Economic Opportunity for Americans Working Hard to Get Ahead:

The 2016 House Democratic Budget

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Overview

The fiscal year 2016 Democratic budget resolution reflects policies that will boost the economy to create more broadly shared prosperity. It provides for tax policies that help the middle class and those working their way into the middle class by raising the take-home pay of hard-working Americans. It rejects the austerity level sequester caps to make needed investments that create jobs for those still seeking work, that educate our children and prepare them for success, and that sharpen the nation’s competitive edge. It accomplishes these goals while putting the federal budget on a fiscally responsible path, with debt declining as a share of the economy.

These principles and goals stand in stark contrast to the House Republican budget, which weakens the American middle class while chopping down the ladders of opportunity that help hard-working Americans get ahead. It rigs the rules to favor the wealthy and special interests at the expense of everyone else. The Republican budget makes it harder to buy a home or pay for college, causes millions of struggling Americans to fall deeper into poverty, and makes it harder to have a secure retirement. It does nothing to help those Americans looking for jobs. It does nothing to boost the paychecks of working Americans, whose wages have stagnated for decades as the economic gains from their hard work have increasingly flowed to those at the highest income levels. Instead, it redistributes income away from working families and directs it to the top one percent. The budget also disinvests in America by slashing our nation’s commitments to education, research, infrastructure, and other crucial drivers of economic prosperity. And its phony claim of reaching “balance” is built on huge gimmicks.

Boost Paychecks of the Middle Class and Americans Working to Get into the Middle Class

There is much to celebrate about the economy today: we have had 60 consecutive months of private sector job growth, the unemployment rate is the lowest in over six years, and 2014 saw more job growth than any year since 1999. But, while Americans today are working harder and being more productive, their paychecks are staying flat. This is not a new problem – it has become a chronic problem that dates back to the 1970s. Instead of American workers taking home more, income gains from increased productivity have gone overwhelmingly to those at the very top of the income scale, the top 1 percent. This creates growing inequality that is not just unfair, but actually slows down economic growth and hurts economic mobility. In addition, millions of Americans remain unemployed or underemployed – an issue that is especially acute in the African-American and Latino communities – making it imperative that we push for job creation that is broadly shared.

The Democratic budget contains policies designed to boost paychecks, ensuring that middle-class Americans and all those working to join the middle class reap the rewards of a growing
economy. The budget provides tax relief to hard-working families, protects the middle class from tax increases, and builds ladders of opportunity for those who are working to join the middle class. As we grow the economy through investments in infrastructure, manufacturing, research, and education, these policies ensure that all Americans, not just the wealthy few, are going to benefit.

- **Tax reform that rewards American workers** – The budget includes a deficit-neutral reserve fund designed to help raise wages for American workers and to help them keep more of what they earn. It calls for tax reform that rewards hard-working Americans through new tax credits or deductions. For working families, the budget accommodates relief to offset the additional and unique costs faced by two-earner families and expand the Child and Dependent Care Tax Credit. A number of Congressional Democrats have introduced legislation to expand tax benefits for American workers, and this budget can accommodate these proposals and other efforts to reward hard-working Americans.

- **Raise wages** – Corporations deduct billions in CEO and executive bonuses, while employee wages stay flat. The Democratic budget ends the tax benefits of these bonuses if companies are not giving workers a raise to keep up with their productivity gains and the cost of living. It also enables use of the tax code to incentivize businesses to increase profit-sharing and increase worker pay and job training.

- **Tax credits for work and family support** – The resolution assumes extension of key work- and family-support tax credits that are set to expire at the end of 2017. These credits include an increase in refundability of the child tax credit, relief for married filers of the Earned Income Tax Credit (EITC), and a larger EITC for larger families. The budget also provides for enactment of legislation to expand the EITC for childless workers.

- **Expanding tax provisions** – The resolution includes a deficit-neutral reserve fund to address the many tax code provisions that have expired or will expire in the coming years. This includes tax incentives for research and development, section 179 small business investments, renewable energy investments, charitable giving, and economic and community development. The resolution accommodates extension of some or all of those provisions, provided that their cost is offset.
Raising the minimum wage – The minimum wage has not increased since 2009, and each year those earning the minimum wage are falling further behind. The Democratic budget calls for an increase in the minimum wage, giving a raise to millions and lifting many out of poverty while boosting the economy. A higher minimum wage would also benefit businesses by increasing productivity and reducing absenteeism and turnover.

Paid sick leave and family and medical leave – Tens of millions of Americans do not have access to any paid sick leave, and millions more do not get paid sick leave to care for a child. For many, caring for a sick family member may cost them their jobs. The Democratic budget seeks to support work and family balance by calling for legislation that expands sick leave and family and medical leave.

Fairness for middle-class Americans – We must grow the paychecks of American workers, and not make the middle class bear the costs of more tax cuts for millionaires. The Democratic budget opposes tax reform plans that would lower the top individual income tax rate for the wealthiest one percent while raising taxes on middle-class families.

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The Democratic Budget by the Numbers

**Deficits** – provides for significant reduction in the deficit. At the end of the budget window, debt is shrinking as a share of the economy.

**Revenues** – a total revenue level equivalent to that in the President’s budget, but does not assume the President’s policy changes. Expands the EITC for childless workers and extends the tax credits from the American Taxpayer Relief Act due to expire at the end of 2017. Accommodates additional deficit-neutral tax reform that works for hard-working Americans and eliminates special interest tax breaks without increasing the tax burden on middle-class taxpayers.

**Discretionary spending** – lifts the sequester on non-defense funding and adds a comparable amount of defense funding for 2016 and 2017, and matches the President’s discretionary spending levels for the following years. Overseas Contingency Operations funding matches the President’s request for 2016.

