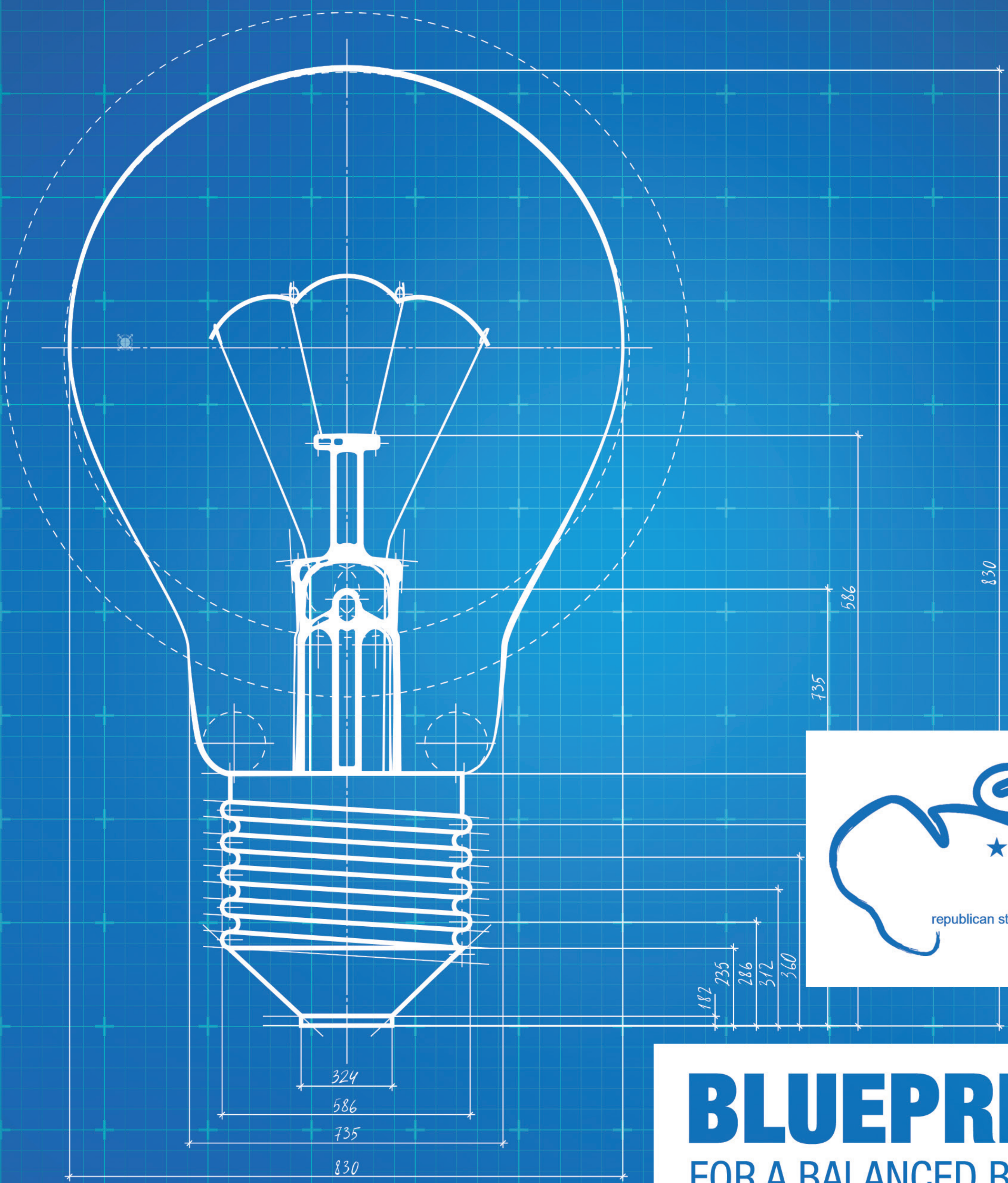


RSC
republican study committee

# BLUEPRINT
## FOR A BALANCED BUDGET

**FY 2016**

**FREEDOM, LIBERTY, OPPORTUNITY, SECURITY**

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# LETTER FROM THE CHAIRMEN

Leadership means making tough decisions. Leadership means choosing to do what is right, not just what may be convenient or easy. Repeatedly, we have seen President Obama choose political convenience over his constitutional obligations. Rather than abide by the law-making framework established by our Constitution, the president has decided that when it comes to immigration, health care, and welfare, "his" way is more important that the "constitutional" way.

The president's desire for the easy way out is also clear in his latest budget. This marks President Obama's seventh budget proposal to Congress and comes seven years after the financial crisis. Unfortunately, the hard lessons from the last six years of the Obama economy have not been learned.

Despite one of the slowest recoveries in our nation's history, the president continues to propose the same tax-and-spend policies that have driven our national debt up to $18 trillion, resulted in weak economic growth, and put a stranglehold on job creation. These realities continue to squeeze middle-class families.

The financial problems facing Medicare, Disability Insurance, Social Security, and the president's own Obamacare amount to predictable, yet preventable crises. For example, next year, Social Security Disability Insurance is expected to become insolvent, resulting in a 20 percent across-the-board cut to payments for beneficiaries. The president's solution: raid funding from Social Security recipients and thus hasten the demise of another safety-net program in the process. This solution amounts to little more than sticking one's head in the sand.

We must do better.

The Republican Study Committee's (RSC) vision for America is one of growth, prosperity, opportunity and national security for all.

By balancing the budget, creating a flatter and fairer tax code, increasing access to capital, unleashing America's energy potential, providing certainty for job creators, freeing up education for innovation, and repealing Obamacare, we can re-start the dynamic American economic engine and generate real growth and prosperity.

In addition, this budget makes the necessary reforms to the nation's safety-net programs and ensure they remain strong for current and future generations. Most importantly, we increase funding for national defense and make certain our men and women in uniform have the resources they need to meet the challenges of the 21st Century.

The stakes are high. The preservation of the American Dream depends on our ability to preserve our great nation for future generations. With this budget we have the opportunity to present bold solutions that will keep America strong both at home and abroad. Please join us as we restore true leadership for our country. Please join us in support of the RSC's Fiscal Year 2016 *Blueprint for a Balanced Budget*.

Rep. Marlin Stutzman
Chairman
Budget and Spending Taskforce
The Republican Study Committee

Rep. Bill Flores
Chairman
The Republican Study Committee

# INTRODUCTION

## THE PRESIDENT'S BROKEN BUDGET

On February 2, 2015, President Obama delivered his Fiscal Year (FY) 2016 budget to the United States Congress. Unfortunately, under the guise of "middle-class economics," the president's delivered a roadmap for more big-government and crony-capitalist spending.

