013, and -\$1.06 trillion over 10 years.

## **FUNCTION 920: ALLOWANCES**

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### **Function Summary**

Function 920 represents a category called “allowances” that captures the budgetary effects of cross-cutting proposals or contingencies that impact multiple functions rather than one specific area of the budget. It also represents a place-holder category for any budgetary impacts that the Congressional Budget Office [CBO] has yet to assign to a specific budget function. CBO typically reassigns the budgetary effects of any legislation enacted within Function 920 once a new baseline update is released.

### **Summary of Committee-Reported Resolution**

In August 2011, Congress enacted the Budget Control Act of 2011 [BCA] (P.L. 112-25) that provided for significant spending reductions enforced by statutory spending caps and an automatic sequestration process. The BCA did not specify a distribution of spending reductions in specific budget functions other than defense (Function 050) and Medicare (Function 570). The law, however, did require reductions in non-defense and non-Medicare areas of the budget. At the time that the March 2012 baseline was released, CBO did not have account-level information on what non-defense and non-Medicare accounts the administration had determined were exempt from reduction under the terms of the BCA. CBO, therefore, has assigned the non-defense and non-Medicare reductions required by the BCA to Function 920.

The CBO baseline for Function 920 includes a total of \$689 billion and \$629 billion in reductions for budget authority and outlays, respectively, to reflect the impact of the BCA on non-defense and non-Medicare spending. The following four components are included in the baseline:

1. A \$265 billion and \$235 billion reduction in non-defense budget authority and outlays, respectively, needed to comply with the discretionary spending caps set by the BCA in section 101(c).
2. An additional \$362 billion and \$336 billion reduction in total non-defense budget authority and outlays, respectively, needed to comply with the automatic sequester provision and revised discretionary spending caps under Section 302 of the BCA.



3. A \$15 billion and \$11 billion reduction in discretionary budget authority and outlays, respectively, for disaster-relief-designated spending not subject to the BCA spending caps. Under CBO's normal scoring conventions, the discretionary baseline reflects the most recently enacted discretionary level adjusted for inflation in the out years. Section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act, as amended by the BCA, however, limits upward adjustments in spending limits for disaster-relief-designated spending to the 10-year rolling average of previous disaster-relief-designated spending (excluding the highest and lowest years in calculating that average). CBO has estimated that a discretionary baseline carrying an inflated level of disaster spending, as provided for in the Consolidated Appropriations Act of 2012 (P.L. 112-74), would result in disaster-relief spending levels greater than the rolling average limit set forth in the BCA. Therefore, CBO has added a downward adjustment in Function 920 to reduce disaster relief-designated spending in its baseline to comply with the BCA limit.
4. A \$46 billion reduction in both budget authority and outlays to non-Medicare and non-defense mandatory programs necessary to comply with the terms of the BCA.

### **Illustrative Policy Options**

*Reconciliation and Sequester.* This budget resolution assumes all savings called for by the BCA will, in fact, be realized. The budget, however, replaces the BCA's fiscal year 2013 automatic sequester process for discretionary programs and its arbitrary across-the-board reductions in these programs with a more strategically sensible policy that meets the primary responsibility of government—the common defense, as well as other priorities. Accordingly, it achieves these savings through non-defense discretionary and mandatory savings that will be achieved through the reconciliation process.

For fiscal year 2013, the CBO baseline projects the BCA sequester would reduce non-defense discretionary budget authority and outlays by \$43 billion and \$23 billion, respectively. The budget replaces the non-defense discretionary savings assumed in Function 920 for fiscal year 2013 with specific spending reductions in other functions while leaving

the mandatory spending reductions in Function 920 in place. For fiscal years 2014 and beyond, the budget abides by the lower total discretionary and mandatory spending caps enacted as part of the BCA. In this way, the budget ensures that all of the remaining savings called for by the BCA will be achieved either through future policy decisions or the automatic enforcement procedures of the BCA.

*Federal Employee Pay Freeze and Attrition.* The budget assumes cumulative discretionary savings of \$256 billion over 10 years by extending a freeze in federal employee pay that began in 2011 for three more years through 2015 and assuming a reduction in the federal civilian workforce through attrition whereby the administration would be permitted to hire one employee for every three that leave government service. Agencies involved in national security would be exempt from any limitation on hiring.

*Adjustment for Disaster-Spending Plug in the CBO Baseline.* The budget assumes that any future disaster-relief-designated spending will be fully offset within the discretionary levels provided in this resolution. Accordingly, the budget does not assume the extension of the disaster funding enacted last year and the upward adjustment in the BCA's spending caps for subsequent years, and it reflects the removal of this spending. Over 10 years, the budget includes savings of \$101 billion in budget authority and \$91 billion in outlays by assuming that any future disaster funding is accommodated within the caps.

The impact of removing CBO's disaster-relief-designated spending adjustment included in the Function 920 baseline is \$15 billion and \$11 billion in budget authority and outlays, respectively.

*Elimination of Student Loan Repayment for Government Employees.* The budget assumes cumulative discretionary savings over 10 years of \$800 million in budget authority and \$670 million in outlays by eliminating the repayment by the government of student loans for government employees.

*Program Integrity.* The budget assumes that program integrity funding is accomplished within existing BCA cap levels for fiscal year 2013 through fiscal year 2021. By providing full funding for anti-fraud and other program integrity programs, this saves, on net, \$11.8 billion.

## **FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS**

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### **Function Summary**

This function consists of offsetting receipts to the Treasury, which are recorded as negative budget authority and outlays. Receipts recorded in this function are either intrabudgetary (a payment from one Federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some kind of business transaction with the government). The main types of receipts recorded in this function are: the payments Federal employees and agencies make to employee retirement trust funds; payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf, and payments by those who bid for the right to buy or use public property or resources, such as the electromagnetic spectrum. The function also contains an off-budget component that reflects the Federal Government's share of Social Security contributions for Federal employees.

### **Summary of Committee-Reported Resolution**

The resolution calls for -\$100.6 billion in budget authority and outlays in fiscal year 2013 (with the minus sign indicating receipts into the Treasury). Over 10 years, budget authority and outlays total -\$1.139 trillion.

On-budget amounts are -\$84.7 billion in budget authority and outlays in fiscal year 2012, and -\$954.3 billion in budget authority and outlays over 10 years.

Off-budget amounts are -\$15.8 billion in budget authority and outlays in fiscal year 2013, and -\$185.3 billion in budget authority and outlays over 10 years.

### **Illustrative Policy Options**

*Federal Fleet Sales.* The President's Fiscal Commission recommended several ways to achieve discretionary savings. This resolution adopts many of their proposals, such as reducing the Federal auto fleet by 20 percent, excluding the Department of Defense and the U.S. Postal Service. In 2010, the Federal Government reported a worldwide

inventory of more than 662,000 vehicles and spent \$4.6 billion on its fleet. In addition, the 2009 stimulus bill provided \$300 million to “green the Federal fleet” by purchasing 17,205 vehicles—most of which became another back-door bailout for General Motors and Chrysler.

This resolution builds on the Fiscal Commission’s recommendation by proposing to sell a portion of the Federal fleet to reduce the deficit and to get rid of unneeded vehicles, saving hundreds of millions of dollars.

*Federal Real Property Sales.* The Fiscal Commission highlighted potential budget savings from another area where the mismanagement of taxpayer-owned assets and sheer amount of waste are staggering: Federal real estate and other property. The Federal real property inventory is so massive that the report accounting for it lags two years behind the current budget year. The most recent General Services Administration’s *Federal Real Property Report* is from fiscal year 2010 and summarizes data from 2009. With such large timing differences and accompanying confusion, there is very little incentive for agencies to dispose of unneeded properties and very few repercussions from holding onto these properties indefinitely. The Federal Government owns, leases, or manages 1.1 million properties nationwide. Of those, non-defense buildings accounted for at least 400,000 of the total. Yet the government’s track record for real estate asset sales has been poor.

In 2009, Federal agencies received only about \$50 million in proceeds from the sale of 2,228 assets—an average of \$22,500 per property. Many buildings were simply given away as below-market-value bargains or even for free. On top of that, agencies reported spending \$150 million in 2009 on the operating costs alone of properties that were already deemed to be unneeded and were waiting to either be sold or disposed.

This resolution supports the Office of Management and Budget’s continued advocacy of streamlining the asset sale process; loosening regulations for the disposal and sale of Federal property to eliminate red tape and waste; setting enforceable targets for asset sales; and holding government agencies accountable for the buildings they oversee. If done correctly, taxpayers can recoup billions of dollars from selling unused government property.

*Federal Land.* In addition to Federal fleet and real property sales, this resolution supports examining Federal land to see where cost savings can be achieved by selling unneeded acreage in the open market while

simultaneously protecting land considered a national treasure, such as the 84 million acres managed by the National Park Service. Currently, the Federal Government owns 650 million acres of land—almost 30 percent of the land area of the United States.

## **FUNCTION 970: GLOBAL WAR ON TERRORISM AND RELATED ACTIVITIES**

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### **Function Summary**

This function includes funding for prosecution of the global war on terrorism [GWOT] and other closely related activities.

### **Summary of Committee-Reported Resolution**

This resolution calls for \$96.7 billion in budget authority and \$51.1 billion in new outlays in fiscal year 2013. This includes amounts equal to the President's request to account for any future House consideration of appropriations for the global war on terrorism and other activities. This function accommodates all of the funding requested by the Department of Defense for military operations and by the Department of State for the incremental, non-enduring civilian activities in Afghanistan, Pakistan, and Iraq. The funding budgeted in this function is not to be used as a reserve fund for other non-war activities.

*Defense Activities.* This resolution assumes \$88.5 billion for the military activities of the Department of Defense related to Afghanistan and Iraq.

Given the complete withdrawal of U.S. military forces from Iraq at the end of 2011, the funding requested for Iraq is solely for the purpose of providing security assistance and cooperation with Iraqi security forces. As the U.S.-Iraq relationship transitions to a more normal state-to-state relationship, the funding for these activities should also transition to the base budget. It is our expectation that these activities will not be funded on a permanent basis outside the appropriate agency budgets.

For Afghanistan, the budget request assumes average troop levels of 68,000 personnel as requested by the Department of Defense. This troop level is expected to be achieved by September 2012, a month before the start of fiscal year 2013. Defense Secretary Panetta has recently stated that Afghan security forces could assume lead responsibility for providing security during 2013, which suggests that the assumed force level may well be in excess of the levels that will be realized. Uncertainty is an inherent element of warfare, but the troop level assumption on which this budget request was built would seem to provide a cushion to offset the President's proposed cuts in the base

defense budget. On top of this, the President's request also shifts all compensation costs for nearly 65,000 soldiers and marines from the base budget to the war budget. Viewed together, it appears that the administration is attempting to ameliorate the effects of its precipitous cuts in the defense budget by hiding costs in the uncapped war budget. Any such effort abuses Congress's efforts to fully budget for the war's extraordinary expenses and not allow these funds to be used for other purposes.

*Civilian Activities.* This resolution assumes \$8.2 billion for the activities of civilian agencies—primarily the State Department and the U.S. Agency for International Development—as part of the integrated civil-military strategy for securing American objectives in the frontline states.

Of this total, \$4 billion will be used for the civilian presence in Iraq to continue the transition process. The majority of Iraq GWOT funding will support diplomatic operations and military assistance programs recently transitioned from the Department of Defense.

This budget also assumes a full year of operations funding for the Police Development Program [PDP] which trains Iraqi Security Forces to administer and sustain policing operations and provide for Iraq's internal security. The Special Inspector General for Iraq Reconstruction [SIGIR] has raised concerns regarding PDP's effectiveness and the transparency of program spending. SIGIR notes that only 12 percent of program funds will be used for the program's purpose—advising and developing Iraqi police forces—while the majority of the budget (88 percent) will fund security and life support. Assessing whether outputs of this program justify the substantial financial inputs needs to be further investigated. SIGIR also cites the State Department's failure to provide sufficient details on program costs, budgets, and measurements of performance outcomes. The State Department needs to respond to these concerns and ensure transparency and accountability of costs for PDP in the future.

As the U.S. relationship with Iraq transitions to a more normal state-to-state relationship, future funding for U.S. operations in that country should also shift to the base budget.

For Afghanistan, this budget assumes \$3.2 billion to support U.S. civilian-led efforts to transfer security and governance responsibilities to the Afghans, in addition to providing foreign assistance programs that promote economic development and improve governance capacity. This

budget also includes funding for counternarcotics and criminal justice programs. All of these efforts are in support of the U.S. counterinsurgency strategy in Afghanistan.

In order to succeed in Afghanistan, the United States must continue partnering with Pakistan to counter the spread of extremism, which threatens America and the world. Approximately \$1 billion is provided for the Pakistan Counterinsurgency Capability Fund, which builds the capacity of Pakistan's security forces to effectively combat terrorism within its borders.



## REVENUE

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Led by House Ways and Means Committee Chairman Dave Camp of Michigan, this budget advances a framework that calls for an American tax system that is simple, efficient and fair to promote innovation and sustained job creation in the private sector.<sup>1</sup>

The House Ways and Means Committee held more than a dozen hearings devoted to tax reform last year. Last October, Chairman Camp formally released an international tax reform discussion draft, with proposals designed to boost competitiveness and job creation in the United States. This budget reflects the progress that has been made over the past year by the House Ways and Means Committee, and calls for continued leadership to advance tax reform in the year ahead.

This budget starts with the proposition that first, Congress must do no harm. It assumes that Congress will not allow massive, across-the-board tax increases to hit the economy in 2013. This budget then attacks complexity, unfairness, and inefficiency in the tax code with a set of fundamental reforms designed to lower tax rates, broaden the tax base, and reform the U.S. international tax rules, while getting rid of distortions, loopholes and preferences that divert economic resources from their most efficient uses.

Following the unveiling of a principled approach to tax reform in last year's budget resolution, an overwhelming consensus has emerged that the country is in dire need of reform that lowers rates, broadens the tax base, and addresses global competitiveness. After three years, the administration also has begun to recognize the need for tax reform. The outline for corporate tax reform released by the administration in February, however, falls woefully short: the rates are too high; the tax base is too narrow (and used as a tool to provide political favors); and the international reforms are anti-competitive.

By contrast, the principles of reform outlined in this budget ensure a simpler, fairer tax code not just for large corporations but for small businesses and American families as well. Unlike the administration's plan, it improves the competitiveness of American workers and businesses in the global economy. America's trading partners have

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<sup>1</sup> See also, following this section of the report, the *Views and Estimates* letter from the Committee on Ways and Means that was signed by every Republican on the Committee.

already reformed their tax systems to provide their companies with a competitive advantage. Competing in a 21<sup>st</sup> century global economy requires that America do the same.

### **Simplifying the Tax Code and Promoting Job Creation and Economic Growth**

Major proposals in this area are:

- Reject the President's call to raise taxes.
- Consolidate the current six individual income tax brackets into just two brackets of 10 and 25 percent.
- Reduce the corporate rate to 25 percent.
- Repeal the Alternative Minimum Tax.
- Broaden the tax base to maintain revenue at the appropriate level designated by this budget resolution for the next 10 years, and at a share of the economy consistent with historical norms of 18 to 19 percent in the following decades. These are levels compatible with growth, and—if the spending restraints in this budget are enacted—sufficient to fund government operations over time.
- Shift from a “worldwide” system of taxation to a “territorial” tax system that puts American companies and their workers on a level playing field with foreign competitors and ends the “lock-out effect” that discourages companies from bringing back foreign earnings to invest in the United States.

In 1981, President Ronald Reagan inherited a stagnant economy and a tax code that featured 16 brackets, with a top rate of 70 percent. When he left office in 1989, the tax code had been simplified down to just three brackets, with a top rate of 28 percent. Reagan's tax reforms proved to be a cornerstone of the unprecedented economic boom that occurred in the decade during his presidency and continued in the decade that followed.

Over time, additional brackets, credits, carve-outs and lobbyist loopholes have undone the simpler and fairer tax code ushered in by the 1986 tax reform. In the last 10 years alone, there have been nearly 4,500 changes made to the tax code. The current version for individuals has six

brackets, with a top rate of 35 percent (which is set to climb to over 40 percent after the end of 2012, when hidden rates are considered). Individuals react negatively toward the tax code partly because it is complex and attempts to steer them toward certain activities and away from others. In addition, there are always a few “surprises” that end up raising their tax bills. One such surprise—the Alternative Minimum Tax (AMT)—was initially designed to hit only the very highest-income taxpayers but now ensnares a growing number of middle-class households because of a flawed design.