**Mandatory spending** – protects commitment to Medicare, Medicaid, and Social Security. Eliminates the mandatory sequester. Matches funding for key initiatives in the President’s budget, including: a six-year $478 billion surface transportation reauthorization, early childhood and child care expansions, efforts to make college more affordable, and support to expand paid leave policies and apprenticeship programs.
- **Rewarding hard work** – The tax code treats income from wealth more favorably than income from work by giving preferential tax rates on unearned financial gains and allowing billions of dollars of stock profits and other capital gains to pass tax-free to heirs of multi-million-dollar fortunes. The Congressional Budget Office (CBO) has determined that 17 percent of the benefits of these major “tax expenditures” go to households in the top one percent – a benefit of over $150 billion a year. Implementing tax reform that rewards work while reducing the benefit of these tax breaks would help rebalance the tax code so that it stops favoring wealth over work.

- **Closing unproductive special interest tax loopholes** – The tax code is rife with special interest loopholes that help the wealthiest and the well-connected. This resolution supports efforts to close special interest tax loopholes. These include special depreciation schedules for corporate jets that provide bigger deductions than airlines get for passenger and freight aircraft; and the loophole which allows certain investment managers at hedge funds and private equity firms to pay capital gains tax rates (up to a maximum of just 20 percent) on income received as compensation for services they provided, rather than ordinary income tax rates that all other working Americans pay on the compensation they receive for their labor. The savings from closing these egregious loopholes can be used to invest in American workers while reducing the deficit.

- **Stop subsidizing companies that ship jobs and profits overseas.** The tax code subsidizes companies that are moving jobs overseas, and allows U.S. companies to “invert” and pretend that they are based in other countries purely to reduce their taxes. It also allows corporations to reap substantial tax benefits by shifting capital and intellectual property overseas for tax purposes or to shelter their profits from U.S. taxation in foreign tax havens. The President and Democrats in Congress have made many proposals that would stop subsidizing companies that shift jobs, capital, or profit overseas, and put a stop to inversions, and this budget accommodates these efforts.
Sharpen America’s Competitive Edge

The Democratic budget invests in America, choosing a more responsible form of long-term deficit reduction than cutting spending down to the inadequate austerity caps set for defense and non-defense discretionary programs. The budget matches the President’s budget in bringing non-defense discretionary spending up to the pre-sequester cap for 2016 and adding the same amount of additional defense funding. This funding allows for investments that will sharpen America’s competitive edge.

Education — The Democratic budget backs up its commitment to ensure access to a high quality education for all.

- **Early childhood education** – In addition to increasing the funding for Head Start and other on-going early childhood education programs, the Democratic budget funds the President’s new early childhood initiative to provide access to a high-quality preschool for all four-year-olds from low- and moderate-income families, while encouraging states to serve additional four-year-olds from middle-class families. It also expands the successful voluntary home visiting program, which provides vital early childhood development services to young children in at-risk communities, and maintains funding for the Children’s Health Insurance Program (CHIP), which currently provides health coverage for 8 million children.

- **Elementary and secondary education** – The budget provides more funding for elementary and secondary education, accommodating increases for key programs such as Title I (Education for the Disadvantaged), special education, career and technical education, and Science, Technology, Engineering, and Math (STEM) education. The budget also includes policy in favor of legislation that puts the government on a path to meet its commitment to fund 40 percent of the average per pupil cost of providing special education.

- **College affordability** – Unlike the Republican budget – which cuts Pell grant funding, increases student loan debt, and ends the tax credit that defrays the cost of college – the Democratic budget helps more Americans afford the college education that is increasingly a requirement for success. It includes significant funding for new initiatives to make college affordable and increase completion.

![Education Pays](image)
rates. It maintains the commitment to Pell grants, which help more than 8 million low-income college students each year, as well as other grant aid including TRIO. It calls for a permanent extension and improvement of the American Opportunity Tax Credit. Finally, it states its intent to accommodate deficit-neutral legislation to help borrowers lower and manage their student loan debt through refinancing and expanded repayment options.

- **Support for rural counties and schools** – The budget accommodates deficit-neutral legislation to reauthorize the Secure Rural Schools and Community Self Determination Act, which helps support historically forest-dependent communities that have been impacted over the last several decades by downturns in the forest-products industry.

**Research and development (R&D), space exploration, and energy** — The Democratic budget provides robust funding for scientific R&D, aeronautics and space exploration, and energy technologies. The National Science Foundation (NSF), National Aeronautics and Space Administration (NASA), and Department of Energy (DOE) are essential to sharpening America’s competitive edge. The President presented a clear plan to address the threat of climate change, and programs at these agencies support its goals.

- **Scientific R&D and space exploration** – Democrats value NSF’s critical role in supporting STEM education. NSF provides approximately 24 percent of federally funded research at colleges and universities throughout the country. DOE’s Office of Science supports basic research, furthering scientific tools and discoveries in the physical sciences. NASA improves our understanding of Earth, solar system, and universe beyond and develops innovative technologies that improve the quality of life for all Americans.

- **Clean energy, climate change, and energy Infrastructure** – Democrats recognize the importance of DOE’s Energy Efficiency and Renewable Energy (EERE), Advanced Research Projects Agency-Energy (ARPA-E), and Office of Electricity Delivery and Energy (OE) programs. EERE and ARPA-E support cutting edge research that is pivotal to delivering energy efficient products and systems to American households and businesses – improving energy generation, storage and utilization. OE advances electric grid modernization, which is imperative to improving energy security and aging infrastructure.

The Republican budget’s reckless cuts will devastate critical investments in scientific R&D, space exploration, and energy technologies. CBO found that federal investment in R&D helps expand the economy and fund research that is essential to future generations of scientists. The U.S. is falling behind other countries, ranking tenth place in overall R&D investment as a percentage of Gross Domestic Product among OECD countries.

