REPUBLICAN STUDY COMMITTEE

HONEST SOLUTIONS

FISCAL YEAR 2012 BUDGET

April 2011

rsc.jordan.house.gov

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RSC

Republican Study Committee

CHAPTER 1

HONEST SOLUTIONS FOR THE CHALLENGES AHEAD

AN OPEN LETTER TO THE AMERICAN PEOPLE FROM THE REPUBLICAN STUDY COMMITTEE (RSC).

Our nation faces serious economic and fiscal challenges that must be addressed. The *Path to Prosperity* put forward by the House Budget Committee takes an honest look at the challenges ahead and, if implemented, would give Americans a better future than the one toward which the country is currently headed. Toward that end, the RSC proposes this budget that builds off the Budget Committee's effort and balances the budget by 2020. Thanks largely to Chairman Paul Ryan's leadership, Congress has finally embarked on a serious debate about the long-term future of this country.

Simply put, there is no way to avoid the road of tough choices that lies ahead. These challenges, specifically regarding the unsustainable growth of government and debt, have reached a crisis point. To continue to kick the can down the road would be to threaten our nation's great economic engine, the opportunities for our children, and the future of American prosperity.

The challenges we face are clear—as are the steps we must take to right our course. We face a once-in-a-generation opportunity to improve the effectiveness of our government by reining in unnecessary and wasteful spending. We need a leaner, more efficient federal government. Taken together, these steps will improve our economy and encourage small businesses to grow and create jobs.

Our country must address substantial challenges, and moving toward real solutions will require discipline and honesty on the part of policymakers. Real solutions are not necessarily easy solutions. But given the dangerous condition of our nation's fiscal house, and the long-standing desire to leave our country in a better state for the next generation, we must recognize that tough choices will be necessary.

At the end of the day, these choices are not about politics. The choices we as a nation make in the short term will ensure that America's families are not buried under a crushing tax burden and are free to pursue the American dream.

Admiral Mike Mullen, the Chairman of the Joint Chiefs of Staff, put it bluntly when he said that the national debt is the single biggest threat to our national security. To maintain our national security and remain true to the principles of individual liberty that our Founders so eloquently enshrined in our founding documents, we must act quickly to right our fiscal ship.

The Republican Study Committee believes that the solutions contained in this budget proposal—*Honest Solutions*—will put our great nation on surer footing, address the fiscal crisis, and set the course for dynamic innovation, job creation, and economic growth.

For too long, the federal government has been making empty promises. As these commitments are coming due with the retirement of the Baby Boom generation, the true magnitude of the problem is becoming too clear to ignore. Largely as a result of the commitments made through Medicare, Medicaid, and Social Security, our nation is literally drowning in debt.

According to the independent General Accountability Office (GAO), our nation's entitlement shortfall—the difference between planned spending and the revenues coming in—is equal to $88.6 trillion. The non-partisan Congressional Budget Office (CBO) estimates that, by 2025, spending on Social Security, federal health care programs, and net interest will consume every single dollar of revenue the federal government collects. Clearly, great challenges are right around the corner.

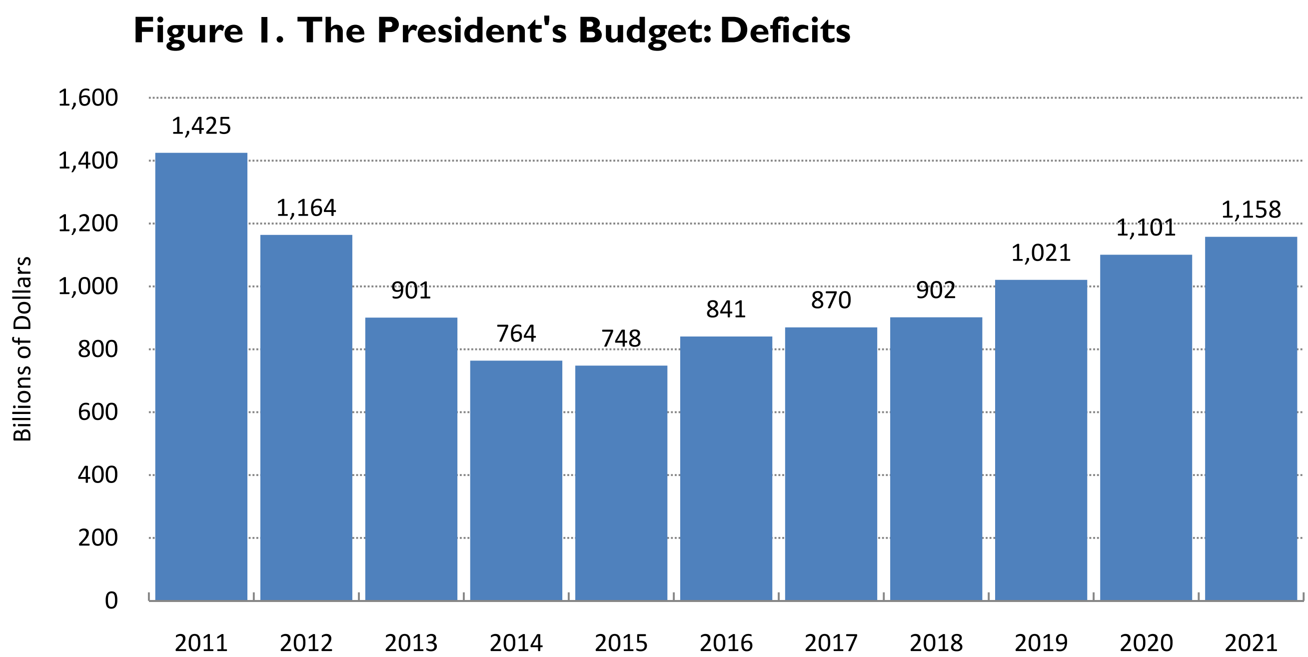
We must march forward with resolve. Too much is at stake. This great nation has never run from tough challenges, and working together, we can leave this country in a better condition than we found it.

Jim Jordan
Chairman, Republican Study Committee

Scott Garrett
Chairman, Republican Study Committee Budget and Spending Task Force

RED INK AND THE PRESIDENT'S BUDGET. In February, President Obama released his Fiscal Year (FY) 2012 budget. Unfortunately, the President's budget is nothing more than a missed opportunity for real leadership and only forces us closer to the crisis point. The non-partisan CBO recently evaluated the effect that President Obama's budget would have on our nation's fiscal situation.

Figure 1 shows that there is no end to the tide of red ink under the President's budget. The CBO estimates that the budget deficit for FY 2012 will total nearly $1.2 trillion. This is a result of record levels of government spending that have become the norm since President Obama took office in January 2009. If we continue on this path, by FY 2021, the deficit will remain at $1.2 trillion. The net effect of continuing to postpone tough decisions means that between FY 2012 and FY 2021, the President's policies total $9.5 trillion in deficit spending.



Source: Congressional Budget Office

DEBT AND MORE DEBT. Much like when an individual or family overspends, when the federal government spends more than it collects in tax revenues, it must go into debt. Year-after-year, as the U.S. continues to overspend—and borrow money to cover its overspending—we add to our national debt.

Figure 2 shows how our debt held by the public as a share of the economy skyrockets under President Obama's budget. Beginning in FY 2012, debt held by the public totals 74.3 percent of the economy. By FY 2021, this share jumps to more than 87 percent. The truth is that our country does not borrow this money for free.

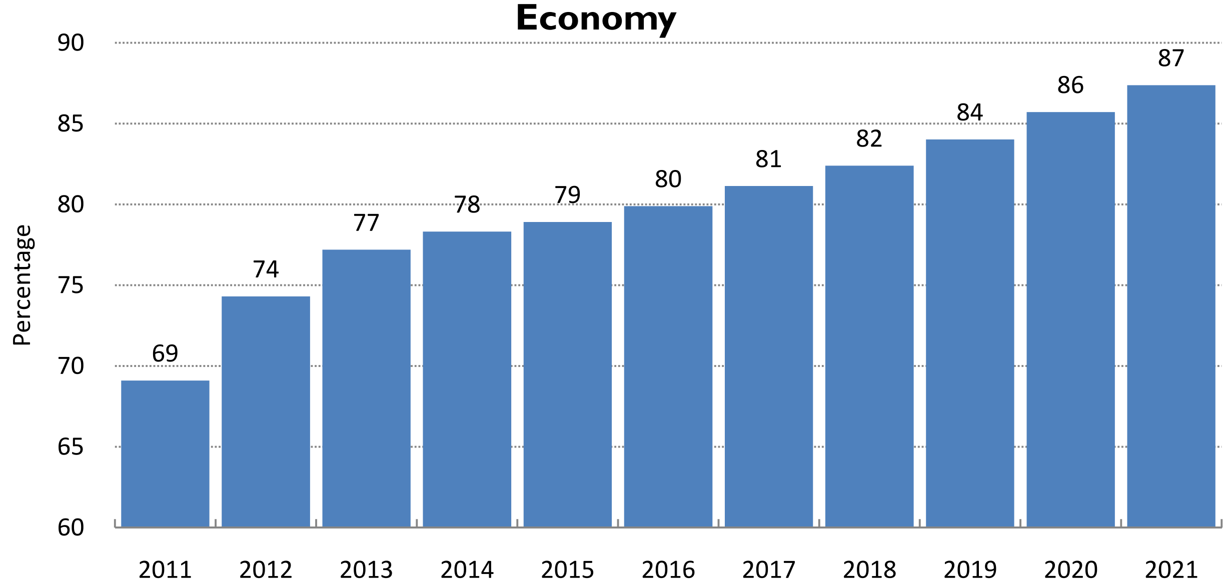
It is helpful to think of the national debt in terms of a credit card. Let's start with an example closer to home: When a family uses a credit card and carries a balance each month, interest accumulates. As the family continues to make purchases, and the balance increases, the family must make interest payments to the credit card company. These interest payments take up an increasingly larger share of the family's monthly income.