This budget affirmatively rejects President Obama’s efforts to raise tax rates on small businesses and investors and to add new loopholes to the tax code for favored interests. Economic theory and analysis show that increasing marginal tax rates—tax increases that reduce incentives to work, save and invest that next dollar of income—reduces economic output. By contrast, reductions in marginal tax rates increase output, mainly by letting people keep more of each dollar they earn and thereby strengthening incentives to work, produce, and invest in the future. The House plan both realizes the job-promoting benefits of lower rates and ensures these reductions are revenue neutral through base broadening.

Unlike President Obama’s proposal, the House plan would not penalize the nearly three quarters of America’s small businesses that file taxes as individuals by imposing higher individual rates that make it harder for these vital enterprises to compete. As President Obama repeatedly says, small businesses have been responsible for two-thirds of the jobs created in the United States over the past 15 years, yet he often neglects to point out that roughly 50 percent of small-business profits are taxed at the top two individual tax rates. Raising these rates means increasing taxes on the most successful job creators.

Raising taxes on capital is another idea that purports to affect the wealthy but actually hurts all participants in the economy. Mainstream economics, not to mention common sense, teaches that raising taxes on any activity generally results in less of it. Economics and common sense also teach that the size of a nation’s capital stock—the pool of saved money available for investment and job creation—has an effect on employment, productivity, and wages. Tax reform should promote savings and investment because more savings and more investment mean a larger stock of capital available for job creation. That means more jobs, more productivity, and higher wages for all American workers.

The negative effects of high tax rates on work, savings and investment are compounded when a large mix of exemptions, deductions and credits are added to the system. These tax preferences are similar to government spending—instead of markets directing economic resources to their most efficient uses, the government directs resources to politically favored uses, creating a drag on economic growth and job creation.

In the worst cases, these tax subsidies literally take the form of spending through the tax code, because they take taxes paid by hardworking Americans and issue government checks to individuals and corporations who do not owe any taxes at all. In fact, President Obama's corporate tax "reform" framework would expand this practice by transferring taxes paid by middle-income Americans to the pockets of politically favored industries.

Eliminating large tax subsidies would not be for the purpose of increasing total tax revenues. Instead, when offset by lower rates, it would have a doubly positive impact on the economy—it would stop diverting economic resources to less productive uses, while making possible the lower tax rates that provide greater incentives for economic growth.

There is an emerging bipartisan consensus for tax reform that lowers tax rates, broadens the tax base, and promotes growth and job creation. President Reagan's tax reforms inaugurated an era of great prosperity. It is time to build upon his leadership and advance a fundamental reform of the broken tax code as a critical step in rebuilding the foundations for economic growth: spending restraint, reasonable and predictable regulations, sound money, and a simple tax code with low rates.

The Honorable Paul Ryan  
Chairman  
Committee on the Budget  
207 Cannon House Office Building  
Washington, DC 20515

Dear Mr. Chairman:

Last year's budget resolution provided the initial outlines of the Ways & Means Committee's agenda for tax reform. The Committee intends to build on the significant work it undertook over the last year to advance tax reform and believes that the Budget Resolution for Fiscal Year 2013 should reflect the progress that has been made and the work the Committee intends to undertake this year. Therefore, the Committee is expanding on the discussion of tax reform contained in the Budget Resolution for Fiscal Year 2012. The Committee is transmitting the attached paper as our recommendation for inclusion in the Budget Resolution for Fiscal Year 2013.

Sincerely,

## **PRO-GROWTH TAX REFORM**

The American tax system should be simple, efficient and fair to promote innovation and sustained job creation in the private sector. The current U.S. tax code fails on all these fronts. The system is notoriously complex, as individuals, families and employers spend over six billion hours and over \$160 billion per year trying to negotiate a labyrinth of deductions and credits, a tangle of different rules for characterizing income, and a variety of schedules for taxing that income. Simply put, the code is too costly and too burdensome and is hindering job creation.

The U.S. tax system is highly inefficient, as tax considerations rather than economic fundamentals often distort individual decisions to work, save, and invest, which leads to slower economic growth. For example, on April 1, 2012, the United States will achieve the dubious distinction of having the highest corporate tax rate (federal and state combined) in the developed world – a factor that discourages employers and investors from locating in the United States. Furthermore, the United States has become an outlier in that it still uses a “worldwide” system of taxation. That system has not been substantially reformed in 50 years – when the United States accounted for half of global economic output and had no serious competitors around the world. This combination of the highest corporate tax rate with an antiquated “worldwide” system subjects American companies to double taxation when they attempt to compete with foreign companies in overseas markets and then reinvest their earnings in the United States.

The code is also patently unfair. It is littered with lobbyist loopholes that benefit narrow special interests. Washington should not be in the business of picking winners and losers based on which industry is politically popular or powerful. Nor should two families in similar circumstances pay very different tax bills based on which has the better accountant. A tax code that leads to such results violates the fundamental American principle of equal justice.

This budget starts with the proposition that first, Congress must do no harm. It assumes that Congress will not allow massive, across-the-board tax increases to hit the economy in 2013, when current law calls for the tax cuts that were first enacted in 2001 and 2003 to expire. And it assumes that Congress will not let the Alternative Minimum Tax (AMT) – originally designed to catch a handful of super-wealthy households who paid no federal income tax – ensnare tens of millions of middle-class American families. This budget then attacks all three of the problems described above with a set of fundamental reforms designed to lower tax rates, broaden the tax base, and reform the U.S. international tax rules, while getting rid of distortions, loopholes and preferences that divert economic resources from their most efficient uses.

Following the unveiling of these principles in last year’s budget resolution, an overwhelming consensus has emerged that the country is in dire need of tax reform that lowers rates, broadens the tax base, and addresses global competitiveness. After three years, the Administration also has begun to recognize the need for tax reform. The

outline for corporate tax reform released by the Administration in February, however, falls woefully short: the rates are too high; the tax base is too narrow (and used as a tool to provide political favors); and the international reforms are anti-competitive.

By contrast, the principles of reform outlined in this budget ensure a simpler, fairer tax code not just for large corporations but for small businesses and American families as well. Unlike the Administration's plan, it improves the competitiveness of American workers and businesses in the global economy. Our trading partners have already reformed their tax systems to provide their companies with a competitive advantage. Competing in a 21<sup>st</sup> century global economy requires that we do the same.

## **Simplifying the Tax Code and Promoting Job Creation and Economic Growth**

### ***Major proposals***

- **Reject the President's call to raise taxes.**
- **Consolidate the current six individual income tax brackets into just two brackets of 10 and 25 percent.**
- **Reduce the corporate rate to 25 percent.**
- **Repeal the Alternative Minimum Tax.**
- **Broaden the tax base to maintain revenue at the appropriate level designated by this budget resolution for the next ten years, and at a share of the economy consistent with historical norms of 18 to 19 percent in the following decades. These are levels compatible with growth, and – if the spending restraints in this budget are enacted – sufficient to fund government operations over time.**
- **Shift from a “worldwide” system of taxation to a “territorial” tax system that puts American companies and their workers on a level playing field with foreign competitors and ends the “lock-out effect” that discourages companies from bringing back foreign earnings to invest in the United States.**

In 1981, President Ronald Reagan inherited a stagnant economy and a tax code that featured 16 brackets, with a top rate of 70 percent. When he left office in 1989, the tax code had been simplified down to just three brackets, with a top rate of 28 percent. Reagan's tax reforms proved to be a cornerstone of the unprecedented economic boom that occurred in the decade during his presidency and continued in the decade that followed.

Over time, additional brackets, credits, carve-outs and lobbyist loopholes have undone the simpler and fairer tax code ushered in by the 1986 tax reform. In the last ten years alone, there have been nearly 4,500 changes made to the tax code. The current

version for individuals has six brackets, with a top rate of 35 percent (which is set to climb to over 40 percent after the end of 2012, when hidden rates are considered). Individuals react negatively toward the tax code partly because it is complex and attempts to steer them toward certain activities and away from others. In addition, there are always a few “surprises” that end up raising their tax bills. One such surprise – the Alternative Minimum Tax (AMT) – was initially designed to hit only the very highest-income taxpayers but now ensnares a growing number of middle-class households because of a flawed design.

The House plan affirmatively rejects President Obama’s efforts to raise tax rates on small businesses and investors and to add new loopholes to the tax code for favored interests. Economic theory and analysis show that increasing marginal tax rates – tax increases that reduce incentives to work, save and invest that next dollar of income – reduces economic output. By contrast, reductions in marginal tax rates increase output, mainly by letting people keep more of each dollar they earn and thereby strengthening incentives to work, produce, and invest in the future. The House plan both realizes the job-promoting benefits of lower rates and ensures these reductions are revenue neutral through base broadening.

Unlike President Obama’s proposal, the House plan would not penalize the nearly three quarters of America’s small businesses that file taxes as individuals by imposing higher individual rates that make it harder for these vital enterprises to compete. As President Obama repeatedly says, small businesses have been responsible for two-thirds of the jobs created in the United States over the past 15 years, and almost 50 percent of small-business profits are taxed at the top two rates. Raising these rates means increasing taxes on the most successful job creators.

Raising taxes on capital is another idea that purports to affect the wealthy but actually hurts all participants in the economy. Mainstream economics, not to mention common sense, teaches that raising taxes on any activity generally results in less of it. Economics and common sense also teach that the size of a nation’s capital stock – the pool of saved money available for investment and job creation – has an effect on employment, productivity, and wages. Tax reform should promote savings and investment because more savings and more investment mean a larger stock of capital available for job creation. That means more jobs, more productivity, and higher wages for all American workers.

The negative effects of high tax rates on work, savings and investment are compounded when a large mix of exemptions, deductions and credits are added to the system. These tax preferences are similar to government spending – instead of markets directing economic resources to their most efficient uses, the government directs resources to politically favored uses, creating a drag on economic growth and job creation.

In the worst cases, these tax subsidies literally take the form of spending through the tax code, because they take taxes paid by hardworking Americans and issue



government checks to individuals and corporations who do not owe any taxes at all. In fact, President Obama's corporate tax "reform" framework would expand this practice by transferring taxes paid by middle class Americans to the pockets of politically favored industries.

Eliminating large tax subsidies would not be for the purpose of increasing total tax revenues. Instead, when offset by lower rates, it would have a doubly positive impact on the economy – it would stop diverting economic resources to less productive uses, while making possible the lower tax rates that provide greater incentives for economic growth.

President Reagan's tax reforms inaugurated an era of great prosperity. It is time to reclaim his legacy and once again enact a fundamental reform of the tax code as the final step in rebuilding the foundations for economic growth: spending restraint, reasonable and predictable regulations, sound money, and a simple tax code with low rates.

## REPRIORITIZING SEQUESTER SAVINGS

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Last year, as the nation approached the statutory limit on how much it could legally borrow, the Obama administration asked Congress for a “clean piece of legislation” to increase the government’s legal borrowing authority without any spending cuts to match.<sup>1</sup>

House Republicans refused to give the President the blank check he requested. Instead, Speaker of the House John Boehner insisted that any increase in the debt ceiling be accompanied by a greater amount of spending reduction. Speaker Boehner made clear on May 9, 2011 that, “Without significant spending cuts and reforms to reduce our debt, there will be no debt limit increase. And the cuts should be greater than the accompanying increase in debt authority the President is given.”<sup>2</sup>

Once it became clear that Congress would not rubber-stamp his requested increase in the debt ceiling, President Obama announced that he would not accept a debt-ceiling deal that did not include large tax increases on American families and businesses.<sup>3</sup>

House Republicans succeeded in protecting hardworking taxpayers by preventing the President from securing a bill containing tax hikes. Instead, a bipartisan agreement was forged to achieve savings from limits on discretionary spending and to set in motion a framework to achieve additional savings. The Budget Control Act of 2011 [BCA] paired a \$2.1 trillion increase in the public debt limit with equivalent deficit reduction over the ensuing 10 years.

The BCA called for deficit reduction in three phases:

1. First, it established caps on discretionary spending, achieving approximately \$917 billion in savings over 10 years.
2. Second, it established and called upon a Joint Select Committee on Deficit Reduction (JSCDR) to produce legislation with at least an additional \$1.2 trillion in deficit reduction.

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<sup>1</sup> Brian Patrick, “Debt Limit Tick Tock,” Blog Update, Office of Majority Leader Eric Cantor, August 1, 2011. <http://majorityleader.gov/blog/2011/08/debt-limit-tick-tock.html>

<sup>2</sup> Remarks by House Speaker John Boehner. Economic Club of New York. May 9, 2011. <http://www.speaker.gov/News/DocumentSingle.aspx?DocumentID=240370>

<sup>3</sup> Patrick, “Debt Limit Tick Tock.”

3. Third, it established an automatic sequestration process to force spending reductions in the event the JSCDR did not produce a deficit-reduction bill or Congress refused to pass it. This “sequester” would result in immediate discretionary spending reductions effective January 2, 2013.

Understanding each component of the BCA is critical to understanding the fiscal impact of the law as a whole. The BCA’s pre-sequester spending caps reduced discretionary spending for fiscal year 2013 to a maximum of \$1.047 trillion. Some, including Senate Majority Leader Harry Reid, are still insisting that House Republicans are obligated to pass fiscal year 2013 spending bills at these levels.<sup>4</sup>

But Congress is no longer operating in a pre-sequester world. Last November, the JSCDR announced that it could not reach agreement on a deficit-reduction bill by the statutorily required deadline, thus triggering the sequester. Congress is now operating in a post-sequester world—one in which discretionary spending for fiscal year 2013 is capped at \$949 billion, and defense spending will be cut by \$55 billion, or 10 percent, in January 2013 unless Congress acts to replace this sequester by reprioritizing the savings.

These cuts would be devastating to America’s defense capabilities. Leaders of both parties agree that sequester savings should be reprioritized. On August 4, 2011, then-director of the Office of Management and Budget (now White House Chief of Staff) Jack Lew wrote that the sequester was not intended to be implemented: “Make no mistake: the sequester is not meant to be policy. Rather, it is meant to be an unpalatable option that all parties want to avoid.”<sup>5</sup>

After the JSCDR’s failure, the President issued a veto threat against legislation overturning the sequester unless offset. The President called on Congress to develop an alternative:

The only way these spending cuts will not take place is if Congress gets back to work and agrees on a balanced plan to reduce the deficit by at

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<sup>4</sup> Naftali Bendavid, “Fight Breaks Out Over 2013 Budget Cuts,” *Wall Street Journal*, March 14, 2012. <http://blogs.wsj.com/washwire/2012/03/14/fight-breaks-out-over-2013-budget-cuts/>

<sup>5</sup> Jack Lew, “Security Spending in the Deficit Agreement,” August 4, 2011. <http://www.whitehouse.gov/blog/2011/08/04/security-spending-deficit-agreement> (accessed March 19, 2012).

least \$1.2 trillion. That's exactly what they need to do. That's the job they promised to do. And they've still got a year to figure it out.<sup>6</sup>

### **The Joint Select Committee on Deficit Reduction**

While both parties have expressed their desire to avoid the consequences of the sequester, there is profound disagreement over how. This disagreement was evident in the JSCDR's failure to produce a deficit-reduction bill last year.

Despite the good-faith effort on the part of committee Republicans to avoid the sequester (and, by extension, to avoid its disproportionate impact on defense), the negotiations exposed a fundamental lack of seriousness by some in Washington regarding the need to control government spending and address the structural drivers of the debt. As JSCDR Co-Chairman Jeb Hensarling made clear, Democrats on the committee "were unwilling to agree to anything less than \$1 trillion in tax hikes – and unwilling to offer any structural reforms to put our health care entitlements on a permanently sustainable basis."<sup>7</sup>

Committee Democrats refused to address the problem, so the problem remains. Therefore, the immediate question of how to reprioritize sequester savings—and the larger challenge of averting a debt-fueled economic crisis—have become central to this year's budget debate during this year's budget season.

### **The President's Fiscal Year 2013 Budget**

The President's fiscal year 2013 budget calls on Congress to replace the sequester, but it does not make a specific proposal to turn the sequester off. It assumes that the sequester does not occur, but it does not lay out a specific path forward to avoid its consequences. The President's budget includes tax increases and spending cuts (including a \$487 billion reduction in defense spending), which it claims are enough to offset the sequester—but it includes a net spending *increase* that consumes nearly all of its claimed deficit reduction.

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<sup>6</sup> Statement by the President on the Supercommittee, November 21, 2011, the White House. <http://www.whitehouse.gov/the-press-office/2011/11/21/statement-president-supercommittee>

<sup>7</sup> Hensarling, Jeb. "Why the Super Committee Failed," *Wall Street Journal*, November 22, 2011.