**Manufacturing** — U.S. manufacturing offers the kind of well-paying jobs that will help drive middle-class economic security. While manufacturing employment remains below the levels of
past generations, its steady growth over the past five years represents the first extended increase in manufacturing jobs since the 1990s. There have even been reports of “insourcing” where some companies begin to move production back to the United States from overseas.

Seeking to build on that progress, the Democratic budget supports a “Make it in America” agenda to encourage a resurgence of manufacturing through job creation measures. These include the development of new domestic manufacturing institutes to research innovative products and materials, the establishment of a new investment fund of up to $10 billion to help American-made advanced manufacturing technologies reach commercial scale production, and passage of other legislation to support manufacturing in the United States.

The Revitalize American Manufacturing and Innovation Act, which passed the House with bipartisan support in December 2014, authorizes manufacturing innovation institutes to come together into a shared network and codifies authority for the Department of Commerce to coordinate this multi-agency initiative. By leveraging the strengths of a particular region, manufacturing institutes bring together companies, universities, community colleges, and the government to co-invest in the development of world-leading manufacturing technologies and capabilities that U.S.-based manufacturers can apply in production. The Democratic budget supports efforts to build a network of such institutes.

**Invest in U.S. workers, not shipping jobs overseas** — The Democratic budget ends the subsidies for shipping U.S. jobs overseas, prevents companies from “inverting” to reduce U.S. taxes, and stops corporations from using tax havens to shelter profits from taxation. Instead, America should use the revenue from closing these loopholes to invest in U.S. workers, giving them the education and training they need to succeed in the 21st century.

**Strengthen the Economy for All**

**Infrastructure investment and jobs** — The federal government has a strong history of investment and involvement in infrastructure development, from the canals of the early 19th century to the transcontinental railroad, to the Interstate Highway System. It also has a strong history of helping states and the private sector build transportation infrastructure. These investments create both jobs today and jobs in the future by building a modern infrastructure to help transport goods and supplies to and from factories and ports, and to retail outlets and consumers.

Many of our roads, bridges, and transit systems are in disrepair, and fail to move as many goods and people as the economy demands. The American Society of Engineers gives the United States infrastructure an overall grade of D+. Nevertheless, the Republican budget proposes deep cuts in transportation funding over the next 10 years that total $187 billion.
• **Highway Trust Fund** – The Democratic budget supports the President’s six-year, $478 billion surface transportation reauthorization proposal. Without Congressional action soon, the Highway Trust Fund – which provides critical funding for repairing, expanding, and modernizing roads, bridges, and transit systems – will become insolvent this summer, according to recent CBO projections. This could force a halt to construction projects, which would put hundreds of thousands of jobs at risk.

• **Job creation through infrastructure investments** – The budget also supports efforts to create jobs through infrastructure investments in areas beyond the scope of the surface transportation bill. For example, the budget supports the President’s proposed National Infrastructure Bank as well as increased use of funds from the Harbor Maintenance Trust Fund (HMTF) to address the growing needs of our nation’s ports. Unless America’s infrastructure investment gaps are filled, transporting goods will become costlier, prices will rise, and our nation will become less competitive in the global market. The resolution encourages the Appropriations Committee to consider maximizing the use of available HMTF funding to ensure that contributions sustain the increasing operation and maintenance requirements of our nation’s ports, increasing American exports and creating jobs.

• **Financing** – The budget provides the resources necessary to finance the highway bill and make necessary transportation investments. In addition to revenue traditionally generated by the users of the transportation system, Congress could fund infrastructure investment through the elimination of unjustified corporate tax breaks that encourage firms to ship jobs and capital overseas and shelter their profits in foreign tax havens, such as provisions that permit U.S. companies to "invert" and pretend to move overseas purely to reduce taxes.

**Job training** — After years of failed attempts to update and improve the nation’s federal workforce development system, last year Congress passed the Workforce Innovation and Opportunity Act on a bipartisan basis, making long-needed improvements and investments in federal job training that are vital to our nation’s workforce. In recognition of the high unemployment rate for individuals with disabilities, the federal government should prioritize investment in workforce development and jobs training programs, including vocational rehabilitation programs, that prepare individuals with disabilities to succeed in competitive integrated employment. The Democratic budget provides resources to support vital job training services, including $2 billion to double the number of apprenticeships, which provide a proven pathway to jobs with middle-class wages. It also includes a deficit-neutral reserve fund to accommodate other legislation that helps ensure that all Americans have access to good-paying jobs.

**Small business** — The budget supports initiatives to boost small businesses, which, according to the Small Business Administration (SBA), employ 49 percent of all private sector workers and
account for 46 percent of private sector output. Some small businesses are having trouble getting loans from banks even when the loans are backed by the SBA. The SBA should consider a range of options to address this problem to allow small businesses to expand and hire more employees.

**Women’s empowerment** — The budget recognizes that when women succeed, America succeeds. The resolution supports equal pay for equal work and women’s health and safety. It calls on Congress to fight pay inequity, increase the minimum wage, support women entrepreneurs and small businesses, and support work and family balance through paid sick leave, and paid and expanded family and medical leave. The resolution also calls on Congress to increase funding for the prevention and treatment of women’s health issues such as breast cancer and heart disease, support access to family planning, and enact measures to prevent and protect women from domestic violence.

**Worker safety** — We must ensure that agencies that support and enforce worker protection as well as health and safety standards can adequately do so. Robust funding will ensure that backlogged claims and reported violations can be investigated and addressed, and that new cases will be processed more expeditiously.

