



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

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The Republican Budget Resolution: The Wrong Choice for America

Summary and Analysis of the House Budget Committee-reported Fiscal Year 2012 Budget Resolution

April 11, 2011

This document has not been reviewed and approved by the Democratic Caucus of the House Budget Committee and may not necessarily reflect the views of all members.

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Table of Contents

To govern is to choose, and the Republican budget:

Chooses to protect millionaires and big money special interests	1
Pays for new tax breaks on the backs of working families	1
Tax reform that benefits the wealthy	2
...At the expense of seniors	2
Increases Medicare costs for beneficiaries	3
Repeals prescription drug help and other new Affordable Care Act benefits for seniors	3
Threatens to make nursing home care unaffordable	3
Risks Social Security retirement benefits and services	4
...By eliminating our ability to “Make it in America” and grow jobs	4
Costs American jobs	4
Slashes research	5
Cuts education and job training by 25 percent	6
Weakens infrastructure	6
Disregards police and firefighters	7
...By shredding health security at the expense of working families and vulnerable populations	7
Repeals health care reform and dismantles Medicaid	7
Targets its cuts on services that help low-income families	8
Limits SNAP (Food Stamp) assistance to needy families	8
Undermines efforts to keep the food supply safe	8
Abandons Americans struggling with the housing crisis	8
Denies housing aid to homeless veterans	9
<i>But there is a better path</i>	
Democrats propose responsible deficit reduction	9
Democrats propose a balanced approach	10

Appendix

Republican budget resolution by the numbers	11
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The Republican Resolution: The Wrong Choice for America

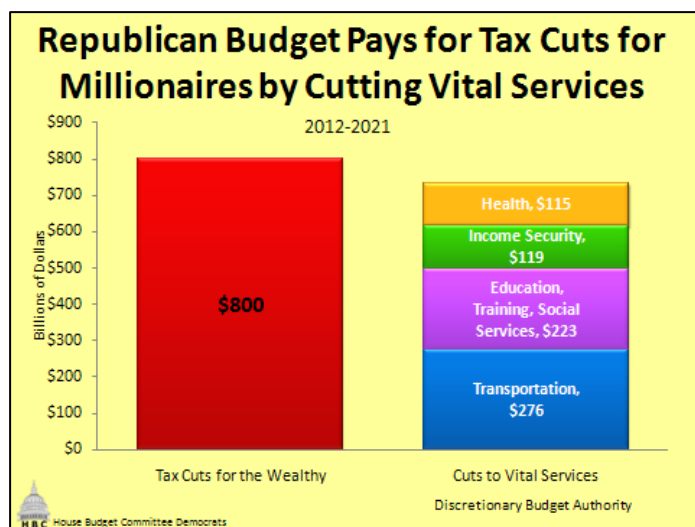
The question is not whether to reduce the deficit, but how. As the President's bipartisan Fiscal Commission has shown, any responsible effort requires a balanced approach that addresses both spending and revenue; the fiscal year 2012 Republican budget resolution reported by the House Budget Committee last week fails this simple test. Fiscal Commission co-chairs Alan Simpson and Erskine Bowles wrote that the budget resolution "falls short of the balanced, comprehensive approach needed to...enact a responsible plan...calling for savings in some safety net programs – cuts which would place a disproportionately adverse effect on certain disadvantaged populations." The Republican budget increases tax breaks for millionaires while ending the Medicare guarantee for seniors and cutting support for seniors in nursing homes, disabled individuals, and low-income children who depend on Medicaid. It extends tax breaks to oil companies and special interests that ship jobs overseas, all while slashing vital investments in education, public safety, research into cures and treatments for diseases, clean energy, and critical infrastructure.