At a certain point, the outstanding debt will reach a level at which the family becomes a greater financial risk to the credit card company than before the family started spending recklessly. To adjust for this increased risk, the credit card company increases the interest rate on the credit card.

Much like the example above, our nation's borrowing gets charged to what amounts to a national credit card. In reality, this credit card is really just the sum of the national debt. We pay interest on our national credit card—or our national debt.

As the national credit card balance increases from years of continued deficit spending, the interest we must pay on that balance necessarily increases. And the interest adds up.

Figure 2. The President's Budget: Debt As a Share of the Economy



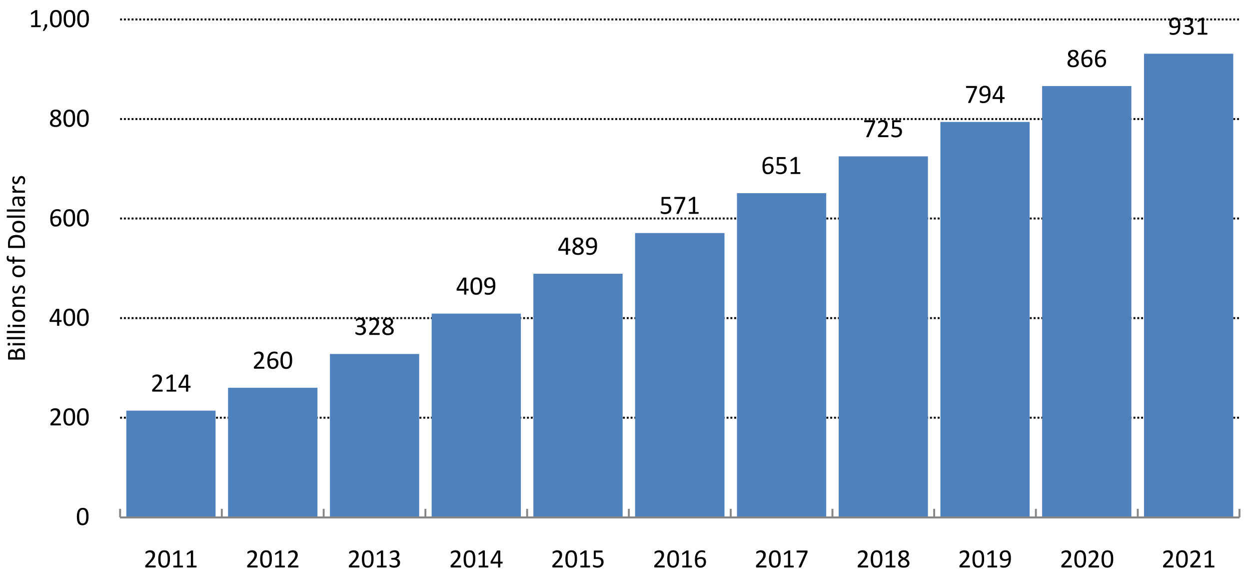
Source: Congressional Budget Office

INTEREST PAYMENTS AND THE DEBT DOWNGRADE. When the U.S. makes large interest payments on its debt, there is less to spend on other priorities such as education, scientific research, and health care. Figure 3 shows just how much interest we are paying on our national debt.

Under the President's budget, in FY 2012, our nation will collectively owe $260 billion in interest on our national credit card. To put this amount in perspective, this equals all of the spending by the Departments of Education, Homeland Security, Housing and Urban Development, Justice, and State, combined. Under President Obama's budget, by 2021, our nation will owe nearly a trillion dollars in interest on our national credit card.

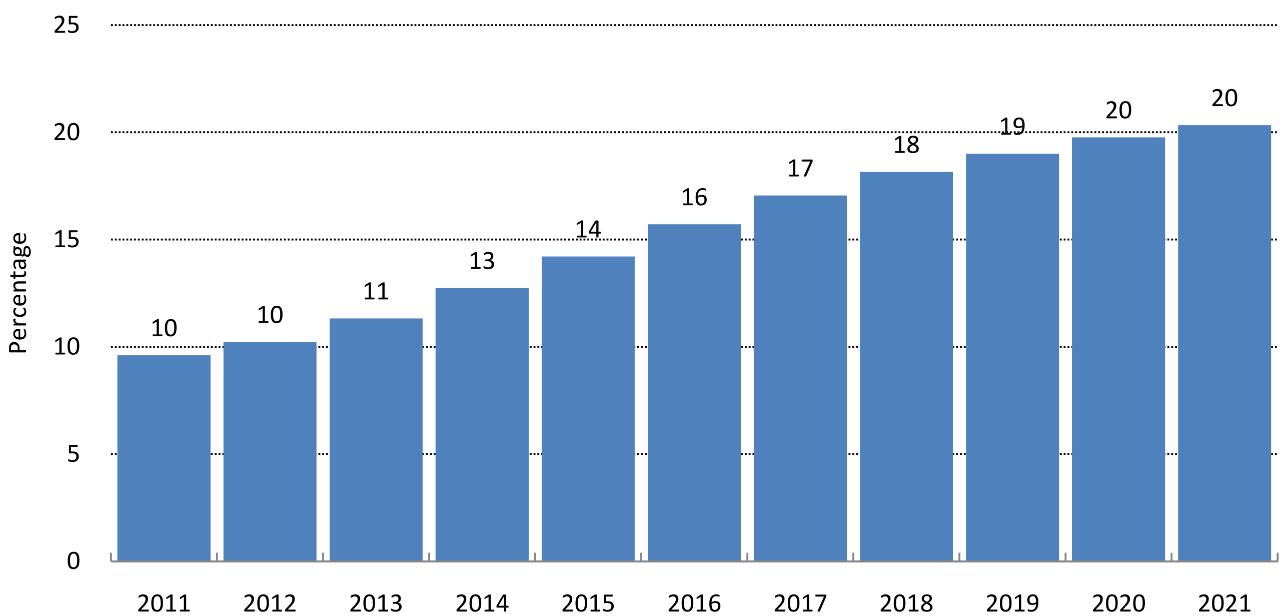
Much like a family, as our nation continues to accumulate a debt and run up the balance on our national credit card, our credit rating will be in danger of a downgrade. This could lead to a financial catastrophe that would impact every single American.

Figure 3. The President's Budget: Net Interest Payments



Source: Congressional Budget Office

Figure 4. The President's Budget: Interest Payments as a Share of Tax Revenues



Source: Congressional Budget Office

Currently, our country benefits from an Aaa credit rating. This credit rating is the gold standard and represents the highest credit rating that a nation can receive. Nations with an Aaa rating are able to borrow—or charge their national credit card—at lower interest rates than countries with less sterling credit ratings.