**Federal workers** — Unlike the Republican budget, the Democratic resolution does not penalize the federal workforce for choosing to pursue public service. Since 2011, federal employees have contributed over $150 billion toward deficit reduction in the form of reduced pay and benefits. This resolution rejects proposals targeting federal workers further and recognizes the important work that they do to provide vital services to our nation on a daily basis. Federal workers include those who patrol and secure our borders, take care of our veterans, help run our airports, counter cyber-attacks, find cures to deadly diseases, and keep our food supply safe. Last year alone, federal employees addressed a wide range of national priorities, from responding to the Ebola outbreak to helping reduce veterans’ homelessness to helping millions obtain affordable health care. The resolution also recognizes that many federal employees are already paid at a rate that is far below their private sector counterparts, and that it is essential that the workforce be paid at a level that enables the federal government to attract high quality people – something that is particularly important today given that an estimated 25 percent of the federal workforce will retire over the next five years.

**Strengthen the Safety Net**

The resolution addresses support for a number of vital programs that serve low-income families. It stands in sharp contrast to the Republican budget, which block-grants and cuts the Supplemental Nutrition Assistance Program by $125 billion, among other deep cuts to safety net programs.
- **Appropriations** – The Democratic budget increases funding for the Low Income Home Energy Assistance Program, and fully funds the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to support the 8.5 million people expected to participate. Resources would also be available to fund housing assistance programs, including the Housing Choice program and public housing operating subsidies, at increased levels allowing additional families to be served. The budget maintains funding for the Community Development Block Grant and other key programs that support families and build communities.

- **Programs for children** – The resolution supports additional funding to improve the lives of American children. Although the resolution does not restrict which improvements could be addressed, it does specifically champion additional child care assistance, improvements to foster care and child support enforcement, and increased funding to move toward meeting the federal government’s commitment to pay its share of the cost of special education services. It also provides funding for the President’s early childhood initiative to provide access to high-quality preschool, extend CHIP, and expand the voluntary home visiting program for children in at-risk communities.

- **Housing** – The budget includes funding for the initial capitalization of the Affordable Housing Trust Fund as approved by the Federal Housing Finance Agency, which will expand the supply of housing for extremely low-income families. It includes a deficit-neutral reserve fund that allows for additional funding.

- **Poverty alleviation** – The resolution endorses development of a national strategy to eliminate poverty, with the initial goal of cutting poverty in half in ten years, and to extend equitable access to economic opportunity to all Americans. The resolution includes findings highlighting the important role that government plays in reducing poverty. It discusses a multipronged approach that allows workers to develop skills and have good jobs, removes barriers and obstacles to taking advantage of economic opportunities, and supports the most vulnerable in society. It also calls for additional targeting of spending toward persistent poverty areas to revitalize these areas of pervasive historical poverty, unemployment, and general distress. It encourages exploration of targeting ten percent of certain federal funding to areas where twenty percent or more of the population has lived below the poverty line for at least thirty years.

**Social Security** — More than 59 million Americans currently receive earned Social Security benefits and, for most, Social Security’s modest benefits provide the majority of their income. Social Security benefits are becoming more critical to providing retirement income as fewer workers have access to traditional defined benefit retirement plans and many workers are unable to save adequate resources in retirement savings accounts. Disability Insurance is a critical component of the Social Security system. More than half of disabled workers receiving...
Social Security insurance payments would have fallen into poverty if they had not earned Social Security to protect them when they became severely disabled or terminally ill.

The Social Security trust funds have a combined balance of $2.8 trillion, built by contributions from American workers, enough to pay 100 percent of earned benefits until 2033. Social Security’s Disability Insurance (DI) and Old Age and Survivors Insurance (OASI) systems are intertwined both in their benefit structure and in their revenues – DI recipients who reach retirement age receive OASI benefits and beneficiaries in each category have helped finance the other category even if they will never receive those benefits. In the short-term, the projected shortfall in the DI trust fund should be addressed through changes that permit Social Security to use its existing overall resources to fund DI benefits. The Democratic budget assumes that Congress will take such action, as Congress has done on a bipartisan basis when facing similar circumstances in the past.

**Ensure Health Care**

**Reinforces the Affordable Care Act** — The Democratic budget supports the implementation of the Affordable Care Act (ACA). At its fifth anniversary, the ACA is working to expand access to health coverage and dramatically slow down growth in health costs. An estimated 16.4 million uninsured Americans gained coverage so far, and the uninsured rate in the U.S. is now near the lowest level recorded over the last five decades. Today, working families have the security of knowing their health insurance plan covers basic necessary services, protects them from unlimited out-of-pocket costs, and cannot deny coverage or charge higher premiums based on pre-existing conditions.

Meanwhile, health spending has slowed dramatically over the last several years in Medicare, private insurance, and throughout the health sector. CBO now projects that the law’s coverage provisions will cost a full 33 percent less in 2019 than the agency originally estimated when the ACA became law in 2010. CBO now projects overall federal health spending will be $682 billion less over the 2011-2020 period than it projected back in January 2010 without the ACA.
Despite the abundant evidence that the ACA is working, the Republican budget dismantles the ACA coverage expansions completely, including taking away tax credits that millions of families have received to purchase affordable health insurance, without laying out a coherent alternative.

**Protects and improves Medicare** — The Democratic budget rejects the Republican attempt to end Medicare as we know it. The Republican budget turns Medicare into a voucher-like system that will increase costs for seniors and destabilize the traditional Medicare program that has served seniors well for half a century. The Democratic budget rejects cuts to benefits and instead strengthens Medicare for the 55 million seniors and individuals with disabilities who rely on it for secure, stable health coverage.

- **Supports benefit improvements** — The Democratic budget protects the Medicare benefit improvements provided by the ACA that the Republican budget repeals. Since 2010, 9.4 million seniors have saved more than $15 billion on prescription drugs, thanks to an ACA provision closing the Part D coverage gap, or “donut hole.” The budget includes a reserve fund supporting additional benefit improvements to make health care more affordable and accessible for people with Medicare, as long as the improvements are offset by an equivalent amount of savings from any part of the budget.