To govern is to choose, and the Republican budget:

Chooses to protect millionaires and big money special interests

- Protects tens of billions of dollars in tax subsidies to Big Oil
- Extends tax breaks to companies that ship jobs overseas
- Cuts taxes for the wealthiest Americans by dramatically cutting top tax rates and extending the new estate tax giveaway begun in the December 2010 package
- Raises taxes on middle-income Americans to pay for additional tax breaks for millionaires

Pays for new tax breaks on the backs of working families – The Republican budget resolution extends over




\$4 trillion dollars in tax cuts. This reduction in revenue is enough to cover a full extension of the 2001 and 2003 tax cuts, including those that benefit upper income taxpayers, and extend the recently enacted more generous estate tax cuts that benefit very large estates, as well as to repeal the tax provisions of the Affordable Care Act. Republicans choose to provide these tax cuts at the expense of needed services and investments that will make America stronger. To cover just the \$800 billion cost of the new tax cuts for millionaires, for example, the budget resolution chooses to dramatically cut funding over ten years for public health activities such as biomedical research and food safety, support for low-income families such as WIC and child care grants, education and training, and transportation, among other vital investments.

Tax reform that benefits the wealthy – The Republican budget tries to claim the mantle of fundamental tax reform. However, it assumes this will be done on a revenue-neutral basis so that all the savings from base broadening through loophole closures will be used to lower marginal tax rates. The President’s bipartisan Fiscal Commission, among others, called for base broadening but envisioned that over \$1 trillion would be used to pay down deficits rather than be turned into yet another gift to the wealthy. The Republican budget keeps tax breaks for Big Oil and tax incentives to ship jobs overseas. Its math is all too simple: to slash top tax rates for the wealthy and still remain revenue neutral, Republicans will raise taxes on middle-class families through eliminating broadly available tax deductions and credits like the child tax credit.

**President Reagan’s Budget Director says,
“Millionaire Tax Cuts Unconscionable”**

“I find it unconscionable that the Republican leadership, faced with a \$1.5 trillion deficit, could possibly believe that good public policy is to maintain tax cuts for the top 2 percent...”

-David Stockman
August 7, 2010

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...At the expense of seniors

- Ends the Medicare guarantee for seniors
- Immediately eliminates new Medicare benefits provided in the Affordable Care Act
- Dismantles the Medicaid safety net for costly nursing home care
- Pushes for an unbalanced approach to Social Security reform for future seniors
- Cuts Social Security administrative services for current seniors by more than \$10 billion over ten years, leading to increased backlogs and delays in receiving benefits

Increases Medicare costs for beneficiaries – The Republican budget calls for transforming Medicare into a voucher program, where seniors would purchase insurance through private markets. The voucher’s value would grow with regular inflation, even though health care costs are projected to grow at a faster rate. Therefore, rising costs and financial risk simply would migrate from the federal budget to seniors’ household budgets. Seniors would face higher premiums, eroding coverage, or both. The Congressional Budget Office estimates that costs for new beneficiaries would nearly triple by 2030 compared with current law and would continue rising thereafter. There is no evidence that seniors will be able to keep their costs down without losing important and necessary medical care.

Repeals prescription drug help and other new Affordable Care Act benefits for seniors – The budget resolution immediately takes away new benefits for seniors provided in the Affordable Care Act, even though the budget retains the Act’s Medicare savings. For example, the Affordable Care Act will gradually eliminate the coverage gap, or “doughnut hole,” in the Medicare prescription drug benefit by 2020. Without the Affordable Care Act, seniors who exceed the initial coverage limit next year would have to pay completely out-of-pocket for the next \$1,790 of their prescription drug costs. Overall, the Act will save seniors with high drug costs an average of more than \$2,000 by 2020. But the Republican budget would repeal this help. It also would repeal full Medicare coverage of key preventive services and annual checkups, with no co-pays or deductibles. This means more than 40 million Medicare beneficiaries would have to pay extra if they want to stay healthy by getting regular check-ups. The budget also would repeal expanded support for home- and community-based alternatives to nursing homes, and provisions aimed at better coordinated care for chronic diseases.

