



U.S. HOUSE OF REPRESENTATIVES

# COMMITTEE ON THE BUDGET

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## The Democratic Budget: Investing in America's Future

The Democratic alternative budget resolution for 2018 stabilizes our fiscal outlook and provides critical investments needed to build a stronger future. This is a stark contrast to a Republican extreme budget that makes deep cuts in programs that are vital to millions of American families to shift more resources to the wealthy.

The Democratic alternative offers a better vision for America's future that combines a fiscally responsible path with investments to build a stronger economy and nation. Within this fiscally responsible framework, the Democratic alternative:

- makes economic growth, good-paying jobs, and opportunities for American families a top priority;
- increases investments in our economic future;
- strengthens health care by building on the successes of the Affordable Care Act; and
- protects our national security.

It does all this while reducing the deficit and keeping federal debt at levels economists view as sustainable, approximately the same in 2027 as it is this year.

In addition, the Democratic alternative includes the funds approved by Congress as a downpayment for assistance in response to Hurricane Harvey. It also supports further emergency funding related to Hurricanes Harvey, Irma, and Maria, along with other natural disasters.

### Fighting for Growth, Good-Paying Jobs, and an Economy that Works for Everyone

A top priority of the Democratic budget is an economy that generates jobs and creates new opportunities for American families to get ahead. Several key initiatives would help advance that goal.

**Tax reform that supports American families and workers** — The tax code should provide support and relief to American families, rewarding hard work instead of wealth. The Democratic budget supports tax reform that will create good-paying jobs, boost economic growth, and ensure that the wealthy and big corporations pay their fair share. Tax reform can help Americans facing stagnant wages and growing financial demands, such as the rising costs of child care, education, and retirement.

**Closes special-interest loopholes** — Special-interest loopholes in the tax code are not sacrosanct. Seventeen percent of major tax expenditures go to the top one percent of income earners, and

hundreds of billions of dollars in revenue are lost by corporations exploiting loopholes in our tax code. The Democratic budget supports efforts to close the tax code's many special-interest loopholes designed to benefit the wealthy and well-connected, like those that allow corporations to ship jobs and profits overseas.

**Raises the minimum wage** — The Democratic budget calls for an increase in the federal minimum wage, which has not changed since 2009. An increase will help raise millions of families out of poverty and keep up with rising costs while also boosting the economy by spurring consumption and demand.

**Empowers women** — 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, child care assistance, 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, support access to family planning, and enact measures to prevent and protect women from domestic violence.

**Immigration reform** — The resolution reflects comprehensive immigration reform, such as the Border Security, Economic Opportunity, and Immigration Modernization Act that 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.

**Defends Social Security** — The budget takes a stand against cutting Social Security benefits, and it opposes the Social Security cuts in President Trump's budget. With the decline in traditional pensions, Social Security is becoming more important to future retirees. Instead of seeking to cut future benefits, we need to modernize them and put the system on a sound financial footing.

**Safeguards consumers** — The Democratic budget rejects efforts to cut funding for the Consumer Financial Protection Bureau and other financial regulators. We cannot forget the lessons of the financial crisis and allow a return of the problems and practices that hurt consumers and wrecked the economy.

## **Investing in America**

The Democratic budget stresses the need to invest in our economic future. It lifts the arbitrary and irresponsible spending caps that threaten our security, our economy, and our nation's standing as a global leader of research and innovation. The budget protects the idea of parity for defense and non-defense funding, and it rejects massive cuts in one category to pay for massive increases in the other. Under our budget, we make investments that will pay off now and in the future; investments that will create economic growth — including infrastructure, education, and scientific research — and protect our national security. This budget supports the long-term success of our country and our people, ensuring that we will continue to be a global leader of new research and discovery, and a driver of innovation and new industry.

**Infrastructure initiative** — The budget supports an infrastructure initiative that would fund all types of infrastructure – including highways, school construction, drinking water, energy – and would help us address the more than \$1 trillion in investment needs that have been identified by the American Society of Civil Engineers.