Instead of offering real solutions to help the families who are struggling under his failed economic policies, the president offered more of the same. In his budget's introductory letter to Congress, the president remarks that we have "a growing economy, shrinking deficits, bustling industry, and booming energy production, we have risen from recession freer to write our own future than any other Nation on Earth." In reality, the president writes of still unachieved goals that his policies have actively undermined.

Seven years after the financial crisis, our nation is still experiencing persistent economic sluggishness. Contrary to the president's rosy spin on the economy, there are continued roadblocks to prosperity for hard-working American families. According to the non-partisan Congressional Budget Office's (CBO) January 2015 Budget and Economic Outlook, "the share of part-time workers who would prefer full-time work is unusually high." CBO also notes that the slack in the job market has led to "hourly wages growing more slowly than before the recession." Regarding the deficit, things are not much better. CBO projects deficits to increase from $467 billion in FY 2016 to nearly $1.1 trillion in FY 2025.

The facts fail to bolster the president's flimsy declaration of a "growing economy" and "bustling industry." Numbers have a way of revealing inconvenient realities, and the numbers indicate that President Obama's "shrinking deficits" claim is also worthy of Pinocchio status.

One of the best ways we could encourage economic growth is to improve America's energy production. As such, one would expect that President Obama to be making every effort to turn our nation into an energy-producing powerhouse. Sadly, this is not the case. According the Department of Energy, U.S. federal oil reserves equal about 43 percent of total U.S. crude oil reserves, giving the president every opportunity to increase America's oil and natural gas production. However, according to a report from the non-partisan Congressional Research Service (CRS), U.S. crude oil production on federal lands fell 6 percent and natural gas production on federal lands decreased by 28 percent on the president's watch. The president's objection to America's energy sector runs deeper than increased energy production. Despite the bipartisan effort of Congress on the Keystone XL pipeline, President Obama vetoed the legislation that would have been a step to realizing the worthy goal of "booming energy production."

## ON THE BACKS OF TAXPAYERS

When Washington makes a bad bet, it is the American taxpayers left holding the bag. We saw the consequences of a bad bet when the federal government's $527 million "investment" into the solar energy company Solyndra soured and taxpayers paid the price. Solyndra was only the tip of the spear. According to the Office of Management and Budget's (OMB) Federal Credit Supplement, there are approximately 120 different federal credit programs. These programs take a variety of forms, including loans and loan guarantees. Federal loan guarantees are contractual obligations between the taxpayer, private creditors and a borrower, such as Solyndra. Loan guarantees are a promise by the American taxpayer that they will cover the borrower's loan in the event that the borrower defaults. As history shows, borrowers can default, and when they do the cost to taxpayers is substantial.

For example, in 2013, the Federal Housing Administration mortgage insurance fund went broke and required the American taxpayer to fork over $1.7 billion to cover the losses. The bailouts get bigger. In 2010, President Obama effectively nationalized the federal student lending program to help pay for the cost of Obamacare. By requiring that all federal student loans be made through the federal lending program, the president was able to obtain billions-of-dollars in phantom savings.

Unfortunately, these alleged savings decreased dramatically, in part due to the fallout of the financial crisis and subsequent recession. In fact, these savings became financial losses. The FY 2016 president's budget shows a $21.8 billion shortfall in the federal student loan program. Middle-class families should not be footing the bill for the federal government's lending programs. The federal government makes for a terrible portfolio manager and has no business running 120 credit programs with the taxpayer money on the line.

## WHAT THE PRESIDENT DOESN'T WANT YOU TO KNOW

Let's take a closer look at how the president's budget stacks up and see where the president's proposal leads our nation.

**Under the policies proposed by the president's FY 2016 budget, the federal budget will never balance again.** CBO recently evaluated the effect that President Obama's budget would have on our nation's fiscal situation.

**Figure 1:**

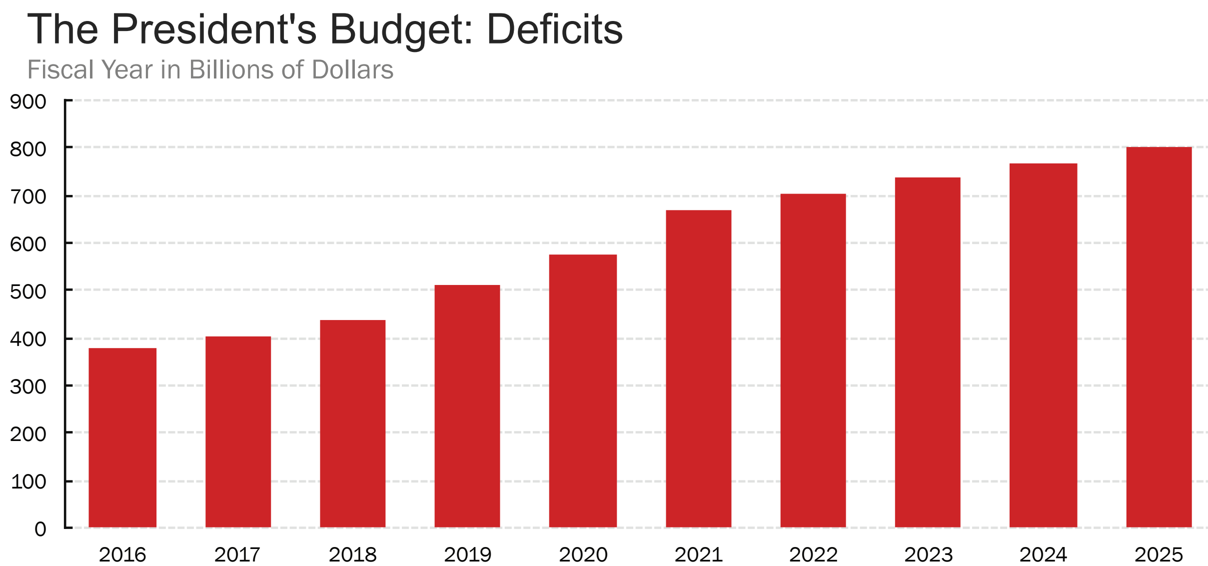



Figure 1 shows that there is no end to the tide of red ink under the President's budget. CBO estimates that the budget deficit for FY 2016 will total $380 billion. This is a result of record levels of government spending that have become the norm since President Obama took office in January 2009. If we continue on this path, by FY 2025, our deficit will have grown to $801 billion. The net effect of continuing to postpone tough decisions means that between FY 2016 and FY 2025, the president's policies will total nearly $6 trillion in deficit spending.