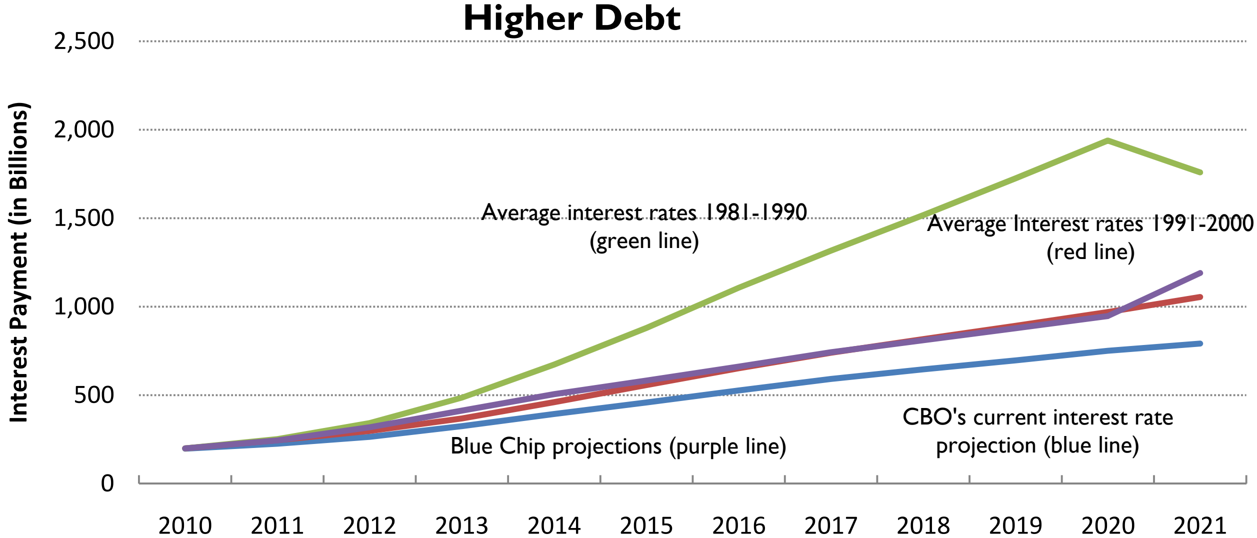
The danger we face lies in our excessive spending and the growing interest payments that result. As the interest payments on our national credit card take up an increasingly large share of our nation's income (tax revenues), our sterling credit rating becomes at risk of downgrade.

Figures 4 shows just how much of a burden interest payments are on the federal budget. In 2012, interest will take up 10 percent of our tax revenues. The credit rating agencies base our Aaa credit rating on a number of factors, including how much the country spends in interest payments on our national credit card. The so-called "danger zone" for downgrade generally occurs at a 14 percent interest-to-revenue share. According to the non-partisan CBO's latest analysis of the President's budget, the U.S. will cross that threshold in 2015.

This all leads to a vicious cycle of debt. Families facing outsized credit card balances see their interest rates rise, and as a result, interest payments increase. Our national credit card is no different. If we see higher interest rates because of a credit downgrade, economic pressures such as inflation, or some unforeseen event, our national credit card tab could skyrocket.

Figure 5 shows how significantly higher interest rates on our debt could impact our overall budget picture. Currently, this budget assumes interest rates as projected by the CBO (blue line). If we were to change these assumptions, and instead assume that interest rates in the future will reflect the historical average between 1981 and 1990 (green line), or 1991 and 2000 (red line), we could face between $1 and $5 trillion in higher borrowing costs.

Figure 5. The Vicious Cycle: Higher Interest Rates and Higher Debt



Source: Congressional Budget Office

HONEST SOLUTIONS PRINCIPLES. The Republican Study Committee's budget is based upon the following common-sense principles:

- The budget should balance by a date certain within the ten years.
  - ✓ Our proposal balances the federal budget in 2020.

- The budget should provide for real improvements in Medicare, Medicaid, and Social Security to ensure their long-term sustainability.
  - ✓ Our proposal puts forward common-sense reforms to improve Medicare and Medicaid by offering increased choices and improved services, and takes steps to save Social Security by strengthening the program's bank account.

- The budget should reduce spending and trim down the size of government in Washington, D.C. to make government more effective and efficient.
  - ✓ Our proposal gets government out of the way so America's businesses have the ability to grow and create jobs.

- The budget should provide for the termination of many federal programs that are unconstitutional, duplicative, or harmful to the free enterprise system in America.
  - ✓ Our proposal does what American families across the country have been required to do in these tough economic times—do more with less.

- The budget should prohibit earmarks.
  - ✓ Our proposal prohibits earmarks and eliminates pork-barrel spending.

- The budget should reform the federal budget process so it is easier to reduce spending than it is to increase spending.
  - ✓ Our proposal puts fair rules in place to prevent out-of-control Washington spending that stifles private-sector job creation.

- The budget should keep taxes low and provide for pro-growth tax reform to help Americans save, invest, and create jobs.
  - ✓ Our proposal prevents tax increases, repeals the tax increases in ObamaCare, keeps the tax burden from increasing beyond its historic average, and provides for pro-growth tax reform.

Specifically, this proposal addresses the following areas to meet the Republican Study Committee's budget principles and reflect the values of most Americans.

REDUCE SPENDING.

- Repeal ObamaCare to eliminate $677 billion in additional spending over ten years.
- Ensure that our nation spends responsibly by freezing total discretionary spending at 2008 levels ($933 billion) beginning in 2013.
- Ensure our nation's national security by meeting Defense Secretary Robert Gates' defense request. Defense spending would total $696 billion in 2012 and would increase to $747 billion in 2021.

- Reduce non-defense discretionary spending from $409 billion in 2012 to $218 billion in 2021.
- Reduce unnecessary mandatory spending—other than Medicare, Medicaid, and Social Security—by $1.9 trillion between 2012 and 2021.

SAVE MEDICARE.

- Strengthen Medicare's long-term finances. This budget would slowly phase-in an increase in the Medicare eligibility age for those born in 1952 and after.
- Provide improved healthcare choices for individuals at or near retirement. The RSC believes that current Medicare beneficiaries should have the option to voluntarily opt-in to a menu of private health insurance plans. This optional "premium-support" system would be structured much like the health insurance that Members of Congress receive. Over time, Medicare would transition to a solvent premium-support system.

REFORM MEDICAID.

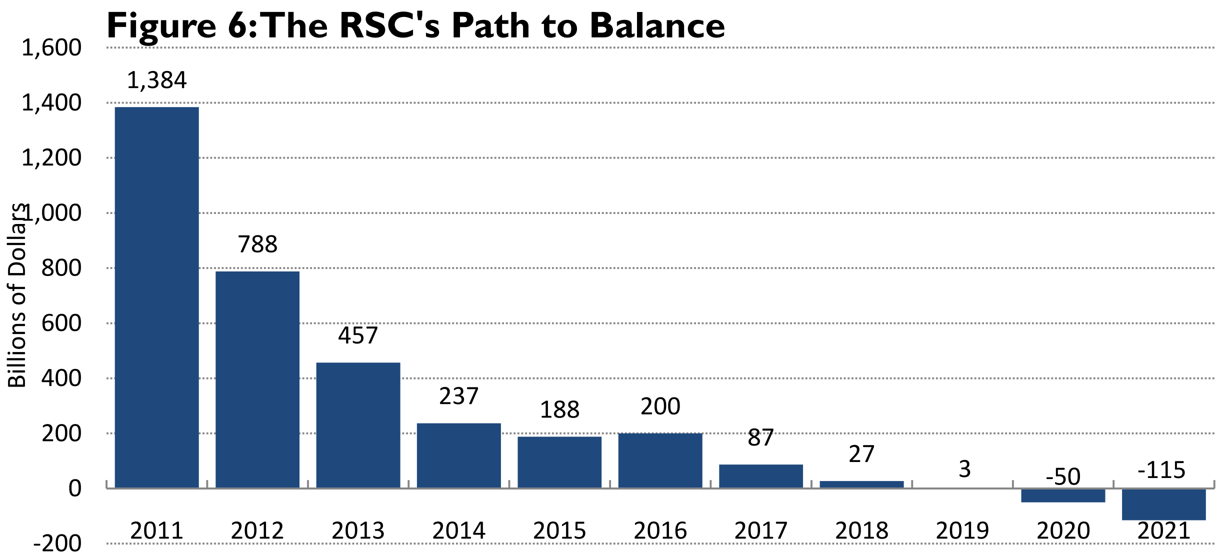
- Block-grant Medicaid and remove Washington D.C.'s burdensome red tape. This budget would empower the states with the appropriate flexibility to determine Medicaid eligibility and benefits, thereby improving the quality of care and access to vital services for the neediest and most vulnerable Americans.

SAFEGUARD SOCIAL SECURITY.

- Strengthen Social Security's long-term finances. This budget would slowly phase-in an increase in the Social Security full retirement age for individuals born in 1952 and after.

ENACT PRO-GROWTH TAX REFORM.

- Prevent any new tax increases on the American people and repeal the unaffordable $813 billion tax increase included in ObamaCare. This budget proposes a smarter tax code that would lower rates while broadening the tax base.



