REPUBLICAN CAUCUS
THE COMMITTEE ON THE BUDGET
B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul D. Ryan, *Ranking Republican*
Phone: (202)-226-7270
Fax: (202)-226-7174
Augustine T. Smythe, *Republican Staff Director*

OBAMA REDUX

THE CHAIRMAN'S MARK FOR THE FISCAL YEAR 2010 BUDGET

25 March 2009

INTRODUCTION

- After insisting their budget was different from the President's – with less spending, smaller deficits, and lower debt – Majority Members conceded during markup that the two budget were really the same. Some of their comments:

  - "This budget resolution shares the President's priorities."
  - "[This is a] key step to making the President's plan a reality."
  - "The President has proposed, and under this budget we support his plans."
  - The Chairman's Mark "embraces" and "supports" the President's budget.

- These remarks only admitted the obvious. The Mark could be described as different from the President's budget only if one believed the following:

  - That the 5-year budget window, as opposed to the President's 10-year plan, is not designed to hide the explosion of costs after 2014 for the President's ambitious, big-government agenda.
  - That the alternative minimum tax [AMT] will be fixed in a "deficit-neutral" fashion – that is, by raising other taxes – though the Democrats themselves have rejected this approach for the past 2 years.
  - That the "Making Work Pay" tax credit – a key tax provision in the President's budget – will not be extended unless offset (it was created as an "emergency" measure).
  - That the Troubled Assets Relief Program [TARP] is over and the Treasury Secretary's financial stabilization plans will get no more funding.
  - That the Mark's numerous "reserve funds" (AKA tax and spend) will not be used to increase spending and taxes in the President's plan for a sweeping expansion of government.

- That the House will give up its plans to jam through the U.S. Senate a government takeover of health care, student loans, and possibly a carbon “cap-and-trade” system by using the fast-track “reconciliation” process.

- If one does not believe these things, this truly is the Obama budget: It is the third and final wave of government expansion, building on the New Deal of the 1930s and the Great Society of the 1960s.

Table 1: Budget Comparisons
(in billions of dollars)

	2009	2010	2011	2012	2013	2014
CBO March Baseline						
Revenue	2,186	2,334	2,783	3,086	3,281	3,436
Outlays	3,853	3,473	3,476	3,417	3,581	3,746
Deficits	-1,667	-1,139	-693	-331	-300	-310
Debt (Public)	7,703	8,658	9,340	9,712	10,016	10,372
President’s Budget						
Revenue	2,159	2,289	2,586	2,917	3,095	3,231
Outlays	4,004	3,669	3,556	3,575	3,767	3,979
Deficits	-1,845	-1,379	-970	-658	-672	-749
Debt (Public)	7,987	9,319	10,292	11,055	11,770	12,628
Chairman’s Mark						
Revenue	2,186	2,328	2,628	2,916	3,127	3,310
Outlays	3,880	3,550	3,555	3,533	3,713	3,908
Deficits	-1,694	-1,222	-927	-617	-586	-598
Debt (Public)	7,730	8,768	9,684	10,344	10,934	11,577

Source: Committee on the Budget, Republican staff. Figures may not add due to rounding.

- It should be noted that the deficits in the Chairman’s Mark do not take into account a number of policies likely to be enacted – such as an AMT patch, the Making Work Pay tax credit, and TARP funding.

- The effects of adding these policies are reflected in Table 2 below.

Table 2: Realistic Deficits Under the Chairman’s Mark
(in billions of dollars)

	2009	2010	2011	2012	2013	2014	2010-14
AMT			-69.0	-30.6	-33.9	-37.3	-170.8
Making Work Pay Credit			-29	-42	-43	-43	-156.3
TARP	-125	-125	0	0	0	0	-125
Debt Service	—	-2	-6	-10	-17	-24	-59
Total	-125	-127	-103	-83	-93	-104	-511
More Realistic Deficits, Chairman’s Mark	**-1,819**	**-1,349**	**-1,031**	**-700**	**-679**	**-703**	**-4,462**

Source: Committee on the Budget, Republican staff. Figures may not add due to rounding.

OVERVIEW

- It is a 5-year budget, plus fiscal year 2009.

- It assumes a peak deficit of $1.694 trillion in fiscal year 2009. The deficit path is below the President's as scored by the Congressional Budget Office [CBO], falling to $585 billion in 2013 and then starting to rise. Deficits total approximately $628 billion less than the President's for the fiscal year 2009-14 period.

- Under the Chairman's Mark, debt held by public would be 67 percent of gross domestic product [GDP]. CBO put Obama's debt at 73 percent in 2014.

RECONCILIATION

- The budget instructs the Ways and Means Committee, the Energy and Commerce Committee, and the Education and Labor Committee to report legislation by the end of September reducing the deficit by $1 billion each over 6 years. But the committees are bound by nothing other than the deficit reduction amount. So this provision gives them a lever to report any legislation they choose; and it would then get fast-track treatment in the Senate, because reconciliation is not subject to a filibuster.

