



REPUBLICAN CAUCUS

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THE BUDGET RESOLUTION FOR FISCAL YEAR 2008

(H.Con.Res. 99)

as submitted to the Committee on Rules

27 March 2007

SUMMARY

The Republican budget achieves balance by 2012, and ends the raid on Social Security, *without raising taxes* – by maintaining a strong economy, reforming currently unsustainable entitlement programs, and exercising accountability in other government spending. Key points:

Summary: The Republican Budget for Fiscal Year 2008

(in billions of dollars)

	2008	2009	2010	2011	2012
Total Spending (outlays)	2,894.7	2,969.7	2,974.3	3,055.8	3,082.4
Total Revenue	2,671.1	2,800.5	2,886.3	3,016.4	3,181.9
Surplus/Deficit(-)	-223.6	-169.2	-88.0	-39.5	99.5

Note: Figures may not add due to rounding.

BALANCE BY 2012, WITHOUT RAISING TAXES

- **No Tax Increases.** The budget reaches balance by 2012 while maintaining provisions of the tax laws adopted in 2001 and 2003. The Republican budget:
  - *Retains 2001/2003 Provisions.* No increases in marginal rates; no increase in the 10-percent bracket for low-income taxpayers; no reduction of the child tax credit; no rollback of marriage penalty or death tax relief; no increases in capital or dividend tax rates; and no expiration of other provisions of those laws.
  - *AMT and Other Provisions.* Provides for one-year extensions of alternative minimum tax [AMT] relief, the State and local sales tax deduction, and the research and experimentation [R&E] tax credit.
  - *Assumptions Contained in the Numbers.* Reflects these tax policy assumptions *in the actual revenue levels* of the budget. Revenue totals \$2.671 trillion in fiscal year 2008 and \$14.556 trillion over 5 years.
- **Ends the Raid on Social Security.** Reaches balance in 2012 *without using excess Social Security payroll tax receipts* – protecting the Social Security cash flow surplus.

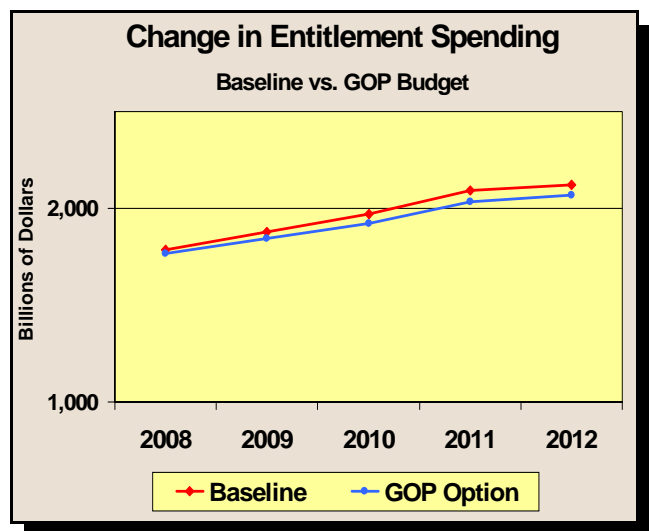
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## ANNUALLY APPROPRIATED SPENDING

- **National Defense, and the War on Terrorism.** Defense discretionary spending equals the President's request for 2008 and 2009 – including funds for overseas operations in Iraq and Afghanistan – and assumes an increase both within and above the topline for procurement accounts in 2010 through 2012. These increases are consistent with the request made by the Committee on Armed Services in its Views and Estimates to the Committee on the Budget. The overall defense level does not assume the President's increase in TRICARE fees for military retirees under the age 65.
- **Nondefense Discretionary.** Annually appropriated nondefense spending totals \$434 billion in 2008, essentially a freeze at the 2007 level (excluding emergencies). Within this amount, the budget recommends priority increases for the following:
  - *Homeland Security.* Accommodates the President's request.
  - *Veterans' Health Care and Related Activities.* Provides for \$42.4 billion, approximately \$2.8 billion above the President's request. The budget *does not* assume the President's proposed mandatory fees and copays for veterans' medical care.
  - *Medical Research.* Recommends an increase of \$1.3 billion above the President's request for the National Institutes of Health.
  - *CDBG.* Provides an increase above the President's request for Community Development Block Grants [CDBGs].
  - *Science.* Assumes the President's request for science and technology in 2008.

