

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.

Part I of Mark-up: Sequester Replacement Reconciliation Act of 2012

The Republican reconciliation package includes many cuts to vital services that will affect Americans in many harmful ways. Budget Committee Democrats offered motions to achieve similar savings by cutting tax breaks and subsidies to special interests.

- **Rejecting the elimination of the Social Services Block Grant while ending taxpayer subsidies to “Big Oil.”** The Social Services Block Grant gives states and localities the flexibility to target funding for essential services. Overall, it helps 23 million children, seniors, and disabled Americans become self-sufficient and economically independent. It provides states with flexible funds that support a range of services, such as providing Meals on Wheels, preventing child abuse and neglect for at-risk children, and helping low-income parents return to work by providing child care and related assistance. During the Budget Committee reconciliation mark-up this week, Democrats offered a motion to preserve the Social Services Block Grant and to replace cuts with even greater savings from repealing tax breaks for the “Big 5” oil companies. This motion was defeated on a party-line vote.
- **Protecting food and nutrition support for struggling children and families while cutting taxpayer direct payments to agricultural interests.** The Republican proposal cuts the Supplemental Nutrition Assistance Program (SNAP), which helps struggling households purchase adequate food and nutrition. The legislation reduces assistance to every single household receiving SNAP benefits almost immediately and cuts 1.8 million people off of food assistance entirely. In addition, nearly 300,000 children will lose free school meals, on top of losing the benefits that provide food at home. During the Budget Committee reconciliation mark-up this week, Democrats offered a motion to preserve the food and nutrition assistance, and instead reduce the deficit through reform of

agricultural commodity payments and risk management programs. This motion was defeated on a party-line vote.

- **Protecting health care coverage for at least 300,000 low-income children and lowering the deficit by eliminating certain tax subsidies for Big Oil.** The Republican proposal allows states to cut their support for Medicaid and the Children’s Health Insurance Program (CHIP) by covering fewer people, and repeals bonuses to states for enrolling additional low-income children in the program. The first provision will result in a sharp increase in the number of uninsured Americans – 100,000 children and adults in 2013 and at least 300,000 children in 2015, according to CBO. The second provision eliminates incentives for states to increase their enrollment of children, also likely increasing the number of uninsured children. Further, the legislation eliminates funding for state insurance exchanges that will take effect in 2014 to help uninsured people find affordable coverage. States will either have to raise their own funds for these exchanges or rely on the federal government to run their exchange. During the Budget Committee reconciliation mark-up this week, Democrats offered a motion to preserve the Medicaid and CHIP payments, and to replace the proposed deficit reduction with savings from ending a wasteful tax break that encourages the “Big 5” oil and gas companies to produce oil in foreign countries rather than here at home. This motion was defeated on a party-line vote.
- **Protecting the health of women and children through the Prevention and Public Health Fund while closing tax loopholes that reward corporations that ship American jobs overseas.** The Republican proposal repeals the Prevention and Public Health Fund. The ACA appropriated funding to support such programs as cancer screenings, immunizations, research on prevention, and education and outreach. The goal of the fund is to provide an expanded and sustained investment in these programs to improve overall health and help restrain the rate of growth in private- and public-sector health care costs. Some of the funding to be cut is allocated for women’s health, including breast cancer and cervical cancer screening. During the Budget Committee mark-up, Democrats offered a motion to reject the Republican recommendation, and instead close loopholes in the U.S. international corporate tax system that encourage companies to ship jobs overseas. This motion was defeated on a party-line vote.

Analysis of Republican Committee Proposals Included in Reconciliation

Agriculture Committee reconciliation recommendations

The Agriculture Committee recommended reconciliation legislation cutting **\$36 billion** from SNAP (formerly known as Food Stamps). The Committee chose to target all its cuts to food and nutrition assistance to low-income Americans, largely families with children, the disabled, and

elderly, rather than look for savings from any other programs supporting the agriculture sector. All together, the recommendations make changes to the SNAP program that will reduce benefits to all 47 million people currently receiving SNAP and entirely eliminate benefits to almost 2 million people. The Republican plan makes the following cuts:

- **Almost immediately sunsets the Recovery Act SNAP enhancement.** The enhancement is currently due to end on October 31, 2013. This enhancement has been shortened twice already, most recently to provide an offset for the Child Nutrition Reauthorization Act in 2010. This saves **\$6.0 billion** under the directed scoring ordered by the Committee (see below for more details), and **\$4.4 billion** without it.
- **Makes it more difficult to apply for and receive SNAP benefits.** The bill limits categorical eligibility – a process that allows households who qualify for certain programs to automatically be eligible for SNAP – to those receiving cash assistance from Temporary Assistance for Needy Families, Supplemental Security Income, or a state general assistance program. This change not only stops households from receiving SNAP benefits, it removes nearly 300,000 children from the child nutrition program. The bill also eliminates the state option to apply a Standard Utility Allowance in determining SNAP benefits for anyone receiving LIHEAP benefits. Together these provisions reduce SNAP by **\$25 billion** while taking an additional **\$0.5 billion** from child nutrition.
- **Eliminates federal match for SNAP’s employment and training program.** Republicans say that this is one of many job training programs funded by the federal government and is duplicative. However, many job programs are oversubscribed and this one is geared to a very vulnerable population. Total savings over the 11 years are **\$3.1 billion**.
- **Ends the state bonus program.** The program provides additional funds to states that meet certain administrative targets. Elimination saves **\$0.5 billion**.
- **Removes automatic indexing from SNAP’s nutrition education and obesity prevention program.** Over time, this change gradually reduces the program’s purchasing power. This saves **\$0.5 billion** over 11 years.

Energy and Commerce Committee reconciliation recommendations

The Energy and Commerce Committee reported reconciliation legislation that cuts **\$115 billion** from health expenditures. All of the cuts come from repeal of certain provisions of the Affordable Care Act (ACA), cuts to Medicaid, and medical malpractice reform, over which it shares jurisdiction with the Judiciary Committee.

Title I – Repeals and defunds parts of the ACA

The recommendation impedes implementation of the ACA that is already benefitting millions of Americans. Overall, the changes cut **\$26.3 billion** over the next decade.

- **Repeals the Prevention and Public Health Fund.** Repealing this fund and rescinding unobligated funding reduces spending on prevention and public health by **\$11.9 billion**. The ACA appropriated a total of \$5 billion for 2010 through 2014 and \$2 billion for each subsequent year to support such programs as cancer screenings, immunizations, research on prevention, and education and outreach. The goal of the fund is to provide an expanded and sustained investment in these programs to improve overall health and help restrain the rate of growth in private- and public-sector health care costs. Some of the funding to be cut is allocated for women’s health, including breast cancer and cervical cancer screening. The Middle Class Tax Relief and Job Creation Act of 2012 (the first payroll tax cut extension bill) already reduced funding for this fund by \$5.0 billion.
- **Repeals funding for state health insurance exchanges.** The proposal strikes the mandatory funding for state exchanges and rescinds unobligated funds, cutting **\$13.5 billion**. Starting in 2014, these exchanges will allow individuals and small businesses to compare health plans, determine if they are eligible for tax credits for private insurance or health programs like the CHIP, and enroll in a health plan that meets their needs. As a result of this proposal, states will either have to raise their own funds to pay for setting up an exchange or rely on the federal government to run their exchange.
- **Defunds the Consumer Operated and Oriented Plan (CO-OP) program.** The proposal reduces spending by **\$0.9 billion** by rescinding all unobligated funds for the CO-OP program, which provides subsidized loans to qualified non-profit health insurance plans.

Title II – Cuts Medicaid and CHIP

The recommendation cuts Medicaid spending and reduces the deficit by **\$22.7 billion** over the next decade, harming hundreds of thousands of low-income Americans, including at least 300,000 children.