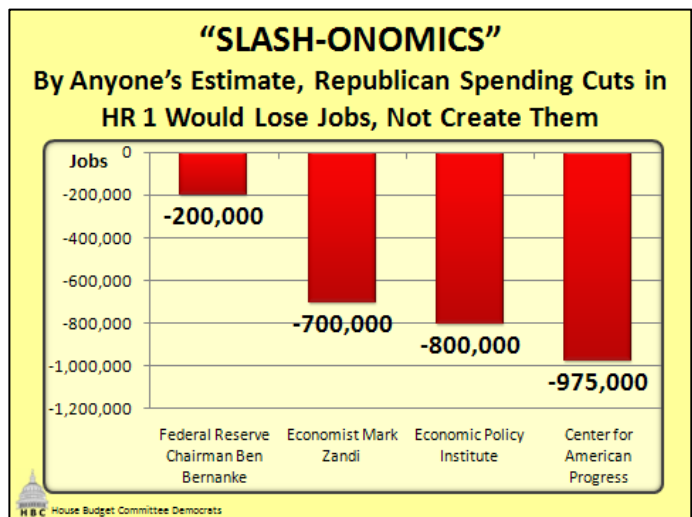
Threatens to make nursing home care unaffordable – The Republican budget will raise the cost of nursing home care for millions of families, and it could significantly reduce the quality of nursing home care. It will also undermine efforts to help people with disabilities live independent, productive lives. It does this by cutting about \$771 billion from Medicaid over ten years by converting the program into a fixed funding stream, or block grant, that bears no relation to the actual need for Medicaid services. Seniors and persons with disabilities are especially at risk from these cuts, as they account for two-thirds of Medicaid spending. As the largest payer of long-term care services in the United States, Medicaid covers nearly half (43 percent) of all U.S. long-term care – including nursing homes as well as the home- and community-based supports that many seniors and disabled individuals need and want as an alternative to expensive institutional care. At least 70 percent of persons over age 65 will likely need long-term care services at some point.

Risks Social Security retirement benefits and services – The resolution calls for an expedited process to consider changes to the Social Security program to close the long-term shortfall. The President’s bipartisan Fiscal Commission and other experts have called for a balanced solution that would include both revenues and benefits. However, the Republicans’ accompanying report, the “Path to Prosperity,” is dismissive of revenue proposals, stating that “certain details of the Commission’s Social Security proposals, particularly on the tax side, are of debatable merit,” implying that all the changes would be on the benefit side. Further, the Republican budget cuts Social Security’s service delivery below current maintenance levels by more than \$10 billion over ten years, including a \$400 million cut in 2012. Continued annual cuts will prove devastating to seniors as more aging boomers retire and rely on field office services, initial benefit claims processing, disability determinations, and hearing decisions over the next ten years.

...By eliminating our ability to “Make it in America” and grow jobs

- Costs American jobs
- Makes deep cuts in critical national investments, including education, science, transportation and clean energy
- Cuts education for children and raises college costs for nearly 10 million students

Costs American jobs – Republicans’ claims about the impact of their policies on jobs are based on Heritage Foundation models that predicted inaccurately that the tax cuts pushed by President Bush would create millions of new jobs. In fact, the Economic Policy Institute estimates that the Republican budget’s Medicaid cuts would cause the loss of 2.1 million jobs over the next five years, most in the private sector. The budget resolution repeats and continues



the steep and immediate spending cuts Republicans voted for in H.R. 1, cuts that economists asserted would cost hundreds of thousands of American jobs. Mark Zandi, chief economist for Moody’s, estimates that 700,000 jobs could be lost as a result of just the spending cuts in H.R. 1. Even Federal Reserve Chairman Bernanke estimated that a couple of hundred thousand

jobs could be lost due just to the 2011 spending cuts in H.R. 1. With 24 million workers currently unemployed or underemployed, we cannot afford to lose more jobs.

- Republicans' inflated estimates of likely job gains are based on Heritage Foundation models that were wildly inaccurate in predicting that the tax cuts pushed by President Bush would create millions of new jobs; those models forecast that between 2001 and 2008, the economy would add an extra 6.5 million jobs, instead of the reality that the economy lost 650,000 private sector jobs under President Bush.

Slashes research – The budget also takes a swipe at research funding in science, health, and other areas. Younger researchers and new projects are likely to bear the brunt of funding cuts, meaning these cuts would undermine the development of the next generation of researchers, harming America's long-term global competitiveness. Boom and bust cycles are wasteful and inefficient strategies for funding science. Sustained, predictable funding for research will maximize the return on this investment in our nation's future.