## ENTITLEMENT REFORM

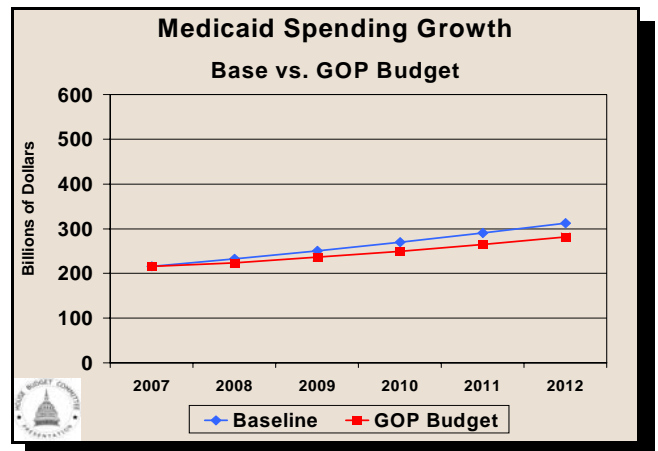
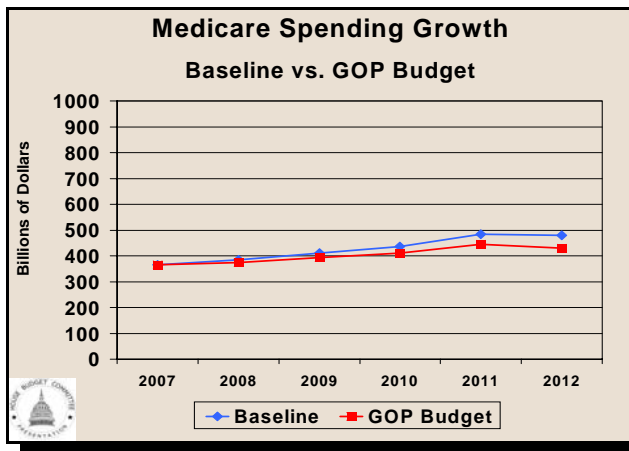
- **Major Program Reforms.** Building on the Deficit Reduction Act of 2005, this budget calls for continued reforms to make the government's major entitlements more responsive, flexible, and sustainable. In the process it saves \$279 billion over 5 years, moderating the average annual growth of overall entitlement spending from 5.2 percent per year, to 4.3 percent when reforms are implemented. This contrasts with the Democrat budget, which puts off reform for at least 5, years despite repeated warnings of the unsustainability of entitlements as currently structured.



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Among the key reforms in the Republican budget are the following:

- *Medicare.* Expands protections against catastrophic medical costs; simplifies beneficiary contributions; and increases flexibility for hospitals serving unusually high numbers of low-income patients (known as disproportionate share hospitals [DSH]). These enhancements are coupled with a readjustment of cost-sharing for high-income beneficiaries, and a greater State role in targeting hospital funds. Slows the rate of spending growth to 3.4 percent per year, compared with 5.6 percent now, and saves \$142 billion over 5 years.
- *Medicaid.* Block grants acute-care benefits to States, enhancing flexibility and sensitivity to spending growth. Moderates spending growth to 5.4 percent per year – still greater than medical inflation – compared with 7.7 percent now, and saves \$97 billion over 5 years.
- *Medical Malpractice Reform.* Caps noneconomic damages in medical malpractice lawsuits, contributing an additional \$2 billion in savings in Federal health entitlement programs.



- *Income Security.* Strengthens work incentives for recipients of the Earned Income Credit and food stamps, and reduces fraud and overpayments in the Supplemental Security Income Program. Does not assume the President's recommended changes for the Pension Benefit Guaranty Corporation.
- *Agriculture.* Continues funding for farm commodity and crop insurance programs, with enhanced market alignment.
- *Student Loans.* Focuses assistance on students still in school, and limits above-average subsidies to graduate students. Rejects the President's proposal to reduce lender subsidies by 50 basis points. Achieves savings of \$4.9 billion over 5 years.
- *Other Reforms.* Also includes recouping funds lost on inspection and escort of foreign vessels, and limiting the size of the Strategic Petroleum Reserve.

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## ACCOUNTABILITY

### Key Enforcement Provisions

- **Legislative Line Item Veto.** Adopts the Legislative Line Item Veto as passed by the House in 2006.
- **Earmark Transparency.** Establishes a point of order against any bill unless the list of congressional earmarks, limited tax benefits, and limited tariff benefits is put in the legislative text of such measure.
- **Emergency Set-Aside.** Establishes a set-aside fund that specifically budgets \$6.45 billion for domestic emergencies, as in the House-passed budget resolution for fiscal year 2007. 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. The Democrat budget has no emergency set-aside and no definition of “emergency.”
- **Pay-As-You-Go [PAYGO].** Refines and strengthens PAYGO, requiring direct spending increases to be offset by spending reductions, not tax increases, and applies the rule to the current fiscal year, the budget year; the 5-year budget window, and the 5 years after the budget window. The Democrat PAYGO provision – adopted as one of the rules of the 110<sup>th</sup> Congress, promotes the practice of chasing higher spending with higher taxes, which does not reduce deficits but only maintains them.
- **Discretionary Spending Caps.** Establishes discretionary spending limits in the House through 2010. These caps would act as an additional control over discretionary spending provided by annual appropriations bills. The Democrat budget has no comparable provision.

### Additional Process and Enforcement Provisions

- **Advance Appropriations.** Continues to cap advance appropriations at \$23.6 billion. The Democrat budget increases advance appropriations by \$2 billion, to \$25.6 billion.
- **Overseas Designation.** Exempts from budget enforcement controls spending for contingency operations related to the global war on terrorism, and for unanticipated defense-related needs.
- **Repeal of the ‘Gephardt Rule.’** Requires a direct vote on the debt limit rather than the current method whereby an increase in the limit is triggered indirectly by the adoption of a budget resolution – a provision known as the “Gephardt Rule.” The Democrat budget has no comparable provision.
- **Budget Compliance Statements.** Requires the Committee on the Budget to place in each committee report on legislation whether a reported bill complies with the Congressional Budget Act. The Democrat budget has no comparable provision.

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- **Cost Estimates.** Requires Congressional Budget Office cost estimates for conference reports and unreported measures. The Democrat budget has no comparable provision.
  - **Roll Call Votes for New Spending.** Requires a roll call vote for any bill that seeks to spend or authorize more than \$50 million. The Democrat budget has no comparable provision.