- **Repeals states' Medicaid and CHIP Maintenance of Effort (MOE) requirements.** The ACA requires states to maintain their current Medicaid eligibility standards until 2014 (and CHIP eligibility standards until 2019), when nationwide Medicaid eligibility standards take effect and state-based health insurance exchanges will begin operating. Repealing the MOE provision would increase the number of Americans who are uninsured, as states scale back eligibility for low-income children, parents, seniors, and people with serious disabilities. CBO estimates that the provision will increase the number of uninsured children and adults by 100,000 in 2013 and increase the number of uninsured children by at least 300,000 in 2015. Repealing the MOE reduces the deficit by ***\$0.6 billion***.
- **Repeals CHIP performance bonus payments for states that provide more low-income children with health care coverage.** The bonus payments, currently slated to end in 2013, help states with the additional coverage-related costs in Medicaid as well as CHIP; the more children a state enrolls above the target, the larger the federal bonus payment. Eliminating the bonuses reduces spending by ***\$0.4 billion***.
- **Rebases the Disproportionate Share Hospital (DSH) allotment for uncompensated care** to maintain the 2021 level of reductions for an additional year, which reduces spending by ***\$4.2 billion***. Current law includes annual aggregate DSH allotment reductions for 2014 through 2021, to reflect the expected reduction in uncompensated care that will result from the ACA.
- **Repeals increased federal Medicaid funding cap and match for territories.** The proposal replaces the ACA's increased Medicaid federal match and cap for the territories with the levels in place prior to the ACA, reducing spending by ***\$6.3 billion***, or 64 percent.
- **Reduces the state provider tax threshold to 5.5 percent**, down from the current threshold of no higher than 6.0 percent of the net patient service revenues. States can use these revenues from health care provider taxes to help finance the state share of Medicaid expenditures. This proposal reduces spending by ***\$11.3 billion***.

Title III – Medical Malpractice

Jurisdiction over medical malpractice is shared by the Energy and Commerce and the Judiciary Committees. The medical malpractice proposal approved by Energy and Commerce differs in a few respects from the version approved by Judiciary. The Energy and Commerce version generates ***\$66.5 billion*** in on-budget savings over ten years (\$56 billion in reduced spending and \$10.5 billion in increased revenues). The Judiciary version saves about \$18 billion less. The

Energy and Commerce version saves more because it includes a provision to allow evidence of income from collateral sources (such as life insurance payouts and health insurance) at trial. Like the Judiciary bill, it caps non-economic damages at \$250,000, imposes a strict statute of limitations on filing lawsuits, places restrictions on punitive damages, replaces joint-and-several liability with a “fair-share” rule, provides a safe harbor from punitive damages for products that meet FDA applicable safety requirements, limits contingency fee payments, and applies the legislation’s provisions beyond medical malpractice to “any health care liability claim.” Both the Judiciary and Energy and Commerce bills override applicable state laws in all 50 states.

Ways and Means Committee reconciliation recommendations

The Ways and Means Committee recommended reconciliation changes that save **\$68 billion**. Instead of cutting tax loopholes that encourage the outsourcing of jobs overseas, eliminating egregious tax breaks, or eliminating additional tax breaks for millionaires, the Committee chose instead to raise taxes on families with children, eliminate valuable social services that help to support child protection services and home-based services, including Meals on Wheels, and make it harder to purchase health insurance for those returning to work. Ways and means Democrats attempted to offer the Buffett Rule as a substitute for the cuts, but were ruled out of order. The Republican proposal makes the following changes:

- **Eliminates the Social Services Block Grant**, which gives states and localities the flexibility to target funding for essential services. Overall, the Block Grant helps 23 million children, seniors, and disabled Americans become self-sufficient and economically independent through services funded in whole, or in part, by the program. It provides home-based services, such as Meals on Wheels, for 1.7 million seniors. It helps prevent child abuse and neglect, providing child protective services for 1.8 million at-risk children. It supports low-income parents returning to work by providing child care and related assistance for 4.4 million children. It also provides services for nearly 1 million disabled individuals, including respite care and transportation. Ending the program saves **\$16.7 billion**.
- **Attacks the ACA so another 350,000 Americans go without health care coverage.** Under the ACA, Americans whose incomes are low but who are ineligible for Medicaid and do not have employer-sponsored coverage can receive a subsidy to help them afford private coverage. For them to receive real-time assistance, the tax credit is paid in advance (and directly to the insurer) based on prior-year income. However, if their incomes increase later in the year, they are responsible for repaying some or all of this subsidy through a process called “true up.” The ACA sensibly limits true-up payments to encourage participation and avoid penalizing individuals and families whose circumstances change mid-year. Congress already raised the true-up limit twice. The

Republican proposal requires these families to repay everything even if they got the subsidy they were eligible for at the time, saving **\$43.9 billion**. The Joint Committee on Taxation estimates that, as a result, 350,000 people will forgo purchasing health insurance – mostly healthier people who are willing to take the risk. That will leave these families at risk and drive up premiums for the remaining less-healthy people purchasing health coverage through insurance exchanges.