- **Addresses Medicare physician payment reform** — The budget supports permanent reform of Medicare’s physician payments to promote high-quality and efficient care. Permanent reform will provide stability and protect access to care by repealing the harmful steep cuts in payment rates required under current law. The Democratic budget was prepared while the development of bipartisan permanent reform legislation was still in process, so the budget does not assume specific policy provisions. However, it does provide sufficient funding to put an end to the threat of rate cuts permanently. The budget accommodates other improvements to Medicare’s physician payment system, as long as they are paid for.

- **Stops across-the-board cuts** — The budget stops the meat-ax sequester cuts to hospitals, doctors, and other providers of health services for people with Medicare.

- **Improves Medicare efficiency** — The budget achieves $121 billion in Medicare savings over 10 years through efficiency improvements, without cutting benefits. These savings could be achieved through a range of different policy changes. Options include the President’s proposal to allow Medicare to receive the same rebates on prescription drugs for low-income beneficiaries that Medicaid receives, and/or measures recommended by the Medicare Payment Advisory Commission, the Government Accountability Office (GAO), or others to reward quality, reduce wasteful overpayments, and correct misaligned incentives.

**Supports initiatives to improve access to long term care** — The number of people needing long-term care services is expected to double over the next four decades, as the elderly make up a growing share of the U.S. population. The costs of long-term care services are currently
covered by a patchwork of private insurance, public programs, and reliance on unpaid family caregivers that leaves significant gaps in coverage and access to care. The Democratic budget recognizes the need for federal policy to address this challenge. It includes a reserve fund to support fiscally responsible initiatives to ensure that seniors and persons with disabilities have access to long-term care services when they need them.

**Protects Medicaid** — The Democratic budget protects Medicaid and supports its expansion under the ACA. Medicaid provides a critical health care safety net for 69 million Americans, including seniors, persons with disabilities, and children in working families. More than one out of three children is covered by the program. Medicaid is the primary payer for long-term care in the U.S., and 60 percent of people living in nursing homes depend on Medicaid to help pay their bill. Today, 28 states and the District of Columbia have expanded Medicaid under the ACA to working adults who do not have coverage through their jobs. Expanding Medicaid not only improves access to health care services, but the funding that flows to states also generates economic activity and creates jobs for hard-working Americans.

The Democratic budget rejects the Republican plan to block-grant Medicaid and slash its funding significantly. The Republican plan would only strain state budgets and lead many states to cut millions of people from Medicaid, scale back benefits, or reduce payments to providers.

**Extends CHIP** — The Democratic budget extends funding for CHIP for four years at ACA levels to ensure coverage for every eligible child in the country. CHIP is an important source of health insurance for children in working families who earn too much to qualify for Medicaid but who struggle to meet everyday expenses. Due in large part to CHIP, the rate of uninsured children in the U.S. fell from 13.9 percent to 7.1 percent between 1997 and 2012. Today, CHIP covers 8 million children at some point during the year, in every state, the District of Columbia, and the territories. The ACA reauthorized CHIP through 2019 and included several requirements regarding eligibility, enrollment, and financing, and the budget assumes maintenance of these policies.

**Invests in public health and the health-care workforce** — The Ebola epidemic and other emerging threats underscore the need for sustained investment in biomedical research and the U.S. public health system and health care workforce. The Democratic budget provides robust funding for public health agencies such as the National Institutes of Health to help safeguard America’s health and economic security. The budget supports funding for cutting-edge research and the development of new treatments for diseases affecting American families, from Alzheimer’s disease to cancer to mental illnesses. Investments in biomedical research not only improve America’s health, they also boost economic growth, produce good-paying jobs, and keep the U.S. globally competitive. The budget also supports initiatives to modernize the nation’s health care workforce and ensure that safety-net providers, including community health centers, are equipped to address unique local needs.
Keep the Nation Secure

**National security** — The Democratic budget matches the President’s request for defense and provides funding certainty to our military by lifting the sequester in an open and transparent way, rather than through budget gimmicks that undermine the budget process. It emphasizes the need to continue to support a strong military that is second to none and that can meet the country’s security challenges and provide the necessary support for the selfless men and women who serve in uniform. It also highlights that we still must be vigilant in reining in wasteful spending at the nation’s security agencies – including the Pentagon, which is the last department unable to pass an audit – and must maintain as a priority implementation of the GAO’s recommendations, which could save billions of dollars. It emphasizes the need to replace the sequester with a balanced deficit-reduction plan that protects investments to keep our economy growing, which is the foundation of our security, and that takes into account a comprehensive security strategy that includes careful consideration of international, defense, homeland security, and law enforcement programs.

**Overseas Contingency Operations (OCO)** — The resolution includes a budget enforcement provision that allows allocation adjustments for 2016 OCO appropriations up to but not to exceed the level requested by the President provided that the appropriations are truly OCO-related. This provision will help prevent the abuse of the OCO designation as a backdoor loophole to skirt discretionary spending caps. Additionally, the resolution eliminates OCO funding starting in 2017. Leaving billions of dollars in OCO placeholders in the out years that reflect no policy invites abuse. It perpetuates the idea of an off-budget account that can be used as a safety valve to get around funding caps on regular appropriations, thereby providing a disincentive for the country’s security agencies to plan and prioritize in a transparent manner.

**Justice** — The Democratic budget funds the Administration of Justice budget function at the President’s level to ensure adequate support for federal and local law enforcement programs, corrections operations, litigation and judicial activities, and justice assistance programs. These activities include initiatives to counter foreign terrorist fighters, to combat cyber-attacks, to reduce violence against women and strengthen services to victims, to hire and equip police officers, to protect juveniles, and to counter human trafficking.