Source: Republican Study Committee

THE PATH FORWARD. There is no doubt that the road to a balanced budget will mean that tough choices lie ahead**.** While not easy, the proposals contained in this budget will be a guarantee that our country will be on the right path. There is much at stake, and the time to act is now. What can Americans expect if this budget were put into place? Figure 6 shows that our budget deficits would decrease from $788 billion in FY 2012 and reach balance in FY 2020. This means that we will not be irresponsibly charging the national credit card and pushing our interest payments to trillion-dollar levels. Instead, our nation will be able to start paying off our national credit card debt while improving federal programs such as Medicare, Medicaid, and Social Security, which so many Americans rely upon.

CHAPTER 2

SPENDING

The RSC believes that we must get government spending under control. Our budget proposal does what American families across the country have been required to do in these tough economic times: do more with less. Equally important, the RSC believes that key programs such as Medicare, Medicaid, and Social Security must be made financially whole to support current and future beneficiaries.

REDUCE DISCRETIONARY SPENDING. In FY 2012, the RSC budget proposes that non-defense discretionary spending return to FY 2006 levels, which represent the spending levels enacted prior to Democrat control of Congress. Compared to the last budget enacted into law in FY 2010, this is a $141 billion, or 25.6 percent reduction.

For FY 2013 through FY 2021, the RSC budget proposes that overall discretionary spending return to the FY 2008 levels that were in effect fewer than three years ago ($933 billion). Overall discretionary spending would be frozen at that level until 2021. Within the total discretionary spending amount for FY 2012 through 2021, the RSC budget funds defense at the President's request, growing from $696 billion in FY 2012 to $747 billion in FY 2021.

MAKE MEDICARE STRONGER. On Medicare, the RSC budget uses the same numbers, and assumes the same policies, as the Budget Committee's *Path to Prosperity*, with one addition concerning, described below, Medicare age eligibility.

The RSC's *Honest Solutions* would make no changes to Medicare for those currently 60 years old and older. However, the RSC also recognizes that the U.S. is facing unprecedented demographic challenges with the retirement of the Baby Boom generation. The numbers are clear. We live in an aging nation, and the roughly 40 million Baby Boomers will double the demands on the Medicare program.

Unfortunately, Medicare's financial resources will not double to meet the additional demands placed upon the system. The fact remains that older Americans across the country will increasingly require access to effective and affordable healthcare services through Medicare.

If we continue to stick our heads in the sand and ignore the challenges before us, Medicare will enter a dangerous tailspin. Clearly, saving the Medicare program presents policymakers, healthcare professionals, and Americans across the country with an uncomfortable fact: Medicare will go broke if we do not improve the program sooner rather than later. Without common-sense steps to strengthen Medicare's financial footing and improve the program's quality of care, Medicare will not be in a position to help current, let alone future, beneficiaries.

To address these challenges, this budget proposes to slowly transform Medicare into a health insurance program similar both to the system that Members of Congress and their staffs enjoy, and to the current Medicare Part D program which allows seniors to choose between private prescription drug plans.

Beginning in 2017, the RSC proposes giving all current Medicare beneficiaries the option to voluntarily opt-in to a menu of private insurance plans. Beneficiaries choosing to remain in the traditional Medicare program would be free to do so and to continue enjoying the same benefits they currently receive. This budget does not explicitly assume savings from creating this voluntary option. Over time, Medicare would transition to a solvent premium support system for all beneficiaries as per the *Path to Prosperity*.

Voluntary enrollees in the newly created private insurance market would receive "premium subsidies" to help offset the cost of their health insurance policies. To guarantee that health insurance remains accessible and affordable, the premium subsidies would be adjusted for an individual's current health, the cost of medical care in the area where they live, and the individual's wealth and income. In addition, all insurance plans participating in the Medicare insurance market would be required to offer coverage for the costs associated with catastrophic illness.

Under the RSC's proposal, wealthier seniors would be required to pay slightly more in annual premiums than those with fewer financial resources. Even today, in the current Medicare program, wealthier seniors pay higher premiums in the Medicare Part B fee-for-service program. While the additional cost for wealthier seniors would not be substantial for any one beneficiary, this reasonable proposal would help put the Medicare program as a whole on sounder financial footing.

Experts on both sides of the political aisle agree that providing Medicare enrollees a greater menu of choices, harnessing the power of competition among private insurance plans, and improving the quality of care would substantially improve Medicare's long-term fiscal outlook.

Not only has this premium-support model worked in practice through the Federal Health Employee Benefits program—the same health insurance system available to Members of Congress—but it has also received bipartisan endorsement from the National Bipartisan Commission on the Future of Medicare, co-chaired by Senator John Breaux, and the Bipartisan Policy Center's Task Force on Debt Reduction, chaired by Democrat Alice Rivlin of the Brookings Institution and Republican Senator Pete Domenici.

ADJUST THE MEDICARE ELIGIBILITY AGE. Since Medicare was created in 1965, independent advances in science and medical technology have increased average life expectancy. As a result, the average length of time that individuals are covered by the program has increased as well. According to the most recent statistics from the U.S. Centers for Disease Control and Prevention, the average life expectancy in the U.S. is 77.9 years. Between 2000 and 2007, life expectancy at birth increased 1.3 years for males and 1.1 years for females. If the past is any guide to the future, this trend is likely to continue.

Not only are Americans living longer, but they are also living better. To address the increased demands on Medicare, this budget proposes raising the age of Medicare eligibility by two months every year beginning with those born in 1952 until the eligibility age reaches 67 for those born in 1963. This proposal would not affect individuals currently 60 years old and older. For those under 60, this common-sense proposal would slowly phase in an increased eligibility age. According the estimates by the non-partisan CBO, this would save Medicare about $59.3 billion between 2017 and 2021.

REDUCE MEDICARE WASTE, FRAUD, AND ABUSE. The independent Government Accountability Office estimates that each year, Medicare makes about $17 billion in improper payments, defined as fraudulent or erroneous overpayments to healthcare providers.

Malcolm Sparrow of Harvard University, a top specialist in healthcare fraud, argues that estimates by federal auditors do not measure all types of improper payments. Sparrow believes improper payments account for as much as 20 percent of federal health spending, which would be about $85 billion a year for Medicare.

Another analysis from the Cato Institute estimates that cutting the Medicare error-payment rate by 50 percent would result in roughly $20 billion in yearly savings. While this budget does not assume explicit savings from reductions in Medicare waste, fraud, and abuse, we propose dedicating resources to the elimination of these drains on Medicare's bank account.

IMPROVE MEDICARE. Aside from improving the overall structure of Medicare, we need to improve how we deliver healthcare services to our nation's seniors. The use of technology is rapidly changing nearly every aspect of our daily lives—and healthcare services should reflect these changes. Greater implementation of health information technology will improve patient care and outcomes through better care coordination among patients' various healthcare providers. In addition, more effective health information technology systems can help doctors diagnose health problems sooner, reduce medical errors, and provide safer care at lower costs. The RSC believes that greater use of health information technology should be part of an improved Medicare system.

The RSC also proposes making medical breakthroughs more readily accessible to patients. The process of bringing to market breakthrough drugs, innovative devices, and new therapies to treat rare, complex diseases, and chronic conditions should be streamlined so patients have faster access to life-saving and life-enhancing treatments. Federal regulators need to cut unnecessary red tape in the approval process. We also need increased deployment information technology to monitor the quality of drugs and devices once they reach the marketplace.

Finally, we must create financial incentives for Medicare beneficiaries who lead healthy lifestyles. An improved Medicare system should offer incentives for beneficiaries in the form of insurance premium discounts or reduced cost sharing if beneficiaries quit smoking, control their cholesterol with medication and exercise, and reduce their body mass index from dangerous levels. These incentives encourage healthier, more productive lives and lower overall costs for Medicare.

REPEAL OBAMACARE. The RSC budget provides $0 for ObamaCare over the next ten years. Eliminating the new spending programs created by the legislation reduces mandatory spending by $677 billion over ten years.

MAKE MEDICAID STRONGER THAN EVER. The Medicaid program provides vital healthcare services to our nation's most vulnerable population, including the poor, chronically ill and long-term disabled, children, and pregnant women. Currently, Medicaid is structured as an open-ended federal entitlement program with funding split between the federal government and the states. This system does not lead to quality health care for those depending on Medicaid. The RSC proposes block granting the entire Medicaid program at FY 2006 levels starting in FY 2012 and funding the program with an inflation adjustment through FY 2021.

In addition, this budget would empower the states with the appropriate flexibility to determine Medicaid eligibility and benefits and to improve the quality of care and access to vital services for the neediest and most vulnerable Americans. This reform option would save $2.2 trillion between 2012 and 2021.

The fact remains that reforms are desperately needed: A 2010 study published in the *Annals of Surgery* found that Medicaid participation was associated with the longest length of hospital stay, the highest hospital costs, and the greatest likelihood of death. Sadly, this is not an isolated example of Medicaid's quality of care.