<http://online.wsj.com/article/SB10001424052970204531404577052240098105190.html>

This approach is deeply flawed, for three reasons. First, it imposes a net tax increase on American families and businesses of \$2.0 trillion. Washington's fiscal imbalance is overwhelmingly driven by runaway spending, not insufficient tax revenue, and reducing the deficit by taking more from hardworking Americans would simply slow the economy, reduce job opportunities, and ultimately prove counterproductive as a deficit-reduction strategy.

Second, despite the large tax increase, the President's budget also contains a net spending increase of \$1.4 trillion, for a total of only \$605 billion in deficit reduction. The rest of the President's deficit-reduction claims are based on discredited budget gimmicks, including almost \$1 trillion in "savings" that come from projecting current wartime spending in Iraq and Afghanistan out for the next 10 years, then proposing not to spend that money, even though it was never requested and never going to be spent.

And third, much of the President's actual spending reduction comes from cutting too deeply into the Defense Department. Although the President's budget does not cut defense as deeply as the sequester would, these cuts would still jeopardize the capability of the U.S. military.

### **The Senate's Lack of a Budget**

It has been three years since the Senate passed a budget, and the legal deadline for passing a congressional budget resolution this year is fast approaching. Yet there has been no indication that Senator Reid plans to put forward an alternative plan for prioritizing spending, much less for averting the sequester. Instead, he continues to insist that Congress is still operating in a pre-sequester world, even though the President's own budget admits that "the sequester was triggered and will take effect in January 2013 if no action is taken."<sup>8</sup> Senator Reid's approach has been the very definition of inaction. There is a better way forward.

### **The *Path to Prosperity* Approach: Reprioritize Savings Through Reconciliation**

This budget reprioritizes sequester savings to focus on the problem, which is government spending, and to protect national security from

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<sup>8</sup> "Fiscal Year 2013 Budget of the U.S. Government," Office of Management and Budget, February 2012.

<http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/budget.pdf>

deep and indiscriminate cuts. It achieves these goals by giving six House committees reconciliation instructions to produce actual legislation that achieves the sequester savings without the haphazard cuts that the sequester entails.

#### *How Reconciliation Works*

The 1974 Budget Act provides Congress with a special procedure to give expedited consideration to bills enacting the spending, revenue, and debt policies contained in the budget resolution. To trigger these expedited procedures, the budget resolution must include reconciliation instructions calling on specific committees to achieve specified amounts of savings in programs within their jurisdictions. The committees choose which programs to address and which policies to adopt.

#### *Reconciliation in the Fiscal Year 2013 Budget Resolution*

This budget gives reconciliation instructions to six committees—Agriculture, Energy and Commerce, Financial Services, Judiciary, Oversight and Government Reform, and Ways and Means—that in aggregate would produce at least \$18.5 billion of deficit reduction in the first year, \$129.1 billion over the first five years, and \$331.4 billion over the first 10 years.<sup>9</sup>

**[GPO: Insert Table 9 here]**

Ultimately, the committees will be responsible for determining how to meet their reconciliation instructions. But savings could be achieved in the areas of making pensions for federal workers more like those for workers in the private sector, repealing recent expansions of the federal role in financial services, saving money in health care, means-testing entitlements, and reforming the medical liability system.

This budget provides a clear solution that would be implemented quickly to replace the sequester. It does so by using an expedited procedure to reduce lower-priority spending. This solution would cut through the gridlock in Washington to start eliminating excessive autopilot spending immediately. It would protect taxpayers, and it would shield the U.S.

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<sup>9</sup> Because there is overlapping jurisdiction for some of these committees and the same savings are reconciled to more than one committee, the net savings amount to \$18.4 billion in the first year, \$116.3 billion over five years, and \$261.5 billion over 10 years.

**TABLE 9 - RECONCILIATION SAVINGS BY AUTHORIZING COMMITTEE**

[In millions of dollars]

	2012-13	2012-17	2012-22
Sequester of \$78,480 million of Discretionary Budget Authority.....	-45,410	-77,799	-77,799
Committee on Agriculture.....	-8,200	-19,700	-33,200
Committee on Energy & Commerce.....	-3,750	-28,430	-96,760
Committee on Financial Services.....	-3,000	-16,700	-29,800
Committee on the Judiciary.....	-100	-11,200	-39,700
Committee on Oversight & Government Reform.....	-2,200	-30,100	-78,900
Committee on Ways & Means.....	-1,200	-23,000	-53,000
Gross Reconciliation Savings.....	-18,450	-129,130	-331,360
Adjustment to remove double-counting of policies assumed in overlapping reconciliation instructions.....	-100	-12,800	-69,900
Net Total Reconciliation Savings.....	-18,350	-116,330	-261,460
Reconciliation Savings as a Percentage of Forgone Sequester.....	40%	150%	336%

military from a crippling, 10 percent across-the-board reduction in its funding.

Unfortunately, the House cannot unilaterally implement this solution—and the Senate Democratic leadership's only plan has been to oppose solutions put forward in the House. U.S. troops and their families should not have to suffer because the Democratic Party's leaders refuse to lead. House Republicans will continue to show a way forward by directly addressing the nation's most urgent fiscal and economic challenges. It is not too late for Americans to choose a better path.



## THE LONG-TERM BUDGET OUTLOOK

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As noted previously, the Federal budget trends of the next 10 years, daunting as they are, reflect only the first surge of spending and debt that threaten the government's fiscal stability and the economy's potential for growth. Beyond that budget window, conditions continue to worsen, driven by unsustainable rates of spending growth and promises of government benefits that cannot be kept. Therefore, Congress must examine the longer-term effects of its fiscal policy choices.

The Congressional Budget Office [CBO] has conducted such an analysis of the policies in this budget.<sup>1</sup> It shows that the reforms outlined in this proposal would put the Federal budget on the path to balance and the American economy on the path to prosperity. The discussion below describes these long-term effects and compares them to those likely to result from the President's budget.

### Government Spending

Under the President's budget, as re-estimated by CBO, the Federal Government will spend \$45.4 trillion over the next decade. Government spending runs at record post-World War II levels, never falling below 22.5 percent of the economy in this decade.<sup>2</sup>

Beyond that point, the President's budget not only fails to curb the unsustainable spending trajectory—it makes matters worse. According to the Office of Management and Budget's "Analytical Perspectives" for the President's fiscal year 2013 budget, the President's path allows the Federal Government's fiscal position to "gradually deteriorate" after 2022.<sup>3</sup>

**[GPO: Insert Figure 2 here]**

CBO has not directly estimated the long-term impact of the President's budget. But the "alternative fiscal scenario" presented in CBO's *The*

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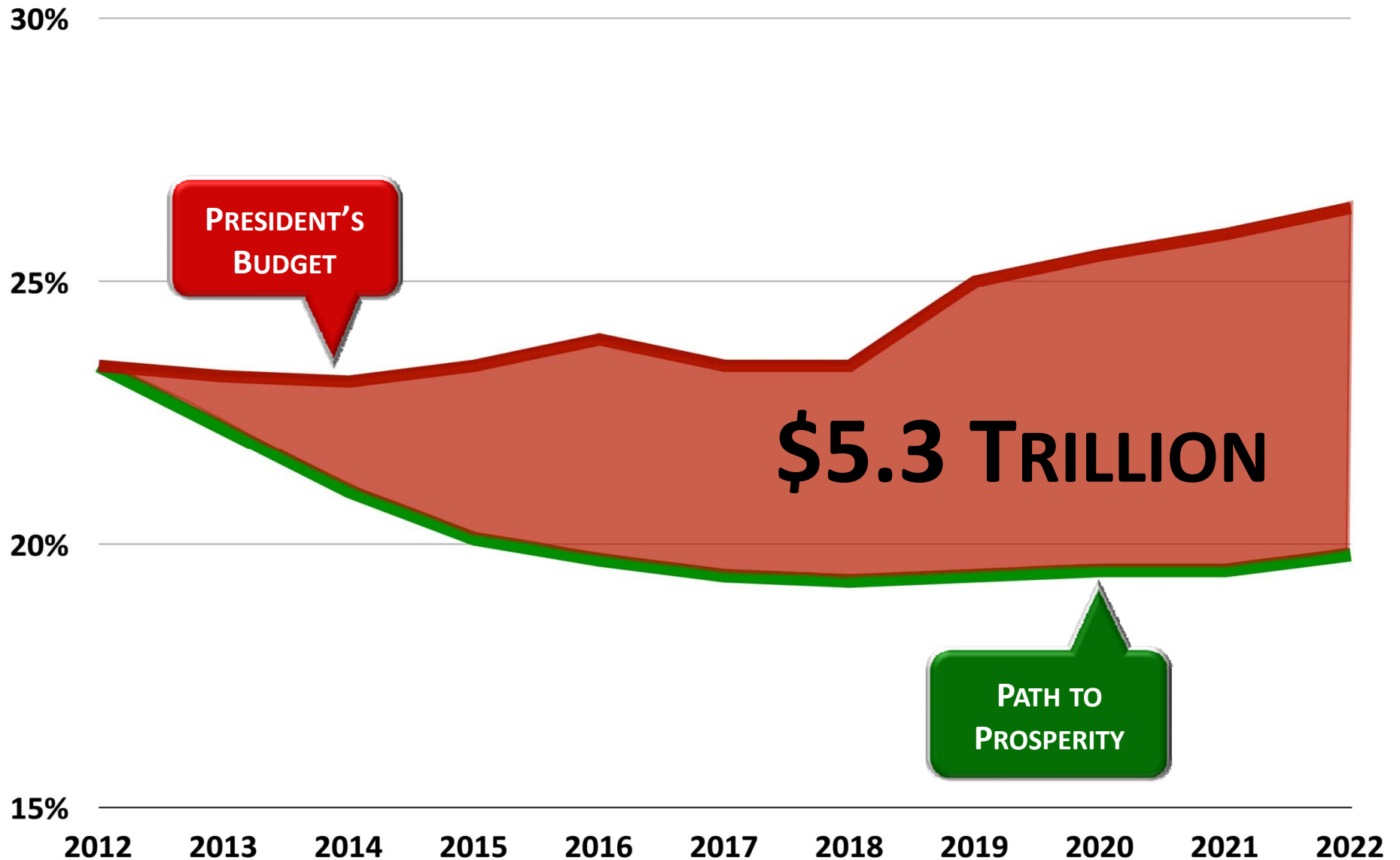
<sup>1</sup> See CBO's Long-Term Analysis of a Budget Proposal by Chairman Ryan: [http://cbo.gov/sites/default/files/cbofiles/attachments/03-20-Ryan\\_Specified\\_Paths\\_2.pdf](http://cbo.gov/sites/default/files/cbofiles/attachments/03-20-Ryan_Specified_Paths_2.pdf)

<sup>2</sup> "An Analysis of the President's 2013 Budget," Congressional Budget Office, March 2012. <http://cbo.gov/publication/43083>

<sup>3</sup> "Fiscal Year 2013 Budget of the U.S. Government: Analytical Perspectives," Office of Management and Budget, February 2012. <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/spec.pdf>

FIGURE 2

# GOVERNMENT SPENDING (AS A SHARE OF ECONOMY)



SOURCE: CBO/HBC

*Long-Term Budget Outlook* (June 2011) is similar, but not identical to the President's policy.<sup>4</sup> (The alternative fiscal scenario differs from CBO's standard "current law baseline" projection. The current law baseline assumes that everything scheduled to occur in law—including significant changes in spending or tax laws, such as a lapse of the 2001 and 2003 tax rates—will occur as expected. The alternative fiscal scenario, by contrast, assumes Congress will continue various spending and tax policies that it has generally extended in the past.) Under this alternative fiscal scenario projection, CBO estimates mandatory spending will soon crowd out all other priorities in the Federal budget. Borrowing and spending by the public sector will crowd out investment and growth in the private sector. In the years ahead, government spending will skyrocket to record levels that a free economy simply cannot sustain.

**[GPO: Insert Figure 3 here]**

This budget, *The Path to Prosperity*, charts a brighter future. With responsible spending cuts now and structural reforms of government spending programs going forward, the budget ensures government spending remains on a sustainable path. Government spending will fall to its post-war historical norm of 20 percent of the economy by 2015. Within this fiscal restraint, the budget nevertheless maintains or increases funding levels for government's core responsibilities and advance national priorities—albeit at a more sustainable rate. As the economy grows, government spending as a share of the economy will steadily recede over the decades ahead.

### **Deficits**

When he first took office, the President promised to cut the deficit in half by the end of his term. Four straight trillion-dollar deficits later, he hasn't even come close. His latest budget projects a deficit of \$1.3 trillion for fiscal year 2012 and a deficit near \$1 trillion for fiscal year 2013.

**[GPO: Insert Figure 4 here]**

By contrast, this budget charts a sustainable path going forward, ultimately erasing the entire budget deficit. It brings the deficit below \$800 billion in fiscal year 2013. Relative to the President's budget, it reduces the deficit by \$3.3 trillion over the next 10 years. And based on

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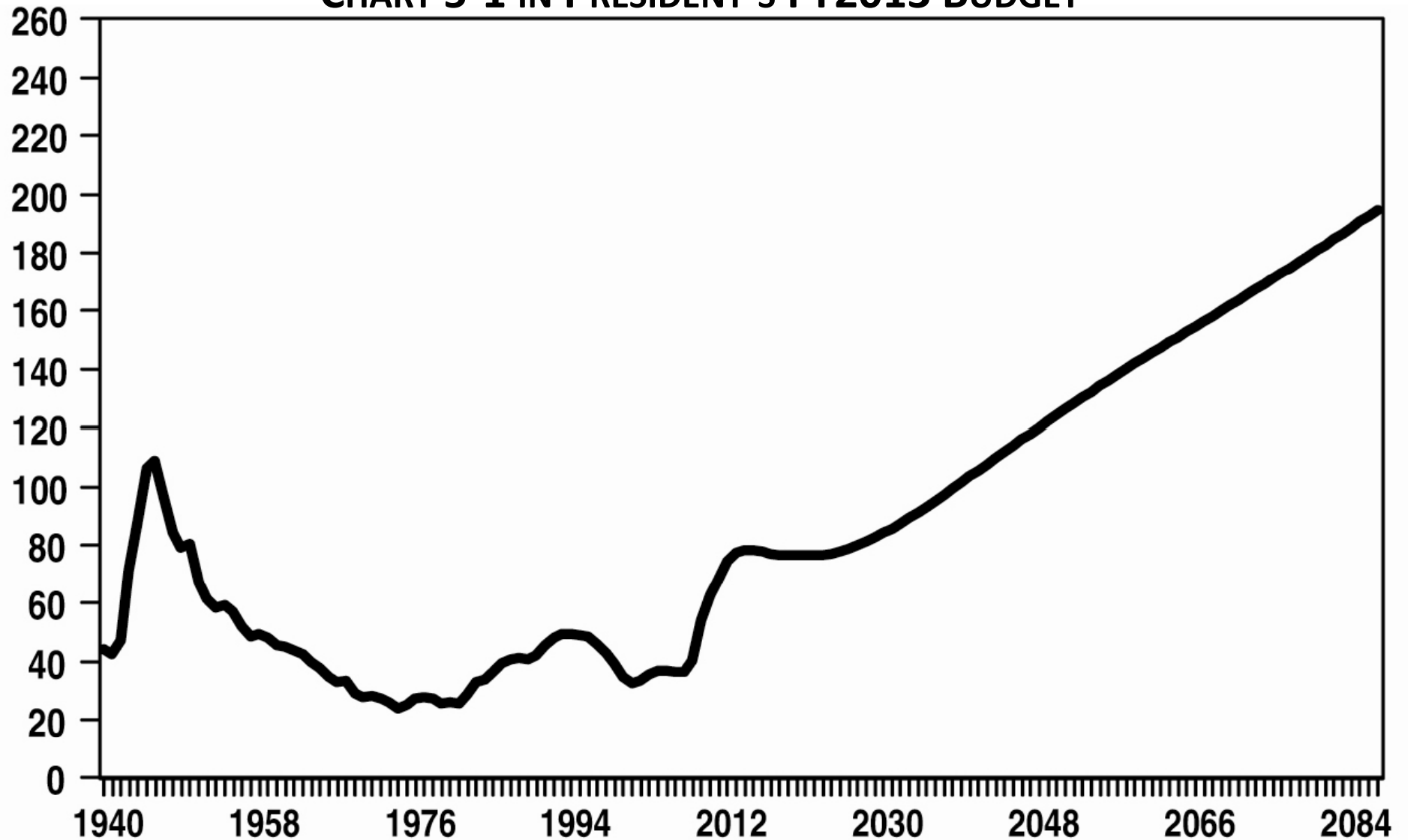
<sup>4</sup> See the CBO June 2011 Long-Term Budget Outlook at <http://cbo.gov/publication/41486> for a description of the Alternative Fiscal Scenario.