**Broadens access to education** — The Democratic budget broadens access to the college education that is increasingly a requirement for success. It enhances the Pell Grant program by increasing the discretionary maximum award by \$500 and fully funds several initiatives including federal work study, Gaining Early Awareness for Undergraduate Programs (GEAR UP), and TRIO. It further invests in programs that ensure student success by fully funding school improvement programs, safe school programs, 21st Century Community Learning Centers, and career, technical, and adult education. The budget includes language to support grants to participating Historically Black Colleges and Universities and to Minority-Serving Institutions to provide low-income students with up to two years of free or reduced tuition. To help borrowers lower and manage their student loan debt, the Democratic budget allows for refinancing and expanded repayment options and enhancements of tax benefits for college education.

**Lowers barriers to economic opportunity** — The Democratic budget supports policies that make it easier to work or develop skills.

- **Increases child care** — The budget provides additional child care funding and helps middle-income families with their child care expenses by making improvements to the Child and Dependent Care Tax Credit.
- **Enhances job training** — A key ladder of opportunity is to make job training services available. The Democratic budget funds several approaches, including increases to job training and apprenticeship programs.
- **Expands paid leave** — Many workers also have difficult choices in deciding whether to work or take care of a new baby or sick family member. The budget calls on Congress to expand earned paid sick leave and family and medical leave.

**Preserves economic safety net** — The Democratic budget strengthens programs that help the most vulnerable Americans meet their basic standards of living. It protects nutrition assistance programs, increases funding for affordable housing and critical home energy assistance, and continues funding other programs that lift families out of poverty or prevent families from falling into poverty. It also accommodates increased block grant funding for the Temporary Assistance to Needy Families program and focuses the program's funds on its core services, which ensures that families can meet the most basic standards of living. Each of these initiatives provides stability to families in need, so that they can build a better future for themselves and their families.

**Advances research, innovation, and clean energy** — The Democratic budget supports cutting-edge biomedical research that may lead to the development of new treatments for diseases affecting American families, from Alzheimer's to cancer to heart disease. The budget also funds scientific research, space exploration, and clean energy technologies that enable important discoveries and combat the effects of climate change. Federal investments in research and innovation spur economic

growth in communities across America, create good-paying jobs, and sharpen the nation's competitive edge.

## **Protecting Affordable Health Care for the Middle Class and Struggling Families**

**Defends and strengthens the Affordable Care Act (ACA)** — The Democratic budget supports strengthening the ACA to improve affordability and stability of health coverage in the individual market. The ACA has provided health coverage to 20 million people and brought the uninsured rate below 10 percent, the lowest level on record. The Democratic budget rejects Republican plans to replace the ACA with an inferior plan that will effectively allow insurers to rig the system against people with pre-existing conditions, drastically raise costs for older Americans, and increase the number of uninsured by 23 million.

**Protects Medicaid** — The Democratic budget protects the health care safety net for more than 70 million vulnerable Americans, including more than one in three children. Millions of seniors and people with disabilities rely on Medicaid to pay for nursing home care and home- and community-based services that provide help with activities of daily living. Medicaid covers more than half of all long-term care spending in this country. The Democratic budget rejects the Republican plan to gut Medicaid by roughly \$1 trillion over the next ten years by ending the ACA's Medicaid expansion, capping federal payments to states, and other changes to the program. The Democratic budget also rejects restrictions on Medicaid funding to Planned Parenthood, which will only make it harder for women to see the health care providers of their choice.

**Invests in public health** — The Democratic budget invests in public health, ensuring the safety and well-being of American families, as well as the economic strength of our country. Additional funding for research, preparedness, prevention, and treatment stands in sharp contrast to the Republican budget, which further cuts non-defense discretionary spending from the already inadequate austerity-level spending cap. At a time when Americans are facing threats at home and abroad, from infectious diseases to opioid addiction to expensive chronic diseases like Alzheimer's and cancer, the Democratic budget supports funding necessary to protect public health.

**Protects and improves Medicare** — The Democratic budget rejects any plan to turn Medicare into a voucher-like system that will increase costs for seniors. It protects current benefits and allows benefit improvements. The budget achieves \$160 billion in Medicare savings over 10 years through efficiency improvements, without cutting benefits. Options for achieving these savings include allowing 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, or others to reward quality, reduce wasteful overpayments, and correct misaligned incentives.

