



April 13, 2011

Key Aspects of the 2012 Democratic Budget

In the face of large deficits, the Republican budget nonetheless increases tax breaks for millionaires and extends tax breaks to oil companies and special interests that ship jobs overseas. It pays for these new tax cuts on the back of working Americans. It ends the Medicare guarantee for seniors and cuts support for seniors in nursing homes, disabled individuals, and low-income children who depend on Medicaid. It also slashes vital investments in education, public safety, research into cures and treatments for diseases, clean energy, and critical infrastructure. These Republican choices will cost American jobs while benefiting special interests and the wealthy. The Democratic budget rejects those priorities.

Democratic budget reduces the deficit responsibly, reaches primary balance by 2018

The Democratic budget responsibly brings the budget back into control. Our economy is still pulling out of a devastating downturn that has left many Americans struggling. Expert analysis indicates that cutting spending too quickly would disrupt the fragile recovery, while going too slowly could make the problem harder to solve. That's why the Democratic budget reduces deficits gradually, leading to a marked drop in the growth in debt relative to the economy, and reaching primary balance by 2018, all the while protecting the well-being of our citizens and making investments that are essential for the future. All told, the Democratic budget reduces the deficit by \$1.2 trillion more than the President's budget over ten years. The Republican budget reaches primary balance three years earlier than the Democratic budget, but at the expense of working Americans; it ends the Medicare guarantee for seniors, cuts support for those who depend on Medicaid for nursing home care and health services, and slashes vital investments that make our nation strong to offset some of the costs of extending more tax breaks to special interests.

Democratic approach balances changes to spending and revenues

- **Discretionary spending**

Freezes non-security discretionary funding for five years. The Democratic budget matches the President in freezing total non-security discretionary funding for five years, although it does not advocate all of his specific programmatic funding increases and cuts. For example, the Democratic budget explicitly rejects the President's proposed cuts to the Low Income Home Energy Assistance Program (LIHEAP), the Community Development Block Grant (CDBG), and Community Service Block Grant (CSBG). Under the Democratic budget, funding grows for education, research, and innovation, reflecting their importance in promoting job growth, and promoting our "Make it in America" agenda. The Appropriations Committee will have to offset

programmatic increases above the President's level with cuts in lower priority programs, looking first to programs that are duplicative, ineffective, or inefficient. The Government Accountability Office and other experts have identified areas that merit scrutiny. Non-security savings total \$212 billion over ten years compared with current levels.

Cuts security funding. We recognize and support the importance of security programs – defense, international, and homeland security – to our nation's well-being. But all areas of the budget must be examined to put our budget back on a sound fiscal path and control our growing debt. In fact, Chairman of the Joint Chiefs of Staff Admiral Mullen has stated, "The most significant threat to our national security is our debt." The President's bipartisan Fiscal Commission and other budget experts have identified potential savings in security funding. The Democratic budget assumes proposals to streamline security programs, generating savings while maintaining a strong military, homeland security, and international presence. Security savings total \$89 billion over ten years compared with current levels, with a level \$308 billion less than the President's request.

Phases out Overseas Contingency fund. The Democratic budget includes the President's Overseas Contingency Operations level through 2014, but provides no funding for 2015 and beyond. This is consistent with the President's stated policy that all troops will be redeployed from Iraq by the end of 2011 and that Afghan forces will take the lead in security operations in Afghanistan by the end of 2014. The budget saves \$309 billion relative to the President's placeholder for overseas contingencies.

Protects veterans services. The Democratic budget fully funds the President's request to provided needed services and benefits for veterans.

- **Mandatory Spending**

Supports infrastructure bank and transportation spending. Our budget supports bipartisan cooperation to identify a funding source to build out and maintain our highway and transit infrastructure. It also supports deficit-neutral capitalization of an infrastructure bank to provide funding for a variety of needs, including transportation, waterways, clean energy infrastructure, and school buildings. Where the Republican budget cuts about \$318 billion in transportation funding that benefits our families, businesses, and communities, the Democratic budget sets a path for a surface transportation reauthorization and new investments.

Allows for a fully paid for doctor fix. The Democratic budget follows the President's lead in directing that doctor payments under the Medicare program will not be cut as scheduled under current law. The budget requires offsets to the cost of either a temporary fix or permanent reform.

Includes Pell grant and Supplemental Nutrition Assistance (SNAP) initiatives. The Democratic budget includes two mandatory initiatives that are fully paid for with spending reductions. First, it includes the President's proposed mandatory funding to sustain the maximum Pell grant award at \$5,550, in contrast to the Republican budget, which cuts Pell grant funding substantially,

reducing college assistance to more than 9 million students. Second, the budget reverses the SNAP (food stamp) reduction enacted in December 2010.

Protects Medicaid and the Medicare guarantee for seniors. The Democratic budget protects Medicare's guarantee of health care coverage for seniors and disabled workers. It also preserves the existing structure of Medicaid that provides a health care safety net for vulnerable children, families, seniors, and persons with disabilities. In contrast, the Republican budget dismantles Medicaid and ends Medicare by converting it into an inadequate voucher for the purchase of private insurance.

Supports real health reform that began with the Affordable Care Act. The budget protects the important new reforms enacted in the Affordable Care Act, the vast majority of which the Republican budget will repeal. The Act expands affordable health insurance coverage to more than 30 million Americans and provides improved benefits to seniors such as closing the prescription drug benefit's coverage gap and full coverage of key preventive health services. The Affordable Care Act has already put in place provisions to bend the health cost growth curve, and it lays the foundation for further reform.

Opposes privatizing Social Security. The Democratic budget supports our Social Security guarantees to seniors and rejects any proposals for privatization.

Funds program integrity initiatives. Within the non-security freeze, the Democratic budget includes funding for four program integrity initiatives designed to make sure taxpayers pay what they owe and that beneficiaries of a variety of entitlement programs meet program qualifications.

Reduces agriculture payments. The budget reduces spending for farm subsidies by \$20 billion over ten years, moving assistance away from wealthy agribusinesses and toward struggling family farmers. Recognizing that farm policy is vital to rural communities and protects food and energy security around the country, the budget maintains the farm and nutrition safety net.

- **Revenues**

Matches the savings from the President's revenue policies. The Democratic budget makes permanent the 2001 and 2003 tax cuts for working Americans (individuals with income below \$200,000 and couples below \$250,000), but does not extend the tax cuts for those with higher incomes. It also assumes extension of the estate and gift tax at the 2009 parameters, and tax changes to keep working families from being hit by the Alternative Minimum Tax. It makes permanent the research and development tax credit, which will spur innovation and economic growth. It encourages the Ways and Means Committee to consider the Fiscal Commission's proposals to limit tax expenditures, and to consider corporate tax reform proposals that can most effectively optimize economic growth and provide for necessary revenues. It expressly rejects the approach in the Republican resolution that provides millionaires with even larger tax cuts at the expense of middle-income taxpayers. It incorporates the aggregate savings of the President's other tax proposals without endorsing the specifics of his plan.