

Minority Views

The Challenge

We consider this long-term budget plan at an especially consequential moment for our country. Unfortunately, this Republican budget makes the wrong choices for America. As a result of the extraordinary actions taken over the last few years, America avoided a second Great Depression and is emerging from the ravages of a financial meltdown and near economic collapse. While the economy is improving, millions of Americans remain out of work through no fault of their own. Our top priority must be to strengthen the fragile recovery and put America back to work. It is also clear that putting Americans back to work is the fastest and most effective ways to reduce the short term deficit. In fact, the Congressional Budget Office (CBO) estimates that our weak economy and underemployment is the major single contributing factor to the deficit, accounting for over one third of the projected deficit for fiscal year 2012.

Addressing the Challenge

Both President Obama's jobs plan and the President's budget – and the budget we will propose as an alternative next week – make key investments in the areas of our economy that will spur job creation now and ensure our success over the long term. They call for initiatives that will spur immediate additional job creation, including funding to modernize our nation's roads, schools, and bridges. At a time when the unemployment rate in the construction industry stands at 17.1 percent, those kinds of investments are a win-win for the American people. Instead of expanding incentives to ship American jobs overseas, as the Republican budget plan does, we need to invest in jobs here at home and Make It in America. In addition to helping small businesses put more Americans back to work now, the President's budget also makes strategic long-term national investments to out-educate, out-innovate, and out-compete the rest of the world. These investments are necessary for long-term economic growth.

To achieve long-term economic growth we must also enact a plan now to steadily and predictably reduce our deficits and debt. The issue is not whether we enact a plan to reduce the deficit, the question is how.

The Choice

To govern is to choose, and the choices made in the Republican budget are simply wrong for America. It is not bold to provide tax breaks to millionaires while ending the Medicare guarantee for seniors and sticking seniors with the bill for rising health care costs. It is not courageous to protect tax giveaways to big oil companies and other special interests while slashing investments in our kids' education, scientific research, and critical infrastructure. It is not visionary to reward corporations that ship American jobs overseas while terminating affordable health care for tens

of millions of Americans. It is not brave to give governors a blank check for their pet initiatives and a license to cut support for seniors in nursing homes, individuals with disabilities, and low-income children. And it is not fair to raise taxes on middle-income Americans to pay for big additional tax breaks for Wall Street executives and the very wealthy.

Yet those are the choices made in the Republican budget. Where is the shared responsibility? We have American men and women putting their lives on line in Afghanistan while others hide their income in the Cayman Islands and Switzerland and refuse to pay their fair share to support our nation.

The Republican Budget Puts Tax Breaks for the Wealthy and Special Interests Ahead of All Other Priorities

As the bipartisan National Commission on Fiscal Responsibility and Reform indicated, any responsible effort to reduce the deficit requires a balanced approach that addresses both spending and revenue. The Republican plan fails that simple test. That is probably not a surprise, since nearly all House Republicans have taken the position that they will refuse to close a single special interest tax loophole or eliminate a subsidy to big oil companies for the purposes of deficit reduction.

Instead, the Republican budget simply rigs the rules of the game in favor of the very wealthy and the powerful special interests, and it does so at the expense of middle-income Americans, seniors, and critical investments necessary to help our economy grow stronger.

In addition to locking in the portion of President Bush's tax cuts that disproportionately benefit the very wealthy, the Republican budget proposes additional tax breaks for millionaires. The Republican proposal to drop the top marginal individual rate from 35 percent to 25 percent will provide a windfall for millionaires. Together with the Bush tax cuts, millionaires could receive an average tax cut of over \$150,000. Moreover, the additional tax cut for millionaires is inevitably paid for by raising taxes on middle-income and other Americans. Cutting the top rate by 10 percent generates a new loss of over \$5 trillion. The Republican budget promises to do this in a "revenue neutral" way, which means raising taxes on middle-income taxpayers to finance tax cuts for millionaires.

All of this is in service of a failed, trickle-down economic theory that claims that big tax breaks to the very wealthy will trickle down to lift the middle class. We have been there. We tried it – it was called eight years of the Bush Administration. Those tax breaks for the very wealthy may have lifted the yachts, but they did not lift any of the other boats. And at the end of that period, we saw a net loss of private-sector jobs.

The Republican Budget Harms U.S. Competitiveness Globally

Republicans call their plan a path to prosperity, and if you have already arrived at that point, it is the path for you. If you are already prosperous, this will give you an added windfall. But tax breaks for the very wealthy come at the expense of everyone else. It means everyone else has to shoulder the burden of deficit reduction. It also threatens our nation's ability to succeed in the global economy. Remember, the Budget Control Act of 2011 and the President's budget already reflect the approximately \$1 trillion in cuts for non-security discretionary spending proposed by the bipartisan Fiscal Commission. But the Republican plan slashes essential, strategic investments by another \$1 trillion over the next ten years. America became an economic powerhouse in part because of targeted strategic national investments made by earlier generations – including investments in science and technology, the interstate highway system, and the G.I. Bill and other educational opportunities. By gutting these kinds of investments, this plan is a recipe for national decline.

