



COMMITTEE ON THE BUDGET

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April 2, 2019

Investing for the People Act of 2019

A Two-Year Budget to Raise Devastating Spending Caps, Invest in the Future of the American People, and Help Prevent Another Government Shutdown

Introduction

The most urgent budgetary issue facing the Congress right now is the need to raise the statutory caps on discretionary spending. Without Congressional action, the caps will force an 11 percent cut to defense and a 9 percent cut to nondefense programs for 2020 relative to the amounts provided for 2019. Such deep cuts would have a devastating effect on U.S. national security and economic vitality. The Investing for the People Act of 2019 (IPA) blocks these cuts and provides a new, more realistic, and constructive budgetary framework that will enable Congress to provide the funding necessary to secure a strong future for the American people.

The United States is an economic powerhouse and world leader because of our government's long, proud history of making strategic investments. This history dates to at least the 1840s, when Congress approved a grant for the construction of the first telegraph line. From rural electrification and the Interstate Highway System to cutting-edge health research, initial development of the internet, and helping students of modest means pay for college, the American people have reaped the benefits of the investments they called on their government to make. Our country has also long understood that an effective national security strategy requires investment in all aspects of national power – from the military and diplomatic corps to homeland security and the promotion of broadly shared economic opportunity domestically and abroad. Enactment of the IPA would build on this legacy.

Discretionary funding (funding that Congress controls through annual appropriations bills) provides resources for hundreds of programs that make important investments and affect Americans every day. Current law imposes destructively low caps on defense and non-defense discretionary (NDD) funding for 2020 and 2021, stemming from the Budget Control Act of 2011 (BCA). These caps were never supposed to take effect. They were part of the BCA's design to give Congress a strong incentive to develop and approve a comprehensive, bipartisan plan to reduce deficits by more than \$1 trillion over the 2012-2021 period. When Congress failed to agree on an alternative deficit reduction package, the BCA's unrealistically low caps on discretionary funding took effect for 2013-2021. Congress subsequently reached bipartisan agreements in 2012, 2013, 2015, and 2018 to set more realistic discretionary funding levels, usually for two years at a time.

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

The IPA continues this tradition for the final two years of the BCA by raising the defense and non-defense budget caps for 2020 and 2021 to the levels necessary to move the nation forward. Setting realistic caps will give Congress the ability to invest in both defense and non-defense priorities, boost economic development, and guarantee that every American family has the chance to build a better future. The time to act is now. The sooner that Congress can reach a bipartisan budget agreement on discretionary caps, the sooner the House and Senate Appropriations Committees will have clarity regarding “top-line” spending levels within which they can craft their must-pass legislation. Delaying this inevitable and necessary decision will only create chaos and disruption in the appropriations process at the final hour, setting the stage for another government shutdown. Congress should instead enact a new, realistic budgetary framework as soon as possible.

Beginning with the BCA, Congressional Democrats have advocated for parity – that is, equivalent treatment of defense and NDD spending. The IPA follows the parity principle by applying the same dollar increase to the defense and non-defense caps. The bill supports the tradition of refusing to pit defense and non-defense against each other, because both are important for our country. President Trump’s budget request for 2020, unfortunately, does the opposite. It cuts 2020 non-defense funding by 9 percent relative to the 2019 enacted level, while it increases total defense funding by nearly 5 percent. The President’s budget evades the BCA defense cap by calling for a dramatic increase in funding designated as Overseas Contingency Operations (OCO), which does not count against the cap, even though most of the funding will be used for non-OCO activities. Congress should reject the President’s lopsided priorities, as well as his use of this blatant budget gimmick, and instead call on the Department of Defense (DoD) to provide increased accountability for the uses of OCO funding.

