

Minority Views

Republicans reject a balanced approach to deficit reduction

Democrats and Republicans agree on the importance of reducing the deficit, but we disagree on **how** to do it. Democrats remain focused on creating more jobs now to support the fragile economy while pursuing a plan to reduce the deficit in a balanced way. That’s why this Spring, House Democrats offered a budget that preserves the Medicare guarantee, helps create more jobs now, makes us stronger through investments that build long-term growth, abides by the tight spending caps established last summer – which save nearly \$1 trillion over ten years – and reduces the deficit through shared responsibility. In contrast, the House-passed Republican budget resolution for fiscal year 2013 reflects the Majority’s unbalanced approach to deficit reduction: it provides costly additional tax breaks for millionaires while finding savings by ending the Medicare guarantee for seniors, slashing investments that strengthen our economy, and shredding the social safety net. Because Republicans reject a balanced approach and refuse to ask millionaires to contribute one cent to deficit reduction, their budget hits everyone and everything else.

House Republicans are attempting to use the fast-track procedures provided under budget reconciliation to hasten consideration of some of their budget resolution’s harmful priorities. Their resolution directed six committees to make recommendations for legislative changes that reduce the deficit by \$261.5 billion over the 2012-2022 period. The results are shown in the table below.

Cuts in Billions of Dollars						
<u>Committee</u>	Budget Resolution Target			Reconciliation Measure ²		
	<u>2012- 2013</u>	<u>2012- 2017</u>	<u>2012- 2022</u>	<u>2012- 2013</u>	<u>2012- 2017</u>	<u>2012- 2022</u>
Agriculture ¹	7.710	19.700	33.200	7.779	20.443	35.830
Energy & Commerce	3.750	28.430	96.760	3.870	47.970	115.480
Financial Services ^{1 3}	3.490	16.700	29.800	4.386	19.740	36.006
Judiciary	0.100	11.200	39.700	0.108	13.575	48.623
Oversight & Government Reform	2.200	30.100	78.900	2.269	30.785	83.301
Ways & Means	1.200	23.000	53.000	1.360	24.830	68.258
Gross Reconciliation Savings	18.450	129.130	331.360	19.764	156.470	382.577
Remove overlap	-0.100	-12.800	-69.900	-0.108	-14.429	-49.556
Net Total Reconciliation Savings	18.350	116.330	261.460	19.664	142.913	337.943

¹The rule “deeming” the House-passed budget resolution as the concurrent budget resolution shifted \$490 million from Agriculture to Financial Services. The 2012-2013 Agriculture target was originally \$8.2 billion, while the Financial Services target was \$3.0 billion. The 2012-2017 and 2012-2022 amounts, as well as the totals, were not changed.

²Assuming July 1 enactment, as reported by the Budget Committee on May 7, 2012

³ The Financial Services score includes \$4.9 billion from floor insurance savings, per scoring direction from the Budget Committee

In addition, the Sequester Replacement Act of 2012, which the Budget Committee marked up on May 7, formalizes the plan laid out in the Republican budget resolution. The bill eliminates most of the roughly \$100 billion across-the-board sequester of spending – 50 percent from defense and 50 percent from non-defense programs – scheduled for 2013. The bill leaves in place only the non-defense sequester of mandatory programs, which will affect programs such as Medicare. In place of the rest of the 2013 sequester, the bill uses both the multi-year savings from the permanent mandatory spending cuts included in the reconciliation package, and the savings from lowering the discretionary spending cap for fiscal year 2013 by \$19 billion below the level set in the bipartisan Budget Control Act of 2011 (BCA).

Sequestration is a meat-ax approach to deficit reduction that does not make sense for our country. It was included in the BCA as a last resort intended to pressure Congress to develop a bipartisan alternative to achieve long-term deficit reduction. But because House Republicans continue to resist the balanced approach to deficit reduction that has been recommended by every bipartisan group that has looked at the budget challenge, on January 2, 2013, this “Sword of Damocles” will go into effect. The sequestration would impose indiscriminate cuts of almost \$1 trillion over the next ten years – 50 percent from defense and 50 percent from non-defense programs.

Unfortunately, instead of looking for a balanced solution, the Republican reconciliation package targets programs that help the less powerful while protecting the tax breaks of powerful special interests. In fact, the reconciliation package makes deep cuts to food and nutrition programs for low-income families and Medicaid – both programs that would have been entirely exempt from any sequestration cuts.