It is important to remember that these catastrophic levels of spending are not the norm. Over the past six years, the national debt has grown as follows:

- 2009: Debt passes $11 trillion and $12 trillion marks;
- 2010: Debt passes $13 trillion mark;
- 2011: Debt passes $14 trillion and $15 trillion marks.
- 2012: Debt passes the $16 trillion mark;
- 2013: Debt passes the $17 trillion mark;
- 2014: Debt approaches the $18 trillion mark.

Unfortunately, the debt is expected to continue to grow rapidly into the future. The president's most recent budget proposed that the national debt increase to $26.2 trillion by 2025, even with substantial tax increases on American small businesses and families.

## 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 goes 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.

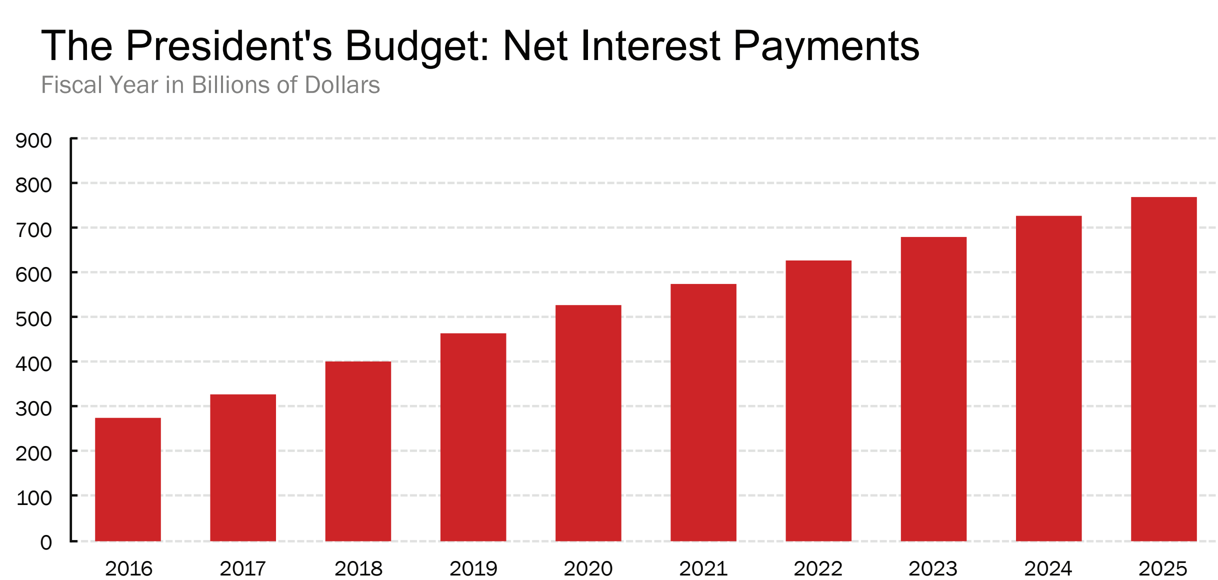
It is helpful to think of the national debt in terms of a credit card. Let's start with an example closer to home: When a family uses a credit card and carries a balance each month, interest accumulates. As the family continues to make purchases, and the balance increases, the family must make interest payments to the credit card company. These interest payments take up an increasingly large 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. The interest adds up, and our children will be left with the tab—and with fewer opportunities as a result.

## 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 national security, scientific research, and health care. Figure 2 shows just how much interest we are paying on our national debt.

**Figure 2:**



Under the president's budget, in FY 2016, our nation will collectively owe $277 billion in interest on our national credit card. To put this amount in perspective, this equals nearly all of the discretionary spending by the Departments of Agriculture, Education, Homeland Security, Housing and Urban Development, Justice, State and Veterans' Affairs, combined. Under President Obama's budget, by 2025, our nation will owe nearly $769 billion in interest on our national credit card.

The truth is that uncontrolled spending has very real consequences. On August 5, 2011, for the first time in our nation's history, our nation's long-term credit rating was downgraded from the gold-standard AAA rating. The rating agency, Standard & Poor's, justified the downgrade based on the fact that the US had not taken credible steps to address our nation's overspending. Much like a family, as our nation continues to accumulate debt and run up the balance on our national credit card, our credit rating will be in danger of another downgrade.  This could lead to a financial catastrophe that would impact every single American.

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

**Figure 3:**

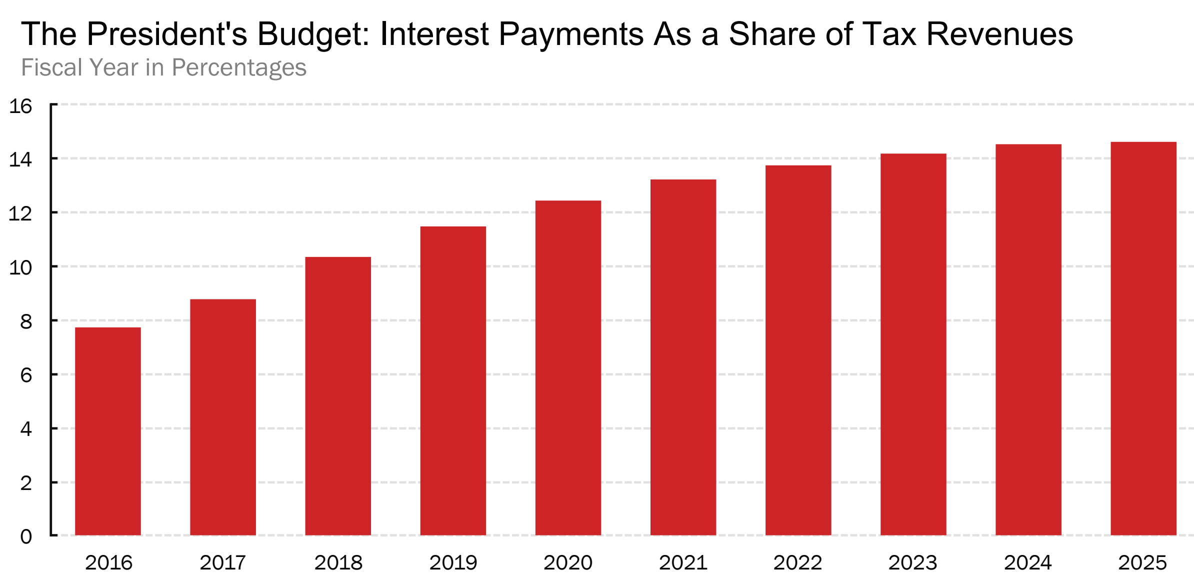



Figure 3 shows just how much of a burden interest payments are on the federal budget. In FY 2016, interest will take up nine percent of our tax revenues. The credit rating agencies base our credit rating on a number of factors, including how much the country spends on interest payments on our national 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 FY 2023.