Investing in Prosperity and a Broad View of National Security

NDD programs encompass numerous services and investments that improve Americans’ quality of life. NDD spending was 3.2 percent of GDP in 2018, well below the 50-year historic average of 3.8 percent. Boosting the resources available for NDD would allow an appropriate level of investment in projects and services to strengthen the Nation’s economic foundations and promote broad-based prosperity for American families. Ensuring safe drinking water, enforcing consumer protection standards, modernizing transportation networks, providing technical assistance to small businesses, investing in energy efficiency research, improving rural infrastructure, providing vital services to veterans, and expanding the supply of affordable housing are just a few of the ways that NDD funding contributes to a stronger future for all Americans.

NDD funding is also important to the Nation’s security, because a comprehensive strategy for national security involves much more than the military. Roughly one-third of NDD funding goes toward veterans’ programs, homeland security, diplomatic operations, foreign aid, and Justice

Department activities. Other NDD activities such as food safety, environmental protection, combatting disease outbreaks, and aviation safety are critical for a healthy economy, which is a major underpinning of our national security.

What is “non-defense discretionary?”

- Public health and disease control
- Highways and transit grants
- Veterans’ health care
- Agricultural research
- Workplace safety
- K-12 education support
- National parks
- Housing assistance and mortgage insurance
- Small business assistance
- Head Start
- Food safety
- Scientific research and space exploration
- Clean air and water
- Job training
- Embassy security
- Pell grants
- Energy efficiency research
- Hazardous waste cleanup
- Waterway maintenance for commerce and recreation
- Weather forecasting
- Hurricane-proofing communities
- Forest and wildlife habitat management
- Conservation resources for farmers
- Census and national statistics
- Patents and trademarks
- Consumer protection enforcement
- Aviation safety
- Disaster assistance
- Economic development grants to communities
- Rural infrastructure improvements
- Drug safety assessments
- Child care
- Refugee assistance
- Special nutrition assistance for women, infants, and children
- Help with heating and cooling bills for struggling families and senior citizens
- Customs and border protection
- Federal courts
- Immigration enforcement
- FBI
- Combating illegal drugs
- Secret Service
- Preservation work at the National Archives
- Enforcing campaign finance rules and protecting free and fair elections
- Much, much more...

The IPA sets discretionary funding caps for 2020 and 2021 that will support much-needed investments in these areas. For 2020, the bill sets the non-defense cap at \$631 billion. This represents a \$34 billion (5.7 percent) increase above the 2019 cap and is \$88 billion above the current-law 2020 cap. The bill sets the 2021 non-defense cap at \$646 billion to maintain purchasing power. Separately, the bill also allows up to \$8 billion per year for non-defense OCO activities that do not count against the cap.

One reason that NDD funding must increase is to fulfill the promise of the VA MISSION Act. That law provided veterans with greater health care choice, but it shifted the cost of community health care – initially estimated at \$10 billion or more per year – from the mandatory side of the federal budget to the discretionary side starting in June 2019. Certain other key NDD programs will need a funding increase just to maintain current services due to higher market costs, increased demand, or other factors. To provide for these vital needs without increasing overall NDD funding would force harmful reductions in other important investments.

Along with increasing the base caps, the IPA provides two new adjustments to the non-defense caps to accommodate funding increases for specified purposes. First, the bill provides a \$7.5 billion cap adjustment to reflect the necessary funding to carry out the 2020 decennial Census as required under the Constitution. Failure to adequately fund the Census would lead to

an undercount of the population, resulting in an incorrect apportionment of representation and misallocation of a broad range of federal funds. A one-time cap adjustment for the 2020 Census makes sense because it is not a recurring annual expense. Second, the bill allows cap adjustments of up to \$400 million for 2020 and \$750 million for 2021 to reflect increased investments in tax enforcement and tax compliance activities at the Internal Revenue Service (IRS). Since 2010, IRS enforcement funding has declined by 25 percent in real terms, and the enforcement division has lost 30 percent of its workforce. Meanwhile, enforcement needs have grown – the 2017 tax law’s design invites taxpayers, particularly wealthy individuals and corporations with means to hire accountants and lawyers, to push aggressively against the boundaries of the new law. Adequately funding IRS enforcement is necessary to identify those who step over the boundaries or break the law. The President’s 2020 budget includes an increase for IRS enforcement and estimates that once fully operational, the enforcement activities will generate roughly \$3 in additional revenue for every \$1 in IRS expenses. There is a lengthy bipartisan history of exempting program integrity funding that reduces errors, overpayments, and fraud in government programs from discretionary spending limits. The BCA, in fact, currently allows cap adjustments for certain program integrity activities.

