

REPUBLICAN CAUCUS

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THE BUDGET RESOLUTION FOR FISCAL YEAR 2009
(H.Con.Res. 312)

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SUMMARY

The Republican budget achieves balance by 2012 without raising taxes, and achieves repeal of the alternative minimum tax [AMT] by 2013. It supports the President's request for national defense, boosts homeland security and veterans' funding, and takes steps toward rescuing the Federal Government's major entitlement programs - especially Medicare and Medicaid - from their currently unsustainable spending path. The budget also promotes accountability, imposing a moratorium on earmarks, and requiring votes on raising the debt, among other measures.

Summary: The Republican Budget for Fiscal Year 2009
(in billions of dollars)

Table with 6 columns: 2009, 2010, 2011, 2012, 2013. Rows include Total Spending (outlays), Total Revenue, and Surplus/Deficit(-).

Note: Figures may not add due to rounding.

Key points about the Republican budget:

BALANCE BY 2012 WITHOUT RAISING TAXES

- No Tax Increases. The budget reaches balance by 2012 without the tax increases currently scheduled to occur after 31 December 2010. The Republican budget:
- Retains 2001/2003 Provisions. Contains no increases in marginal rates; no increase in taxes per child; no restoration of the marriage penalty or death tax; no increases in capital gains or dividends tax rates; and no expiration of other provisions of the 2001 and 2003 laws.
- AMT. Prevents expansion of the AMT for the next 3 years; begins phasing in repeal in 2012; achieves full repeal in 2013.

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## FEDERAL BUDGET PRIORITIES

- **National Defense, and the War on Terrorism.** Defense discretionary spending equals the President's request for 2009-13, including funds for operations in Iraq and Afghanistan.
- **Veterans.** Provides \$49.2 billion for veterans' health care in fiscal year 2009, \$1 billion more than the Democratic budget.
- **Homeland Security.** Meets the President's request, an increase of \$3.0 billion over 2008, for a total of \$47.0 billion.
- **Total Discretionary Spending.** Provides \$973.0 billion in total nonemergency budget authority in fiscal year 2009, a 4.3-percent increase over the 2008 enacted level; removes earmarks and dedicates the \$14.8 billion in savings to keeping taxes low and balancing the budget.

## ENTITLEMENT REFORM

- **Major Program Reforms.** The Republican budget takes steps toward rescuing the Federal Government's major entitlement programs – especially Medicare and Medicaid – from their currently unsustainable spending path. These programs, as currently structured, will be unable to keep their promises to beneficiaries, and at the same time pose the greatest single threat to the budget and the economy, and they The reforms incorporated in this budget will make these programs more responsive, flexible, and sustainable. (Savings amounts by authorizing committee are reflected in the reconciliation discussion on the next page.)

Among the key reforms assumed in the Republican budget:

- *Medicare.* Expands protections against catastrophic medical costs; simplifies beneficiaries' contributions; and increases flexibility for hospitals serving unusually high numbers of low-income patients. These enhancements are coupled with a readjustment of cost-sharing for high-income beneficiaries, and a greater State role in targeting hospital funds.
- *Medicare Trigger Legislation.* Reconciles and locks in any savings resulting from Medicare funding warning legislation designed to reduce the program's reliance on general revenue. By directing savings solely to deficit reduction, this provision helps Medicare fulfill its long-term mission.
- *Medicaid.* Block grants Medicaid acute-care benefits to States, enhancing their flexibility, and their ability to respond to spending growth.
- *Medical Malpractice Reform.* Caps noneconomic damages in medical malpractice lawsuits, ensuring the cost of frivolous litigation is not passed on to consumers in the form of higher health care premiums.