When a family faces an outsized credit card balance, they will see their interest rates rise, and as a result, interest payments will increase over time. 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 4:**

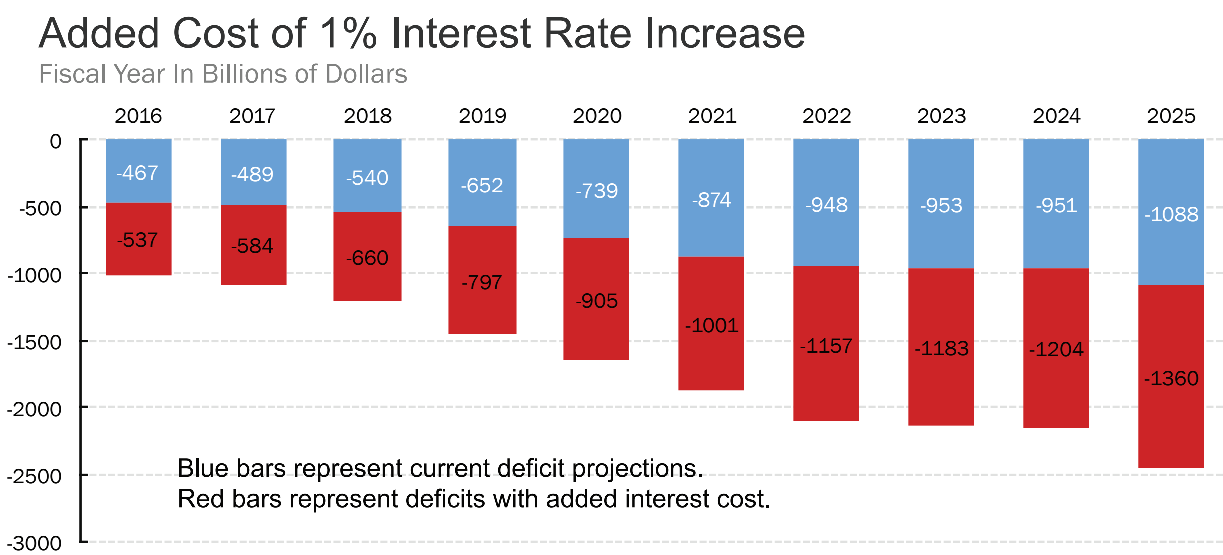



Figure 4 shows how significantly higher interest rates on our debt could impact our overall budget picture. The blue bars represent CBO’s deficit projections over the next ten years, assuming no changes to current law. The red bars represent our deficits assuming an increase in interest rates. According to CBO, deficits will total nearly $7.6 trillion between FY 2016 and FY 2025. If our nation’s borrowing costs—or the interest rates on government notes, bills, and bonds—increase by just one-percentage point for the next ten years, our nation will be $1.75 trillion deeper in debt over the FY 2016-through-2025 period.

## A Better Way: The RSC’s Blueprint for a Balanced Budget for Fiscal Year 2016

In contrast to the president’s radical and unrealistic wish list, the RSC puts forward a positive vision for our nation’s future. Our *Blueprint for a Balanced Budget* would preserve America’s founding values and expand opportunities for working and middle class families.

This budget puts forward specific proposals to address the toughest problems facing

American taxpayers and families. Instead of allowing our safety net programs to go bankrupt, the RSC would reform and save Disability Insurance, Social Security, and Medicare. In contrast to Obamacare's government-run healthcare system, this budget calls for patient-centered healthcare reform that would lower costs and improve access in the form of the American Health Care Reform Act.

Our budget focuses on pro-growth, pro-family policies that will boost America's economy and provide a strong fiscal foundation for generations to come. This opportunity agenda makes the hard choices necessary to put America back on track to be the "Shining City on the Hill" once again.

## Blueprint for a Balanced Budget: The Principles and Summary

The Republican Study Committee's budget is based upon the following core principles:

» **The budget should balance within ten years without raising any taxes, by reducing the size and scope of the federal government.** Our proposal balances the federal budget in 2021, bringing spending down to an average of 18.2 percent of GDP and limiting revenues to 18.2 percent of GDP and close to the historical average.

» **The budget should make the broken tax code simpler, fairer, and promote growth.** Our proposal includes pro-growth tax reform that is revenue neutral on a dynamic basis, keeps the tax burden at its historic average, and makes the tax code simpler, flatter, and fairer. Specifically, our proposal would lower rates and eliminate special-interest tax breaks.

» **The budget should promote pro-growth policies that grow America's economy, not Washington's.** Our proposal promotes American energy development and gets the government out-of-the-way of innovation and entrepreneurship, so America's businesses have the ability to grow and create jobs.

» **The budget should ensure strong national security.** Our proposal fully funds our national security, provides $570 billion in base defense spending in FY 2016, and $6.4 trillion to protect America's interests over the decade.

» **The budget should repeal Obamacare and establish patient-centered healthcare reform in its place.** Our proposal fully repeals President Obama's job-killing healthcare law through the reconciliation process. It replaces the unpopular law with the RSC's American Health Care Reform Act, a patient-centered solution that lowers costs, increases access to affordable health care and puts individuals back in charge of their healthcare decisions.

- **The budget should strengthen America's safety-net programs to ensure their long-term sustainability.** Our proposal makes common-sense reforms to strengthen Medicare and Medicaid by offering increased choices and improved services. It also protects Social Security and the Disability Insurance program by strengthening their trust funds. By making changes that will restore these programs to solvency, we can ensure they will be there for future generations.
- **The budget should reform the nation's outdated welfare system.** Our proposal would promote common-sense reforms to the current welfare system, including work requirements in government assistance programs like the Temporary Assistance for Needy families (TANF) program, the Supplemental Nutritional Assistance program (SNAP), and Medicaid.
- **The budget should terminate federal programs that are unconstitutional, duplicative, or harmful to our economy.** Our proposal does what American families across the country have had to do during these difficult economic times: make the tough decisions so we are living within our means. Our plan forces the federal government to prioritize its spending and eliminates corporate welfare and cronyism.
- **The budget should restrict the federal government to its constitutional role and restore accountability and trust by fixing the federal budget process.** Our proposal eliminates earmarks, puts fair rules in place to prevent out-of-control Washington spending, and gives taxpayers the transparency they deserve.

