



**Legislative Bulletin.....April 15, 2011**

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**H.Con.Res. 34— FY 2012 Budget Resolution**

**H.Con.Res. 34—FY 2012 Budget Resolution (Ryan, R-WI)**

**Order of Business:** Consideration of the resolution began Thursday, April 14, 2011, and will continue Friday, April 15, 2011 under a structured rule that provides four hours of general debate. The rule waives all points of order against consideration of the concurrent resolution, and makes in order the amendments in the nature of a substitute described below.

**Summary:** Among other things, the FY 2012 budget resolution sets recommended spending, revenue, deficit, and debt levels over the 2012-2021 period. Actual spending and revenue figures for each year would depend on subsequent legislation.

**Proposed Revenues, Spending, and Deficits:** The Republican budget resolution proposes to cut spending by **\$5.8 trillion** compared to the baseline and by \$6.2 trillion compared to the President’s request. It cuts taxes by **\$4.2 trillion** compared to the baseline (much of this is simply preventing tax increases by extending current law). It cuts the deficit by **\$1.65 trillion** compared to the baseline, and by more than that compared to a baseline that assumes extension of the 2001 and 2003 tax cuts (i.e. a no tax increase baseline).

**House Republican Budget Resolution**

*In Billions of Dollars*

	<b>Spending</b>	<b>Tax Revenue</b>	<b>Deficit/Surplus</b>
<b>2012</b>	3529	2533	-955
<b>2013</b>	3558	3860	-698
<b>2014</b>	3583	3094	-489
<b>2015</b>	3667	3237	-431
<b>2016</b>	3855	3377	-478
<b>2017</b>	3996	3589	-407
<b>2018</b>	4123	3745	-378
<b>2019</b>	4354	3939	-415
<b>2020</b>	4547	4142	-405
<b>2021</b>	4745	4354	-391

**Spending Details:** The resolution provides a 12.6% reduction to all spending in CBO’s baseline over the FY 2012-2021 period. The House GOP inherited a federal budget with

spending at historic highs—24.3% of GDP in 2011 under the President’s budget, the highest level since World War II. Under this budget, spending would decline to 19.7% of GDP by 2018. The budget resolution would put the country on track to completely eliminate the national debt (last accomplished by President Andrew Jackson) within four decades.

**Social Security:** No change in spending assumed.

**Medicare:** Reduces spending by \$30 billion compared to the baseline over ten years. Beyond the ten-year window, Medicare transitions to a solvent premium-support system, and the program’s long-term liabilities are eliminated.

**Medicaid:** The Medicaid program would no longer be an open-ended entitlement, but would instead be block-granted to the states. Under the budget resolution, spending grows from \$275 billion in 2011 to \$305 billion in 2021. This growth is much reduced compared to current law, where spending ends up at \$560 billion in 2021.

**Obamacare:** Proposes to repeal the law and budgets \$0 for it over ten years.

**Discretionary Spending:**

- **War Funding:** Same as President’s budget request. Reduced by \$1.044 trillion over ten years compared to baseline.
- **“Security Funding:”** Same as President’s budget request. Increased by \$214 billion over ten years compared to baseline.
- **Non-Security Funding:** Over ten years, cut by \$1.81 trillion compared to the baseline and cut by \$1.11 trillion compared to the President’s request (both figures compared to the baseline).

**Tax Details:** The budget resolution cuts taxes by \$4.2 trillion over ten years compared to the baseline. This keeps taxes from rising above the 40-year average (18.3% of GDP). Within the revenue number set by the budget resolution, the resolution envisions revenue-neutral tax reforms that would lower both the top individual and corporate rates to 25%.

**Reconciliation:** The legislation contains no reconciliation instructions.

## **Substitute Amendments Made in Order Under the Rule**

1. Garrett (R-NJ)/Jordan (R-OH)/Mulvaney (R-SC)/McClintock (R-CA)—The RSC Substitute

**Proposed Revenues, Spending, and Deficits:** The RSC budget resolution proposes to cut spending by **\$9.1 trillion** compared to the baseline and \$9.5 trillion compared to the President’s request. It cuts taxes by **\$4.2 trillion** compared to the baseline (much of this is simply preventing tax increases by extending current law). It cuts the deficit by **\$4.95 trillion** compared to the baseline, and by more than that compared to a baseline that assumes extension of all tax cuts (i.e. a no tax increase baseline). The deficit declines from \$1.384 trillion in FY 2011 to

\$788 billion in FY 2012 (a 43% deficit reduction in one year). In 2020, the budget reaches a \$50 billion surplus, followed by a \$115 billion surplus in 2021.