Both Democrat and Republican governors across the country have called for more independence to use their state Medicaid dollars in a way that works for their state. Medicaid must be transformed. The RSC believes that a block-grant structure, combined with giving states the freedom to tailor a Medicaid program that works for their respective populations, should be immediately put into effect.

In addition, states must work to modernize their administrative systems for determining enrollment, set and enforce eligibility standards to ensure the truly needy are receiving care, expand the use of managed care programs, and move away from the nursing home model toward home and community care. For years, the Medicaid system has delivered subpar care, and the answer has always seemed to be more funding and more Washington red tape. This approach has failed, and the RSC believes that block granting the program will create a playing field that will allow states to improve their quality of services, control waste, fraud, and abuse, and maintain the financial health of the Medicaid system.

SAFEGUARD SOCIAL SECURITY. Social Security is the nation's largest single program and an essential part of retirement for millions of elderly Americans. This year, for the first time in the program's history, Social Security is operating at a cash deficit and spending more for benefits than it collects in payroll taxes. Over time, this growing cash deficit will drain the Social Security trust fund, and by 2037, Social Security will be bankrupt. Under current law, this will lead to a dramatic and immediate cut to benefits in order to bring spending in line with revenues.

According to the independent Social Security Board of Trustees, the long-term unfunded liability currently stands at $16.1 trillion. Unfortunately, the deficit grows less manageable with every year that reforms are delayed. Fortunately, there is a better path. The RSC proposal would begin phasing in reforms today that protect seniors and preserve Social Security for future generations. This proposal would not affect those currently 60 years old and older.

Specifically, we propose slowly increasing normal retirement age to 70 years of age. This would be accomplished by increasing the normal retirement age in two-month-per-year increments for workers currently under 60 years old. Specifically, this proposal would increase the full retirement age to 66 years and 2 months starting with those born in 1952. Then, the full retirement age would increase in two-month increments per year, reaching 67 for those born in 1957 or later. For those born in 1975 or later, the full retirement age would remain at 70 years old.

This adjustment in the retirement age would realign the Social Security normal retirement age to account for dramatic increases in life expectancy since the program's creation. As noted by the Social Security Administration, since the program first began paying monthly Social Security benefits in 1940, the average life expectancy for men reaching age 65 has increased nearly 4 years to age 81. For women reaching age 65, the average life expectancy has increased nearly 6 years to age 84.

This common-sense, incremental approach protects individuals nearest retirement and makes changes for younger workers commensurate with the time they have remaining in the work force. For example, a 59-year-old worker would be eligible to retire two months later than under current law. A 58-year-old would be eligible four months later, and so on. The first workers to retire at the new normal retirement age of 70 years would do so in 2043.

According to the non-partisan CBO, this proposal would save $56 billion between FY 2014 and FY 2021. More importantly, this proposal would close more than half the Social Security funding gap over the next 75 years.

REFORM THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM FOOD STAMP PROGRAM (SNAP). SNAP was permanently enacted into law in 1964 by the Food Stamp Act to provide the most impoverished families with the ability to purchase food. It is a means-tested, open-ended entitlement that is jointly administered by the United States Department of Agriculture and the individual states. Currently, one in every 11 Americans participates in the program. Over the past ten years, costs have risen 366 percent, and they are projected to continue rising over the next several years. While higher unemployment is one factor associated with increased participation in SNAP, the program was significantly expanded by the 2002 Farm Bill to allow more individuals to participate.

The CBO estimates $21 billion of stimulus funds are expected to be spent on the program between 2012 and 2014. Additionally, without any further efforts to reduce improper payments, the program is expected to pay more than $10 billion in benefits incorrectly over the next ten years. Relaxed eligibility requirements, skyrocketing costs, tens of billions in stimulus funds, and billions of dollars in incorrect payments are all reasons this program has gone from a "safety net" to a wealth distribution program.

Under the RSC proposal, beginning in FY 2012, this program would be capped at pre-stimulus, FY 2007 levels. This would result in a savings of $45 billion in FY 2012 and $350 billion over ten years.

There are several ways to meet this target. Congress could eliminate the 2002 Farm Bill's eligibility expansions while maintaining the administrative efficiencies gained by that law. Additionally, Congress could extend the work requirements under the Temporary Assistance for Needy Families program to SNAP or establish work requirements as called for in the Welfare Reform Act of 2011 (H.R. 1167).

Another preferred option would be to end the program's open-ended entitlement status by block granting benefits to give states more flexibility over the program.

REFORM THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM. SSI was enacted in 1974 to ensure a minimum income to low-income aged, blind, or disabled individuals by providing cash benefits on a needs basis. SSI recipients automatically qualify for Food Stamps and usually qualify for Medicaid. The maximum benefit rate amounts to almost $700 per month for individuals and $1,000 for couples. Last year, the program provided nearly $43 billion in benefits. According to the CBO, SSI grew by five percent last year, primarily because of increasing caseloads. Since 2007, SSI expenditures have increased 31 percent.

Originally, children's benefits under SSI were reserved for those displaying severe physical disabilities. However, a 1990 Supreme Court ruling expanded this eligibility by allowing non-physical, mental disabilities as qualifications for benefits. Responding to public outcry over alleged abuse of the "mental disorder" category, Congress attempted to tighten the standard in 1996 by requiring children to have "severe" impairments.

According to a December 2010 *Boston Globe* special report, over the next ten years, "the number of children who qualified under behavioral, mental, and learning disorders more than tripled from 180,000 to 562,000." By 2009, more than half of SSI recipients (639,000) were children, most of whom were diagnosed with ADHD disorders.

The *Boston Globe's* report has brought alarming attention to how SSI is incentivizing parents to over-medicate children and to the fundamental lack of oversight provided by program administrators. For example, many parents expressed surprise that they received benefits years after enrollment despite believing their child did not have a disability. More importantly, the report also highlighted how parents seeking benefits for their children feel compelled to put their children on powerful, prescription drugs to qualify.

Under the RSC budget, beginning in FY 2012, SSI would be capped at 2007 levels (which amounts to $36 billion annually) and returned to the states in the form of a block grant.

REFORM THE UNEMPLOYMENT COMPENSATION PROGRAM. The Unemployment Compensation program was established by the Social Security Act of 1935. The program provides involuntarily unemployed workers approximately 35-40 percent of their lost income while they seek new employment. The program is funded through federal and state taxes.

Eligible participants are usually able to receive benefits for 26 weeks, and states with high unemployment levels can provide an additional 13 weeks of "extended benefits" that are cost-shared between the federal and state governments.

During the recession, Congress has been temporarily providing states 100 percent of the funds necessary for the "extended benefit" program. Also, Congress created a new temporary "emergency benefit" program that provides unemployed workers even more opportunity to receive benefits. Under current law, participants may receive total unemployment compensation for almost two years. These temporary programs have certainly contributed to overall program costs. In fact, the programs spent almost $160 billion in FY 2010, which is over four times their funding level in 2007, before the recession began.

The CBO projects the "emergency benefit" program will cost $17.5 billion in FY 2012 for remaining participants. Beginning in FY 2012 Congress should allow the temporary, emergency programs and additional federal financing to expire. Also, it should rescind any unobligated funding authorized by these temporary programs, which would amount to $18 billion in 2012.

Research has shown that extended benefits actually may do more harm than good. For example, these added benefits delay job seekers in their pursuit of employment and contribute to longer periods of unemployment.

ELIMINATE TRADE ADJUSTMENT ASSISTANCE PROGRAMS (TAA). TAA programs provide additional unemployment benefits and training assistance to workers who lose their jobs as a result of foreign competition. These programs, which single out trade-displaced workers for additional benefits compared to other displaced workers, were either created or greatly expanded, by the stimulus bill.
Beginning in FY 2012, this budget would eliminate TAA programs, saving taxpayers $871 million in FY 2012 and $10 billion over ten years. Under TAA programs, the government picks winners and losers because TAA favorably discriminates toward workers who lost their jobs due to trade. As James Sherk with the Heritage Foundation notes, "The worker who loses his job to a foreign competitor should receive the same treatment as the Blockbuster employee who lost his job to Netflix." There is little data that shows that TAA programs positively impact the earnings of participants. In fact, a Government Accountability Office report concluded that TAA beneficiaries are more likely to earn less in their next job.

REDUCE FUNDING FOR FAMILY SUPPORT PROGRAMS. Family support programs, such as Temporary Assistance for Needy Families (TANF), provide grants to states to help fund welfare programs, child support enforcement, and child care entitlements. Beginning in FY 2012, family support programs would be limited to 2007 levels, and, beginning in FY 2015, they would be inflation-adjusted. Also, this budget reduces TANF funds by $1 billion. This results in a savings of $1 billion in FY 2012 and $14 billion over ten years.