- **Denies refundable child tax credit to taxpayers filing with Individual Taxpayer Identification Numbers (ITINs).** This provision requires a taxpayer to include his or her Social Security number on tax returns to claim the refundable child tax credit, saving **\$7.6 billion**. This measure ends refundable child tax credits for more than 3 million children in 2013 alone in families with an average income of about \$20,000.

Financial Services Committee reconciliation recommendations

The Financial Services Committee recommended cuts that save **\$31.1 billion**, assuming a July 1 enactment date, as the Republicans requested (in its score, CBO noted that the proposal would also increase the net income to the National Flood Insurance Program by \$4.9 billion). The reconciliation instruction called for a total of \$29.8 billion in net savings. Each of the five components to the Committee’s proposal is controversial or raises scoring issues.

- **Repeals regulators’ authority to shut down a failing large financial firm when that failure would threaten the financial stability of the U.S.** This proposal relies on a budget gimmick to generate savings. The Dodd-Frank legislation designed this authority to pay for itself over time, with any initial up-front costs being recouped by selling assets and imposing an assessment, after the resolution, on financial institutions with more than \$50 billion in assets. Thus, some of the offsetting recoveries are estimated to come outside the scoring window. Repealing the authority entirely eliminates the appearance of costs in the ten-year window, and therefore shows savings of **\$22.6 billion**. But repealing the authority will prevent regulators from managing the orderly wind down of a failing firm – that inability could result in the disorderly collapse of large financial institutions – making future bailouts more likely and making it more likely that taxpayers will again be stuck with the bill.
- **Eliminates the Home Affordable Modification Program (HAMP).** Dismantling HAMP eliminates virtually the only federal assistance that helps homeowners who are struggling with foreclosure and need loan modifications. Its elimination saves **\$2.8 billion**.

- **Jeopardizes consumers’ rights and protections by eliminating direct spending for the new Consumer Financial Protection Bureau (CFPB)** and making it subject to appropriations, thereby further violating the discretionary spending caps in the BCA. This latest attack on the CFPB will likely lessen consumer protection while adding to the pressure of keeping to a low discretionary spending cap. The proposal scores **\$5.4 billion** in savings from eliminating direct spending for the CFPB, and makes the CFPB the only banking regulator to be subject to appropriations. If the Budget Committee Chairman exercises his authority to modify the discretionary caps to reflect the shift of the CFPB spending from the mandatory to the discretionary category, then there are no savings. If he does not adjust the discretionary cap, then he is effectively further lowering the discretionary cap by requiring more items to be funded under the same limit. Republicans may use that argument to further their efforts to slash spending for the CFPB.
- **Elimination of the Office of Financial Research.** This office supports the Financial Stability Oversight Council by collecting information on financial markets and conducting research on financial stability issues. It is authorized to collect fees from financial institutions with more than \$50 billion in assets to offset its expenses. Eliminating the office saves slightly over **\$250 million**. Because the office’s fees also support the activities of the Financial Stability Oversight Council, new appropriations of about \$10 million per year will be necessary to fund those activities, putting more pressure on the discretionary spending cap.
- **Reforms the flood insurance program.** The estimate of **\$4.9 billion** in savings relies on the provision in the budget resolution directing CBO to treat the change in the program’s net income as if were deposited in the General Fund. The provisions are the same as those in H.R. 1309, which passed the House in July 2011.