The Republican Budget Ends the Medicare Guarantee and Shreds the Social Safety Net

Every member of the Budget Committee knows that rising health care costs represent a huge challenge for the federal budget. But every member of the Budget Committee should also know what every expert has told us – that those rising costs are not unique to Medicare or Medicaid. Those costs are endemic to the entire health care system. In fact, over the last 40 years, the per-beneficiary spending in Medicare has grown at a slightly slower rate than in the private insurance system. And over the last decade, the per-beneficiary costs in Medicaid grew much more slowly than the rest of the health care system. Indeed, in the private market for individual coverage, premiums more than doubled between the years 2000 and 2008, as insurance industry profits quadrupled.

Those facts make one thing clear – if we are going to slow the rising costs in Medicare and Medicaid without rationing care, we must slow the rising costs of health care throughout the health care system. That is exactly what the Affordable Care Act signed by President Obama two years ago will do when fully implemented.

The Affordable Care Act will begin to bring down the per capita costs of health care throughout the system – including Medicare. Yet this Republican budget will kill many of those system-wide reforms, without any plan to replace them. House Republicans said they could come up with a replacement policy. In fact, Republicans supported a resolution last year (H. Res. 9) asking committees to replace the Affordable Care Act with a plan to “lower health care premiums through increased competition and choices” and “provide people with pre-existing conditions access to affordable health coverage.” We are still waiting for that legislation.

And once again, the Republican budget does not reform Medicare – it deforms it. It proposes to end the Medicare guarantee, shifting rising costs onto seniors and disabled individuals. If your voucher amount is not sufficient to pay for the benefits you need, tough luck. This Republican plan simply rations health care and choice of doctor by income. And despite the claims that market competition will curb the rising costs, the plan creates an artificial cap on the value of the voucher support. Republicans say they are using the Medicare Part D prescription drug benefit as a model, but that program has no artificial cap. Members of Congress, who are part of the Federal Employee Health Benefit Program, have no cap on the premium support they receive from the federal government. Clearly, Republicans do not trust the market to drive down costs – which is not surprising, as the health insurance market failed to achieve that goal for seniors. That is why the Congress created Medicare in the first place, to leverage the combined negotiating power of millions of seniors.

To make matters worse, the Republican budget takes away important new Medicare benefits already being provided to seniors and disabled individuals through the Affordable Care Act. The Act gradually closes the “donut hole” coverage gap in the Medicare Part D prescription drug benefit. More than 5.1 million seniors have already saved an average of \$635 on their prescription drug costs. Between now and 2020, the average senior in the “donut hole” will save more than \$10,000 on their drug costs, thanks to the Affordable Care Act. The Act also eliminates cost-sharing for key preventive services such as mammograms and colonoscopies and provides a free Annual Wellness Visit. These types of benefits are crucial to transforming our health system into one that focuses on keeping people healthy. Under the Republican budget, these new benefits disappear.

This Republican budget also rips apart the safety net for seniors in nursing homes and assisted living facilities, as well as low-income children and individuals with disabilities who rely on Medicaid. There is nothing courageous about targeting the most vulnerable in our society. Yet that is one of the biggest areas of Republican cuts. “Block-granting” Medicaid is simply code for deep, arbitrary cuts in support to the most vulnerable seniors, individuals with disabilities, and low-income children. Medicaid is already underfunded, yet this budget cuts it by over \$800 billion, about a third of the Medicaid budget by 2022. Claiming to “repair” Medicaid by cutting it by a third is like saving a drowning person by throwing them an anchor.

The Republican budget does not reach balance in ten years. It does not reach balance in 20 years. And their claim that it reaches balance at all is based on made-up numbers. It is based on a CBO report that states: “Those calculations do not represent a cost estimate for legislation or an analysis of the effects of any given policies.” All CBO could do was accept the figures and run the formulas specified by “Chairman Ryan and his staff” – disconnected from any real-world policies.

The Bottom Line: Values

This Republican budget is the wrong choice for America because it does not reflect our values and priorities. During an all day mark-up Democrats offered a series of amendments that do reflect America's priorities: investments to promote job creation, maintaining Medicare and the social safety net, and responsible deficit reduction through policy choices that ask everyone to pay their fair share. None of the amendments would have increased the deficit, and in fact, several would have reduced the deficit. All of the amendments offset any proposed spending by reducing unproductive tax breaks, including subsidies for big oil companies, egregious tax breaks such as tax deductions for corporate jets, tax loopholes that encourage the outsourcing of manufacturing and result in fewer American jobs, and additional tax cuts for millionaires.

Republicans rejected every Democratic amendment to reduce the deficit or change spending levels.

Democrats intend to offer our own budget next week that will stand in stark contrast to this budget's principles. Our budget will reduce the deficit and remain true to our values. We are focused on putting Americans back to work in the short term while also implementing a long-term plan to get our fiscal house in order. We can modernize and strengthen programs like Medicare without breaking our promises to seniors and shredding the social safety net. And we can make smart spending reductions without slashing investments in our nation's future that will pay dividends for generations.

To govern is to choose, but the Republican budget presents a false choice that further divides our country. They provide a gilded path to prosperity for the already wealthy, while leaving working Americans and future generations behind. Instead of more of the same, we must work together on a balanced path forward that protects the promise and opportunity of the American Dream for all.