- *Student Loans.* Focuses assistance on need-based aid for current students rather than subsidizing graduates.
  - *Income Security.* Strengthens incentives for work and self-sufficiency for recipients of the Earned Income Tax Credit and food stamps, and reduces fraud and overpayments in the Supplemental Security Income Program.
  - *Waste, Fraud, and Abuse.* In addition to the reforms described above, requires all reconciled committees except Armed Services (see below) to achieve, within their respective savings amounts, at least 1 percent in savings by reducing waste, fraud, and abuse.
- **Reconciliation.** The entitlement reforms are executed through reconciliation directives to authorizing committees as follows. (Note: the Homeland Security and Veterans Affairs Committees have no reconciliation instructions):

**Reconciliation by Committee**

| Committee                                      | 2009-13                   |
|--|---------------------------|
| Committee on Agriculture                       | -9.3                      |
| Committee on Armed Services                    | -1.3                      |
| Committee on Education and Labor               | -15.9                     |
| Committee on Energy and Commerce <sup>a</sup>  | -115.8                    |
| Committee on Financial Services                | -0.1                      |
| Committee on Foreign Affairs                   | -0.3                      |
| Committee on the Judiciary                     | -3.5                      |
| Committee on Oversight and Government Reform   | -4.7                      |
| Committee on Natural Resources                 | -3.7                      |
| Committee on Transportation and Infrastructure | -4.7                      |
| Committee on Ways and Means <sup>a</sup>       | -253.2                    |
| <b>Total</b>                                   | <b>-412.5<sup>b</sup></b> |

<sup>a</sup> Removes double count of savings reconciled to Energy and Commerce and Ways and Means.

<sup>b</sup> Figures may not add due to rounding.

Note: For all reconciled committees except Armed Services, savings amounts are to include savings of at least 1 percent from reducing waste, fraud, and abuse.

**ACCOUNTABILITY**

- **Imposes a Moratorium on Earmarks.** Places a moratorium on congressional earmarks for the remainder of the 110<sup>th</sup> Congress, and dedicates the \$14.8 billion in savings to keeping taxes low and balancing the budget.
- **Repeals the ‘Gephardt Rule.’** Requires a separate vote on increasing the public debt, thereby repealing the so-called “Gephardt Rule.”
- **Requires Costs Estimates on Conference Reports and Unreported Bills.** Establishes a point of order against consideration of conference reports or unreported bills (i.e. bills

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crafted by the Rules Committee rather than the committee or committees of jurisdiction) unless accompanied by a Congressional Budget Office cost estimate.

- **Prohibits Domestic Add-Ons to Emergency War Spending Bills.** Creates a point of order against domestic spending in emergency supplemental spending measures intended principally for war-related defense needs or the global war on terrorism.
- **Limits Long-Term Spending Commitments.** Requires the Congressional Budget Office, to the extent possible, to provide long-term spending estimates for bills that increase spending by more than \$5 billion in any of the four 10-year periods of 2016-55.
- **Prevents Use of Fast-Track Reconciliation to Increase Spending.** Creates a point of order against any reconciliation bill that would increase gross direct spending by 20 percent or more of the savings required of any committee with reconciliation directives.
- **Limits ‘Advance Appropriations.’** Limits, to \$23.565 billion, the amount of budget authority that can be appropriated for fiscal year 2010 or later.
- **Provides a Domestic Emergency Reserve Fund.** Creates a set-aside fund of \$7.3 billion in fiscal year 2009 for domestic emergencies only (such as forest fires, hurricanes, or other unanticipated circumstances). Authorizes the Chairman of the Budget Committee to release amounts from the set-aside fund for legislation designated as an emergency. For emergency-designated amounts above the level of the set-aside, requires a Budget Committee vote to approve an adjustment for the additional amounts. Defines an “emergency” as a situation that: threatens a loss of life or property, or national security, giving rise to a spending requirement that is sudden, urgent, unforeseen, and temporary.
- **Provides for Contingency War Funds.** Provides a specific emergency procedure for spending related to the global war on terrorism or other unanticipated defense needs.
- **Incorporates Bipartisan Legislative Line Item Veto.** Incorporates provisions of the bipartisan Legislative Line Item Veto Act passed by the House in the 109<sup>th</sup> Congress.
- **Strengthens PAYGO.** Applies pay-as-you-go [PAYGO] to direct spending measures only, and prohibits the use of tax increases to finance increases in direct spending.