Supporting a Strong Defense and Ensuring Accountability

The IPA provides the resources necessary for the most powerful military in the world to maintain a vigorous defense against potential threats. It sets the defense discretionary cap for 2020 at \$664 billion. This represents a \$17 billion (2.6 percent) increase from the 2019 level. Just like the NDD level in this bill, the recommended defense cap is \$88 billion above the current-law cap for 2020. The bill sets the 2021 defense cap at \$680 billion. These levels exclude amounts designated for OCO, which do not count toward the caps.

For 2019, Congress provided \$69 billion for OCO. The President’s budget proposes to drastically increase the OCO amounts for 2020 and 2021, solely to evade the BCA defense discretionary funding caps. The Administration admits to this workaround in a footnote on page 134 of the main Budget volume, which states: “In order to fully resource national defense requirements, funding above the current law caps will also be necessary. The Budget therefore increases OCO amounts in 2020 and 2021 to nearly \$165 billion and \$156 billion, respectively. These amounts fund direct war costs, enduring in-theater support, and certain base budget requirements.” The IPA rejects this blatant budget gimmick designed to evade the BCA defense cap. The bill instead caps defense OCO funding at the current level of \$69 billion for 2020 and 2021 to prevent further abuse of the OCO designation during the final two years of the BCA. Limiting the use of the OCO designation improves DoD budget accountability. Congress should begin to significantly reduce and eventually eliminate the OCO budget starting in 2022 when the congressional budget process returns to regular order and budget resolutions are once again the legislative vehicle for setting the discretionary top line.

Ensuring Economic Vitality in Years to Come

The federal budget is more than simply spending out versus revenues in. Federal investments today can result in better economic and social outcomes over time. Public health provides a good example. At a Budget Committee hearing held on February 7, 2019 to discuss the importance of discretionary investments, Dr. Umair A. Shah, executive director of Harris County Public Health in Texas, stated:

The evidence is growing that cuts to public health create a false economy, by saving pennies today, governments wind up with a dollar of cost tomorrow. A recent study in *Public Health Reports* found that a 10 percent increase in local public health expenditures corresponded with 7.5 percent fewer cases of infectious diseases and a decrease in 1.5 percent Years of Potential Life Lost – a technical term to measure premature mortality. A recent systematic review of 18 different public health programs found that investments in local public health had calculated substantial, positive ROIs [return on investments].

Other areas where federal spending has significant positive payoffs for the economy and society include education and certain physical and technological infrastructure. At the same hearing, Sarah Abernathy, deputy executive director of the Committee for Education Funding, noted that participation in high-quality early childhood education has major long-term benefits – “a return of more than \$7 for every \$1 invested through better lifetime outcomes in terms of increased health, reduced crime, higher employment and income, and more civic involvement.”

Rising federal deficits have long been a concern for the Budget Committee. But concern about federal budget deficits must be balanced against the need to invest in the American people and communities and confront the serious challenges facing us, from rising income inequality to climate change. At a time when interest rates are low, a single-minded focus on deficit reduction at the expense of addressing our national needs would be counterproductive. Moreover, not all deficit spending is the same. Congressional Republicans in the 115th Congress spent \$1.9 trillion on tax cuts that primarily benefited the wealthy and corporations. The tax cuts are not solving any of the problems facing American families, from unaffordable child care, to the high cost of education, to decades-long wage stagnation and growing inequality. Addressing these problems in a meaningful way and building a foundation for a vibrant economy with broad-based prosperity will require investment: in people, in communities, in infrastructure. The time to make those investments is now.