- **Neglects investments in research that saves lives, creates jobs, and keeps America competitive** – The budget builds on Republicans' decision earlier this year to slash \$1.6 billion from the National Institutes of Health (NIH). This failure to invest will do serious damage to critical biomedical research, slowing our progress against cancer, diabetes, and other life-threatening diseases that today account for a significant share of the total health costs that are a major driver of our long-term fiscal concerns. Countries that better understand the importance of public investment in innovation will gain a competitive advantage over the United States if Congress continues to raid the NIH budget to achieve short-term deficit reduction. In addition, the budget reduces funding for research programs in the National Science Foundation, Department of Energy, and NASA by almost \$4.0 billion, limiting support for critical basic research. The federal government is a significant source of basic research funding, filling a gap in private sector investment. Support in this area helps to ensure that American companies are able to remain competitive in the global economy.
- **Undermines the development of new energy sources** – As gasoline prices soar past \$4 per gallon, the Republican budget slashes funding for development of renewable energy sources by 60 percent below the 2010 levels. Republicans voted to cut 2011 funding for the Department of Energy by \$1.3 billion in H.R. 1, and the budget resolution reduces 2012 appropriations to develop new energy sources by at least another \$2.1 billion. The budget assumes increased domestic oil drilling but drastically cuts back on research and development of new energy sources, making America's energy future increasingly dependent on fossil fuels. Eliminating funding for burgeoning renewable

energy sources places American families and businesses at the mercy of foreign oil. As the past year has demonstrated, volatile prices and an uncertain supply of oil are a drain on the economy.

Cuts education and job training by 25 percent – The Republican budget cuts funding for education, job training, and social services over ten years by more than 25 percent below levels needed to maintain services at their current level. The budget makes food assistance and housing aid for the poor contingent upon working or job training, but then it consolidates job training programs and cuts the funding, pointing to existing colleges as a source for training. But then it cuts college aid.

- **Pell grants** – The budget reduces Pell grants back to the 2008 level, undermining the cornerstone of federal assistance that helps ensure that low-income students have the opportunity to get a college degree. The budget not only cuts the maximum grant – the Republicans stated that it would be reduced to \$5,000 but the budget does not appear to provide nearly enough funding to support even that level – but also repeal the guaranteed Pell grant increases that Democrats fought hard to enact last year.
- **Elementary and secondary education** – Republicans already voted to cut education funding for 2011 by 15 percent in H.R. 1, a \$10.5 billion cut that will cost thousands of teaching jobs and eliminate education services to children across the country. The Republican budget resolution further cuts education every year, quickly reaching annual cuts of more than 25 percent below current levels that will harm education for our children now and the quality of our future workforce, as well. Special education and Title I grants for low-income schools account for 29 percent of the funding in this budget category, and are likely to face these steep cuts.

Weakens infrastructure – Building off of the \$1 billion cut to transit programs – including the important New Starts program – approved by Republicans in H.R. 1, the budget resolution further cuts transportation investments by more than \$29 billion (about one third) in 2012, just as workers, families and businesses are struggling with rising gas prices and need access to alternative forms of transportation. America's engineers grade the country's roads and public transportation with a "D." The typical commuter pays an annual congestion tax of \$800 in wasted time and fuel due to road conditions. As Congress works to approve a new multi-year highway and transit program, the Republican budget withdraws about \$318 billion in resources from highway, transit, and other transportation initiatives over the next ten years, divesting in America's infrastructure, worsening the maintenance and performance of our transportation system, and reducing jobs and our quality of life.

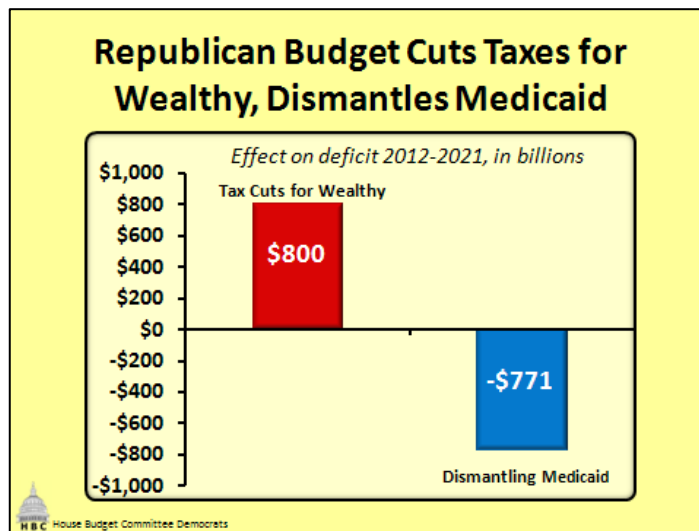
Disregards police and firefighters – Republicans proposed drastic cuts to local law enforcement and first responder programs in H.R. 1, including more than \$800 million in cuts to the Community Oriented Policing Services (COPS) hiring program and Firefighter Assistance Grants. The Republican budget likewise abandons these critical programs for 2012, slashing \$4.2 billion (27 percent) from current levels in the category that funds firefighters and \$9.6 billion (18 percent) from current levels in the funding that includes the COPS program.