- **Juvenile justice** – The resolution supports robust federal investment in juvenile justice programs. These important programs are a proven and cost-effective way to prevent crime in local communities, reduce youth incarceration, and foster better outcomes for youth. Additionally, federal investment in juvenile justice is fiscally responsible because prevention and intervention programs keep at-risk youth out of the criminal justice system and saves taxpayer dollars by reducing incarceration rates.

- **Legal services** – The resolution also supports the Legal Services Corporation, which helps to ensure low-income Americans have an opportunity to obtain access to the courts,
due process, and fair treatment. In contrast, the Republican budget calls for eliminating the Legal Services Corporation, which would undercut the fundamental American commitment of equal justice for all.

**Immigration reform** — The resolution accommodates comprehensive immigration reform, such as the Border Security, Economic Opportunity, and Immigration Modernization Act that the House Democrats offered in the 113th Congress. Immigration reform will not only bring clear and just rules for those seeking citizenship and help secure our borders, it will also boost the economy, extend the solvency of Social Security, and reduce budget deficits.

**Support our Veterans**

Over the years, the Department of Veterans Affairs (VA) has faced a number of challenges. VA faced funding shortfalls and was unprepared to meet the demands of a new generation of returning veterans. Access to quality health care and veterans’ benefits has been an ongoing challenge for the VA, highlighted most recently in the ongoing claims backlog and veterans waiting months for health care appointments. Providing health care where veterans live and ensuring a sufficient number of health care professionals, especially in the area of mental health treatment, have also been challenges. These challenges have been made more difficult to overcome when events like the government shutdown in the fall of 2013 led to furloughs at the VA that slowed the processing of benefit claims. Congress and the VA simply must do better to meet these challenges and ensure that all veterans receive in a timely fashion the health care and benefits that they earned.

- **VA funding levels** – The Democratic budget addresses these challenges. It eliminates the sequester for non-defense programs to ensure a pool of adequate funding for the VA. It matches the President’s requested 2016 funding level for veterans’ programs, which is an 8 percent increase over current year funding. This increase would better enable the VA to improve the timely delivery and the quality of health care services, including the treatment of post-traumatic stress disorder and other mental health illnesses, and to expand specialized care for women veterans. It also allows for increased funding for vital programs outside of the VA health care system, such as the Department of Housing and Urban Development-VA Supportive Housing (HUD-VASH) program to end veteran homelessness.

- **Office of Inspector General** – The resolution also emphasizes the need to provide sufficient resources for the VA’s Office of the Inspector General to guarantee veterans are properly served and that resources are spent efficiently. The severe problems uncovered in VA’s health care system underscore the need for the VA to be more vigilant in bringing to light problems in the delivery of veterans’ services and benefits, and in preventing problems from being swept under the rug.
• **Advance funding for all veterans programs** – In addition to the expansion of advance appropriations for mandatory programs enacted in the 2015 omnibus appropriations bill, the resolution allows for all of the VA’s discretionary budget to be enacted in the funding bill for the prior year. Currently, only funding for VA’s medical programs – approximately 85 percent of VA’s discretionary budget – is provided a year early through advance appropriations. The resolution makes the remaining 15 percent eligible for advance appropriations, including the funding for the day-to-day operations at the Veterans Benefits Administration (VBA). The government shutdown in the fall of 2013 led to furloughs at the VBA, which resulted in further delays in the processing of benefit claims. Extending advance appropriations to all of VA’s discretionary activities would help prevent that from happening again. Also, as part of extending advance appropriations to all of VA’s discretionary budget, it is the policy of the resolution that VA submit along with its annual budget a “Future-Years Veterans Program” that projects its needs over five years to help facilitate the appropriations and oversight processes.

• **Timely delivery of services and benefits for veterans** – The resolution includes a deficit-neutral reserve fund to accommodate initiatives that enhance the timely delivery of quality health care to the nation’s veterans, including the treatment of post-traumatic stress disorder and other mental illnesses, and that expand the capacity to address the needs unique to women veterans. It also accommodates initiatives that make improvements to the Post 9/11 GI Bill, expedite the claims process, expand concurrent receipt, and eliminate the offset between Survivor Benefit Plan annuities and veterans’ dependency and indemnity compensation.

**Other Key Priorities**

**Natural resources** — The Democratic budget provides funding to address critical environmental protection and land management priorities.

• **Land and Water Conservation Fund** – It includes a deficit-neutral reserve fund to accommodate full funding of the Land and Water Conservation Fund, which uses receipts from oil, gas, and other non-renewable resources to help states and local governments acquire and develop recreation sites. It also uses funding to help preserve natural areas, wildlife habitats, and historical sites.

• **Wildfire suppression** – The resolution includes a deficit-neutral spending cap adjustment for wildfire suppression operations similar to the one requested by the President. This will give the flexibility to finance wildfire suppression activities for extreme fire events that cannot be covered by the normal budget, and will help prevent destabilizing transfers from other Forest Service and Interior Department accounts.

**Protecting consumers** — The Democratic budget preserves the existing financing structure for the Consumer Financial Protection Bureau (the Bureau) created by the Dodd-Frank Wall Street
Reform and Consumer Protection Act of 2010. The Bureau is playing a critical role in protecting student loan borrowers, older Americans, service members, and other consumers, especially in minority and low-income communities. It has implemented new rules for mortgage markets and prepaid cards, and also successfully recovered $5.3 billion on behalf of more than 15 million consumers and service members. The Bureau’s funding from the Federal Reserve’s operations help give it important independence from efforts to interfere with its vital mission and activities, independence on par with every other banking regulator. The Republican budget would end this independence so that congressional Republicans can use the appropriations process to deny the Bureau the resources it needs and otherwise restrict its activities.

In addition to fighting efforts to attack the Financial Consumer Protection Bureau, the budget would also protect investors by supporting the President’s proposed funding levels for the Securities and Exchange Commission and the Commodity Futures Trading Commission.

