

Summary of the Republican Study Committee Budget Substitute Submitted by Rep. Pat Toomey

A Balanced Budget

- The RSC Budget achieves balance in four years and achieves balance excluding Social Security by 2013.
 - This is three years faster than Chairman Nussle's reported budget resolution.
 - In addition, the Nussle budget never achieved off-budget balance

How we accomplish this:

More Tax Relief

- We accommodate all of President Bush's Economic Growth and Tax Fairness Act and make the 2001 tax cuts permanent.
- In addition the RSC budget accommodates additional pro-growth tax cuts such as reducing the capital gains tax rate to 10%
- In total the resolution calls for \$1.6 trillion in pro-growth tax relief over the next ten years (\$286 billion more than the Nussle budget)
 - Unlike the Nussle budget all tax relief would be under reconciliation, greatly helping its chance of getting through the Senate and signed into law.

Reduce Spending

- The RSC budget fulfills promises made to our constituents to hold-the-line on spending and reduce the size and cost of government.

Discretionary

- Over the past seven years discretionary spending has grown at an average rate 3 ½ times the rate of inflation. Well beyond any increases in a family's budget, and a rate that is unsustainable.
- The RSC budget freezes total discretionary spending for one year and then allows for a controlled acceleration in growth over the next decade.
 - After FY 2004 the budget allows discretionary spending to increase at half of the rate of inflation for two years
 - Then at the approximate rate of inflation until 2013.
- Within the total level of discretionary spending, defense and homeland security are funded at the President's requested levels and non-defense is reduced to pay for these increases.

- This begins to correct the imbalance between defense and non-defense spending growth by allowing defense to continue to grow and forcing real cuts in non-defense discretionary spending.
 - The result in FY2004 budget would translate to a \$8 billion cut from the FY '03 non-defense/non-homeland security discretionary levels, or a 2.3% cut.

Entitlement Programs

Because the RSC Budget begins with the Budget Committee's base for Medicare (which includes funds for prescription drugs) but also requires additional savings in mandatory spending beyond the budget committee's proposal, any new entitlement must be accompanied by reforms to the underlying Medicare system, and those reforms must begin the process of controlling costs.

- The budget does not cut mandatory programs and accommodates a controlled rate of growth each year over the ten years covered by the budget.
- Holds mandatory spending increases (excluding Social Security) over FY 2003's actual level at 1.5% for one year,
 - After FY 2004 it allows growth above the rate of inflation (3.1%) annually for the next four years
 - After year five it provides for growth at the annual baseline rate.

Budget Enforcement and Spending Control Measures

- The RSC Budget includes various budget enforcement mechanisms, including a new "tighter" definition of emergency spending.
- Includes a reserve fund for Social Security reform, should Congress act on needed reforms.
- Includes Sense of Congress endorsing agency sunset review
- Sense of Congress regarding low priority programs including: Title X Family Planning, Corporation for Public Broadcasting, National Endowment for the Arts, Legal Services Corporation, Advanced Technology Program
- Requires House and Senate Appropriations Committee to establish joint 302(b) allocations.
- Provides for dynamic scoring of tax measures as well as a prohibition on tax increases to offset spending increases.