This unbalanced approach to deficit reduction – focused only on cutting investments rather than also closing tax loopholes – is the wrong choice for America.

Democrats offered better, balanced deficit reduction plans

The deep spending cuts coming through the Republican reconciliation instructions and the sequestration of spending scheduled under the BCA are neither the right nor only ways to reduce the deficit. In fact, Democrats have proposed to achieve **greater** deficit reduction from targeted, balanced policy choices, rather than the slash-and-burn approach taken by an across-the-board sequester or the deep cuts made in the Republican reconciliation proposal. The President provided Congress with specific policies to reduce the deficit last fall and in his 2013 budget. This spring, the House Democratic budget would have replaced meat-ax spending cuts under sequestration with a combination of mandatory spending cuts and revenues from eliminating tax loopholes and asking millionaires to return to the same top tax rate they paid during the Clinton Administration, a time of strong economic growth and fiscal responsibility.

Finally, in the Budget Committee mark-up this week, Democrats offered amendments to replace the Republican plans for deficit reduction in 2013 and beyond with a balanced approach that includes both spending cuts and revenues. Democrats offered an amendment that would have replaced both the reconciliation cuts and the entire multi-year sequester with at least \$1.2 trillion of deficit reduction through a balanced approach. The deficit reduction would come through legislation that increases revenues without increasing the tax burden on middle-income Americans, that decreases spending while maintaining the Medicare guarantee and protecting Social Security and the social safety net for vulnerable Americans, and that promotes economic growth and jobs. In addition, Democrats offered a targeted amendment to replace the remaining 2013 sequester of Medicare with greater deficit reduction from ending a tax break for the “Big 5” oil and gas companies. Republicans defeated both of these amendments on party-line votes.

Mark-up of the Sequester Replacement Act of 2012

In the second part of the reconciliation mark-up, the Budget Committee marked up H.R. 4966, Chairman Ryan’s Sequester Replacement Act of 2012. When that legislation is combined with the reconciliation cuts considered during the first part of the mark-up, it fulfills the Majority’s plan to repeal and replace the sequester scheduled for 2013 under the BCA, as envisioned by the Republican budget resolution. The Majority’s complete reconciliation package makes no changes to the BCA that affect the discretionary requirements for 2014 and beyond. As a result, the sequester of funding for both defense and non-defense remains in place for those years.

Instead of the BCA’s roughly \$100 billion across-the-board sequester of spending for 2013 – 50 percent from defense and 50 percent from non-defense programs – H.R. 4966 cancels the entire defense sequester and the sequester of non-defense discretionary spending under existing law. However, certain non-defense mandatory programs – including Medicare – will still be subject to sequester for 2013. In addition, it establishes a temporary discretionary cap of \$1.047 trillion for 2013 – the level set by the BCA – without any firewall between defense and non-defense spending. Effective in January 2013, the bill reduces that cap by \$19 billion, limiting regular discretionary spending to \$1.028 trillion. Any discretionary spending above that level would trigger a sequester.

Republican approach to replacing the sequester is unfair and unbalanced

The Majority’s legislation is another example of their refusal to take a fair and balanced approach to reducing the deficit. Every bipartisan commission has recommended and the majority of Americans agree that we should take a balanced, bipartisan approach to reducing the deficit that both increases revenue and decreases spending. However, 98 percent of the

Majority's Representatives have signed a pledge that they will not reduce the deficit by a single penny by cutting tax breaks for the wealthy.

Instead, the Republican budget resolution and this reconciliation mark-up took a lopsided approach to replacing the sequester and reducing the deficit that shreds the social safety net for vulnerable Americans, and that fails to protect Medicare from sequester for even one year. Rather than asking big corporations and wealthy special interests to give up tax breaks they do not need, the Majority passed a plan that asks hundreds of thousands of low-income children, women, seniors, and other Americans to give up vital assistance that helps them make it from day to day.

Two particularly egregious examples of their misguided choices are basic nutrition assistance and health care coverage. Although the Deficit Control Act of 1985 protects nutrition assistance and health care coverage for lower-income children and their families from sequester, the Republican reconciliation package that replaces the sequester for just one year specifically cuts funding for this important safety net assistance. Furthermore, the Majority made these harmful choices while protecting subsidies for agricultural businesses, big oil companies, and tax breaks for the wealthiest Americans. The Republican approach is not the fair and balanced approach to deficit reduction that most Americans want.