**Taxpayer assistance and compliance** — The Democratic budget matches the President’s request for funding the Internal Revenue Service (IRS). Appropriations provided to the IRS for 2015 were below the 2008 level, before accounting for inflation, even as IRS has assumed more responsibilities. The increases provided for the IRS will allow timely response to taxpayer inquiries as well as robust enforcement to make sure that taxes owed are in fact paid – otherwise the tax burden will eventually, unfairly increase on law-abiding taxpayers.

**Reserve Funds**

The budget includes reserve funds to accommodate changes in law for the following priorities:

Sec. 201. Deficit-neutral reserve fund for job creation through investments and incentives.
Sec. 202. Deficit-neutral reserve fund to reform the tax system to work for hard working Americans.
Sec. 203. Deficit-neutral reserve fund for the extension of expired or expiring tax provisions.
Sec. 204. Deficit-neutral reserve fund for Medicare improvement.
Sec. 205. Deficit-neutral reserve fund for Medicaid and children’s health improvement.
Sec. 206. Deficit-neutral reserve fund for initiatives that benefit children.
Sec. 207. Deficit-neutral reserve fund for college affordability and completion.
Sec. 208. Deficit-neutral reserve fund for a competitive workforce.
Sec. 209. Deficit-neutral reserve fund for America’s veterans and service members.
Sec. 211. Deficit-neutral reserve fund for increasing energy independence and security.
Sec. 212. Deficit-neutral reserve fund for full funding of the Land and Water Conservation Fund.
Sec. 213. Deficit-neutral reserve fund for rural counties and schools.
Sec. 214. Deficit-neutral reserve fund for additional funding for the Affordable Housing Trust Fund.
Sec. 215. Deficit-neutral reserve fund for the health care workforce.
Sec. 216. Deficit-neutral reserve fund for improving the availability of long-term care services and supports.

**Policy of the Democratic Budget**

The Democratic budget includes policy statements on the following high priorities:

Sec. 501. Policy of the House on job creation.
Sec. 502. Policy of the House on surface transportation.
Sec. 503. Policy of the House on tax reform that works for hardworking families.
Sec. 504. Policy of the House on building ladders of opportunity to help hardworking families join the middle class.
Sec. 505. Policy of the House on Women’s Economic Empowerment, and Health and Safety Improvement.
Sec. 506. Policy of the House on the Department of Veterans Affairs.
Sec. 507. Policy of the House on the Federal Workforce.
Sec. 508. Policy of the House on a national strategy to eradicate poverty and increase opportunity.
Sec. 509. Policy of the House on Rejecting the Sequester.
Sec. 510. Policy of the House on Social Security.
Sec. 511. Policy of the House on protecting the Medicare guarantee for seniors.
Sec. 512. Policy of the House on affordable health care coverage for working families.
Sec. 513. Policy of the House on Medicaid.
Sec. 514. Policy of the House on investments that help children succeed.
Sec. 515. Policy of the House on immigration reform.
Sec. 516. Policy of the House on national security.
Sec. 517. Policy of the House on climate change science.
Sec. 518. Policy of the House on financial consumer protection.
Sec. 519. Policy of the House on the use of taxpayer funds.
Sec. 520. Policy statement on deficit reduction through the reduction of unnecessary and wasteful spending.
Appendix and Summary Tables

Appendix 1: Accounts identified for discretionary advance appropriations in the Democratic budget

Advances for the Department of Veterans Affairs: the Democratic budget allows all accounts in the Department of Veterans Affairs to receive advance appropriations.

Advances for programs other than VA: the budget maintains the existing limitation on the amount and type of other advance appropriations for fiscal years 2017 and 2018. Advance appropriations for fiscal year 2017 are restricted to $28.852 billion for the programs, projects, activities, or accounts listed below.

Advance Appropriations for Fiscal Year 2017:

- Employment and Training Administration
- Education for the Disadvantaged
- School Improvement Programs
- Special Education
- Career, Technical, and Adult Education
- Payment to the Postal Service Fund
- Tenant-based rental assistance
- Project-based rental assistance

Advance Appropriations for Fiscal Year 2018:

- The Corporation for Public Broadcasting
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<td>3,708</td>
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<td>5,371</td>
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<td>4,548</td>
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<td>21,709</td>
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<td>13,815</td>
<td>14,302</td>
<td>14,828</td>
<td>15,433</td>
<td>16,099</td>
<td>16,818</td>
<td>17,597</td>
<td>18,373</td>
<td>19,143</td>
<td>19,915</td>
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**As a percent of GDP:**

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<td><strong>Receipts</strong></td>
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<td>18.5%</td>
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<td>21.2%</td>
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<td>21.4%</td>
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<td><strong>Surplus/Deficit</strong></td>
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### DISCRETIONARY CAPS FOR 2016 AND THE DEMOCRATIC BUDGET

(in billions of dollars)

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<th>Non-defense</th>
<th>Total</th>
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<td>Existing Budget Control Act caps</td>
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<td>493</td>
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<td>Proposal to return to pre-sequester cap for NDD and adjust defense by roughly the same amount matching the President's defense request</td>
<td>38</td>
<td>37</td>
<td>75</td>
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<tr>
<td>Democratic budget for accounts within these caps</td>
<td>561</td>
<td>530</td>
<td>1,091</td>
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Memorandum:
- Additional funding beyond these caps:
  - War funding
  - Disaster and wildfire fighting 1/
  - Program integrity 2/

1/ The resolution assumes enactment of the President's wildfire fighting proposal and two new program integrity initiatives.
## FY16 Democratic Budget