Specifically, the Blueprint achieves these goals through the following policy proposals:

## REDUCES WASHINGTON'S SPENDING

- Cuts spending by $7.1 trillion over ten years relative to current policy.
- Sets discretionary spending at $975 billion in FY 2016. Freezes top level spending for the first two years, and allows increases on pace with inflation each year thereafter.
- Reduces non-defense discretionary spending to $405 billion in FY 2016, with spending reductions totaling $1.3 trillion between FY 2016 and FY 2025 compared to the current policy baseline.
- Reduces unnecessary mandatory spending—with the exception of Medicare, Medicaid, and Social Security—by $1.7 trillion between FY 2016 and FY 2025.

## PROMOTES PRO-GROWTH TAX REFORM

- Puts forth pro-growth, pro-taxpayer reform that is simpler, fairer, more competitive, and revenue neutral on a dynamic basis.

## REESTABLISHES OUR NATIONAL DEFENSE

» Ensures our nation's security by growing base defense funding from $570 billion in FY 2016 to $687 billion in FY 2025.

» Provides a total of $6.4 trillion in combined base defense funding and Global War on Terror (OCO) funding between FY 2016 and FY 2025.

## REPEALS AND REPLACES OBAMACARE

» Fully repeals Obamacare, saving taxpayer funds by eliminating $2.042 trillion in additional spending over ten years.

» Implements RSC's American Health Care Reform Act, a patient-centered solution that lowers costs, increases access to affordable healthcare and puts individuals back in charge of their healthcare decisions.

## SAVES MEDICARE

» Transitions Medicare to a solvent, premium-support system in 2020 for those born in or after 1955. Provides Medicare enrollees with more choices, lower costs, and a higher quality of care.

» Strengthens Medicare's long-term finances by slowly and gradually phasing in an increase in the eligibility age for those born in 1960 and after. Raises the eligibility age by two months each year until the eligibility age reaches 67 to keep pace with increases in longevity.

## REFORMS MEDICAID

» Provides states with flexible Medicaid block grants, allowing them to determine eligibility and benefits to better help Americans who need Medicaid the most. Institutes reforms to foster innovation, improved quality of care, and increased access to vital health services.

## SAFEGUARDS SOCIAL SECURITY AND DISABILITY INSURANCE

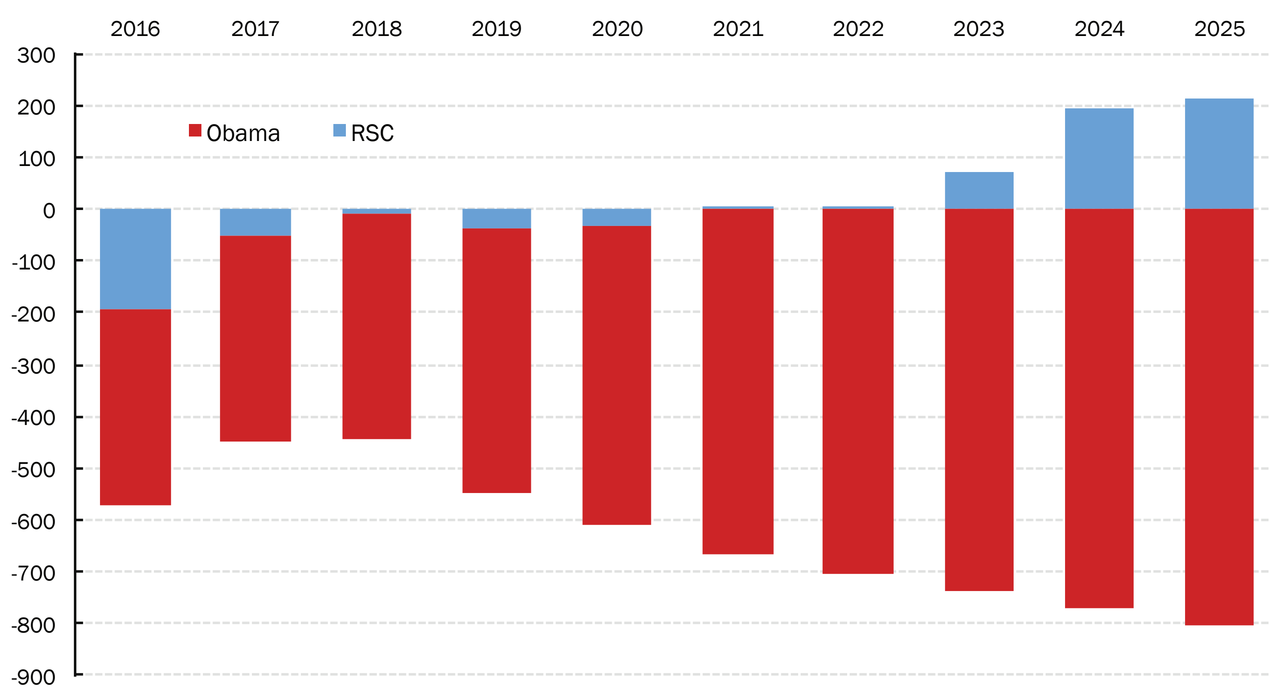
» Continues the current increase in Social Security's full retirement age for individuals born in 1962 and after to an eventual full-retirement age of 70.

» Strengthens Social Security's long-term viability by adopting the most accurate measure of inflation, Chained CPI-U, for all government programs, ensuring seniors receive the most correct cost of living adjustment (COLA) each year.