- Thus this provision allows Congress to lock out the minority and pass sweeping changes proposed by the President on entirely partisan votes. These could include:

  - *Health Care Reform.* This provision has the potential to redefine the relationship between the patients and their doctors, placing a government bureaucrat between them. With so much at stake, using reconciliation instructions to jam through monumental changes in health care – which constitutes 17 percent of the Nation's economy – cheats the American people out of the debate they deserve.

  - *Cap and Trade*. The President's budget proposes to begin capping carbon emissions beginning in 2012. This new policy would impose a $79-billion annual cost to the economy – or $629 billion over 10 years – by making carbon-based energy more expensive. The increase in energy prices could force households to spend an extra $1,100 per year, on average.

  - *Student Loans*. The President's budget also would effectively shut down the federally guaranteed private-sector lending for college costs, resulting in a complete government takeover of student loans.

- **Abuse of Reconciliation.** As Senator Byrd has stated, using the reconciliation process "to enact substantive policy changes in an undemocratic disservice to our people and to the Senate's institutional role." Here are some other remarks about the strategy:

  - Senator Conrad, Budget Committee Chairman, at a committee hearing on 12 February 2009: "[Reconciliation] was never intended for the purposes to which it's been put . . . However meritorious, whether it's health care reform, whether it’s global climate change legislation, I think we need as a body to think very, very carefully about do we want reconciliation to be used in a way to override the normal process and to allow without ability to filibuster a simple majority to pass sweeping legislation. . . . [T]here is no most single element of rules that goes more against minority rights than the reconciliation that I know of.”

- Senator Gregg, Budget Committee Ranking Member, quoted in the Associated Press on 23 March 2009: “[Reconciliation] would be the Chicago approach to governing: strong-arm it through. You’re talking about the exact opposite of bipartisan. You’re talking about running over the minority, putting them in cement, and throwing them in the Chicago River.”

- Senator Baucus, Finance Committee Chairman, quoted in *Congressional Quarterly* on 5 March 2009: “Easy is not always best. It becomes partisan, and if it becomes partisan, even if you get a partisan solution, it tends not to be lasting. You can jam something down somebody’s throat . . . but the point is, it’s by far better to be inclusive than exclusive.”

RESERVE FUNDS

- Instead of providing funding for promised initiatives, the budget includes 17 “deficit-neutral” reserve funds that promise extra funding for pet initiatives if offsets are included. Reserve funds provide a free pass for legislation that chases higher spending with higher taxes. They allow spending or tax provisions to be adopted if they are offset either by spending reductions or – as is far more likely – tax increases.

- The budget has a grand total of 17 reserve funds. Twelve of them would allow unlimited additional taxes and spending. One provides for a tax cut bill that does not cut taxes. One provides $285 billion in deficit spending. Three proclaim to extend “current” tax policy but in fact enshrine a huge tax increase on millions of families, on small businesses, and on family farms.

- The reserve funds – most of which are deficit-neutral over 5 years and 10 years, unless indicated otherwise – are the following:

  - *Health Care Reform*. The provision calls for “improvements to health care in America,” deficit-neutral over 5 years and 10 years. No spending amount is identified.

  - *College Access, Affordability, and Completion.* The fund, to be deficit-neutral over 5 years and 10 years, includes increasing the maximum Pell Grant by the consumer price index plus 1 percent. No spending amount is identified.

  - *Increasing Energy Independence*. The language explicitly talks about “reductions in greenhouse gas emissions” and associated spending programs. It is deficit-neutral over 5 years and 10 years; no spending amount is identified.

- *Veterans and Servicemembers.* Among other things, this fund calls for expanding concurrent receipt, but rules out the President's proposal for billing third-party insurers. No spending amount is identified; the fund is to be deficit-neutral over 5 years and 10 years.

- *Tax Relief*. The fund calls for deficit-neutral "tax relief" for working families, businesses, States, or communities. No other details or amounts are specified.

- *A 9/11 Health Program*. No spending amount is identified.

- *Child Nutrition*. No spending amount is identified.

- *Unemployment Insurance Reforms*. No spending amount is identified.

- *Child Support*. No spending amount is identified.

- *The Affordable Housing Trust Fund*. No spending amount is identified.

- *Home Visiting*. The fund calls for a program for home visits to low-income families and mothers-to-be. No spending amount is identified.

- *Low-Income Home Energy Assistance Program [LIHEAP]*. Calls for an unspecified increase in LIHEAP.

- *Surface Transportation*. The fund is intended to maintain solvency of the Highway Trust Fund, and requires any transfers into the trust fund to be fully offset.

- *Medicare*. This is a "current policy" reserve fund allowing an $87.29 billion spending increase over 5 years, and $284.97 billion over 10 years, for Medicare "improvements." No offsets are required.

- *Middle Class Tax Relief*. This is another "current policy" reserve fund for "middle class tax relief," totaling $698.571 billion over 5 years, and $1,848.523 billion over 10 years. The language identifies the 10-percent individual income tax bracket, marriage penalty relief, the $1,000 child credit, among others. No offsets are required.