## RSC Budget Resolution

*In Billions of Dollars*

	Spending	Tax Revenue	Deficit/Surplus
<b>2011</b>	3614	2230	-1,384
<b>2012</b>	3321	2533	-788
<b>2013</b>	3317	2860	-457
<b>2014</b>	3331	3094	-237
<b>2015</b>	3425	3237	-188
<b>2016</b>	3577	3377	-200
<b>2017</b>	3676	3589	-87
<b>2018</b>	3772	3745	-27
<b>2019</b>	3942	3939	-3
<b>2020</b>	4092	4142	<b>50</b>
<b>2021</b>	4239	4354	<b>115</b>

**Tax Cuts:** The same revenue figures, and policy assumptions, as the Republican budget.

**Discretionary Spending:** In FY 2012, the RSC budget proposes that nondefense discretionary spending return to FY 2006 levels, which represent the spending levels enacted prior to Democrat control of Congress. Compared to the last budget enacted into law in FY 2010, this is a \$141 billion, or 25.6 percent reduction.

For FY 2013 through FY 2021, the RSC budget proposes that overall discretionary spending return to the FY 2008 levels that were in effect fewer than three years ago (\$933 billion). Overall discretionary spending would be frozen at that level until 2021. Within the total discretionary spending amount for FY 2012 through 2021, defense spending would total \$696 billion in 2012 and would increase to \$747 billion in 2021. Non-defense discretionary spending would decline from \$409 billion in 2012 to \$218 billion in 2021.

### **Mandatory Spending:**

- **Social Security:** No change to current retirees and those 60 and older. For younger Americans (those born in 1952 and later) the age of eligibility for Social Security would gradually increase to the age of 70. Specifically, this proposal would increase the full retirement age to 66 years and 2 months starting with those born in 1952. Then, the full retirement age would increase in two-month increments per year, reaching 67 for those born in 1957 or later. For those born in 1975 or later, the full retirement age would remain at 70 years old.
- **Medicare:** Follows the same numbers and policies as the Republican budget with two additions. First, beginning in 2017, the RSC proposes giving all current Medicare beneficiaries the option to voluntarily opt-in to a menu of private insurance plans. Second, the RSC budget increases the age of eligibility for Medicare in a similar manner as with Social Security. To address the increased demands on Medicare, this budget proposes raising the age of Medicare eligibility by two months every year beginning with those born in 1952 until the eligibility age reaches 67 for those born in 1963. This proposal would not affect

individuals currently 60 years old and older. For those under 60, this proposal would slowly phase in an increased eligibility age. According to the estimates by the non-partisan CBO, this would save Medicare about \$59.3 billion between 2017 and 2021.

- **Medicaid:** The RSC proposes block-granting the Medicaid program at FY 2006 levels starting in FY 2012 and funding the program with an inflation adjustment through FY 2021.
- **Obamacare:** Repealed with \$0 funding provided for any program under the law.
- **Other:** Requires each committee to find 1% savings from mandatory savings under their jurisdiction, reforms the Food Stamp program and other means-tested social welfare programs on the model of the successful 1996 welfare reform law, and requires 5% of all federal assets to be sold. For all savings, see [this](#) long-analysis of the RSC budget.

**Reconciliation Instructions:**

- **Tax Cuts:** Reconciliation instructions for \$4.2 trillion of tax relief over ten years.
- **Mandatory Spending:** Reconciliation instructions for a total of \$4.0 trillion in cuts over ten years.

**Budget Enforcement:**

- Restricts advance appropriations to \$23.65 billion.
- Prohibits earmarks in FY 2011 and FY 2012.
- Creates discretionary budget protection accounts that would require amendments during the appropriations process that cut spending to also reduce the 302(a) allocation (ensuring that the cut sticks through the appropriations process). For more on this, see [here](#).
- Provides a strict definition for what qualifies as emergency spending that is enforceable via point of order.