FIGURE 3

# DEBT HELD BY PUBLIC

(AS A SHARE OF ECONOMY)

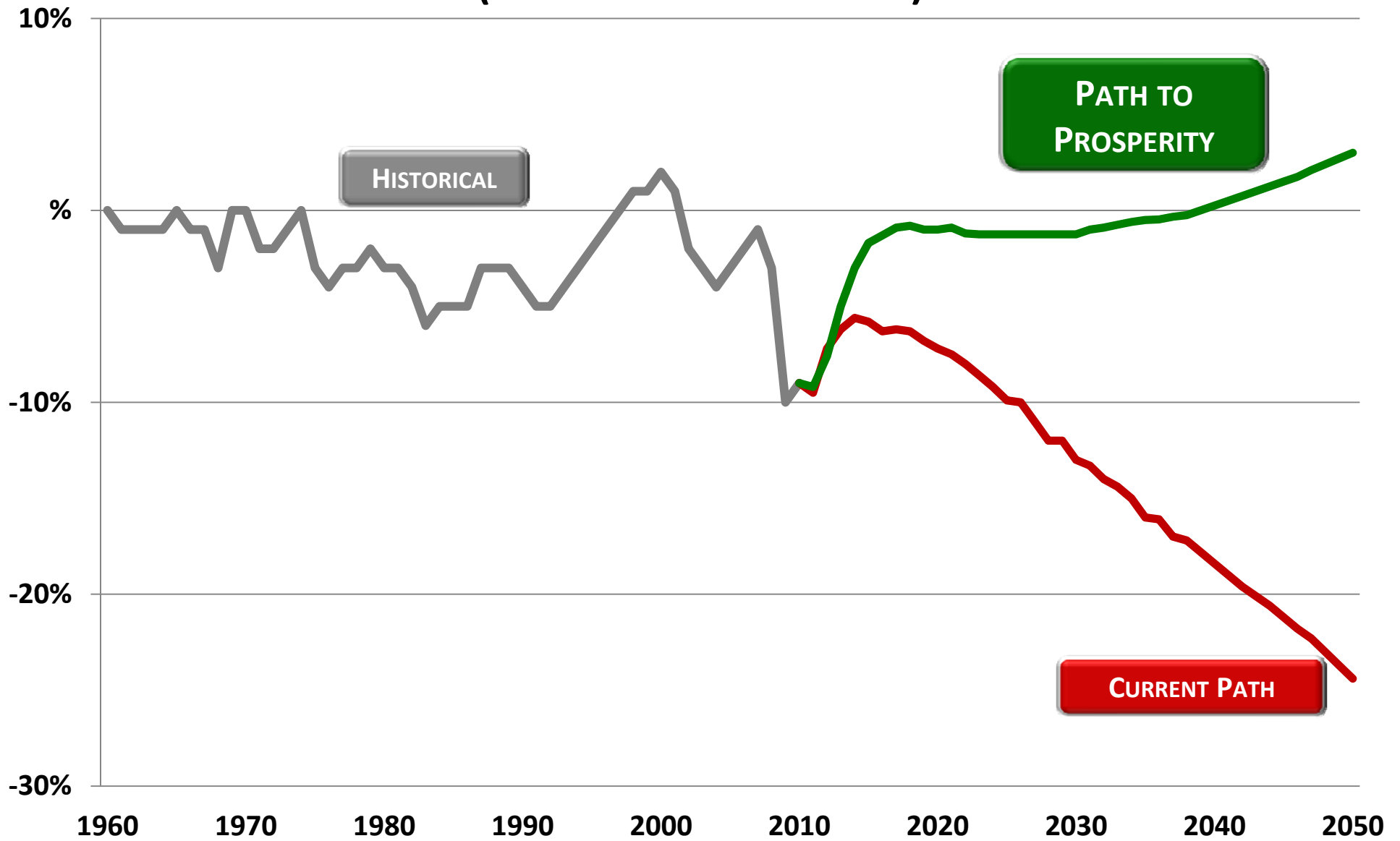
CHART 5-1 IN PRESIDENT'S FY2013 BUDGET



SOURCE: OMB

FIGURE 4

# FEDERAL DEFICIT OR SURPLUS (AS A SHARE OF ECONOMY)



SOURCE: OMB/CBO

CBO estimates, it reaches balance in the years ahead, produces surpluses, and ultimately pays down the debt.

This budget gets the deficit below 1 percent of GDP by 2016. By contrast, under the status quo, as measured by the alternative fiscal scenario, the annual deficit would grow to nearly 15.5 percent of the entire U.S. economy by 2035.

**[GPO: Insert Table 10 here]**

### **Debt**

By continuing Washington’s spending spree, the President’s budget adds \$8.7 trillion to debt held by the public over the next decade. Publicly held debt as a share of the economy would increase from 68 percent to 76 percent—well past the level that economists warn is the tipping point for a fiscal crisis. After that, by his budget’s long-term projections, the publicly held debt would surge past 100 percent of GDP and continue to climb in the years ahead. Under the alternative fiscal scenario, which uses a more realistic baseline of current policies, CBO projects publicly held debt as a share of the economy to reach 96 percent of the economy in 2023, 128 percent in 2030, and 194 percent in 2040.

The CBO has warned that “Growing debt also would increase the probability of a sudden fiscal crisis, during which investors would lose confidence in the government’s ability to manage its budget and the government would thereby lose its ability to borrow at affordable rates.”<sup>5</sup>

*The Path to Prosperity* lifts the crushing burden of debt, making it possible for the economy to grow and for Americans to prosper. This budget would cut trillions of dollars from the debt relative to the current path in every year of CBO’s long-term analysis. In 2023, the debt would be more than 36 percent lower than would be the case under the status quo; 59 percent less in 2030; and 80 percent less in 2040. By 2050, this budget would reduce debt relative to the size of the economy to only 10 percent and keep the nation on the path to a debt-free future.

**[GPO: Insert Figure 5 here]**

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<sup>5</sup> June 2011 Long-Term Budget Outlook

**TABLE 10 - FISCAL YEAR 2013 BUDGET RESOLUTION VS. THE CBO ALTERNATIVE FISCAL SCENARIO**

[As a percentage of GDP]

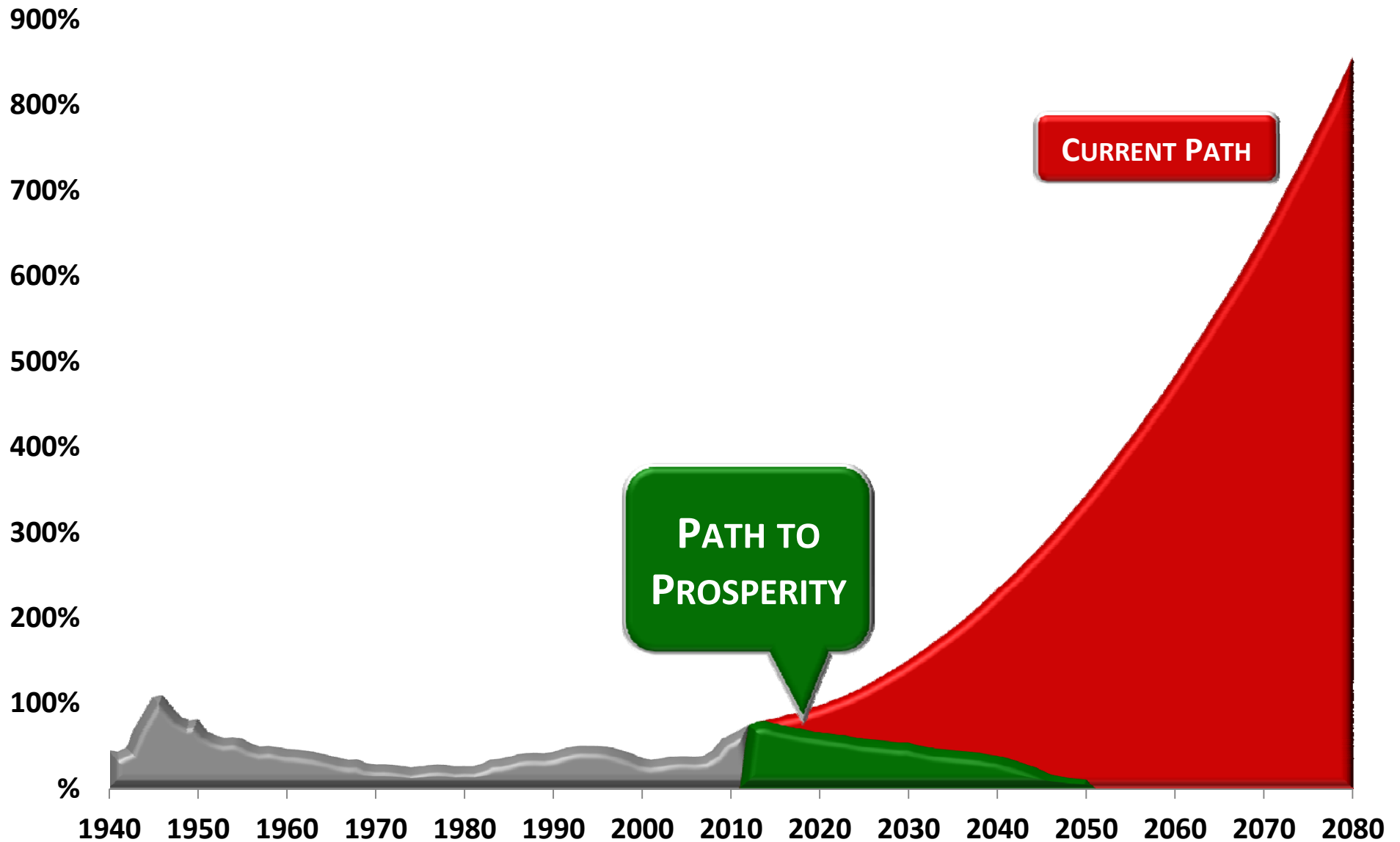
	Actual		Projected		
	2011	2023	2030	2040	2050
<b>CBO Alternative Fiscal Scenario</b>					
Total Revenues.....	15.5	18.5	18.5	18.5	18.5
Total Spending.....	24	25.25	29	34	39.25
Deficits (-) or Surplus (+).....	-8.75	-6.75	-10.5	-15.5	-21
Debt Held by the Public.....	68	96	128	194	*
<b>FY2013 Budget Resolution</b>					
Total Revenues.....	15.5	18.75	19	19	19
Total Spending.....	24	20.25	20.25	18.75	16
Deficits (-) or Surplus (+).....	-8.75	-1.25	-1.25	0.25	3
Debt Held by the Public.....	68	61	53	38	10

Note: \* = greater than 200 percent of gross domestic product

FIGURE 5

# A CHOICE OF TWO FUTURES

(DEBT AS A SHARE OF ECONOMY)



SOURCE: OMB/CBO



## SECTION-BY-SECTION DESCRIPTION

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The concurrent resolution on the budget for a fiscal year establishes an overall budgetary framework which includes: aggregate levels of total new budget authority and outlays; total revenues and the amount by which revenues should be changed; the surplus or deficit; new budget authority and outlays for each major functional category; the debt held by the public; and the debt subject to the statutory limit.

### SECTION 1. THE CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2013

Subsection (a), in as required by section 301(a) of the Congressional Budget and Impoundment Control Act of 1974, establishes the levels for fiscal year 2013, and each of the nine years following the budget year, fiscal years 2014 through 2022.

For fiscal year 2013, the concurrent resolution on the budget reported by the Committee on the Budget establishes a ceiling on spending and a floor on revenue. Under the terms of section 301 of the Congressional Budget and Impoundment Control Act of 1974, this report sets an allocation of budget authority and outlays to the Committee on Appropriations of the House. That committee in turn suballocates that amount to its twelve subcommittees for spending on the various programs, projects and activities with the jurisdiction of the subcommittees.

Allocations are also given to authorizing committees, those committees with spending authority, though in addition to the fiscal year 2013 allocation to the Appropriations Committee, these authorizing committees may not spend more than the allocation for the budget year and over the 10-year period provided for by the concurrent resolution on the budget.

Subsection (b) sets out the table of contents of the resolution.

### **Title I—Spending and Revenue Levels**

#### SECTION 101. LEVELS AND AMOUNTS

As required by section 301 of the Congressional Budget and Impoundment Control Act of 1974, this section establishes the recommended levels for revenue, reduction in revenue, total new budget authority, total budget outlays, surpluses or deficits, debt held by the public, and the debt subject to the statutory limit. The recommended level of revenue operates as a floor against which all revenue bills are measured pursuant to section 311 of the Budget Act.

Similarly, the recommended levels of new budget authority and budget outlays serve as a ceiling on the consideration of subsequent spending. The surplus or deficit levels reflect only on-budget outlays and revenue and do not reflect most outlays and receipts related to the Social Security program and certain United States Postal Service operations. The debt subject to statutory limit aggregates refers to the

portion of gross Federal debt issued by the Treasury to the public or another government fund or account, whereas the debt held by the public is the amount of debt issued and held by entities or individuals other than the U.S. Government.

#### SECTION 102. FUNCTIONAL CATEGORIES

As further required by section 301(a) of the Budget Act, this section establishes the appropriate budgetary levels for fiscal year 2013, and for each of the fiscal years 2014 through 2022.

The functional categories are as follows:

- 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
- 970 Overseas Contingency Operations/Global War on Terrorism and Related Activities

### **Title II – Reconciliation**

#### SECTION 201. RECONCILIATION IN THE HOUSE OF REPRESENTATIVES

As permitted by section 310 of the Congressional Budget Act of 1974, this concurrent resolution on the budget includes reconciliation instructions to specified committees of the House. These instructions require those committees to submit legislative text to amend laws in their jurisdictions to achieve an amount of deficit reduction by a certain date. The various committee recommendations are submitted to the Committee on the Budget, which then binds them together and votes whether to report the resulting bill to the House. The Committee on the Budget may only report the legislation submitted to it. The Committee may not make any substantive changes.

Section 201(a) directs six authorizing committees to transmit changes in programs within their jurisdiction to the Committee on the Budget by April 27, 2012.

Section 201(b) provides that the committees instructed to submit legislative language to the Committee on the Budget are as follows: the Committee on Agriculture, the Committee on Energy and the

Commerce, the Committee on the Financial Services, the Committee on the Judiciary, the Committee on Oversight and Government Reform, and the Committee on Ways and Means. (See reconciliation instructions for each committee in Table 9.)

The reconciliation instructions in this concurrent resolution instruct each committee to reduce the deficit by a specified amount. Deficits are calculated by the net effect of changes in outlays and revenue a measure may make.

Though the committees receiving instructions determine the policy and program changes, outlay savings must be in the direct spending category. For instance, a reduction in an authorization level for spending subject to annual appropriations is categorized as authorizing future discretionary spending and would not be estimated as producing direct spending savings as the reconciliation process requires. In addition, clause 7 of rule XXI of the Rules of the House of Representatives prohibits the consideration of a concurrent resolution on the budget that includes instructions for a reconciliation bill that has the net effect of increasing outlays.

Similarly, the committee receiving reconciliation instructions determines the policy as to how revenue changes are made. A submission to the Committee on the Budget may increase or decrease revenue, depending on the instruction.

The committees determine the changes in law necessary to achieve the specified amount of deficit reduction for the period of fiscal years 2012 through 2013, for the period of fiscal years 2012 through 2017, and for the period of fiscal years 2012 through 2022.

#### SECTION 202. DIRECTIVE TO THE COMMITTEE ON THE BUDGET OF THE HOUSE OF REPRESENTATIVES

Section 202 (a) directs the Committee on the Budget to report a bill with the directives described in subsection (b).

Subsection (b) sets out guidelines for the legislation the concurrent resolution directs the Committee on the Budget to report. Those guidelines include replacing the sequestration required under section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985.

The reforms included in the measure the Committee on the Budget is directed to report only take effect upon enactment of the reconciliation bill referred to in section 201.

### **Title III – Recommended Levels for Fiscal Years 2030, 2040, and 2050**

#### SECTION 301. POLICY STATEMENT ON LONG-TERM BUDGETING

This section sets out recommended budgetary levels for certain budget aggregates for each of fiscal years 2030, 2040, and 2050 as a percentage of the gross domestic product of the United States as follows:

##### *Federal Revenues*

Fiscal Year 2030: 19 percent

Fiscal Year 2040: 19 percent  
 Fiscal Year 2050: 19 percent

*Budget Outlays*

Fiscal Year 2030: 20.25 percent  
 Fiscal Year 2040: 18.75 percent  
 Fiscal Year 2050: 16 percent

*Deficit*

Fiscal Year 2030: 1.25 percent  
 Fiscal Year 2040: -.25 percent  
 Fiscal Year 2050: -3 percent

*Debt Held by the Public*

Fiscal Year 2030: 53 percent  
 Fiscal Year 2040: 38 percent  
 Fiscal Year 2050: 10 percent

**Title IV—Reserve Funds**

SECTION 401. RESERVE FUND FOR THE REPEAL OF THE 2010 HEALTH CARE LAWS

This section permits the Chair of the Committee on the Budget to revise allocations of spending authority, provided to committees of the House, and to adjust other budgetary enforcement levels for a measure that repeals the Patient Protection and Affordable Care Act (Public Law 111-148) and the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152). Those measures are the health care bills enacted into law in 2010.