Judiciary Committee reconciliation recommendations

The Judiciary Committee recommended medical malpractice legislation that is substantively identical to the medical malpractice provisions in H.R. 5 that the House passed in March. CBO scores this legislation as saving a net total of **\$48.6 billion**, for total deficit reduction that exceeds the Committee’s instruction to find \$39.7 billion in savings. The legislation caps non-economic damages at \$250,000 and makes it more difficult to recover punitive damages, replaces joint and several liability for losses with a “fair share” rule, imposes a strict statute of limitations for filing lawsuits, provides a safe harbor from punitive damages for products that meet FDA applicable safety requirements, and puts limits on contingency fee payments. The provisions of the bill apply to not only medical malpractice, but also to any “health care liability claims” – providing new protections for insurance companies, drug and device manufacturers,

and nursing homes. Like the Energy and Commerce proposal on medical malpractice, the Judiciary legislation also overrides applicable state laws in all 50 states.

Oversight and Government Reform Committee reconciliation recommendations

The Committee on Oversight and Government Reform passed on a party-line vote reconciliation recommendations that generate **\$83 billion** by requiring all federal employees, including postal workers, to pay more for their retirement benefits. Consequently, each federal employee will, in effect, have their pay cut an average of more than \$30,000 over the next ten years. These new cuts to federal employee pay come on top of \$60 billion in cuts resulting from the two-year pay freeze and \$15 billion in cuts resulting from increasing retirement contributions on new federal employee enacted in H.R. 3630, the Middle Class Tax Relief Act of 2012. Under the bill, most existing employees under the Civil Service Retirement System (CSRS) and the Federal Employee Retirement System (FERS) will face a 5 percentage point increase in their retirement contributions, which will be phased in over five years. The increase for new FERS employees is smaller – 2.7 percentage points – because their contributions were already increased by 2.3 percentage points as part of the Middle Class Tax Relief Act of 2012, which will go into full effect starting 2013. (The table below shows all changes in employee contributions.)

Contribution changes by employee category			
Beneficiary	Contribution Rate		
	Current	Proposed Increase	Proposed Final
Existing:			
Federal Employees (CSRS)	7%	5%	12%
Federal LEO Employees (CSRS)	7.5%	5%	12.5%
Members of Congress (CSRS)	8%	8.5%	16.5%
Congressional Staff (CSRS)	7.5%	7.5%	15%
Federal Employees (FERS)	0.8%	5%	5.8%
Federal LEO Employees (FERS)	1.3%	5%	6.3%
Members of Congress (FERS)	1.3%	8.5%	9.8%
Congressional Staff (FERS)	1.3%	7.5%	8.8%
Newly Hired:			
Federal Employees (FERS+)	3.1%	2.7%	5.8%
Federal LEO Employees (FERS+)	3.6%	2.7%	6.3%
Newly Elected Members (FERS+)	3.1%	2.7%	5.8%
Congressional Staff (FERS+)	3.1%	2.7%	5.8%

The proposal requires larger contributions from the paychecks of current legislative employees than from other federal employees. Current Members of Congress will have to pay an additional 8.5 percent of their salaries for their retirement benefit and current Congressional staff will have to pay an additional 7.5 percent, increases that are also phased in over five years. After full phase-in of the increases, most FERS employees will pay 5.8 percent (6.3 percent if a law enforcement employee) of their salaries toward their retirement benefit, up from 0.8 percent (1.3 percent if law enforcement) they pay this year. Current Members of Congress will pay 9.8 percent and congressional staff will pay 8.8 percent, up from 1.3 percent.

The bill also eliminates the FERS annuity supplement for new employees, except those subject to mandatory retirement, starting in 2013. However, any significant savings resulting from this provision will not be realized until beyond the 10-year budget window.

Part II of Mark-up: 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.

Rep. Chris Van Hollen

Rep. Allyson Schwartz

Rep. Tim Ryan

Rep. Earl Blumenauer

Rep. Mike Honda

Rep. Betty McCollum

Rep. Debbie Wasserman Schultz

Rep. Kathy Castor

Rep. Karen Bass

Rep. Suzanne Bonamici

Rep. Bill Pascrell, Jr.

Rep. Gwen Moore

Rep. Marcy Kaptur

Rep. John Yarmuth

Rep. Lloyd Doggett

Rep. Heath Shuler