REFORM CHILD NUTRITION PROGRAMS. The federal government provides free and reduced-price meals to children through the National School Lunch Program, the School Breakfast Program, and the Child and Adult Care Food Program (CACFP). These programs are not just for low-income families. Any child, including those living well above the poverty level, can receive benefits from these programs. The CBO estimates that program costs will rise six percent in 2011 to $18 billion. The CBO attributes the growth to rising participation. Under the RSC budget, these programs would be funded at $18.7 billion in FY 2012 and $238 billion over the ten-year window. The RSC budget proposes savings for this program by eliminating the subsidy for children who do not come from low-income households. This would save $4 billion over ten years.

SUPPORT MARKET-BASED PROGRAMS BY ELIMINATING THE DIRECT PAYMENT (DP) PROGRAM. The DP program provides cash subsidies to commodity producers, capped at $40,000 annually. The payments are based on a historical measure of a farm's production acreage, and they do not vary based on actual production or commodity prices. Direct payments were originally established in 1996 as a transitional program. However, the subsidies have not been reduced over time.

The *Washington Post* estimated that between 2000 and 2006, the federal government made $1.3 billion in direct payments to people who do not even farm. Recently, the Iowa Farm Bureau proposed eliminating the DP program. While the President has called for lowering the cap in FY 2012, this plan would eliminate the Direct Payment program entirely. The savings would amount to $4 billion in FY 2012 and $50 billion over ten years. Although this non-market based program would be terminated, growers could still receive support payments from other support programs such as the Average Crop Revenue Election (ACRE) and Marketing Loan Assistance programs.

PROHIBIT NEW ENROLLMENTS IN THE CONSERVATION STEWARDSHIP PROGRAM. The Conservation Stewardship Program (CSP) provides annual payments to producers for five years in exchange for undertaking various land improvements. However, payments under the program can be made to producers who have already undertaken conservation measures.

Beginning in FY 2012, new enrollees would be prohibited from entering into the program. This policy would result in FY 2012 savings of $35 million and approximately $10.5 billion in savings over ten years. The CBO stated that the "criteria used to determine improvements in existing conservation practices are not readily apparent, and the absence of objective measurements could result in higher payments than necessary." The RSC's proposed option is based on the National Commission on Fiscal Responsibility and Reform's recommendation to put limits on this program.

PROHIBIT GENERAL ENROLLMENTS IN THE CONSERVATION RESERVE PROGRAM (CRP). The CRP was established by the 1985 Farm Bill. Its purpose is to remove land from agricultural production, and it is the federal government's largest private land retirement program. Under the CRP, producers are paid to plant grass or trees on retired acres. Currently, approximately 31 million acres of land are enrolled in the program. The program is economically destructive and takes away farm land that could be used for things such as corn and biomass production. Beginning in FY 2012, new general enrollments in CRP would be prohibited, resulting in approximately $9 billion in savings over ten years.

REDUCE THE PREMIUM SUBSIDY IN THE CROP INSURANCE PROGRAM. Farmers use the Federal Crop Insurance Program to protect their crops from perils by purchasing policies that are sold and serviced by private vendors. The federal government subsidizes about 60 percent of the premiums paid for this program. Beginning in FY 2012, the federal government's subsidy would be reduced to 50 percent of the crop insurance premium. This would result in a savings of $400 million for FY 2012 and $11.8 billion over ten years. Reductions of this magnitude in the subsidy rate likely would not substantially affect the level of program participation.

ELIMINATE THE FOREIGN MARKET DEVELOPMENT PROGRAM (FMDP). The FMDP is used by agricultural trade associations and commodity groups to help promote exports and provide nutritional and technical assistance to other countries. This program would be terminated beginning in FY 2012, resulting in FY 2012 savings of $35 million and savings of $350 million over ten years. This initiative is something that the private sector would otherwise be spending money on anyway. The private sector should be responsible for promoting its own products, as it receives the profits from the sales of these products.

ELIMINATE THE MARKET ACCESS PROGRAM (MAP). The MAP is intended to promote overseas marketing of U.S. agricultural products. MAP funds consumer promotions, market research, trade shows, advertising campaigns, and other programs designed to subsidize the sale of brand-name products in foreign markets by private cooperatives, trade associations, and businesses. Taxpayers should not be forced to pick up the tab for this kind of corporate welfare. The National Commission on Fiscal Responsibility and Reform even targeted this program as one in need of change. This program would be terminated in FY 2012, resulting in an annual savings of $200 million and $2 billion in savings over ten years. According to the CBO, some analysts believe MAP "does not warrant additional funding because the extent to which it has developed markets or replaced private expenditures with public funds is not known."

ELIMINATE WOOL AND MOHAIR SUBSIDIES. The federal government first enacted price support for wool and mohair in 1947, and the National Wool Act of 1954 established direct payments for wool and mohair producers for the purpose of encouraging production of wool as an essential and strategic commodity. This support was last re-authorized in 2008 despite a complete lack of a compelling need for government support of mohair. Beginning in FY 2012, wool and mohair subsidies would be eliminated, saving taxpayers $4 million in FY 2012 and $40 million over ten years. This budget would return control over supply, demand, and price of wool and mohair to the free market.

ELIMINATE THE ADD-ON FUNDING FOR THE PELL GRANT PROGRAM.
The Federal Pell Grant program was authorized by the Higher Education Act of 1965 to provide federal support to postsecondary education students. Pell Grants are the largest source of federal grant aid for students. They are estimated to have provided more than $33 billion to about 8.5 million undergraduate students in FY 2010. While the program is funded primarily through annual appropriations, a smaller, yet increasing level of mandatory appropriations provides program funding.

Recent laws like the stimulus bill have provided mandatory funding for the Pell Grant program to increase the maximum, discretionary grant award. This mandatory add-on is a permanent funding item, and the amount of money provided for it each year is unspecified.

Higher-education analyst Art Hauptman has stated, "We should worry… that increases in Pell Grants may lead institutions to reduce the amount of discounts they would otherwise have provided to the recipients, who are from poor families, and move the aid these students would have received to others."

This budget eliminates the mandatory add-on for Pell Grants, which helps curb concerns that increases in Pell Grants lead to higher tuition and less opportunity for those most in need. This saves $86 billion over ten years.

ELIMINATE SUBSIDIZED LOANS FOR GRADUATE STUDENTS. The federal government provides loan assistance to graduate students. Beginning in FY 2012, federal subsidized loans for graduate students would end. This would focus federal student aid on undergraduate students, resulting in a savings of $70 million in FY 2012 and $18 billion over ten years.

OPEN UNITED STATES FEDERAL LANDS TO ENERGY PRODUCTION. As oil prices have spiked to more than $100 per barrel with increasing unrest in the Middle East, the United States can no longer afford to ignore the policy risks associated with dependence on foreign oil. Federal law currently prohibits any production activity from taking place in many domestic areas holding reserves of oil and natural gas. The Arctic National Wildlife Refuge (ANWR), Outer Continental Shelf (OCS), Gulf of Mexico, and Rocky Mountains represent several areas in the United States that have resources that would help reduce our reliance on the Middle East, lower gas prices, create jobs, and boost our national security by increasing domestic production.

Beginning in FY 2012, these areas would be open to oil and natural gas production, generating taxpayers $5 billion in auction proceeds over ten years.

REDUCE THE SIZE OF THE STRATEGIC PETROLEUM RESERVE. The Strategic Petroleum Reserve (SPR) is a stock of crude oil the federal government owns to help insulate against severe oil supply disruptions. While the Department of Energy (DOE) can expand the SPR to hold one billion barrels of oil, it currently holds about 727 million barrels.

According to the CBO, oil has seldom been withdrawn from the SPR. In 1996, the DOE sold 28 million barrels at the direction of lawmakers in order to reduce the federal budget deficit. The DOE also sold a combined five million barrels in test sales in 1985 and 1990. Since 1996, the DOE has released—to respond to temporary supply disruptions or to exchange one grade of crude oil for another—a total of about 68 million barrels to private firms through negotiated exchange agreements under which the companies have later replaced the oil, with interest.

Only twice has oil been sold from the SPR in response to an emergency, and each of these sales involved only a small fraction of the reserve's holdings. Citing the risk of economically threatening disruptions in supply, the DOE sold about 17 million barrels during the 1991 Gulf War and about 11 million barrels after Hurricane Katrina in 2005. This budget would reduce the SPR's holdings by about 10 percent during 2012-2016, which would bring the new SPR level to 650 million barrels. This would save taxpayers $700 million in FY 2012 and about $7 billion over ten years. Based on previous sales and withdrawals from the SPR, a ten percent reduction would not compromise the SPR's ability to address the issues it was designed to address.