SECTION 402. DEFICIT-NEUTRAL RESERVE FUND FOR THE SUSTAINABLE GROWTH RATE OF THE MEDICARE PROGRAM

This section permits the Chair of the Committee on the Budget to revise the allocations of spending authority provided to applicable committees and to adjust other budgetary enforcement levels in this resolution for a measure amending or superseding the system for updating payments under section 1848 of the Social Security Act, as long as the measure is deficit-neutral for the period of fiscal years 2013 through 2022.

SECTION 403. DEFICIT-NEUTRAL RESERVE FUND FOR REVENUE MEASURES

This section permits the Chair of the Committee on the Budget to revise the allocations of spending authority provided to the Committee on Ways and Means for legislation that causes a decrease in revenue. The Chair of the Committee on the Budget may adjust the allocations and aggregates of this concurrent resolution if the meas-

ure would not increase the deficit over fiscal years 2013 through 2022.

This concurrent resolution on the budget allows for a certain amount of revenue loss from projected levels, but only for the policies specified in section 503. This section allows additional net revenue reductions for a measure not specified in that section if it decreases outlays by the same amount over the ten-year period of fiscal years 2013 through 2022.

SECTION 404. DEFICIT-NEUTRAL RESERVE FUND FOR RURAL COUNTIES AND SCHOOLS

This section provides for a reserve fund that accommodates legislation making changes to the Payments in Lieu of Taxes Act of 1976 (Public Law 94–565), or that reauthorizes the Secure Rural Schools and Community Self-Determination Act (Public Law 106-393), to the extent the legislation does not increase the deficit or direct spending in fiscal year 2013, fiscal years 2013 through 2017, or fiscal years 2013 through 2022. These laws provide economic assistance to States and counties containing National Forest System lands and public domain lands managed by the Bureau of Land Management for the benefit of public schools, roads, and other purposes.

SECTION 405. DEFICIT-NEUTRAL RESERVE FUND FOR SURFACE TRANSPORTATION REAUTHORIZATION

This section allows the Chair of the Committee on the Budget to revise the levels of the resolution for any measure that reauthorizes surface transportation programs so long as such measure maintains the solvency of the Highway Trust Fund and is deficit-neutral for the period of fiscal years 2013 through 2022.

**Title V—Budget Enforcement**

SECTION 501. ADVANCE APPROPRIATIONS

Subsection (a) establishes a point of order against providing appropriations for fiscal year 2014, unless they fall into certain specified exceptions. Under this rule, advance appropriations are allowed for fiscal years following that fiscal year.

Subsection (b) provides for the list of excepted programs that may receive advance appropriations. Those accounts are referred to in this report in the section designated as “Accounts Identified for Advance Appropriations.”

Subsection (c) specifically sets a limit on the amount of total allowable advance appropriations for fiscal year 2014.

It allows advance appropriations of up to \$54.462 billion for fiscal year 2014 for Veterans Medical Services, Veterans Medical Support and Compliance, and Veterans Medical Facilities accounts of the Veterans Health Administration.

It also allows up to \$28.852 billion for other programs named in this report.

Subsection (d) defines advance appropriations as any new discretionary budget authority provided in a bill or joint resolution making general or continuing appropriations for fiscal year 2014.

#### SECTION 502. CONCEPTS AND DEFINITIONS

This section permits the Chair of the Committee on the Budget to adjust levels and allocations in this budget resolution upon enactment of legislation changing concepts or definitions.

#### SECTION 503. ADJUSTMENTS OF AGGREGATES AND ALLOCATIONS

This section sets out a special enforcement procedure for measures reducing revenue. This concurrent resolution on the budget sets out a revenue floor as required by section 301(a)(2) of the Congressional Budget Act of 1974. Normally, any measure affecting revenue that causes revenue levels to be below that floor would be subject to a point of order. This section establishes a special adjustment process for certain revenue measures that may cause a net revenue loss relative to the Congressional Budget Office (CBO) baseline, but the aggregate level of revenue loss caused by those specified measures may not drop the level below the revenue floor.

Subsection (a) states that the baseline revenue levels for enforcing this concurrent resolution are those contained in the March 2012 CBO baseline. Hence any measure decreasing revenue relative to that baseline violates the terms of the concurrent resolution unless specifically listed in subsection (b).

Subsection (b) specifies the revenue measures allowed to cause revenue loss relative to the above mentioned CBO baseline and permits the Chairman of the Committee on the Budget to make adjustments to aggregates and allocations of the concurrent resolution for their budgetary effects:

- Extending the Economic Growth and Tax Relief Reconciliation Act of 2001
- Extending the Jobs and Growth Tax Relief Reconciliation Act of 2003
- Adjusting the Alternative Minimum Tax exemption amounts to prevent a larger number of taxpayers as compared with tax year 2008 from being subject to the Alternative Minimum Tax or of allowing the use of nonrefundable personal credits against the Alternative Minimum Tax, or both as applicable
- Extending the estate, gift, and generation-skipping transfer tax provisions of Title III of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010
- Establishing a 20 percent deduction in income to small businesses
- Establishing or amending trade agreements
- Repealing the tax increases in the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010
- Reforming the tax code and lowering tax rates

- Reforming the Patient Protection and Affordable Care Act [PPACA] and the Health Care and Education Affordability Reconciliation Act of 2010 [HERA], which allows a revenue adjustment, but only to the extent measures are deficit neutral in the fiscal years 2013 through 2022. To the extent revenue increases are used to achieve deficit neutrality during this period, those revenue raisers may only be either (or both):
  - 1) Repealing the individual mandate included in PPACA/HERA;
  - 2) Modifying the subsidies to purchase health insurance as set in PPACA/HERA.

It is the intent of this concurrent resolution on the budget that measures which extend the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003 are for provisions included in those laws as originally enacted.

The subparagraph providing for adjustments related to tax reform is intended for comprehensive tax reform. Comprehensive tax reform includes those reforms outlined in the letter from Representative Dave Camp, Chair of the Ways and Means Committee to Representative Paul Ryan, Chair of the Committee on the Budget dated March 1, 2012.

Subsection (c) sets out a procedure to facilitate the consideration of legislation subjecting direct spending to annual appropriations. Under current law, there are impediments to changing direct spending to discretionary spending since if the former is eliminated, the purpose of spending is also eliminated on the direct spending side of the budget. Under current practice, if the intent is to preserve the purpose, but authorize the program and subject it to annual appropriations, the Committee on Appropriations would have to find additional resources within its section 302(a) allocation (as required to be set in the report on the budget resolution by section 301(e)(2)(F) of the Congressional Budget Act of 1974).

Under the terms of this subsection, should an authorizing committee want to retain the purpose of a direct spending program, but determines it should be subject to annual appropriations, it can, at the time it eliminates the direct spending, authorize appropriations for the program. If that elimination of the direct spending and authorization of appropriations is enacted, the Chair of the Committee on the Budget may increase the 302(a) allocation of budgetary resources to the Committee on Appropriations by an amount up to the authorized level of appropriations for the same purpose in fiscal year 2013.

This rule effectively holds the Committee on Appropriations harmless if it appropriates money under the terms of that authorization because the allocation under section 302(a) set in this report is adjusted.

Subsection (d) specifies that the chair of the Committee on the Budget makes the determinations of the levels and adjustments provided for in this concurrent resolution on the budget.

#### SECTION 504. LIMITATION ON LONG-TERM INCREASES IN SPENDING

Subsection (a) establishes a point of order against the consideration of measures increasing direct spending by \$5 billion or more for any 10-year period within 40 years starting in fiscal year 2023.

Subsection (b) explains that there are four consecutive ten-year periods as referred to in subsection (a) which would be as follows:

Fiscal years 2023 through 2032;

Fiscal years 2033 through 2042;

Fiscal years 2043 through 2052;

Fiscal years 2053 through 2062.

#### SECTION 505. BUDGETARY TREATMENT OF CERTAIN TRANSACTIONS

Subsection (a) provides that the administrative expenses of the Social Security Administration and the United States Postal Service are reflected in the allocation to the Committee on Appropriations. This language is necessary to ensure that the Committee on Appropriations retains control of administrative expenses through the annual appropriations process.

Subsection (b) provides for a special rule stating the allocation to the Committee on Appropriations of the House is enforced under the Congressional Budget Act of 1974 using estimates of the budgetary effects of a measure and includes any off-budget discretionary amounts.

Subsection (c) allows the Chair of the Committee on the Budget to adjust the spending or revenue levels of this concurrent resolution for legislation, if reported by the Committee on Oversight and Government Reform, to reform the Federal retirement system. The Chair is permitted to make adjustments only if a measure would not cause an increase in the deficit in fiscal year 2013 and fiscal years 2013 through 2022.

#### SECTION 506. APPLICATION AND EFFECT OF CHANGES IN ALLOCATIONS AND AGGREGATES

Subsection (a) details the allocation and aggregate adjustment procedures required to accommodate legislation provided for in this resolution. It provides that the adjustments apply while the legislation is under consideration and take effect upon enactment of the legislation. In addition, the subsection requires the adjustments to be printed in the Congressional Record.

Subsection (b) requires, for purposes of enforcement of the concurrent resolution, aggregate and allocation levels resulting from adjustments made pursuant to the terms of this resolution have the same effect as if adopted in the originally adopted aggregates and allocations.

Subsection (c) provides an exemption for legislation for which the Chair of the Committee on the Budget has made adjustments in the allocations or aggregates of the resolution and that complies with this Concurrent Resolution on the Budget. By such an exemption, such legislation is subject to neither the Cut-As-You-Go point of order (clause 10 of rule XXI of the Rules of the House of Representatives) nor section 504 of the concurrent resolution on the budget (the long-term spending point of order).



## SECTION 507. CONGRESSIONAL BUDGET OFFICE ESTIMATES

Section (a) provides specific authority for the Chair or Ranking Member of the Committee on the Budget to request a supplemental estimate for any program affecting or establishing Federal loans or loan guarantees. Under current law, such a measure would be scored on a “net present value” basis under the terms of the Federal Credit Reform Act found in Title V of the Congressional Budget Act of 1974. The supplemental estimate would be scored using a “fair value” basis which generally incorporates a more realistic market risk factor. It also allows the Chair of the Committee on the Budget to use the supplemental estimate for enforcing compliance with the resolution.

Section (b) provides that any increases in receipts from reforms of the National Flood Insurance Program, if included in a reconciliation bill considered under the terms of this concurrent resolution, are to be used for deficit reduction.

## SECTION 508. BUDGET RULE RELATING TO TRANSFERS FROM THE GENERAL FUND OF THE TREASURY TO THE HIGHWAY TRUST FUND THAT INCREASE PUBLIC INDEBTEDNESS

This section provides that for purposes of budget enforcement, transfers of funds from the general fund of the Treasury to the Highway Trust Fund are to be counted as new budget authority and outlays equal to the amount of the transfer in the fiscal year the transfer occurs. This budget rule is not relevant for, nor is it applied to, transfers of revenue under current law from the general fund to the Highway Trust Fund pursuant to Section 9503 of Title 26 of the United States Code.

## SECTION 509. SEPARATE ALLOCATION FOR OVERSEAS CONTINGENCY OPERATIONS/GLOBAL WAR ON TERRORISM

Subsection (a) provides for a separate section 302(a) allocation of the Congressional Budget Act of 1974, and set out in this report, to the Committee on Appropriations for overseas contingency operations and the global war on terrorism (OCO/GWOT). For purposes of enforcing section 302(f) of the Congressional Budget Act of 1974 the “first fiscal year” and the “total fiscal years” refer to fiscal year 2013 only. The separate allocation is the exclusive allocation for OCO/GWOT under section 302(a). It states that any provision designated as such under section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985, which raises the statutory spending limits by the amount so designated, also will be counted toward the separate OCO/GWOT allocation and not to the general section 302(a) allocation.

Subsection (b) provides that the current procedure of adjusting the general 302(a) allocation under section 314 of the Budget Act is no longer in effect since with the special allocation it is not necessary.

## SECTION 510. EXERCISE OF RULEMAKING POWERS

Subsection (a) provides for general technical application of the legislative text of the resolution.

Subsection (b) clarifies that certain provisions of H. Res. 5 (112<sup>th</sup> Congress) are no longer applicable.

## TITLE VI—POLICY

### SECTION 601. POLICY STATEMENT ON MEDICARE

Subsection (a) sets out findings.

Subsection (b) states that the policy of the Concurrent Resolution on the Budget is “to protect those in and near retirement from any disruptions to their Medicare benefits and offer future beneficiaries the same health care options available to Members of Congress.”

Subsection (c) sets out the assumptions of the Concurrent Resolution on the Budget for the parameters of future Medicare reforms.

### SECTION 602. POLICY STATEMENT ON SOCIAL SECURITY

Subsection (a) sets out findings.

Subsection (b) states the Concurrent Resolution on the Budget's policy on Social Security.

### SECTION 603. POLICY STATEMENT ON DEFICIT REDUCTION THROUGH THE CANCELLATION OF UNOBLIGATED BALANCES

Subsection (a) sets out several findings.

Subsection (b) directs congressional committees through their oversight activities to identify and achieve savings through the cancellation or rescission of unobligated balances that neither abrogate contractual obligations of the Federal Government nor reduce or disrupt Federal commitments under programs such as Social Security, veterans' affairs, national security, and Treasury authority to finance the national debt.

Subsection (c) provides that the Congress, with the assistance of the Government Accountability Office, the Inspectors General, and other appropriate agencies should make it a high priority to review unobligated balances and identify savings for deficit reduction.

While there is year-to-year variability, unobligated balances have generally been trending upwards over the past ten years, from \$253 billion at the end of fiscal year 2000 to \$725 billion at the end of fiscal year 2011. According to the Office of Management and Budget, federal agencies will have an estimated \$698 billion in unobligated balances at the close of fiscal year 2013, though agencies tend to overestimate their rate of obligations. Legislation introduced by Dr. Tom Price of Georgia (H.R. 1111) would rescind \$45 billion in unobligated discretionary funds within 60 days of enactment. CBO has informally estimated that such a measure could reduce spending by approximately \$22 billion.

The large sums of unobligated balances indicate that there are major opportunities for savings to reduce the deficit. Additional investigation is necessary to determine what portion of these anticipated unobligated balances can be cancelled or rescinded for deficit re-

duction without abrogating the Federal Government's contractual obligations or reducing or disrupting federal commitments under high priority programs and Treasury's authority to finance the national debt.

A reasonable goal would be to reduce unobligated balances by 10 percent, excluding Departments of Defense, Treasury, Veterans' Affairs, and the Social Security Administration, to achieve savings for deficit reduction.

SECTION 604. POLICY STATEMENT ON WASTE, FRAUD, ABUSE

Subsection (a) sets out findings.

Subsection (b) states that each Congressional Committee shall as part of its annual Views and Estimates letter to the Committee on the Budget submit recommendations for reductions in spending that result from that committee's oversight activities.

**TITLE VII—SENSE OF HOUSE PROVISIONS**

SECTION 701. SENSE OF THE HOUSE REGARDING THE IMPORTANCE OF CHILD SUPPORT ENFORCEMENT

This sense of the House expresses the sense that the authorizing committees are encouraged to ensure that States have the resources to collect child support owed to families and then to pass 100 percent of support on to families without financial penalty.

## THE CONGRESSIONAL BUDGET PROCESS

The spending and revenue levels established in the budget resolution are executed through two parallel, but separate, mechanisms: allocations to the appropriations and authorizing committees; and, when necessary, reconciliation directives to the authorizing committees.

As required under section 302(a) of the Congressional Budget and Impoundment Control Act of 1974, the discretionary spending levels established in the budget resolution are allocated to the Appropriations Committee and the direct spending levels are allocated to each of the authorizing committees with direct spending authority of each House of Congress. These allocations appear in the report accompanying the budget resolution, and they are enforced through points of order (see the section of this report titled: “Enforcing the Budget Resolution”). Amounts provided under “current law” encompass programs that affect direct spending—entitlements and other programs that have spending authority or offsetting receipts. Amounts subject to discretionary action refer to programs that require subsequent legislation to provide the necessary spending authority. Amounts provided under “reauthorizations” reflect amounts assumed to be provided in subsequent legislation reauthorizing expiring direct spending programs.