Democratic amendments would have made the right choices for American families and replaced the sequester for all 10 years

During the Budget Committee's mark-up of H.R. 4966, Democrats offered two amendments to change the Majority's legislation so that it makes the right choices for American families by taking a fair and balanced approach to reducing the deficit. Democrats offered an amendment that would have replaced the sequester for the entire 10-year period called for under the BCA – not just one year, as the Republican plan does. The amendment would have replaced the sequester with balanced legislation that (1) cuts spending while maintaining the Medicare guarantee and protecting Social Security and a strong social safety net; (2) increases revenues without increasing the tax burden on middle-income Americans; and (3) grows jobs and the economy by, among other things, making strategic investments in education, science, research, and critical infrastructure necessary to compete in the global economy. This amendment was defeated on a party-line vote.

Democrats also offered an amendment to exempt Medicare from the 2013 sequester. This amendment would have prevented across-the-board payment cuts to doctors, hospitals, nursing homes, home health aides, and others that provide critical care to Medicare beneficiaries. The Democratic amendment would have paid for protecting Medicare from sequester by eliminating a wasteful tax break for big oil and gas companies. This amendment was defeated on a party-line vote.

Democratic motions and amendments offered in Budget Committee mark-up

- **Motion #1: Protecting Health Care Coverage for At Least 300,000 Low-Income Children and Lowering the Deficit by Eliminating Certain Tax Subsidies for Big Oil**

A motion by Rep. Castor that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the Sequester Replacement Reconciliation Act of 2012 make in order an amendment that would strike from Title II of the bill section 213, which repeals the maintenance of effort requirements for children in the Children's Health Insurance Program (CHIP) and children and adults in Medicaid; and section 215, which repeals CHIP performance bonus payments; and replaces them with a provision that increases revenue by eliminating a wasteful tax break that encourages big oil companies to produce oil in foreign countries rather than here at home.

- **Motion #2: Protecting the Health of Women and Children While Closing Tax Loopholes that Reward Corporations that Ship American Jobs Overseas**

A motion by Rep. Schwartz and Rep. Wasserman Schultz that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the Sequester Replacement Reconciliation Act of 2012 make in order an amendment that would strike from Title II of the bill section 202, which repeals the Prevention and Public Health Fund under the Affordable Care Act, and replace that section with changes in law to reduce the deficit by closing loopholes in the U.S. international corporate tax system that encourage companies to ship jobs overseas.

- **Motion #3: Rejecting the Elimination of the Social Services Block Grant While Ending Taxpayer Subsidies to Big Oil**

A motion by Rep. Doggett and Rep. Bonamici that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the Sequester Replacement Reconciliation Act of 2012 make in order an amendment that strikes Subtitle C of Title VI – the elimination of the Social Services Block Grant – of the bill, and replaces that section with changes in law that reduce the deficit by repealing the tax subsidies for the “Big 5” major integrated oil companies.

- **Motion #4: Protect Food and Nutrition Support for Struggling Children and Families While Cutting Taxpayer Direct Payments to Agricultural Interests**

A motion by Rep. Blumenauer and Rep. Yarmuth that the Committee on the Budget direct its Chairman to request on behalf of the Committee that the rule for consideration of the Sequester Replacement Reconciliation Act of 2012 make in order an amendment that (1) would

strike Title 1, which reduces spending in the Supplemental Nutrition Assistance Program, and (2) replaces it with changes in law to reduce the deficit by reforming agricultural commodity and crop insurance programs.

- **Amendment #1: Taking a Fair and Balanced Approach to Reducing the Deficit and Replacing the Sequester**

An amendment by Rep. Van Hollen that replaces the sequester for the entire 10-year period called for under the Budget Control Act with balanced, bipartisan legislation that:

- increases revenues without increasing the tax burden on middle-income Americans,
- decreases spending while maintaining the Medicare guarantee and protecting Social Security and the social safety net for vulnerable Americans, and
- promotes economic growth and jobs.

- **Amendment #2: Prevent Cuts to Medicare**

An amendment by Rep. McCollum and Rep. Tim Ryan (OH) that exempts Medicare from the 2013 sequester, preventing across-the-board payment cuts to doctors, hospitals, nursing homes, home health aides, and others that provide critical care to Medicare beneficiaries. The amendment pays for protecting Medicare from sequester by eliminating wasteful tax breaks for big oil and gas companies.