2. Cleaver (D-MO)

**Black Caucus Budget Resolution**

*In Billions of Dollars*

	<b>Spending</b>	<b>Tax Revenue</b>	<b>Deficit/Surplus</b>
<b>2012</b>	3695	2873	- 822
<b>2013</b>	3753	3240	-512
<b>2014</b>	3900	3572	-328
<b>2015</b>	4083	3821	-261
<b>2016</b>	4334	4032	-301
<b>2017</b>	4512	4234	-277
<b>2018</b>	4685	4429	-255
<b>2019</b>	4950	4632	-318
<b>2020</b>	5191	4850	-341
<b>2021</b>	5425	5082	-343

**Main Take-Away:**

- Increases taxes compared to CBO’s baseline (which already assumes large tax increases resulting from expiring tax cut provisions) by **\$1.734 trillion** over ten years.

3. Cooper (D-TN)

## Cooper Budget Resolution

*In Billions of Dollars*

	Spending	Tax Revenue	Deficit/Surplus
<b>2012</b>	3584	2553	-1032
<b>2013</b>	3631	2908	-722
<b>2014</b>	3766	3280	-486
<b>2015</b>	3937	3511	-425
<b>2016</b>	4166	3684	-482
<b>2017</b>	4325	3927	-398
<b>2018</b>	4470	4128	-342
<b>2019</b>	4720	4357	-363
<b>2020</b>	4934	4589	-346
<b>2021</b>	5152	4849	-303

### Main Take-Aways:

- Provides reconciliation instructions that would cut mandatory spending by \$256 billion over ten years.
- Provides reconciliation instructions to the Ways and Means Committee to increase taxes and reform the tax code in a way that leads to federal taxes not in excess of 21% of GDP. The 40-year average is close to 18% of GDP.

## 4. Grijalva (D-AZ)

### Progressive Caucus Budget Resolution

*In Billions of Dollars*

	Spending	Tax Revenue	Deficit/Surplus
<b>2012</b>	4385	3598	-787
<b>2013</b>	4582	4126	-455
<b>2014</b>	4714	4474	-240
<b>2015</b>	4880	4733	-146
<b>2016</b>	5121	4978	-143
<b>2017</b>	5308	5284	-24
<b>2018</b>	5499	5544	<b>44</b>
<b>2019</b>	5780	5808	<b>28</b>
<b>2020</b>	6031	6078	<b>47</b>
<b>2021</b>	6285	6376	<b>91</b>

### Main Take-Aways:

- Increases taxes compared to CBO's baseline (which already assumes large tax increases resulting from expiring tax cut provisions) by **\$3.232 trillion** over ten years.
- No reconciliation instructions.
- Only gets to balance because of massive tax increases.

## 5. Van Hollen (D-MD)

### Democrat Budget Resolution

*In Billions of Dollars*

	Spending	Tax Revenue	Deficit/Surplus
2012	3637	2542	1096
2013	3721	2893	827
2014	3880	3197	683
2015	4062	3428	633
2016	4310	3620	689
2017	4496	3809	687
2018	4682	4026	657
2019	4963	4246	717
2020	5222	4462	759
2021	5474	4688	786

**Main Take-Aways:**

- Provides reconciliation instructions that would cut mandatory spending by \$256 billion over ten years.
- \$7.5 trillion deficits over ten years.

**Cost to Taxpayers:** The underlying resolution proposes to reduce spending by \$5.8 trillion over ten years, and to reduce taxes by \$4.2 trillion over ten years.

**Does the Bill Expand the Size and Scope of the Federal Government?:** No. The resolution proposes to reduce spending by \$5.8 trillion over ten years, and to reduce taxes by \$4.2 trillion over ten years.

**Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?:** No.

**Does the Bill Comply with House Rules Regarding Earmarks/Limited Tax Benefits/Limited Tariff Benefits?:** The resolution contains no earmarks.

**Constitutional Authority:** No statement is required since H.Con.Res. 34 is a resolution.

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