Allocations of budget authority and outlays are provided for the budget year (fiscal year 2013), and the 10-year period (fiscal years 2013 through 2022). Section 302 of the Congressional Budget and Impoundment Control Act of 1974 (as modified by the Balanced Budget Act of 1997) requires that allocations of budget authority be provided in the report accompanying the budget resolution for the 1st fiscal year and at least the 4 ensuing fiscal years (except for the Committee on Appropriations, which receives an allocation only for the budget year).

### COMMITTEES OF AUTHORIZATION

The report (or the joint statement of managers in the instance of a conference report) accompanying the concurrent resolution on the budget allocates to the authorizing committees a sum of new budget authority along with the attendant outlays required to fund the direct spending within their jurisdiction. The committees may be allocated additional budget authority should increases in spending be required in their jurisdiction. This occurs when the budget resolution assumes a new or expanded direct spending program. Such spending authority must be provided through subsequent legislation and is not controlled through the annual appropriations process.

#### *302(a) Allocations*

Because the spending authority for authorizing committees is multi-year or permanent, the allocations are established for the budget year commencing on October 1, and a 10-year total for fiscal years 2013 through 2022.

Unlike the Committee on Appropriations, each authorizing committee is provided a single allocation of new budget authority (divided between current law and expected policy action) not provided through annual appropriations. These committees are not required to file 302(b) allocations. Bills first effective in fiscal year 2013 are measured against the level for that year included in the fiscal year 2013 budget resolution and also the 10-year period of fiscal year 2013 through 2022.

### COMMITTEE ON APPROPRIATIONS

The report accompanying the concurrent resolution on the budget allocates to the Committee on Appropriations a lump sum of discretionary budget authority assumed in the resolution and corresponding outlays for a single fiscal year.

#### *302(a) Allocations*

Because the spending authority for authorizing committees is multi-year or permanent, the allocations in the budget resolution are for the budget year, which is the fiscal year 2013 which commences on October 1, 2012, and a 10-year total for fiscal years 2013 through 2022.

*302(b) Allocations*

Once a 302(a) allocation is provided to it by the concurrent resolution on the budget for a budget year, the Appropriations Committee is required to divide the allocation among its subcommittees. Though the number of subcommittees has varied over time, for budget year 2013, there are twelve. The amount each subcommittee receives constitutes its suballocation pursuant to section 302(b) of the Congressional Budget Act of 1974.

Each appropriation bill reported by a subcommittee providing budget authority for programs within its jurisdiction for the budget year must not breach this 302(b) suballocation. The sum of the suballocations must equal the 302(a) allocation provided, though an additional 302(b) suballocation may be made and assigned to the full Appropriations Committee. This additional suballocation must be an amount in the form of a positive whole number.

Under section 302(c) of the Budget Act, Appropriations Acts may not be considered on the floor of the House before these 302(b) suballocations are made.

The Congressional Budget Act of 1974 defines a “budget year” as the fiscal year starting in the calendar year in which a session of Congress first meets. Since the second session of the 112<sup>th</sup> Congress first met on January 5, 2012 (pursuant to Public Law 111–289), for the purposes of this concurrent resolution on the budget, the budget year is fiscal year 2013.

In general, bills, conference reports, joint resolutions, concurrent resolutions, cease to exist at the end of each Congress (in the House of Representatives). When a new Congress meets, though, the House extends rules from the previous Congress through a simple House Resolution. In this way, the Budget Resolution is extended into the new Congress. The budget year, thus, may change, but for purposes of enforcement, the first fiscal year for the budget resolution remains the same.

**[GPO: Insert Tables 11 and 12 here]**

**TABLE 11 - ALLOCATION OF SPENDING AUTHORITY TO  
HOUSE COMMITTEE ON APPROPRIATIONS**

[In millions of dollars]

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	2013
Base Discretionary Action:	
BA.....	1,027,896
OT.....	1,209,860
Global War on Terrorism:	
BA.....	96,725
OT.....	51,125
Current Law Mandatory:	
BA.....	729,675
OT.....	721,397

**TABLE 12 - RESOLUTION BY AUTHORIZING COMMITTEE**

[On-budget amounts; in millions of dollars]

	2013	2013-2022
<b>Agriculture:</b>		
Current Law		
BA.....	95,498	913,457
OT.....	94,039	910,457
Resolution Change		
BA.....	-1,577	-179,410
OT.....	-1,503	-177,871
Total		
BA.....	93,921	734,047
OT.....	92,536	732,586
<b>Armed Services:</b>		
Current Law		
BA.....	146,701	1,720,718
OT.....	146,588	1,724,573
Resolution Change		
BA.....	0	0
OT.....	0	0
Total		
BA.....	146,701	1,720,718
OT.....	146,588	1,724,573
<b>Financial Services:</b>		
Current Law		
BA.....	12,287	132,283
OT.....	16,937	-14,715
Resolution Change		
BA.....	-8,562	-65,193
OT.....	-8,495	-65,098
Total		
BA.....	3,725	67,090
OT.....	8,442	-79,813
<b>Education &amp; Workforce:</b>		
Current Law		
BA.....	-23,000	-64,135
OT.....	-18,938	-35,828
Resolution Change		
BA.....	-18,098	-227,471
OT.....	-7,096	-210,669
Total		
BA.....	-41,098	-291,606
OT.....	-26,034	-246,497
<b>Energy &amp; Commerce:</b>		
Current Law		
BA.....	353,484	4,941,534
OT.....	349,721	4,926,656
Resolution Change		
BA.....	-20,137	-1,802,097
OT.....	-4,661	-1,767,601
Total		
BA.....	333,347	3,139,437
OT.....	345,060	3,159,055
<b>Foreign Affairs:</b>		
Current Law		
BA.....	28,640	227,925
OT.....	26,334	238,279
Resolution Change		
BA.....	0	0
OT.....	0	0
Total		
BA.....	28,640	227,925
OT.....	26,334	238,279
<b>Oversight &amp; Government Reform:</b>		

**TABLE 12 - RESOLUTION BY AUTHORIZING COMMITTEE**

[On-budget amounts; in millions of dollars]

	2013	2013-2022
<b>Current Law</b>		
BA.....	101,477	1,175,131
OT.....	97,346	1,138,003
<b>Resolution Change</b>		
BA.....	-8,146	-140,709
OT.....	-8,113	-140,829
<b>Total</b>		
BA.....	93,331	1,034,422
OT.....	89,233	997,174
<b>Homeland Security:</b>		
<b>Current Law</b>		
BA.....	1,800	20,452
OT.....	1,774	20,370
<b>Resolution Change</b>		
BA.....	0	0
OT.....	0	0
<b>Total</b>		
BA.....	1,800	20,452
OT.....	1,774	20,370
<b>House Administration:</b>		
<b>Current Law</b>		
BA.....	41	376
OT.....	8	442
<b>Resolution Change</b>		
BA.....	0	0
OT.....	0	0
<b>Total</b>		
BA.....	41	376
OT.....	8	442
<b>Natural Resources:</b>		
<b>Current Law</b>		
BA.....	6,329	63,908
OT.....	6,710	67,850
<b>Resolution Change</b>		
BA.....	-460	-8,242
OT.....	-229	-8,076
<b>Total</b>		
BA.....	5,869	55,666
OT.....	6,481	59,774
<b>Judiciary:</b>		
<b>Current Law</b>		
BA.....	17,293	97,444
OT.....	11,719	99,976
<b>Resolution Change</b>		
BA.....	-8,490	-15,645
OT.....	-594	-13,737
<b>Total</b>		
BA.....	8,803	81,799
OT.....	11,125	86,239
<b>Transportation &amp; Infrastructure:</b>		
<b>Current Law</b>		
BA.....	69,555	708,839
OT.....	17,163	184,763
<b>Resolution Change</b>		
BA.....	-36,626	-130,371
OT.....	-9,354	-28,397
<b>Total</b>		
BA.....	32,929	578,468
OT.....	7,809	156,366
<b>Science, Space &amp; Technology:</b>		
<b>Current Law</b>		



**TABLE 12 - RESOLUTION BY AUTHORIZING COMMITTEE**

[On-budget amounts; in millions of dollars]

	2013	2013-2022
BA.....	101	1,010
OT.....	117	1,031
Resolution Change		
BA.....	0	0
OT.....	0	0
Total		
BA.....	101	1,010
OT.....	117	1,031
Small Business:		
Current Law		
BA.....	0	0
OT.....	0	0
Resolution Change		
BA.....	0	0
OT.....	0	0
Total		
BA.....	0	0
OT.....	0	0
Veterans Affairs:		
Current Law		
BA.....	1,742	62,599
OT.....	1,853	64,198
Resolution Change		
BA.....	0	0
OT.....	0	0
Total		
BA.....	1,742	62,599
OT.....	1,853	64,198
Ways & Means:		
Current Law		
BA.....	991,006	12,493,947
OT.....	990,793	12,490,228
Resolution Change		
BA.....	-5,970	-810,375
OT.....	-8,211	-817,297
Total		
BA.....	985,036	11,683,572
OT.....	982,582	11,672,931

## ENFORCING BUDGETARY LEVELS

### THE CONCURRENT RESOLUTION ON THE BUDGET

The concurrent resolution on the budget is more than a planning document. The allocations of spending authority and the aggregate levels of both spending authority and revenues are binding on the Congress when it considers subsequent spending and tax legislation. Legislation breaching the levels set forth in the budget resolution is subject to points of order on the floor of the House of Representatives. The concurrent resolution is established pursuant to the Congressional Budget Act of 1974, which includes various requirements as to its content and enforcement. While a budget resolution sets levels of spending, revenue, deficits and debt, it also may include special procedures in order to enforce Congressional budgetary decisions.

Any Member of the House may raise a point of order against any tax or spending bill that breaches the allocations and aggregate spending levels established in the budget resolution. If the point of order is sustained, the House is precluded from further consideration of the measure.

#### *Section 302(f)*

Section 302(f) of the Congressional Budget Act of 1974 prohibits the consideration of legislation that exceeds a committee's allocation of budget authority. For authorizing committees this section applies to the first fiscal year and the period of fiscal years covered by the budget resolution in force. For appropriations bills, however, it applies only to the first fiscal year.

#### *Section 303*

Section 303 prohibits the consideration of spending and revenue legislation before the House has passed a concurrent resolution on the budget for a fiscal year. Measures that cause an increase or decrease in revenue, or cause an increase in budget authority, in a fiscal year for which a budget resolution has not been adopted violate section 303(a). Section 303(a) does not apply to budget authority and revenue provisions first effective in a year following the first fiscal year to which a budget resolution would apply, or to appropriation bills after 15 May.

#### *Section 311*

Section 311 prohibits the consideration of legislation that would cause a breach of the aggregate spending limits on budget authority and outlays, or that would cause revenue levels to fall below the revenue floor, established by the concurrent resolution on the budget. If a measure would cause budget authority or outlays to be greater than the ceiling established for the first fiscal year of a budget resolution, a section 311 violation occurs. If a measure would cause revenue to be lower than the revenue floor in the first fiscal year or the period of years of the budget resolution, a section 311 violation occurs. Section 311 does not apply to measures that provide budget authority but do not breach a committee's 302(a) allocations.

### BUDGET-RELATED PROVISIONS IN THE HOUSE

#### *Clause 7 of Rule XXI*

This clause prohibits the consideration of a concurrent resolution on the budget containing reconciliation directives (section 310 of the Congressional Budget and Impoundment Control Act of 1974) that would cause a net increase in direct spending.

*Clause 10 of Rule XXI*

House Resolution 5 established in the Rules of the House of Representatives a point of order against any bill, joint resolution, amendment, or conference report that would cause a net increase in direct spending. The rule, termed “Cut-as-you-go,” prohibits the consideration of legislation that increases direct spending over 5 years or 10 years, and requires spending increases to be offset by spending decreases over those time periods.

*Clause 4 of Rule XXIX*

This clause specifies that the Chair of the Committee on the Budget is responsible for providing authoritative guidance concerning the impact of a legislative proposition related to the levels of new budget authority, outlays, direct spending, and new entitlement authority.

*Section 3 of House Resolution 5 of the 112<sup>th</sup> Congress*

House Resolution 5 adopted the rules from the 111th Congress and incorporated additional provisions related to the budget process. This section requires that each general appropriations bill contain a “spending reduction” account, for which the level provided is a recitation of the amount by which, through the amendment process, the House has reduced spending in other portions of the bill and indicated that such savings should be counted toward spending reduction. It provides that any other amendment increasing spending must include an offset of an equal or greater value.

## RECONCILIATION

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Section 310 of the Congressional Budget Act of 1974 (2 U.S.C. 641) sets out a special procedure which allows a concurrent resolution on the budget to direct any Congressional committee to produce legislation that changes budgetary levels. The Concurrent Resolution on the Budget for Fiscal Year 2013, as reported by the Committee on the Budget, provides for such a reconciliation bill. The concurrent resolution instructs six authorizing committees to transmit changes in law necessary to achieve certain direct spending and revenue levels provided for in the budget resolution. They must submit legislative text and associated material to the Committee on the Budget by April 27, 2012.

A committee receiving a reconciliation directive must reduce the deficit in the following periods: fiscal years 2012 and 2013, 2012 through 2017, and 2012 through 2022. A committee may reduce the deficit through net reductions in spending or net increases in revenue. The committees may achieve the deficit reduction specified in any manner they wish for laws within their jurisdiction.

In general, when a committee receives a reconciliation directive, it considers a bill to comply with the directive as it would any other bill, but the legislative text, along with related material, is submitted to the Committee on the Budget instead of reported to the House. The Committee on the Budget then binds all the submissions together, votes on the combined measure, and reports it out of committee as a single bill. The committee may not amend the submitted legislative text during consideration in committee. It must report the language without substantive revision.

A reconciliation bill is a privileged measure in the Senate: As distinct from most Senate bills, it has a time limit of twenty hours of debate and does not require the sixty-vote supermajority to invoke "cloture," a Senate procedure which limits debate on legislation. Hence passage of a reconciliation bill in the Senate only requires a simple majority.

In the Senate, as a limitation on the content of a reconciliation bill, a provision that does not increase or decrease spending (or revenue) is considered extraneous. If found to be extraneous the provision violates section 313 of the Congressional Budget Act of 1974, commonly known as the "Byrd Rule," so named after its author, the late Senator Robert C. Byrd (WV). If the provision is found to violate the Byrd Rule, it is removed from the bill or conference report unless 60 Senators vote to waive the rule.

The committees receiving reconciliation instructions pursuant to this concurrent resolution, and which must submit legislative language and related material to the Committee on the Budget, are as follows: the Committee on Agriculture, the Committee on Energy and Commerce, the Committee on Financial Services, the Committee on Judiciary, the Committee on Oversight and Government Reform, and the Committee on Ways and Means.

As noted above, the reconciled committees determine the content of legislation. The reconciliation instructions in this concurrent resolution are designed to replace the deficit reduction that would result from \$78 billion of the \$98 billion sequestration of discretionary budget authority mandated to occur on January 2, 2013. The goal of the instructions is to achieve this deficit reduction as rapidly as possible. Due to the challenge of achieving mandatory savings quickly and the importance of achieving the deficit reduction as quickly as possible,

the instruction calls on committees to report no later than April 27, 2012. The Committee expects the House will act promptly on this legislation. In addition, to ensure the deficit reduction is achieved rapidly, the instructions include the current fiscal year, fiscal year 2012, ending on September 30, 2012.

In developing these instructions, the Committee on the Budget made certain assumptions, including quick enactment of the reconciliation legislation and, based on preliminary discussions with the Congressional Budget Office, an effective date of July 1, 2012 for the policies contained in the reconciliation legislation. The Agriculture Committee, for example, is instructed to achieve \$8.2 billion in deficit reduction for fiscal years 2012-2013. While the Agriculture Committee will ultimately determine how to achieve these savings, the Committee on the Budget assumed savings from repealing expansions enacted in the Supplemental Nutrition Assistance Program (SNAP) to be effective July 1, 2012.

**ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS**

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS FOR FISCAL YEAR 2014  
(Subject to a General Limit of \$28,852,000,000)

*Financial Services and General Government*

Payment to Postal Service

*Labor, Health and Human Services, and Education*

Employment and Training Administration  
Education for the Disadvantaged  
School Improvement Programs  
Special Education  
Career, Technical and Adult Education

*Transportation, Housing and Urban Development*

Tenant-based Rental Assistance  
Project-based Rental Assistance

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS FOR FISCAL YEAR 2014  
(Subject to a Separate Limit of \$54,462,000,000)

*Military Construction, Veterans Affairs*

VA Medical Services  
VA Medical Support and Compliance  
VA Medical facilities

## Votes of the Committee

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Clause 3(b) of House Rule XIII requires each committee report to accompany any bill or resolution of a public character, ordered to include the total number of votes cast for and against on each roll call vote, on a motion to report and any amendments offered to the measure or matter, together with the names of those voting for and against. Listed below are the roll call votes taken in the Committee on the Budget on the Concurrent Resolution on the Budget for Fiscal Year 2013.

On March 21, 2012 the Committee met in open session, a quorum being present.

Mr. Garrett asked unanimous consent that the Chair be authorized, consistent with clause 4 of House Rule XVI, to declare a recess at any time during the Committee meeting.

There was no objection to the unanimous consent request.

Chairman Ryan asked unanimous consent to dispense with the first reading of the budget aggregates, function levels, and other appropriate matter; that the aggregates, function totals, and other appropriate matter be open for amendment; and that amendments be considered as read.

There was no objection to the unanimous consent requests.

The committee adopted and ordered reported the Concurrent Resolution on the Budget for Fiscal Year 2013. The Committee on the Budget took the following votes:

1. An amendment offered by Representative Schwartz expressing a sense of the House as to how the Affordable Care Act affects Medicare and senior citizens.

The amendment was not agreed to by a roll call vote of 13 ayes and 20 noes.

### ROLLCALL VOTE NO. 1

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)			
COLE (OK)		X		YARMUTH (KY)			

**ROLLCALL VOTE NO. 1—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA)		X		PASCRELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)				MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUIINTA (NH)		X					
WOODALL (GA)		X					

2. An amendment offered by Representative Castor expressing a sense of the House on the effects of the Affordable Care Act relating to prescription drug costs and other Medicare benefits for senior citizens.

The amendment was not agreed to by a roll call vote of 15 ayes and 21 noes.

**ROLLCALL VOTE NO. 2**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		



**ROLLCALL VOTE NO. 2—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

3. An amendment offered by Representative Blumenauer to increase budget authority and outlays for Function 400 to reflect increased funding for transportation, including roads, railroads and airports.

Budget authority and outlays for Function 400 would increase by \$50 billion in FY 2012 and outlays in the following amounts: \$19.920 billion for fiscal year 2013, \$16.210 billion for fiscal year 2014, \$5.780 billion for fiscal year 2015, \$2.350 billion for fiscal year 2016, \$1.680 billion for fiscal year 2017, \$1.350 billion for fiscal year 2018, \$0.600 billion for fiscal year 2019, \$0.500 billion for fiscal year 2020, \$0.400 billion for fiscal year 2021, \$0.200 billion for fiscal year 2022.

The amendment was not agreed to by a roll call vote of 16 ayes and 20 noes.

**ROLLCALL VOTE NO. 3**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)	X		

**ROLLCALL VOTE NO. 3—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)							

4. An amendment offered by Representative Kaptur to increase budget authority and outlays for Function 700 to establish an interagency Veterans Jobs Corps that will employ veterans.

The budget authority for Function 700 would increase by: \$1 billion in fiscal year 2013 and outlays in the following amounts: \$0.100 billion for fiscal year 2013, \$0.225 billion for fiscal year 2014, \$0.225 billion for fiscal year 2015, \$0.225 billion for fiscal year 2016, \$0.225 billion for fiscal year 2017.

The amendment was not agreed to by a roll call vote of 17 ayes and 20 noes.

**ROLLCALL VOTE NO. 4**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		

**ROLLCALL VOTE NO. 4—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)	X			SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

5. An amendment offered by Representatives Van Hollen, Schwartz, Doggett, McCollum, Pascrell, Ryan (OH), and Bonamici expressing a sense of the House rejecting any tax increase for individuals with incomes under \$200,000 or married couples below \$250,000 and extending the earned income tax credit as well as the child tax credit.

The amendment was not agreed to by a roll call vote of 14 ayes and 21 noes.

**ROLLCALL VOTE NO. 5**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)			
CALVERT (CA)		X		BLUMENAUER (OR)		X	
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)				WASSERMAN SCHULTZ (FL)	X		

**ROLLCALL VOTE NO. 5—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

6. An amendment offered by Representative Yarmuth to increase the levels of recommended revenue through increasing taxes on individuals earning over \$1 million and dedicate all revenue to deficit reduction.

The revenue levels would increase in the following amounts: \$35 billion for fiscal year 2013, \$50 billion for fiscal year 2014, \$70 billion for fiscal year 2015, \$85 billion for fiscal year 2016, \$100 billion for fiscal year 2017, \$105 billion for fiscal year 2018, \$120 billion for fiscal year 2019, \$125 billion for fiscal year 2020, \$130 for fiscal year 2021, \$140 billion for fiscal year 2022.

The amendment was not agreed to by a roll call vote of 15 ayes and 22 noes.

**ROLLCALL VOTE NO. 6**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		

**ROLLCALL VOTE NO. 6—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)		X	
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

7. An amendment offered by Representatives Pascrell, Van Hollen, Blumenauer, Ryan (OH), and Bonamici increases taxes for U.S. businesses and offers a deduction for companies that insource jobs. The amendment is revenue neutral.

The change in recommended levels of revenue are as follows: \$0.043 billion for fiscal year 2013, \$0.020 billion for fiscal year 2014, -\$0.004 million for fiscal year 2015, -\$0.017 for fiscal year 2016, -\$0.012 for fiscal year 2017, -\$0.027 for fiscal year 2018, \$0.025 for fiscal year 2019, -\$0.045 for fiscal year 2020, -\$0.013 for fiscal year 2021, \$0.030 for fiscal year 2022.

The amendment was not agreed to by a roll call vote of 15 ayes and 21 noes.

**ROLLCALL VOTE NO. 7**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		

**ROLLCALL VOTE NO. 7—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

8. An amendment offered by Representative Wasserman Schultz to increase budget authority for Function 550 for the purposes of Medicaid spending, offset by a \$700 billion revenue increase from eliminating tax deductions for domestic oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, and raising taxes on individuals with annual income greater than \$1,000,000.

The budget authority and outlays for Function 550 would increase by: \$3 billion in fiscal year 2013, \$33 billion for fiscal year 2014, \$48 billion for fiscal year 2015, \$59 billion for fiscal year 2016, \$70 billion for fiscal year 2017, \$81 billion for fiscal year 2018, \$98 billion for fiscal year 2019, \$118 billion for fiscal year 2020, \$137 billion for fiscal year 2021, \$163 billion for fiscal year 2022.

The amendment was not agreed to by a roll call vote of 15 ayes and 21 noes.

**ROLLCALL VOTE NO. 8**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)		X		McCOLLUM (MN)	X		

## ROLLCALL VOTE NO. 8—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

9. An amendment offered by Representatives Bass, Van Hollen, Blumenauer, McCollum, Pascrell, Ryan (OH), and Bonamici to increase budget authority and outlays for Function 400 related to highway funding offset by a revenue increase from eliminating tax deductions for domestic oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, and raising taxes on individuals with annual income greater than \$1,000,000.

The budget authority for Function 400 would increase by: \$32.002 billion for fiscal year 2013, \$9.438 billion for fiscal year 2014, \$16.716 billion for fiscal year 2015, \$15.858 billion for fiscal year 2016, \$15.839 billion for fiscal year 2017, \$13.939 billion for fiscal year 2018, \$14.110 billion for fiscal year 2019, \$11.838 billion for fiscal year 2020, \$17.798 billion for fiscal year 2021, \$6.517 billion for fiscal year 2022.

The amendment would increase outlays in the following amounts: \$47.185 billion for fiscal year 2013, \$15.449 billion for fiscal year 2014, \$21.292 billion for fiscal year 2015, \$19.328 billion for fiscal year 2016, \$19.638 billion for fiscal year 2017, \$18.548 billion for fiscal year 2018, \$19.450 billion for fiscal year 2019, \$18.178 billion for fiscal year 2020, \$25.204 billion for fiscal year 2021, \$14.934 billion for fiscal year 2022.

The amendment was not agreed to by a roll call vote of 14 ayes and 18 noes.

## ROLLCALL VOTE NO. 9

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)			
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)				YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)				CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

10. An amendment offered by Representatives Honda, Van Hollen, Doggett, McCollum, Yarmuth, Pascrell, Ryan (OH), Moore, Bass, and Bonamici to increase budget authority and outlays in Function 500 for fiscal year 2013 for the purposes of primary and secondary education, offset by a revenue increase from eliminating tax deductions for domestic oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, and raising taxes on individuals with annual income greater than \$1,000,000.

The amendment increases budget authority for Function 500 by \$1.872 billion in fiscal year 2013 and outlays in the following amounts: \$1.016 billion for fiscal year 2013, \$0.550 billion for fiscal year 2014, \$0.183 billion for fiscal year 2015, \$0.063 billion for fiscal year 2016, \$0.043 billion for fiscal year 2017.

The amendment was not agreed to by a roll call vote of 13 ayes and 21 noes.



## ROLLCALL VOTE NO. 10

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)			
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCHELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)			
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

11. An amendment offered by Representatives Doggett, Van Hollen, McCollum, Yarmuth, Pascrell, Honda, Ryan (OH), Moore, Bass, and Bonamici to increase budget authority and outlays in Function 500 for the purposes of college assistance offset by a revenue increase from eliminating tax deductions for domestic oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, and raising taxes on individuals with annual income greater than \$1,000,000.

The amendment would increase budget authority and outlays for Function 500 by the following amounts: \$0 billion for fiscal year 2013, \$3.855 billion for fiscal year 2014, \$3.477 billion for fiscal year 2015, \$3.247 billion for fiscal year 2016, \$2.986 billion for fiscal year 2017, \$2.805 billion for fiscal year 2018, \$2.786 billion for fiscal year 2019, \$2.633 billion for fiscal year 2020, \$2.626 billion for fiscal year 2021, \$2.550 billion for fiscal year 2022.

The amendment was not agreed to by a roll call vote of 14 ayes and 20 noes.

**ROLLCALL VOTE NO. 11**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)			
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

12. An amendment offered by Representatives McCollum, Van Hollen, Schwartz, Doggett, Yarmouth, Pascrell, Ryan (OH), Wasserman Schultz, Moore, Bass, and Bonamici expressing a sense of the House relating to women and health care.

The amendment was not agreed to by a roll call vote of 14 ayes and 20 noes.

**ROLLCALL VOTE NO. 12**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		

## ROLLCALL VOTE NO. 12—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)			
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

13. An amendment offered by Representatives Moore, Van Hollen, McCollum, Pascrell, Ryan (OH), Bass, and Bonamici to increase budget authority and outlays by \$136.6 billion for Function 600 for the purpose of a funding increase in the Women Infants and Children Program and Supplemental Nutrition Assistance Program offset by a revenue increase from eliminating tax deductions for domestic oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, and raising taxes on individuals with annual income greater than \$1,000,000.

The amendment would increase budget authority and outlays for Function 500 by the following amounts: \$1.2 billion for fiscal year 2013, \$1.2 billion for fiscal year 2014, \$1.2 billion for fiscal year 2015, \$18.4 billion for fiscal year 2016, \$18.5 billion for fiscal year 2017, \$18.8 billion for fiscal year 2018, \$19 billion for fiscal year 2019, \$19.2 billion for fiscal year 2020, \$19.4 billion for fiscal year 2021, \$19.7 billion for fiscal year 2022.

The amendment was not agreed to by a roll call vote of 13 ayes and 20 noes.

**ROLLCALL VOTE NO. 13**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)			
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

14. An amendment offered by Representatives Ryan (OH), Van Hollen, McCollum, Pascarell, Castor, Bass, and Bonamici to increase spending to fund the Commodity Futures Trading Commission (CFTC) by increasing budget authority in Function 370. The increased spending would be paid for by eliminating tax deductions for domestic oil production

The amendment would increase revenues by the following amounts: \$.599 billion in fiscal year 2013, \$1.116 billion in fiscal year 2014, \$1.180 billion in fiscal year 2015, \$1.251 billion in fiscal year 2016, \$1.323 billion in fiscal year 2017, \$1.394 billion in fiscal year 2018, \$1.467 billion in fiscal year 2019, \$1.542 billion in fiscal year 2020, \$1.621 billion in fiscal year 2021, \$1.692 billion in fiscal year 2022.

The amendment would increase budget authority for Function 370 by \$0.102 billion in fiscal year 2013, and increases outlays in the following amounts: \$0.055 billion in fiscal year 2013, \$0.030 billion in fiscal year 2014, \$0.010 billion in fiscal year 2015, \$0.003 billion in fiscal year 2016, \$0.002 billion in fiscal year 2017, \$0 billion in fiscal year 2018 through fiscal year 2022.

The amendment would dedicate the remaining revenues to deficit reduction.

The amendment was not agreed to by a roll call vote of 13 ayes and 20 noes.

**ROLLCALL VOTE NO. 14**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)			
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

15. An amendment offered by Representatives Bonamici, Van Hollen, Doggett, Pascrell, and Moore expressing a sense of the House supporting the Consumer Financial Protection Bureau and the Securities Exchange Commission.

The amendment was not agreed to by a roll call vote of 13 ayes and 18 noes.

**ROLLCALL VOTE NO. 15**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)			
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)				CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)							
GUINTA (NH)		X					
WOODALL (GA)		X					

16. An amendment offered by Representatives Shuler, Van Hollen, Schwartz, Pascrell, and Bonamici expressing a sense of the House amendment that budget resolutions should enable deficit reduction through spending reductions and tax reform.

The amendment was not agreed to by a roll call vote of 15 ayes and 15 noes.

**ROLLCALL VOTE NO. 16**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		

## ROLLCALL VOTE NO. 16—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)	X			KAPTUR (OH)	X		
CAMPBELL (CA)				DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)			
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)			
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)				CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)				BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)	X						

17. An amendment offered by Representative Bass, Van Hollen, Pascrell, Ryan (OH), Wasserman Schultz, Moore, Castor, and Bonamici to increase budget authority and outlays for Function 500 for student loans.

The amendment would increase budget authority for Function 500 by the following amounts: \$4.285 billion for fiscal year 2012, \$2.595 billion for fiscal year 2013. The amendment would increase outlays for Function 500 by the following amounts: \$2.480 billion for fiscal year 2012, \$3.505 billion for fiscal year 2013.

The amendment was not agreed to by a roll call vote of 14 ayes and 20 noes.

## ROLLCALL VOTE NO. 17

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		

**ROLLCALL VOTE NO. 17—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)			
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

18. An amendment offered by Representatives Castor, Van Hollen, Schwartz, Pascrell, Ryan (OH), and Bonamici expressing a sense of the House with respect to changes to the Social Security program.

The amendment was not agreed to by a roll call vote of 15 ayes and 21 noes.

**ROLLCALL VOTE NO. 18**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)			



## ROLLCALL VOTE NO. 18—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

19. An amendment offered by Representatives Yarmuth, Van Hollen, Pascrell, Ryan (OH), Bass and Bonamici to eliminate tax deductions for domestic oil production and use the revenues to fund rebates to all registered vehicle owners.

The amendment would change the recommended levels of revenue and deficits by the following amounts: -\$34.370 billion for fiscal year 2012, \$2.624 billion for fiscal year 2013, \$4.066 billion for fiscal year 2014, \$4.008 billion for fiscal year 2015, \$3.947 billion for fiscal year 2016, \$3.859 billion for fiscal year 2017, \$3.633 billion for fiscal year 2018, \$3.222 billion for fiscal year 2019, \$2.955 billion for fiscal year 2020, \$2.984 billion for fiscal year 2021, \$3.074 billion for fiscal year 2022.

The amendment was not agreed to by a roll call vote of 15 ayes and 21 noes.

## ROLLCALL VOTE NO. 19

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		

**ROLLCALL VOTE NO. 19—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)			
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

20. An amendment offered by Representatives McCollum, Van Hollen, Pascrell, Ryan (OH), Castor and Bonamici to increase budget authority in Function 500 with the purpose of modernization and construction of public schools.

The amendment would increase outlays for Function 500 by the following amounts: \$13.362 billion for fiscal year 2013, \$8.294 billion for fiscal year 2014, \$4.003 billion for fiscal year 2015, \$1.050 billion for fiscal year 2016, \$0.072 billion for fiscal year 2017.

The amendment was not agreed to by a roll call vote of 15 ayes and 20 noes.

**ROLLCALL VOTE NO. 20**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		

**ROLLCALL VOTE NO. 20—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
CAMPBELL (CA)		X		DOGGETT (TX)			
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)							
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

21. An amendment offered by Representative Schwartz expressing a sense of the House relating to women's health.

The amendment was not agreed to by a roll call vote of 16 ayes and 21 noes.