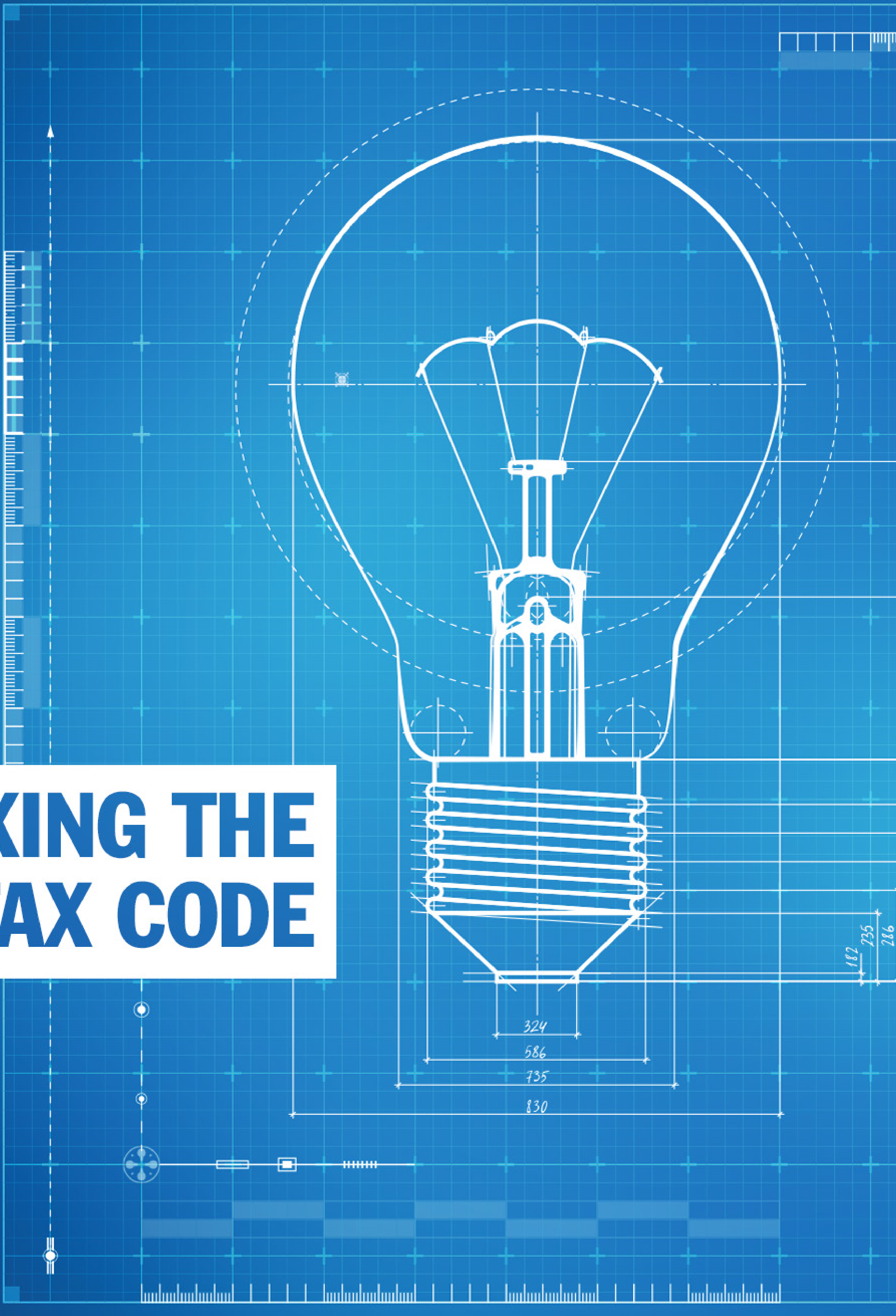
- Makes Social Security benefits more progressive over the long term through more aggressive means testing, providing those most in need with a safety net in retirement.
- Adopts reforms to the Disability Program, which is set to go bankrupt in 2016, that would promote work, update outdated eligibility rules, fight fraud, and end the "double dipping" that allows individuals to collect Disability Insurance and unemployment benefits.
- Prevents any proposal that would simply rob from the Social Security retirement program to bail out Disability Insurance.

## The RSC's Path to Balance in 6 Years

Fiscal Year In Billions of Dollars



# FIXING THE TAX CODE



# FIXING THE TAX CODE

The U.S. tax code is broken. It is too complex, too unfair, and too burdensome. Tax code compliance drains an astounding amount of resources from businesses, families, and individuals.

A recent IRS study reported that American families spent more than three billion hours a year computing and complying with individual deductions.[1] Add to that the three billion hours businesses spend complying with the code, and it takes a full-time equivalent work force of 3.4 million for the nation to just file its taxes.

## Fairness

The tax code is not fair for most taxpayers. There are almost 200 so-called tax expenditures or tax-loopholes that provide more than $1 trillion worth of credits, deductions, exclusions, and exemptions for government-chosen tax-winners each year. Loopholes and carve-outs favor special interests and those with means to curry political favor in the halls of Congress and the White House. For example, under the current tax code, there is a tax provision that allows Hollywood special treatment for deducting film and television production costs. The motorsports industry has been able to win a special tax treatment for investment in motorsports entertainment complexes. Over ten years, these provisions will cost the U.S. Treasury more than $320 million in foregone revenues. These types of special exemptions and social engineering create economic distortions and cause people to make decisions that would not make economic sense otherwise.[2]

Only about 30 percent of individuals itemize deductions, meaning that many targeted tax breaks do not help most individuals. If you do not have a high-priced accountant to dig through the tax code's 70,000 pages to find the best deals—or perhaps a high–priced tax lobbyist to get a carve out added to the tax code—you are at a disadvantage.

Tax policy should make sense for all individuals and the economy on the whole, not just when viewed through the lens of special interests. We should start from scratch and write a new, fairer tax code for individuals and families that broadens the base and lowers rates. The new tax code should not punish saving and investment. The new tax code would recognize the importance of families, children, and encourage marriage. The new code would accommodate healthcare costs and incentivize charitable giving, but would not include a death tax. Most importantly, the new code would be simple, easy to comply with, and fair for all Americans.

1 - Mercatus Center, George Mason University, "The Hidden Costs of Tax Compliance,", May 20, 2013.
2 - Tax Foundation, "What Does 'Economic Distortion' Look Like?,", Dec. 18, 2006.

## Competitiveness

Our outdated tax code puts U.S. businesses at a disadvantage relative to our foreign competitors. Not only is the U.S. corporate tax rate the highest in the industrialized world at 35 percent, but also the tax code punishes U.S.-based multi-national corporations by forcing them to pay double taxes if they invest profits back in the United States. This so-called "worldwide system" of corporate taxation has been abandoned by an overwhelming majority of Organization for Economic Co-operation and Development (OECD) countries. Only six of 34 OECD[3] countries (including the U.S.) still employ a worldwide system, down from 17 in the year 2000. Because it can be economically advantageous to keep those profits out of the U.S., it is estimated that U.S.-based companies currently hold over $2.1 trillion overseas.[4]

To alleviate the negative effects of our international tax system, some have called for a temporary repatriation scheme that would allow profits to be brought to the U.S. at a reduced rate for a specified period of time. While this might seem like a laudable goal at first glance, what we need is more certainty and simplicity in the tax code, not temporary patches. The U.S. must implement a tax code that encourages job creation in the U.S., with a permanent shift to a competitive system of international taxation.