## Ensuring National Security

**Provides for a comprehensive national security strategy** — The Democratic budget recognizes that an effective national security strategy requires investment in all aspects of national power, which include our military and diplomatic corps as well as our foreign aid, homeland security, and law enforcement agencies. The budget lifts the discretionary caps for both defense and non-defense programs equally to ensure balanced investments across all security-related activities, many of which are funded from the non-defense portion of the budget. The budget provides \$603 billion for regular discretionary national defense activities for 2018 and includes sequestration relief for 2019 and beyond. The budget also rejects the President's 32 percent cut to diplomacy and foreign aid operations, which Secretary of Defense James Mattis and many retired admirals and generals have indicated are critical elements of our national security.

**Limits Overseas Contingency Operations (OCO) funding** — The resolution limits 2018 appropriations for OCO to the levels our military leaders requested, providing \$65 billion for defense and \$12 billion for international affairs. The budget also includes an enforcement provision that will help prevent the abuse of the OCO designation as a backdoor loophole to skirt discretionary spending caps. Additionally, the resolution eliminates all OCO funds starting in 2019. Leaving billions of dollars in OCO placeholders in the outyears that reflect no policy invites abuse. It perpetuates the idea of an off-budget account that can be used 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.

**Support our veterans** — The Democratic budget takes steps to ensure the health care and benefits veterans earned are provided in a timely and efficient fashion, including supporting ongoing efforts to reduce the VA claims backlog and months-long waits for health care appointments and continuing to hold the Veterans Administration accountable. That includes ensuring timely implementation of the new electronic health records and ensuring that funding for private and community health care does not come at the expense of necessary resources for VA hospitals and clinics.

**Supports law enforcement and justice programs** — The Democratic budget invests heavily in 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, combat cyber-attacks, reduce violence against women and strengthen services to victims, hire and equip police officers, protect juveniles, and counter human trafficking. The resolution also supports a significant investment in juvenile justice programs. These important programs are a proven and cost-effective way to prevent crime in local communities, to reduce youth incarceration, and to foster better outcomes.

## The Democratic Budget: the Big Picture

**Discretionary spending** – makes investments to grow our economy and ensure that all America families have opportunities for success. Matches the President’s defense request and increases non-defense by the same amount. Overseas Contingency Operations funding matches the President’s request for 2018.

**Mandatory spending** – protects commitments to Medicare, Medicaid, and Social Security and the safety net.

**Deficits** – provides for significant reduction in the deficit. At the end of the budget window, debt remains at about the current level as a share of the economy, instead of climbing significantly as it would under current policies.

**Revenues** – has total revenue levels consistent with President Obama’s final budget, but does not assume the policy changes proposed in that budget. Supports tax reform that helps middle-class families and asks the wealthy and corporations to pay their fair share.

**Immigration reform** – includes comprehensive reform that will increase the size of our economy and reduce the deficit.

### HOUSE DEMOCRATIC BUDGET AGGREGATES

(in billions of dollars)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>'18-'22</u>	<u>'18-'27</u>
Receipts.....	3,404	3,715	3,864	4,041	4,200	4,416	4,625	4,828	5,056	5,349	5,635	20,237	45,731
Outlays.....	<u>3,967</u>	<u>4,162</u>	<u>4,383</u>	<u>4,588</u>	<u>4,828</u>	<u>5,140</u>	<u>5,342</u>	<u>5,539</u>	<u>5,860</u>	<u>6,188</u>	<u>6,487</u>	<u>23,101</u>	<u>52,517</u>
Surplus/Deficit.....	-562	-447	-519	-547	-628	-723	-716	-710	-804	-839	-852	-2,864	-6,786
Debt held by the public.....	14,841	15,379	15,974	16,590	17,280	18,061	18,832	19,597	20,455	21,349	22,257		
<b>As a percent of GDP:</b>													
Receipts.....	17.8%	18.6%	18.6%	18.8%	18.8%	18.9%	19.0%	19.0%	19.0%	19.3%	19.5%		
Outlays.....	<u>20.7%</u>	<u>20.9%</u>	<u>21.1%</u>	<u>21.3%</u>	<u>21.6%</u>	<u>22.0%</u>	<u>21.9%</u>	<u>21.8%</u>	<u>22.1%</u>	<u>22.3%</u>	<u>22.4%</u>		
Surplus/Deficit..	-2.9%	-2.2%	-2.5%	-2.5%	-2.8%	-3.1%	-2.9%	-2.8%	-3.0%	-3.0%	-2.9%		
Debt held by the public.....	77.5%	77.1%	77.1%	77.1%	77.2%	77.3%	77.3%	77.1%	77.1%	77.0%	76.9%		