...By shredding health security at the expense of working families and vulnerable populations

- Repeals the Affordable Care Act, denying health insurance for more than 30 million Americans
- Imposes the majority of cuts on people of modest means. The Republican “Reverse Robin Hood” budget makes deep cuts in Medicaid, essentially dismantling the program by converting it into block grants that will not keep pace with need, and also makes deep cuts to SNAP (formerly Food Stamps)

Repeals health care reform and dismantles Medicaid – The Republican budget resolution repeals most of the provisions of the Affordable Care Act, which Congress enacted a year ago to hold insurance companies accountable and extend coverage to more than 30 million Americans who would otherwise be uninsured. But the majority party is not satisfied with taking away this health coverage; it goes further by dismantling the existing Medicaid program and

converting it into a block grant. By design, the new block grant will save about \$771 billion for the federal budget by failing to keep up with rising health care costs so that over time, the federal share of Medicaid will cover a smaller and smaller portion of health costs incurred by the low-income children, families, senior citizens, and disabled individuals who depend on this program. Republicans have portrayed block-granting Medicaid as a way to give state governors more flexibility to manage the program’s costs. But states already have a great deal of management flexibility. The significant and growing loss of federal support would leave



states with an unappetizing menu of options: cut critical health services for seniors, disabled individuals or children; curtail eligibility or establish waiting lists; reduce payments to providers; or increase state spending to make up for the lost federal support.

Targets its cuts on services that help low-income families – The Republican budget targets its deepest spending cuts to services that help the country’s neediest. The Center on Budget and Policy Priorities has estimated that two thirds of the Republican budget’s programmatic spending cuts – \$2.9 trillion of a total of \$4.3 trillion – are to programs that serve people of limited means. The majority of the savings are a result of block-granting Medicaid and repealing the Affordable Care Act’s assistance to help low-income families get health coverage.

Limits SNAP (Food Stamp) assistance to needy families – Similarly, the resolution proposes to turn SNAP into a block grant. It assumes large savings from the proposal by discouraging states from adding eligible people to their rolls and making benefits contingent on work or job training. States will have to choose between cutting benefits to some households or creating waiting lists for needy families.

Undermines efforts to keep the food supply safe – House Republicans voted earlier this year to cut current funding for the Food and Drug Administration (FDA) by \$241 million below the 2010 level, and their budget resolution perpetuates this inadequate funding. This decision denies the resources necessary to carry out the Food Safety Modernization Act, which became law in January and allows the FDA for the first time to require that food manufacturers implement procedures to prevent food safety problems at their facilities. Failure to make food safety a priority squanders the opportunity to prevent problems before they occur. The societal and health costs of foodborne illness are an estimated \$152 billion annually. These costs will get worse under the Republican budget. A failure to invest in a strong food safety program harms the economy by undermining consumer confidence. Sales fall for all food producers, not just the ones found to have problems.

Abandons Americans struggling with the housing crisis – The budget resolution does not offer any solutions to the ongoing housing and foreclosure crisis. Its priorities include eliminating the few, limited programs we have to stabilize communities hard hit by the housing crisis – the Home Affordable Modification Program, the Neighborhood Stabilization Program, and emergency mortgage assistance. These cuts not only injure the working families who may have fallen prey to exotic mortgages, but also those families whose home values have plummeted because of the at-risk homeowners around them. In addition, the resolution cuts back on housing assistance for vulnerable populations, potentially pushing them to homelessness. While ignoring solutions for the housing crisis, the budget undermines the agencies responsible for protecting consumers from the big banks and financial institutions that created and traded in these indecipherable products. Republicans sought over \$100 million in cuts in HR 1 to the

Wall Street watchdogs – the new Consumer Financial Protection Bureau, the Securities Exchange Commission, and the Commodity Futures Trading Commission – responsible for making sure the big banks and financiers play by the rules. This resolution deepens these cuts, defunding and eliminating the important steps taken in the Wall Street Reform and Consumer Protection Act that work to prevent a future housing and financial crisis.