Fixing the corporate tax code would be a boon for families. Distortions created by special interest provisions reduce investments in industries that could be more profitable or productive, while supporting those that have less chances of success. Increased tax compliance costs are passed on to individuals and families in the form of higher prices, lower wages, and fewer job opportunities. Ultimately, American families and workers suffer the brunt of our tax code failures as they struggle to comply and as U.S. corporations hire fewer workers at lower wages.

## Real-World Scoring

For too long, tax reform proposals have been evaluated by CBO and JCT by a method that does not account for how people change their behaviors in response to changes in the tax code.

At the beginning of the 114th Congress, the House adopted a new rule that requires CBO and JCT to incorporate the macroeconomic effects of major legislation into the budgetary analysis of major legislation. This important step will ensure that policymakers understand the true impact of tax reform on the economy, businesses, families, and individuals.

3 - Price Waterhouse Coopers, "Evolution of Territorial Tax Systems in the OECD," April 2, 1013.
4 - Reuters, Untaxed U.S. corporate profits held overseas top $2.1 trillion: study.

As Washington moves to scrap the outdated tax code, policymakers should factor in what economists know: appropriate tax reform triggers a positive chain reaction of investment, economic growth, and job creation. Dynamically scored revenue-neutral tax reform—as called for by this budget—ensures that government revenues remain robust and the dollars created by pro-growth tax reform stay in the pockets of American families.

## Pro-Growth, Pro-Taxpayer Reform

This budget calls on the Ways and Means Committee to produce a tax reform plan consistent with the following principles:

» Targets revenue neutrality (relative to CBO's baseline revenue projection) based on a dynamic score that takes into account the macroeconomic effects of reform.

» Collapses the current seven brackets for individuals into just two, with a top rate of 25 percent.

» Simplifies the tax code to ensure that fewer Americans will be required to itemize deductions.

» Gives equal tax treatment to individual and employer healthcare expenditures modeled on the American Health Care Reform Act.

» Encourages charitable giving.

» Repeals the death tax.

» Eliminates marriage penalties and encourages families.

» Repeals the alternative minimum tax.

» Reforms the current Earned Income Tax Credit (EITC) that is given in a yearly lump-sum payment and replaces it with a program that would allow workers to exempt a portion of their payroll taxes every month.

» Reduces double taxation by lowering the top corporate rate to 25 percent and setting a maximum long-term capital gains tax rate at 15 percent.

» Sets a maximum dividend tax rate at 15 percent.

» Encourages net investment, savings, and entrepreneurial activity.

» Moves to a competitive international system of taxation.

» Ends distortionary special interest giveaways, such as the Wind Production Tax Credit.

To force Congress to finally act on comprehensive tax reform, this budget recommends enacting H.R. 27, Representative Bob Goodlatte's the Tax Code Termination Act. This legislation would sunset the current tax code at the end of 2019, setting a firm deadline for a simpler, fairer tax code to be enacted.

We must craft a tax code that ensures American competitiveness and success for the 21st century. Fundamental reform is never easy. Each of the exceptions and exemptions in the current tax code has a defender, but economists tell us that fewer exceptions and exemptions create a broader base, that paired with lower rates, creates faster economic growth than does the convoluted system we have today.

There are many good ideas on that front—growth-oriented tax plans would strengthen the economy and support the nation's funding priorities.

The FairTax is a fundamental tax-reform plan for consideration that would eliminate taxes on wages, self-employment, capital gains, and gift and death taxes in favor of a consumption tax that would provide the economic certainty that American families, businesses, and entrepreneurs desire.

The Flat Tax, as proposed in many different forms by members of Congress, Nobel Prize-winning economist Milton Friedman, and think tanks such as the Heritage Foundation, also seeks to end the current income tax in favor of one that encourages more economic growth.

Leading conservative reformers have put forward tax reform plans that pair strong pro-growth corporate tax reform with individual tax reform that places an emphasis on families, marriage, and the cost of raising children.

Congress should consider the full myriad of pro-growth plans put forward by conservatives and move aggressively toward fundamental tax reform.

# STRENGTHENING NATIONAL SECURITY

# STRENGTHENING NATIONAL SECURITY

Under the Article I Section 8 of the United States Constitution, the Congress shall "raise and support armies" and "provide and maintain a navy." These enumerated powers remain the federal government's most important responsibility, "to provide for the common defense" of our nation. To ensure the nation's continued defense, the RSC budget proposes $570 billion in discretionary budget authority for national defense and $50.9 billion in the Global War on Terror (GWOT)—otherwise known as overseas contingency operations (OCO)—in FY 2016.

The arbitrary cuts to defense under the sequester harm our national defense. Heritage analyst Diem Nguyen Salmon writes in "A Proposal for the FY 2016 Defense Budget":

> *In the BBA bill, increased defense spending levels were tied to similar increases in non-defense spending. As the DOD sequestration report noted, "BCA-level funding would have similar impacts for non-defense programs, and any increase in defense discretionary caps should be matched by an equivalent increase in the non-defense caps."*
>
> *The equal split of defense and non-defense discretionary spending was originally created by the BCA to impose a greater share of sequestration on defense spending as an incentive for the super committee to produce entitlement reform. Continuing this 50/50 divide is nonsensical. The defense budget needs to be increased because there is justifiable need. These defense requirements do not then justify an increase in non-defense discretionary spending. The 50/50 split is a purely political target. The FY 2016 budget resolution and any follow-on spending legislation should break this link and organize the budget based on federal priorities.*
>
> *Defense bore 61 percent of the sequestration cuts to discretionary spending compared with the 39 percent that non-defense spending absorbed. There is still room to reduce non-defense spending, which still pays for many ineffective or wasteful programs.*

The RSC believes that defense spending should address the threats we face in a dangerous world.

## A Dangerous World

While long-term national defense spending trends have continued to decline since 2011, the U.S. faces an increasingly complex and tumultuous world. As former Secretary of State Dr. Henry Kissinger recently testified before the Senate Armed Services Committee, "The United States has not faced a more diverse and complex array of crises since the end of the Second World War."[5] In Europe, many treaty allies in the Baltics and in Eastern Europe have found

5 - Written testimony of Dr. Henry Kissinger before the Senate Armed Services Committee, "Global Challenges and the U.S. National Security Strategy," January 29, 2015.

themselves under constant threat from Vladimir Putin's Russia. America's strongest ally in the Middle East, the State of Israel, continues to be surrounded by a menacing and nuclear weapon-seeking Iran, an unstable Egypt, an emboldened Hezbollah, and constant rocket attacks from Hamas.