**ROLLCALL VOTE NO. 21**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		

## ROLLCALL VOTE NO. 21—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

22. An amendment offered by Representatives Doggett, Van Hollen, Pascrell, Ryan (OH), Moore, Bass, and Bonamici to increase budget authority and outlays for Function 500 for the purpose of increased funding for Head Start.

The amendment would increase budget authority for Function 500 by \$0.216 billion for fiscal year 2013 and increase outlays by the following amounts: \$0.117 billion for fiscal year 2013, \$0.063 billion for fiscal year 2014, \$0.021 billion for fiscal year 2015, \$0.007 billion for fiscal year 2016, \$0.005 billion for fiscal year 2017.

The amendment was not agreed to by a roll call vote of 15 ayes and 21 noes.

## ROLLCALL VOTE NO. 22

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		

**ROLLCALL VOTE NO. 22—Continued**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)			
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

23. An amendment offered by Representative Van Hollen to increase budget authority and outlays in Function 920 for discretionary spending.

The amendment would increase budget authority for Function 920 by \$19.104 billion for fiscal year 2013 and increase outlays by the following amounts: \$10.370 billion for fiscal year 2013, \$5.613 billion for fiscal year 2014, \$1.870 billion for fiscal year 2015, \$0.642 billion for fiscal year 2016, \$0.436 billion for fiscal year 2017.

The amendment was not agreed to by a roll call vote of 16 ayes and 21 noes.

**ROLLCALL VOTE NO. 23**

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		

## ROLLCALL VOTE NO. 23—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCARELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)				RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

24. An amendment offered by Representative Moore expressing a sense of the House regarding child support enforcement.

The amendment was agreed to by a voice vote.

25. An amendment offered by Chairman Ryan to make technical and conforming corrections to the Chairman's Mark..

The amendment was agreed to by a voice vote.

26. Mr. Garrett made a motion that the Committee adopt the aggregates, function totals, and other appropriate matter, with any amendments.

The motion offered by Mr. Garrett was agreed to by voice vote.

Chairman Ryan called up the Concurrent Resolution on the Budget for fiscal year 2013 incorporating the aggregates, function totals, and other appropriate matter as previously agreed.

27. Mr. Garrett made a motion that the Committee order the Concurrent Resolution reported with a favorable recommendation and that the Concurrent Resolution do pass.

The motion offered by Mr. Garrett was agreed to by a roll call vote of 19 ayes and 18 noes.

## ROLLCALL VOTE NO. 24

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)	X			VAN HOLLEN (MD) (Ranking)		X	

## ROLLCALL VOTE NO. 24—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
GARRETT (NJ)	X			SCHWARTZ (PA)		X	
SIMPSON (ID)	X			KAPTUR (OH)		X	
CAMPBELL (CA)	X			DOGGETT (TX)		X	
CALVERT (CA)	X			BLUMENAUER (OR)		X	
AKIN (MO)	X			McCOLLUM (MN)		X	
COLE (OK)	X			YARMUTH (KY)		X	
PRICE (GA)	X			PASCARELL (NJ)		X	
McCLINTOCK (CA)	X			HONDA (CA)		X	
CHAFFETZ (UT)				RYAN (OH)		X	
STUTZMAN (IN)	X			WASSERMAN SCHULTZ (FL)		X	
LANKFORD (OK)	X			MOORE (WI)		X	
BLACK (TN)	X			CASTOR (FL)		X	
RIBBLE (WI)	X			SHULER (NC)		X	
FLORES (TX)	X			BASS (CA)		X	
MULVANEY (SC)	X			BONAMICI (OR)		X	
HUELSKAMP (KS)		X					
YOUNG (IN)	X						
AMASH (MI)		X					
ROKITA (IN)	X						
GUINTA (NH)	X						
WOODALL (GA)	X						

28. Mr. Garrett asked for unanimous consent that the Chair be authorized to make a motion to go to conference pursuant to clause 1 of House Rule XXII, the staff be authorized to make any necessary technical and conforming corrections in the resolution, and any committee amendments, and calculate any remaining elements required in the resolution, prior to filing the resolution.

There was no objection to the unanimous consent requests.

Ms. McCollum asked unanimous consent that the record reflect that she would have voted aye on roll call tally #1 offered by Ms. Schwartz if she were present to vote.

There was no objection to the unanimous consent request.

## **OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE**

### COMMITTEE ON THE BUDGET OVERSIGHT FINDINGS AND RECOMMENDATIONS

Clause 3(c)(1) of rule XIII of the Rules of the House of Representatives requires each committee report to contain oversight findings and recommendations pursuant to clause 2(b)(1) of rule X. The Committee on the Budget has no findings to report at the present time.

### NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

Clause 3(c)(2) of rule XIII of the Rules of the House of Representatives provides that committee reports must contain the statement required by Section 308(a)(1) of the Congressional Budget and Impoundment Control Act of 1974. This report does not contain such a statement because as a concurrent resolution setting forth a blueprint for the Congressional budget, the budget resolution does not provide new budget authority, new entitlement authority, or change revenues.

### GENERAL PERFORMANCE GOALS AND OBJECTIVES

Clause 3(c)(4) of rule XIII of the Rules of the House of Representatives requires each committee report to contain a statement of general performance goals and objectives, including outcome-related goals and objectives, for which the measure authorizes funding. The Committee on the Budget has no such goals and objectives to report at this time.

### VIEWS OF COMMITTEE MEMBERS

Clause 2(l) of rule XI of the Rules of the House of Representatives requires each committee to afford a 2-day opportunity for members of the committee to file minority, additional, dissenting, or supplemental views and to include the views in its report. The following views were submitted:



## **Minority Views**

### **The Challenge**

We consider this long-term budget plan at an especially consequential moment for our country. Unfortunately, this Republican budget makes the wrong choices for America. As a result of the extraordinary actions taken over the last few years, America avoided a second Great Depression and is emerging from the ravages of a financial meltdown and near economic collapse. While the economy is improving, millions of Americans remain out of work through no fault of their own. Our top priority must be to strengthen the fragile recovery and put America back to work. It is also clear that putting Americans back to work is the fastest and most effective ways to reduce the short term deficit. In fact, the Congressional Budget Office (CBO) estimates that our weak economy and underemployment is the major single contributing factor to the deficit, accounting for over one third of the projected deficit for fiscal year 2012.

### **Addressing the Challenge**

Both President Obama's jobs plan and the President's budget – and the budget we will propose as an alternative next week – make key investments in the areas of our economy that will spur job creation now and ensure our success over the long term. They call for initiatives that will spur immediate additional job creation, including funding to modernize our nation's roads, schools, and bridges. At a time when the unemployment rate in the construction industry stands at 17.1 percent, those kinds of investments are a win-win for the American people. Instead of expanding incentives to ship American jobs overseas, as the Republican budget plan does, we need to invest in jobs here at home and Make It in America. In addition to helping small businesses put more Americans back to work now, the President's budget also makes strategic long-term national investments to out-educate, out-innovate, and out-compete the rest of the world. These investments are necessary for long-term economic growth.

To achieve long-term economic growth we must also enact a plan now to steadily and predictably reduce our deficits and debt. The issue is not whether we enact a plan to reduce the deficit, the question is how.

### **The Choice**

To govern is to choose, and the choices made in the Republican budget are simply wrong for America. It is not bold to provide tax breaks to millionaires while ending the Medicare guarantee for seniors and sticking seniors with the bill for rising health care costs. It is not courageous to protect tax giveaways to big oil companies and other special interests while slashing investments in our kids' education, scientific research, and critical infrastructure. It is not visionary to reward corporations that ship American jobs overseas while terminating affordable health care for tens

of millions of Americans. It is not brave to give governors a blank check for their pet initiatives and a license to cut support for seniors in nursing homes, individuals with disabilities, and low-income children. And it is not fair to raise taxes on middle-income Americans to pay for big additional tax breaks for Wall Street executives and the very wealthy.

Yet those are the choices made in the Republican budget. Where is the shared responsibility? We have American men and women putting their lives on line in Afghanistan while others hide their income in the Cayman Islands and Switzerland and refuse to pay their fair share to support our nation.

### **The Republican Budget Puts Tax Breaks for the Wealthy and Special Interests Ahead of All Other Priorities**

As the bipartisan National Commission on Fiscal Responsibility and Reform indicated, any responsible effort to reduce the deficit requires a balanced approach that addresses both spending and revenue. The Republican plan fails that simple test. That is probably not a surprise, since nearly all House Republicans have taken the position that they will refuse to close a single special interest tax loophole or eliminate a subsidy to big oil companies for the purposes of deficit reduction.

Instead, the Republican budget simply rigs the rules of the game in favor of the very wealthy and the powerful special interests, and it does so at the expense of middle-income Americans, seniors, and critical investments necessary to help our economy grow stronger.

In addition to locking in the portion of President Bush's tax cuts that disproportionately benefit the very wealthy, the Republican budget proposes additional tax breaks for millionaires. The Republican proposal to drop the top marginal individual rate from 35 percent to 25 percent will provide a windfall for millionaires. Together with the Bush tax cuts, millionaires could receive an average tax cut of over \$150,000. Moreover, the additional tax cut for millionaires is inevitably paid for by raising taxes on middle-income and other Americans. Cutting the top rate by 10 percent generates a new loss of over \$5 trillion. The Republican budget promises to do this in a "revenue neutral" way, which means raising taxes on middle-income taxpayers to finance tax cuts for millionaires.

All of this is in service of a failed, trickle-down economic theory that claims that big tax breaks to the very wealthy will trickle down to lift the middle class. We have been there. We tried it – it was called eight years of the Bush Administration. Those tax breaks for the very wealthy may have lifted the yachts, but they did not lift any of the other boats. And at the end of that period, we saw a net loss of private-sector jobs.

## **The Republican Budget Harms U.S. Competitiveness Globally**

Republicans call their plan a path to prosperity, and if you have already arrived at that point, it is the path for you. If you are already prosperous, this will give you an added windfall. But tax breaks for the very wealthy come at the expense of everyone else. It means everyone else has to shoulder the burden of deficit reduction. It also threatens our nation's ability to succeed in the global economy. Remember, the Budget Control Act of 2011 and the President's budget already reflect the approximately \$1 trillion in cuts for non-security discretionary spending proposed by the bipartisan Fiscal Commission. But the Republican plan slashes essential, strategic investments by another \$1 trillion over the next ten years. America became an economic powerhouse in part because of targeted strategic national investments made by earlier generations – including investments in science and technology, the interstate highway system, and the G.I. Bill and other educational opportunities. By gutting these kinds of investments, this plan is a recipe for national decline.

## **The Republican Budget Ends the Medicare Guarantee and Shreds the Social Safety Net**

Every member of the Budget Committee knows that rising health care costs represent a huge challenge for the federal budget. But every member of the Budget Committee should also know what every expert has told us – that those rising costs are not unique to Medicare or Medicaid. Those costs are endemic to the entire health care system. In fact, over the last 40 years, the per-beneficiary spending in Medicare has grown at a slightly slower rate than in the private insurance system. And over the last decade, the per-beneficiary costs in Medicaid grew much more slowly than the rest of the health care system. Indeed, in the private market for individual coverage, premiums more than doubled between the years 2000 and 2008, as insurance industry profits quadrupled.

Those facts make one thing clear – if we are going to slow the rising costs in Medicare and Medicaid without rationing care, we must slow the rising costs of health care throughout the health care system. That is exactly what the Affordable Care Act signed by President Obama two years ago will do when fully implemented.

The Affordable Care Act will begin to bring down the per capita costs of health care throughout the system – including Medicare. Yet this Republican budget will kill many of those system-wide reforms, without any plan to replace them. House Republicans said they could come up with a replacement policy. In fact, Republicans supported a resolution last year (H. Res. 9) asking committees to replace the Affordable Care Act with a plan to “lower health care premiums through increased competition and choices” and “provide people with pre-existing conditions access to affordable health coverage.” We are still waiting for that legislation.

And once again, the Republican budget does not reform Medicare – it deforms it. It proposes to end the Medicare guarantee, shifting rising costs onto seniors and disabled individuals. If your voucher amount is not sufficient to pay for the benefits you need, tough luck. This Republican plan simply rations health care and choice of doctor by income. And despite the claims that market competition will curb the rising costs, the plan creates an artificial cap on the value of the voucher support. Republicans say they are using the Medicare Part D prescription drug benefit as a model, but that program has no artificial cap. Members of Congress, who are part of the Federal Employee Health Benefit Program, have no cap on the premium support they receive from the federal government. Clearly, Republicans do not trust the market to drive down costs – which is not surprising, as the health insurance market failed to achieve that goal for seniors. That is why the Congress created Medicare in the first place, to leverage the combined negotiating power of millions of seniors.

To make matters worse, the Republican budget takes away important new Medicare benefits already being provided to seniors and disabled individuals through the Affordable Care Act. The Act gradually closes the “donut hole” coverage gap in the Medicare Part D prescription drug benefit. More than 5.1 million seniors have already saved an average of \$635 on their prescription drug costs. Between now and 2020, the average senior in the “donut hole” will save more than \$10,000 on their drug costs, thanks to the Affordable Care Act. The Act also eliminates cost-sharing for key preventive services such as mammograms and colonoscopies and provides a free Annual Wellness Visit. These types of benefits are crucial to transforming our health system into one that focuses on keeping people healthy. Under the Republican budget, these new benefits disappear.

This Republican budget also rips apart the safety net for seniors in nursing homes and assisted living facilities, as well as low-income children and individuals with disabilities who rely on Medicaid. There is nothing courageous about targeting the most vulnerable in our society. Yet that is one of the biggest areas of Republican cuts. “Block-granting” Medicaid is simply code for deep, arbitrary cuts in support to the most vulnerable seniors, individuals with disabilities, and low-income children. Medicaid is already underfunded, yet this budget cuts it by over \$800 billion, about a third of the Medicaid budget by 2022. Claiming to “repair” Medicaid by cutting it by a third is like saving a drowning person by throwing them an anchor.

The Republican budget does not reach balance in ten years. It does not reach balance in 20 years. And their claim that it reaches balance at all is based on made-up numbers. It is based on a CBO report that states: “Those calculations do not represent a cost estimate for legislation or an analysis of the effects of any given policies.” All CBO could do was accept the figures and run the formulas specified by “Chairman Ryan and his staff” – disconnected from any real-world policies.

## **The Bottom Line: Values**

This Republican budget is the wrong choice for America because it does not reflect our values and priorities. During an all day mark-up Democrats offered a series of amendments that do reflect America's priorities: investments to promote job creation, maintaining Medicare and the social safety net, and responsible deficit reduction through policy choices that ask everyone to pay their fair share. None of the amendments would have increased the deficit, and in fact, several would have reduced the deficit. All of the amendments offset any proposed spending by reducing unproductive tax breaks, including subsidies for big oil companies, egregious tax breaks such as tax deductions for corporate jets, tax loopholes that encourage the outsourcing of manufacturing and result in fewer American jobs, and additional tax cuts for millionaires.

Republicans rejected every Democratic amendment to reduce the deficit or change spending levels.

Democrats intend to offer our own budget next week that will stand in stark contrast to this budget's principles. Our budget will reduce the deficit and remain true to our values. We are focused on putting Americans back to work in the short term while also implementing a long-term plan to get our fiscal house in order. We can modernize and strengthen programs like Medicare without breaking our promises to seniors and shredding the social safety net. And we can make smart spending reductions without slashing investments in our nation's future that will pay dividends for generations.

To govern is to choose, but the Republican budget presents a false choice that further divides our country. They provide a gilded path to prosperity for the already wealthy, while leaving working Americans and future generations behind. Instead of more of the same, we must work together on a balanced path forward that protects the promise and opportunity of the American Dream for all.

Luc Van Halles

Debbie Wasserman Schultz

Alyssa J. Schreyer

Ti Ryan

Paul Blumenthal

Michael M. Hanch

Bill Pascoe Jr

Suzanne Brannan

Sven Maren

Beth McElhin

Kathy Casto

Hyd Diggell

Bob Shuler

John

Karen Bass

Inarey Kaptur

Rep. Chris Van Hollen

Rep. Debbie Wasserman Schultz

Rep. Allyson Schwartz

Rep. Tim Ryan

Rep. Earl Blumenauer

Rep. Mike Honda

Rep. Bill Pascrell, Jr.

Rep. Suzanne Bonamici

Rep. Gwen Moore

Rep. Betty McCollum

Rep. Kathy Castor

Rep. Lloyd Doggett

Rep. Heath Shuler

Rep. John Yarmuth

Rep. Karen Bass

Rep. Marcy Kaptur