ELIMINATE PAYMENTS TO STATES FOR ABANDONED MINES. The Abandoned Mine Land Program within the Department of the Interior provides funds for reclamation of abandoned coal mines. Coal industry fees support the program. In 2006, Congress authorized program funding to those states and tribes that certify completing reclamation of their abandoned mines. These funds can be provided even though reclamation projects have already been completed previously, meaning the funds can essentially be used for any purpose. Beginning in FY 2012, this program could be eliminated, saving $1.2 billion over the ten-year window. This is a recommendation adopted from the National Commission on Fiscal Responsibility and Reform.

SELL FIVE PERCENT OF FEDERAL LANDS AND ASSETS. The federal government owns $2.8 trillion in federal land, mineral rights, buildings and equipment, and inventory. A 1997 Department of the Interior Report identified approximately 3.3 million acres of land suitable for disposal. Unfortunately, these lands remain in federal control today. This budget calls for the sale of five percent of the federal assets currently held by the federal government, with total ten-year savings of $140 billion. Under a philosophy that calls for the government to become bigger and bigger—and encroach on more and more state, local, and individual responsibilities—government ownership of all of these assets might be useful. But under a budget that proposes a more limited government, many of these assets can be turned over to states, local governments, the private or non-profit sectors, and individuals.

TRANSFER THE TENNESSEE VALLEY AUTHORITY'S (TVA) ELECTRIC UTILITY FUNCTIONS. The TVA currently exists as a federal corporation operating as one of the largest electric utilities in the country in competition with private electric providers. Continued operation of TVA's electric utility functions will require substantial capital investments in the future. The cost of electricity sold by TVA includes federal subsidies, which operate as a hidden tax on all citizens and encourage over-utilization contrary to conservation policies. This budget would sell TVA's electric utility functions and associated assets and liabilities to a non-federal owner and operator. TVA would retain its hydropower assets and liabilities because they serve other functions such as flood control and recreation. This would result in a savings of $3.6 billion over ten years.

INCREASE GUARANTEE FEES CHARGED BY FANNIE MAE AND FREDDIE MAC. The struggles faced by Fannie Mae and Freddie Mac, which were taken into conservatorship by the federal government in 2008, are well known. Given the abysmal track record of these agencies, it is clear that the best thing for taxpayers, and the best thing for the U.S. housing market, is for the federal government to get out of the mortgage business and to privatize Fannie and Freddie. In the meantime, the federal government should limit the costs of Fannie and Freddie's conservatorship.

Beginning in FY 2012, this budget would increase the average guarantee fee assessed on Fannie Mae and Freddie Mac loans by five percent. This would reduce the market-distorting subsidies caused by current artificially low fees and save taxpayers $1.2 billion in FY 2012 and $26.5 billion over ten years.

LOWER THE LOAN LIMITS ON MORTGAGES GUARANTEED BY FANNIE MAE AND FREDDIE MAC. Under current law, Fannie Mae's and Freddie Mac's maximum limit for loans they guarantee and purchase is $625,500 in high-cost areas and $417,000 outside of those areas. This budget calls for a policy that prevents federal taxpayers from subsidizing expensive loans in high-cost areas, resulting in a savings of $3.5 billion over ten years.

REPLACE THE DOLLAR BILL WITH A DOLLAR COIN. According to the Government Accountability Office (GAO), phasing out the $1 note and increasing circulation of the $1 coin would save taxpayers an average of $184 million annually and a total of $5.5 billion over the next 30 years. The GAO has published four previous reports on the benefits of the $1 coin—in 1990, 1993, 1995 and 2000—twice recommending the elimination of the $1 note to ensure the success of the coin. This budget would replace the dollar bill with a dollar coin, saving taxpayers $215 million over the ten-year window (and significantly more beyond that).

PROHIBIT FURTHER OBLIGATIONS FROM THE TROUBLED ASSET RELIEF PROGRAM. The Troubled Asset Relief Program (TARP) was created by the Emergency Economic Stabilization Act of 2008 to allow the Administration to purchase troubled assets. While authority to make new commitments under the program expired last year, the CBO projects program expenditures will average $2 billion annually over the next 10 years. This budget prohibits further obligations from TARP, saving $4 billion in FY 2012 and $18 billion over ten years.

BASE FEDERAL PENSION COST-OF-LIVING ADJUSTMENTS ON AN ACCURATE INFLATION MEASUREMENT. Federal retirees currently receive inflation protection for their federal pensions based on the CPI-W (the consumer price index for urban wage earners and clerical workers) instead of the CPI-U (the consumer price index for urban consumers). The CPI-W, according to most analysts, overstates the actual level of inflation in the economy, at a higher cost to taxpayers. This budget would more accurately measure inflation for federal retirees by basing it on the CPI-U, resulting in a savings of $300 million in FY 2012 and $24 billion over ten years.

DEFER COST-OF-LIVING ADJUSTMENTS FOR EARLY-RETIREES UNTIL AGE 62. Currently, federal employees retiring prior to age 62 are eligible for cost-of-living adjustments (COLA). This existing policy provides COLAs well before a conventional retirement age. The RSC budget prevents early retirees from receiving COLAs until they reach age 62. This would result in a savings of $17 billion over ten years. This is based on the National Commission on Fiscal Responsibility and Reform's recommendation to put limits on this program.

REDUCE THE FEDERAL WORKFORCE BY 15 PERCENT. Fueled by $1.1 trillion in stimulus spending and an 84 percent increase in non-defense, discretionary spending, the federal government has grown unchecked by 20 percent since 2008. This budget calls for a reduction in the federal workforce through attrition.

REDUCE FUNDING FOR THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP). The SCHIP Reauthorization of 2009 increased entitlement spending by $74 billion over ten years. It further expanded coverage to up to 400 percent of the Federal Poverty Limit (FPL), removed the five-year waiting period on legal permanent residents receiving benefits, and drove 2.4 million children from the private market to government care. The RSC budget repeals this expansion in entitlement spending by freezing SCHIP funding at $5.7 billion annually. This saves $3 billion in FY 2012 and $18 billion over ten years.

Additionally, when distributed to states, SCHIP funds should have minimal federal mandates attached. By the federal government's eliminating strings and reducing the amount of funds paid to states, each state can best decide how to allocate funding for its SCHIP program. Just as welfare reform in 1996 reduced the number of people living in poverty, reducing SCHIP federal funding would motivate states to more efficiently fund programs.

ELIMINATE THE PRESIDENTIAL ELECTION CAMPAIGN FUND. The Presidential Election Campaign Fund provides matching funds to candidates during the presidential primaries, funds for political conventions, and funds for third-party candidates who qualify. Individual taxpayers are allowed to designate $3, or $6 for a couple, of their federal income tax to the fund. In short, the fund provides taxpayer subsidies to political candidates. The program was created in 1971 in an attempt to reduce the influence of money in campaigns and to reduce the time required of candidates to raise money. Critics of the program argue it has failed to meet these goals. This budget eliminates the Presidential Election Campaign Fund, saving taxpayers $215 million in FY 2012 and $617 million over ten years. This option is consistent with H.R. 359, which passed the House earlier this year.

DIRECT COMMITTEES TO ELIMINATE WASTE, FRAUD, AND ABUSE. The RSC budget requires each congressional committee to find savings equal to one percent of total mandatory spending under its jurisdiction from activities that are determined to be wasteful, unnecessary, or lower-priority. This proposal would save taxpayers $243 billion over ten years.

CHAPTER 3

TAXES

The RSC budget makes permanent the 2001 and 2003 tax relief and prevents the Alternative Minimum Tax from hitting more families. It also repeals all tax increases included in ObamaCare. Consequently, the RSC budget prevents any new tax increases on the American people and repeals the unaffordable $813 billion tax increase included in ObamaCare.

In his 1981 Inaugural Address, Ronald Reagan stated: "Our Government has no power except that granted it by the people. It is time to check and reverse the growth of government which shows signs of having grown beyond the consent of the governed." The American people cannot afford, and will not consent to, the kind of tax increases that would be necessary to pay for the spending envisioned in the President's budget.

The federal government has a spending problem, not a lack of revenue problem. The RSC budget will balance the budget by lowering spending to meet revenue, instead of hiking taxes continuously in order to meet the voracious spending appetite of Washington.

The RSC also believes that we need to fix our broken tax code, which holds back dynamic growth and prevents much needed job creation.

In addition to improving the tax code for families and individuals, we need to make U.S. companies more competitive in the global market. As such, the RSC proposes lowering the corporate tax rate to 25 percent which is consistent with the tax rate of other industrialized countries. We simply cannot continue to tax our way out of the global competitive market. Instead, we need to ensure that our nation's corporations are competitive in the global market.