Denies housing aid to homeless veterans – Republicans voted in H.R. 1 to eliminate \$75 million for housing and supportive services for homeless veterans for 2011, and the Republican resolution continues that low level of funding for 2012 and beyond. Veterans are more likely than the general public to be homeless. Since 2008, approximately 30,000 veterans have been given access to rental assistance and case management and clinical services to help rebuild their lives. This funding cut will deny those helpful services to 10,000 veterans each year.

But there is a better path

- As the President’s bipartisan Fiscal Commission has shown, any responsible effort to reduce the deficit requires a balanced approach that addresses both spending and revenue. The Republican budget fails this simple test.
- It is increasingly clear that House Republicans are more committed to extending tax breaks to millionaires and big corporate special interests than they are to a serious, balanced approach to reducing deficits.

Democrats propose responsible deficit reduction – Our current fiscal situation is unsustainable and must be addressed. The question is when and where to make changes. The President’s bipartisan Fiscal Commission warned that deep, immediate spending cuts like these would threaten the fragile economic recovery and slow job growth. The Commission also recognized that America must make strategic investments to make the country even stronger in the future. The President outlined investments in education, research, infrastructure that will help create jobs now and prepare us to compete globally in

**Fiscal Commission Co-Chairs Call
Republican Plan Unbalanced and Unfair**

“We are concerned that it falls short of the balanced, comprehensive approach needed to achieve the broad bipartisan agreement necessary to enact a responsible plan. The plan largely exempts defense spending from reductions and would not apply any of the savings from eliminating or reducing tax expenditures as part of tax reform to deficit reduction. As a result, the Chairman’s plan relies on much larger reductions in domestic discretionary spending than does the Commission proposal, while also calling for savings in some safety net programs - cuts which would place a disproportionately adverse effect on certain disadvantaged populations.”

-Alan Simpson and Erskine Bowles about Ryan Budget, April 5, 2011

 HBC House Budget Committee Democrats

the future. House Democrats will present a budget that cuts the deficit while protecting national priorities like Medicare, job creation and education. In contrast, the Republican budget cuts funding in all non-security areas, regardless of the cost to our future.

Democrats propose a balanced approach – The President’s bipartisan Fiscal Commission and nearly every other commission that has met on fiscal concerns has pushed for a balanced approach that allows both revenues and spending to be part of the solution. The Republicans have allowed ideological blinders to put tax cuts for millionaires ahead of improving our nation’s fiscal outlook. Democrats are ready to do the serious work of reducing deficits in a way that makes the country even stronger, and that does not harm working families and the most vulnerable.

Appendix

Republican budget resolution by the numbers

The table below shows the Committee-reported budget resolution totals. Compared with the Congressional Budget Office estimate of deficits under current law – the baseline, which assumes all discretionary spending continues with inflation, including war funding – the Republican resolution cuts taxes by \$4.2 trillion, cuts mandatory spending by \$2.9 trillion, and cuts non-war discretionary spending by \$1.4 trillion.

(Note: the Manager’s Amendment filed with the House Rules Committee on April 9, 2011, cuts discretionary funding by an additional \$198 billion over ten years, offset by an increase of \$198 billion in net interest payments to correct an error; the deficit over ten years remains the same.)

HBC-REPORTED RESOLUTION: IMPACT OF PROPOSALS ON DEFICITS IN 2012 TO 2021 (in billions of dollars)	
Changes to CBO baseline deficits: - deepens the deficit, + lessens the deficit	
Deficits in CBO Baseline.....	-6,737
Policies in the HBC-reported resolution:	
Revenue losses.....	-4,162
Discretionary spending cuts:	
War funding.....	1,043
All other programs.....	1,399
Mandatory spending cuts:	
Health care.....	2,207
Other.....	716
Net interest.....	446
Total, HBC reported policies.....	1,649
HBC reported deficits.....	-5,088
Memorandum:	
Savings without war and net interest.....	161