**DISCRETIONARY CAPS FOR 2018**

(in billions of dollars)

	<u>Defense</u>	<u>NonDefense</u>	<u>Total</u>
Existing caps.....	549	516	1,065
Proposal to increase defense and nondefense equally with defense matching the President's request.....	54	54	108
Democratic budget.....	603	570	1,173
Memorandum:			
Additional funding beyond these caps:			
War funding.....			77
Disaster and wildfire fighting 1/.....			9
Program Integrity 1/.....			2
CURES.....			1
Hurricane Relief (Harvey, Irma, Maria).....			TBD

1/The resolution assumes enactment of a new wildfire fighting proposal and two new program integrity initiatives.



**FY18 Democratic Alternative**

Function Totals

in billions of dollars

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2018-2022</u>	<u>2018-2027</u>
Budget Authority	4,236.3	4,392.1	4,622.6	4,860.3	5,167.2	5,384.8	5,596.5	5,914.1	6,239.1	6,537.1	23,278.5	52,950.1
Outlays	4,162.4	4,383.2	4,588.1	4,827.8	5,139.9	5,341.9	5,538.8	5,859.7	6,188.2	6,487.0	23,101.3	52,517.0
Revenue	3,715.1	3,863.9	4,041.1	4,200.3	4,416.4	4,625.5	4,828.5	5,056.1	5,349.3	5,634.6	20,236.9	45,730.8
Surplus (+)/Deficit (-)	-447.3	-519.3	-547.0	-627.5	-723.4	-716.4	-710.4	-803.7	-838.9	-852.5	-2,864.5	-6,786.2
Debt Held by the Public	15,379.3	15,974.3	16,589.9	17,280.1	18,060.5	18,832.3	19,596.7	20,454.9	21,349.1	22,256.9		
Debt Subject to Limit	21,039.1	21,723.1	22,376.1	23,076.9	23,808.9	24,526.9	25,224.6	25,964.2	26,751.1	27,395.8		
050 National Defense												
Budget Authority	611.1	624.3	637.4	650.7	663.9	678.0	692.2	706.4	722.5	737.6	3,187.3	6,724.0
Outlays	605.2	615.6	624.7	635.9	652.8	661.1	669.8	688.3	703.7	718.6	3,134.1	6,575.5
150 International Affairs												
Budget Authority	52.7	52.1	51.9	51.6	50.4	51.0	51.5	52.0	52.6	53.1	258.7	518.9
Outlays	50.1	50.5	50.8	50.2	50.2	50.2	50.3	50.6	51.0	51.4	251.8	505.2
250 General Science, Space, and Technology												
Budget Authority	32.6	33.3	33.9	34.6	35.4	36.1	36.8	37.6	38.4	39.2	169.8	357.8
Outlays	31.8	32.5	33.2	33.9	34.6	35.3	36.0	36.8	37.6	38.3	166.1	350.1
270 Energy												
Budget Authority	4.9	5.3	5.7	5.9	5.8	4.8	4.3	4.2	6.4	6.5	27.6	53.8
Outlays	3.0	3.4	4.1	4.3	4.3	3.5	3.0	3.0	5.3	5.5	19.1	39.4
300 Natural Resources and Environment												
Budget Authority	44.1	45.0	46.7	47.7	48.7	49.8	50.7	51.8	52.8	53.9	232.3	491.2
Outlays	44.6	45.3	46.7	47.4	48.2	49.2	50.1	51.0	52.0	53.1	232.2	487.6
350 Agriculture												
Budget Authority	24.9	22.7	21.6	22.8	21.8	21.9	22.4	23.1	23.4	23.2	113.8	227.8
Outlays	23.2	21.1	20.8	22.2	21.3	21.5	21.9	22.5	22.8	22.6	108.6	219.9
370 Commerce and Housing Credit												
Budget Authority	17.8	20.5	18.1	16.6	18.8	19.3	19.7	20.7	20.4	20.3	91.8	192.1
Outlays	4.1	11.9	10.1	7.8	8.9	8.8	8.2	7.9	7.8	7.4	42.7	82.7
400 Transportation												
Budget Authority	94.1	96.2	90.8	91.7	92.6	93.6	94.5	95.5	96.5	97.5	465.5	943.0
Outlays	94.1	95.3	97.0	98.3	99.8	101.5	103.1	105.2	107.0	108.9	484.6	1,010.3
450 Community and Regional Development												
Budget Authority	20.3	19.9	20.7	21.1	21.6	22.0	22.5	23.0	23.4	23.6	103.6	218.1
Outlays	24.3	24.7	23.5	22.3	21.4	20.4	20.2	20.6	20.8	21.2	116.2	219.5
500 Education, Training, Employment, and Social Services												
Budget Authority	106.5	109.9	112.8	116.1	118.6	120.8	122.8	124.8	126.7	128.5	564.0	1,187.5
Outlays	105.1	115.7	111.6	114.7	117.5	119.7	121.7	123.7	125.7	127.6	564.6	1,183.0
550 Health												
Budget Authority	571.4	602.8	646.9	669.5	703.1	736.5	772.7	810.8	849.8	890.5	3,193.7	7,254.0
Outlays	579.0	603.8	636.6	668.4	701.1	734.3	770.4	807.9	846.4	887.1	3,188.9	7,235.2