The RSC proposes creating a smarter tax code that would lower rates across the board while broadening the tax base. We need a tax code that encourages savings and investment, which drive economic growth and prosperity.

The Republican Study Committee's tax proposal stands in stark contrast to the trillion-dollar tax hike President Obama has proposed. The facts speak for themselves:

President Obama wants a $1.5 trillion tax hike. Sadly, the President's tax increase is no prescription for jump-starting small-business growth and job creation. Rather, it is a blue print for destroying businesses and stifling job creation.

Comprehensive tax reform that creates a "smarter" tax code, combined with spending reductions and improvements to Medicare, Medicaid, and Social Security, are the solutions that America needs at this historic crossroad.

CHAPTER 4

BUDGET PROCESS

The Republican Study Committee believes that we must reform the federal budget process so that it is easier to reduce spending than it is to increase it. Our proposal puts fair rules in place to prevent out-of-control Washington spending that stifles private sector job creation. Specifically, this RSC budget adopts several provisions, both to reform the congressional budget process and to enforce the commitment to a balanced budget made by the adoption of this budget.

LIMIT USE OF ADVANCE APPROPRIATIONS. The use of advance appropriations is a budget gimmick designed to avoid spending controls and tie the budgetary hands of future congresses by appropriating spending authority to a program one or more years beyond the year for which an appropriations act is passed. The RSC budget would cap advance appropriations at $24 billion in FY 2012.

DEFINE "EMERGENCY SPENDING." Congress has clearly abused its ability to designate its spending as "emergency spending" in order to exceed spending limits set by previous budget resolutions. According to the CBO, net supplemental spending totaled $99 billion in the 1980s and $86 billion in the 1990s. In contrast, from 2000 to 2009, supplemental appropriations often exceeded $100 billion in a single year, and the cumulative total over these years was over $907 billion. In the House during the 111th Congress, these abuses continued as the stimulus bill, a bill that appropriated $5 billion to FEMA to refill a trust fund, and a bill to appropriate $600 million to fund summer jobs were designated as "emergency" spending.

This budget would adopt in the House Rules a clear, six-part definition for an emergency and provide for a point of order against consideration of a bill including "emergency spending" if a statement from the Chairman of the House Budget Committee had not previously been printed in the Congressional Record explicitly explaining why such spending met each of the six criteria. This was included in H.R. 3964 (from the last Congress), the Spending, Deficit, and Debt Control Act.

CONTINUE EARMARK BAN. Until House Republicans' recent adoption of an earmark moratorium, the number of earmarks included in appropriations and authorization bills had soared over the past decade. The requests often diverted taxpayer resources to satisfy special interests, greased the wheels of Washington's spending ride, and set a poor example of fiscal responsibility. This budget would amend the House Rules to make it out of order in the House to consider any legislation which includes an earmark. It would also prevent the Rules Committee from reporting a rule or order that would waive such rule.

IMPLEMENT CUT RESOLUTION. The RSC budget would require the Majority Leader to bring a quarterly (by February 1st, May 1st, July 30th, and November 11th) rescissions bill before the House under an open rule. Any rescissions approved by the House would be dedicated to deficit reduction via a reduction to the 302(a) allocation for that fiscal year. This is modeled on the Cut Resolution (H.Res. 323 in the last Congress) authored by Representative Steve King (R-IA).

STRENGTHEN SPENDING REDUCTION ACCOUNTS. When House Republicans adopted the House Rules for the 112th Congress, they required that new Spending Reduction Accounts be included in appropriations bills on the floor. This allows Members to lock-in any savings from amendments to an appropriations bill they propose and prevents other Members from using those savings to increase funding for another account in the bill. While an improvement on the previous situation, spending cuts protected in Spending Reduction Accounts are not applied against the Appropriations Committee's overall 302(a) allocation, and this allows those savings to be redirected by the Committee to spending in subsequent appropriations bills This budget would change House rules to establish that any funds cut from an appropriations bill and allocated to a Spending Reduction Account would also be cut from the Appropriations Committee's 302(a) allocation, protecting the cuts from being spent later in the appropriations process.

IMPROVE ENFORCEMENT OF BUDGET RULES. The Budget Act's enforcement provisions currently require only a majority vote to waive, and this allows the majority party in Congress to ignore its provisions at will. This budget adopts a requirement for a two-thirds majority to waive points of order authorized by the Budget Act and makes it out of order to consider a rule or suspension of the rules waiving such points of order.

REQUIRE ACCOUNTABILITY FOR SPENDING AUTHORIZATIONS. In the past, the House has allowed bills authorizing millions of dollars in spending over one-year, five-year, and longer periods to pass by voice vote. This budget adopts a rule requiring a roll call vote for any legislation that increases the spending authority of the federal government by more than $50 million over five years.

STRENGTHEN CUT-AS-YOU-GO (CUTGO). Similar to the current CUTGO provisions in the House Rules approved by House Republicans, this modified CUTGO mechanism would not permit spending increases to be offset by tax increases or user fees and would apply only to new direct spending.

INCREASE TRANSPARENCY OF FEDERAL OBLIGATIONS AND PREVENT THE GROWTH OF UNFUNDED OBLIGATIONS. There are several categories of government obligations that are liabilities for the taxpayer, but that remain unacknowledged in the budget. Trillions of dollars that must be provided by taxpayers in future generations are hidden from the public's eye.

The RSC budget would adopt several provisions to shine a light on these obligations and prevent their growth. The budget would be mandated to fully reflect the cost of federal employee pensions, post-retirement health benefits, and federal credit programs. A study would be called for on the budgetary treatment of federal insurance programs, such as deposit insurance, in order to accurately present their costs and commitments to the public.

This budget would also require an annual report by the General Accountability Office and the Office of Management and Budget on the federal government's unfunded obligations, would establish a point of order against their expansion, and would require the President's budget and the budget resolution to show proposed changes in these obligations. A similar provision was included in H.R. 3964, (from the last Congress), the Spending, Deficit, and Debt Control Act.

ESTABLISH POINT OF ORDER AGAINST UNAUTHORIZED SPENDING. The RSC budget would prohibit the Rules Committee from reporting out a rule that waives the House Rule against unauthorized spending in an appropriations bill. If a program is important enough to receive taxpayer funding, it should be important enough to be reauthorized on a regular basis.

DISCLOSURE OF WELFARE SPENDING IN PRESIDENT'S BUDGET. The RSC directs the President's annual budget submission to include a figure on proposed aggregate federal welfare expenditures over the next ten years, as well as estimated state and local welfare expenditures over this period. This will give taxpayers information on how much the federal government, and all levels of government, are spending on means-tested welfare programs.

APPENDIX

SUMMARY TABLES

RSC's Honest Solutions v. President's Budget (Nominal Dollars in Billions)												
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2012-2021**
Outlays	-41	-387	-483	-645	-766	-899	-1,011	-1,124	-1,258	-1,391	-1,517	-9,481
Revenues	1	-11	-39	-118	-205	-258	-229	-249	-240	-240	-243	-1,832
Deficit	-41	-376	-444	-527	-560	-641	-783	-875	-1,018	-1,151	-1,273	-7,648

RSC's Honest Solutions

(Nominal Dollars in Billions)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2021
Outlays	3,614	3,321	3,317	3,331	3,425	3,577	3,676	3,772	3,942	4,092	4,239	36,692
Revenues	2,230	2,533	2,860	3,094	3,237	3,377	3,589	3,745	3,939	4,142	4,354	34,870
Deficit	-1,384	-788	-457	-237	-188	-200	-87	-27	-3	50	115	-1,822

As a Share of GDP	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	10-Year Average
Outlays	24%	21%	20%	19%	19%	19%	18%	18%	18%	18%	18%	19%
Revenues	15%	16%	17%	18%	18%	18%	18%	18%	18%	18%	18%	18%
Deficit	-9%	-5%	-3%	-1%	-1%	-1%	-0%	-0%	-0%	0%	0%	-1%

RSC's Honest Solutions Outlays (Nominal Dollars in Billions)												
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2012-2021**
Discretionary Spending	1,346	1,228	1,104	1,043	1,015	1,007	997	990	996	1,012	1,030	10,422
Medicaid	275	181	184	187	190	194	197	200	204	207	211	1,955
Medicare	485	477	515	545	568	615	630	646	697	741	788	6,222
President's Health Care Law	0	0	0	0	0	0	0	0	0	0	0	0
Social Security	727	760	799	841	887	937	992	1,051	1,113	1,179	1,248	9,807
Other Mandatory	568	421	405	343	339	347	342	336	362	367	371	3,633
Net Interest	213	254	310	372	426	477	518	549	570	586	591	4,653
Total Outlays	3,614	3,321	3,317	3,331	3,425	3,577	3,676	3,772	3,942	4,092	4,239	36,692