- *AMT*. This also is a "current policy" reserve fund for one year of alternative minimum tax [AMT] relief, with a budget impact of $68.65 billion over 5 years and 10 years. No offsets are required.

- *Estate and Gift Tax*. This section of the budget calls for a "current policy" reserve fund for the death tax, with a budget impact of $72.033 billion over 5 years, and $256.244 billion over 10 years. No offsets are required.

DISCRETIONARY SPENDING

- The pattern of nonemergency discretionary follows the President's 2010 budget: large increase in the budget year, followed by sharp outyear declines in spending growth.

- The base discretionary topline appears to be $1.099 trillion in budget authority [BA], an increase of $86 billion (8.5 percent) over the 2009 scored level.

- The Appropriators' 302(a) allocation can be adjusted for program integrity spending (on top of base $1.099 trillion), or increased $1.9 billion in 2010 for LIHEAP. The additional spending is not otherwise accounted for in the resolution per usual.

Table 3: Discretionary Spending in the Chairman's Mark
(in billions of dollars)

	2009	2010	2011	2012	2013	2014	2010-14
Defense	535.8	556.1	564.3	573.6	584.4	598.2	2,876.7
International	38.2	48.5	52.7	57.1	61.5	65.9	285.7
Other Nondefense Disc	448.1	494.5	512.2	525.2	536.9	551.3	2,620.2
Base Discretionary	1,022.1	1,099.1	1,129.3	1,155.9	1,182.8	1,215.5	5,782.6
920 Allowances (2009 only)	14.5	—	—	—	—	—	—
2010 Cap Adjustments	—	3.308	—	—	—	—	—
Total Discretionary Base	1,036.6	1,102.4	1,129.3	1,155.9	1,182.8	1,215.5	5,785.9
War	82.6	130.0	50.0	50.0	50.0	50.0	50.0
Enacted	369.4	—	—	—	—	—	—
Topline	1,488.6	1,232.4	1,179.3	1,205.9	1,232.8	1,265.5	6,115.9

Source: Committee on the Budget, Republican staff. Figures may not add due to rounding.

- The fiscal year 2010 nondefense discretionary dollar increase over 2009 scored level is $57 billion, approximately a 12-percent increase without cap adjustments.

- The budget assumes the President's base discretionary defense request in all years.

- It also assumes the President's overseas contingency funding, including $83 billion in fiscal year 2009; $130 billion in fiscal year 2010; and $50-billion placeholders for 2011-14. War spending is not treated as an "emergency," but it nevertheless "shall not count for the purposes of the Congressional Budget Act of 1974 or this resolution."

- The advance appropriations cap is the same as last year, $28.9 billion. An advance for the Corporation for Public Broadcasting is on top and uncapped.

- The budget includes "policy" statements on taxes and defense; and Sense of the House language on VA/military healthcare, homeland security, "competitiveness," pay parity, and the Great Lakes.

TAX INCREASES

- The Chairman's Mark repeats the President's folly of raising taxes in the midst of a recession. The tax hikes total $574 billion over 5 years and $1.154 trillion over 10 years (see Table 3 below).

- The total is close to the President's tax increase of $1.5 trillion over 10 years. But the figures reflecting the Chairman's Mark do not include the all-but-unlimited tax hikes that could come through the budget's reserve funds.

Table 4: Tax Increase in the Chairman's Mark
(revenue in billions of dollars)

	2010	2011	2012	2013	2014	2010-14	2010-19
CBO Current-Law Baseline[a]	2,334	2,783	3,086	3,281	3,436	14,920	34,548
Chairman's Mark Baseline[b]	2,328	2,628	2,916	3,127	3,310	14,308	32,443[d]
Current Tax Policy Baseline[c]	2,324	2,580	2,794	2,952	3,085	13,734	31,289
Implied Base Tax Hike in Chairman's Mark[e]	4	48	122	176	225	574	1,154

Source: Committee on the Budget, Republican staff.
[a] Assumes 2001/03 tax relief provisions expire after 2010, and no alternative minimum tax [AMT] relief.
[b] Assumes only some 2001/03 provisions are extended, and a 1-year AMT patch.
[c] Assumes no new tax increases; extension of all 2001/03 tax provisions; and AMT patched for 10 years.
[d] Extrapolated 10-year revenues based on current policy reserve funds in Chairman's Mark.
[e] Does not capture tax increases that could be imposed under reconciliation or "deficit-neutral" reserve funds.

PAY-AS-YOU-GO

- A new pay-as-you-go [pay-go] rule exempts the higher spending and lower revenues relative to the Budget Enforcement Act baseline in the "current policy" reserve funds, provided that the House passes a statutory pay-go bill.

- No Senate or Presidential action is required.

This document was prepared by the Republican staff of the Committee on the Budget, U.S. House of Representatives. It has not been approved by the full committee and may not reflect the views of individual committee members.