**FY18 Democratic Alternative**

## Function Totals

in billions of dollars

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2018-2022</u>	<u>2018-2027</u>
570 Medicare												
Budget Authority	598.5	656.0	694.2	746.4	840.9	865.4	888.5	986.8	1,070.1	1,152.0	3,535.9	8,498.8
Outlays	597.7	655.5	693.9	746.1	840.7	865.2	888.3	986.6	1,069.9	1,151.8	3,533.9	8,495.7
600 Income Security												
Budget Authority	522.6	538.2	554.1	569.1	587.6	596.6	605.5	626.2	641.8	658.2	2,771.6	5,899.9
Outlays	504.6	525.7	542.4	558.1	583.2	587.8	591.2	613.0	635.2	650.9	2,714.1	5,792.2
650 Social Security												
Budget Authority	1,006.3	1,068.0	1,133.7	1,203.7	1,277.2	1,353.9	1,434.4	1,518.2	1,605.6	1,696.8	5,688.9	13,297.8
Outlays	1,001.0	1,062.5	1,127.9	1,197.6	1,270.7	1,347.2	1,427.4	1,510.9	1,598.0	1,689.0	5,659.8	13,232.3
700 Veterans Benefits and Services												
Budget Authority	177.9	194.3	201.1	207.6	223.8	221.6	218.4	236.4	244.0	252.3	1,004.8	2,177.4
Outlays	178.1	191.6	199.0	205.5	221.7	219.5	216.4	234.3	241.7	250.1	995.9	2,157.9
750 Administration of Justice												
Budget Authority	72.9	64.6	66.1	67.4	68.3	69.7	71.1	72.6	80.1	82.3	339.3	715.2
Outlays	64.8	66.0	68.8	71.4	71.2	70.8	70.9	72.2	80.5	81.9	342.2	718.6
800 General Government												
Budget Authority	28.0	28.8	29.8	30.8	31.8	32.5	33.0	33.7	34.5	35.3	149.1	318.1
Outlays	26.4	27.6	29.0	30.1	31.2	31.9	32.5	33.1	33.9	34.6	144.2	310.3
900 Net Interest												
Budget Authority	295.2	330.4	375.9	426.2	476.3	526.9	570.8	613.0	656.2	694.6	1,903.9	4,965.4
Outlays	295.2	330.4	375.9	426.2	476.3	526.9	570.8	613.0	656.2	694.7	1,903.9	4,965.5
920 Allowances												
Budget Authority	-22.6	-17.1	-15.8	-13.7	-11.5	-6.6	-2.4	-0.9	14.6	15.8	-80.7	-60.2
Outlays	-12.4	-12.4	-12.3	-10.6	-8.9	-4.7	-0.8	0.9	13.5	16.4	-56.6	-31.4
950 Undistributed Offsetting Receipts												
Budget Authority	-99.4	-103.0	-103.2	-105.6	-107.8	-108.8	-112.9	-121.8	-120.7	-124.1	-519.0	-1,107.3
Outlays	-99.4	-103.0	-103.2	-105.6	-107.8	-108.8	-112.9	-121.8	-120.7	-124.1	-519.0	-1,107.3
970 Overseas Contingency Operations												
Budget Authority	76.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	76.6	76.6
Outlays	41.9	19.4	7.9	3.4	1.4	0.6	0.2	0.1	0.0	0.0	74.0	74.9