### Function Totals

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<td>3,569.4</td>
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<td>4,179.2</td>
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<td>4,563.7</td>
<td>4,824.6</td>
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<td>5,371.1</td>
<td>19,312.2</td>
<td>43,526.3</td>
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<td>-726.9</td>
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<td>-5,947.4</td>
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<td>14,302</td>
<td>14,828</td>
<td>15,433</td>
<td>16,099</td>
<td>16,818</td>
<td>17,597</td>
<td>18,373</td>
<td>19,143</td>
<td>19,915</td>
<td>505,000</td>
<td>1,000,000</td>
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<tr>
<td><strong>Debt Subject to Limit</strong></td>
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<td>1,050,000</td>
<td>2,000,000</td>
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### 050 National Defense

| Budget Authority | 596.7 | 570.4 | 582.1 | 593.4 | 601.6 | 607.9 | 620.2 | 632.5 | 645.8 | 659.1 | 672.4 | 2,955.4 | 6,185.5 |
| Outlays | 590.2 | 582.4 | 573.9 | 575.8 | 588.2 | 597.1 | 606.9 | 622.4 | 630.3 | 638.5 | 655.9 | 2,917.5 | 6,071.4 |

### 150 International Affairs

| Budget Authority | 56.6 | 47.4 | 48.9 | 50.1 | 50.8 | 51.2 | 52.3 | 53.6 | 54.6 | 55.7 | 56.9 | 248.4 | 521.5 |
| Outlays | 50.5 | 49.3 | 48.9 | 49.2 | 49.5 | 49.9 | 50.6 | 51.3 | 51.6 | 52.2 | 53.2 | 245.8 | 503.1 |

### 250 General Science, Space, and Technology

| Budget Authority | 29.8 | 31.1 | 31.7 | 32.3 | 32.6 | 32.9 | 33.6 | 34.3 | 35.0 | 35.7 | 36.4 | 160.6 | 335.5 |
| Outlays | 29.6 | 30.5 | 31.2 | 31.9 | 32.3 | 32.6 | 33.0 | 33.6 | 34.3 | 35.0 | 35.7 | 158.5 | 330.1 |

### 270 Energy

| Budget Authority | 5.6 | 5.2 | 5.6 | 5.6 | 5.6 | 5.6 | 5.7 | 5.8 | 6.0 | 6.1 | 7.4 | 56.6 | 46.1 |
| Outlays | 5.8 | 2.9 | 3.8 | 3.9 | 4.4 | 4.7 | 4.9 | 5.1 | 5.3 | 5.5 | 19.7 | 46.1 |

### 300 Natural Resources and Environment

| Budget Authority | 36.5 | 38.9 | 40.0 | 41.2 | 41.7 | 42.6 | 42.8 | 43.5 | 44.1 | 44.9 | 45.8 | 204.4 | 425.6 |
| Outlays | 39.2 | 41.2 | 41.5 | 41.6 | 41.7 | 42.6 | 42.9 | 43.5 | 44.3 | 44.4 | 45.4 | 208.7 | 429.0 |

### 350 Agriculture

| Budget Authority | 20.9 | 21.4 | 25.2 | 24.3 | 22.9 | 21.8 | 22.2 | 22.1 | 22.7 | 22.7 | 23.0 | 115.5 | 228.3 |
| Outlays | 18.0 | 22.0 | 24.0 | 23.5 | 22.1 | 21.2 | 21.7 | 21.5 | 22.1 | 22.2 | 22.5 | 112.8 | 222.8 |

### 370 Commerce and Housing Credit

| Budget Authority | -19.8 | 14.9 | 14.3 | 14.9 | 15.3 | 19.7 | 14.3 | 14.8 | 14.8 | 15.1 | 15.8 | 79.2 | 154.1 |
| Outlays | -32.0 | 1.2 | -0.4 | -3.2 | -4.8 | 2.0 | 0.0 | -1.7 | -3.0 | -3.9 | -4.3 | -5.2 | -18.1 |

### 400 Transportation

| Budget Authority | 85.6 | 107.9 | 108.7 | 109.9 | 111.3 | 112.6 | 114.3 | 95.4 | 97.2 | 99.1 | 101.0 | 550.3 | 1,057.2 |
| Outlays | 89.2 | 95.1 | 98.8 | 100.6 | 102.6 | 104.0 | 105.4 | 106.2 | 106.2 | 106.1 | 106.5 | 501.0 | 1,031.4 |

### 450 Community and Regional Development

| Budget Authority | 17.9 | 29.0 | 13.1 | 13.7 | 13.9 | 13.8 | 13.7 | 13.7 | 13.7 | 13.9 | 83.4 | 152.2 | 183.8 |
| Outlays | 22.3 | 22.5 | 21.8 | 20.7 | 19.9 | 18.8 | 18.1 | 16.9 | 15.6 | 14.7 | 15.0 | 103.7 | 1,381.3 |

### 500 Education, Training, Employment, and Social Services

| Budget Authority | 102.2 | 107.7 | 121.3 | 127.6 | 135.0 | 139.9 | 142.9 | 148.0 | 151.6 | 153.2 | 154.2 | 631.4 | 1,381.3 |
| Outlays | 107.6 | 101.8 | 114.7 | 122.4 | 130.7 | 136.3 | 140.7 | 144.9 | 148.7 | 152.7 | 155.1 | 606.0 | 1,348.1 |

### 550 Health

| Budget Authority | 487.0 | 515.8 | 565.4 | 590.5 | 616.3 | 647.6 | 667.2 | 701.2 | 734.5 | 770.0 | 806.4 | 2,935.6 | 6,614.8 |
| Outlays | 481.1 | 529.3 | 567.7 | 592.5 | 618.0 | 638.5 | 667.1 | 700.4 | 734.1 | 769.6 | 806.4 | 2,946.0 | 6,623.5 |
### FY16 Democratic Budget

**Function Totals**

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