The RSC's budget fully supports U.S. military assistance to Israel, including the Iron Dome air defense system. The RSC's budget fully supports funding GWOT accounts related to Operation Inherent Resolve. The radical Islamic Salafist terrorist organization, known as ISIL (or ISIS), remains one of the greatest national security threats to U.S. interests at home and abroad. The U.S. military faces further challenges in the region, including deterring Iran from closing the Strait of Hormuz through which around 30 percent of the world's petroleum traded by sea travels,[6] containing the Syrian civil war instigated by the Assad regime, countering the threat of al Qaeda in the Arabian Peninsula in Yemen, and defeating the Taliban in Afghanistan. In the Asia Pacific region, many treaty allies of the U.S., including Japan, South Korea, and the Philippines, remain in a constant state of alert against an increasingly emboldened Chinese military and a nuclear North Korea. The Chinese military continues to rapidly modernize with weapons ranging from advanced anti-ship ballistic missiles designed to sink U.S. aircraft carriers, and anti-satellite weapons designed to cripple U.S. command and control assets.

Both China and Russia have heavily invested in asymmetrical anti-access/area denial (A2/AD) capabilities to deter the U.S. military from intervening near their coastlines. In 2015 alone, the Chinese government increased its defense budget by more than 10 percent.[7]

While America's foes invest in their defenses, the U.S. military has been faced with a readiness crisis. Operations and Maintenance accounts have continued to shrink dramatically over the past five years.[8] U.S. Navy fleet size numbers continue to fall as well. The Navy's currently requires 306 ships to meet its global commitments, yet in 2014, the Navy possessed only 282 battle force ships.[9] Recent commentary has suggested that "as the [U.S.] Navy gets smaller, the world's oceans are becoming more dangerous."[10] The Army has also dramatically reduced its force size from 566,000 in 2011, to 490,000 active soldiers in 2014, a 13 percent decrease.[11] The Army has also experienced shortfalls in overall readiness by postponing the restoration and reset of large amounts of equipment

6 - "Strait of Hormuz" World Oil Transit Chokepoints. U.S. Energy Information Administration. November 10, 2014.
7 - "China's Military Budget Increasing 10% for 2015, Official Says" The New York Times, March 4, 2015.
8 - "DOD: $22B Shortfall in Operations and Maintenance" Defense News, March 29, 2013.
9 - 2015 Index of U.S. Military Strength, The Heritage Foundation, page 247.
10 - "The Navy's Hidden Crisis" Politico, February 5, 2015.
11 - 2015 Index of U.S. Military Strength, The Heritage Foundation, page 245.

returning from the battlefields of Afghanistan, and by reducing training hours for units not engaged in current combat operations.

## Ensuring an Efficient National Defense

The RSC remains committed to a strong national defense, but recognizes that fiscal discipline is required to ensure a sustainable and capable military. Congress and the Department of Defense should commit to comprehensive acquisition reform not only to prevent wasteful spending, but also to ensure that America's warfighters have the best and most affordable equipment available. Simply put, the department needs to improve the way it buys weapons and services.  This budget calls for a comprehensive audit of the Department of Defense to verify its financial reporting system, and supports the findings and recommendations of the 2012 Panel on Defense Financial Management and Auditability Reform.[12]

The cost of health care for service members, their families, and retirees has grown significantly as a share of the defense budget over the last decade. Between 2000 and 2012, the cost of military health care increased 130 percent, even after adjusting for inflation. According to CBO, the medical costs of recent wars "had a comparatively small effect" on this increased spending, but new and expanded TRICARE benefits for retirees and their families and the increased utilization induced by those expanded benefits explain most of the growth.[13] While it is imperative that our soldiers and veterans receive the best possible care available, these increases can crowd out funding for readiness. Congress and the Department of Defense should also consider the recommendations of the congressionally established Military Compensation and Retirement Modernization Commission to ensure that our men and women in uniform and their families are taken care of, to achieve fiscal sustainability, and to ensure "the long term viability of the All-Volunteer Force."[14]

The RSC budget recommends that all efficiencies that can be found in the Department of Defense be reinvested into readiness and strengthening our national defense capabilities.

## Prohibit the Purchase of Expensive Biofuels

In March of 2013, the Defense Logistics Agency (DLA) entered into a contract to purchase 3,650 gallons of renewable jet fuel for $59 per gallon, while the price of conventional jet fuel was roughly $3.73 per gallon. The Department of Defense should not waste valuable

12 - Panel on Defense Financial Management and Auditability Reform, House Armed Services Committee, January 24, 2012.
13 - Congressional Budget Office, Approaches to Reducing Federal Spending on Military Health Care
14 - MCRMC Recommendations Overview, Military Compensation and Retirement Modernization Commission

taxpayer dollars on inefficient forms of energy. Beginning in FY 2016, the Department of Defense should be prohibited from entering into any contract for the procurement or production of any non-petroleum based fuel for use as the same purpose or as a drop-in substitute for petroleum. Our military needs these resources to keep America secure.

# REAL HEALTH CARE REFORM

# REAL HEALTH CARE REFORM: A BETTER WAY

## Repeal Obamacare Through Reconciliation

The Affordable Care Act—better known as Obamacare—fundamentally changed the U.S. healthcare delivery system, putting government bureaucrats between patients and their doctors and mandating that all Americans purchase a government-approved product or face tax penalties enforced by the IRS. In addition, Obamacare paralyzed efforts to reform medical safety-net programs by expanding an already overburdened Medicaid and raiding the Medicare Trust Fund to offset the cost of Obamacare.

Since Obamacare's inception, President Obama has broken his own signature legislation. In fact, the White House unilaterally delayed or suspended parts of the law—without legal authority—more than 20 times.

Obamacare has destroyed competition in the marketplace and driven healthcare costs to the point that "affordable" in Obamacare is now a misnomer. The healthcare law has narrowed provider networks and limited access to health care for American families, and levied a host of new disruptive taxes, such as the medical device tax, on job-creators and families. At the same time, unions and the president's big- business allies were handed exemptions and waivers from the law. Sadly, this is just the beginning.

The RSC budget fully repeals Obamacare spending and tax increases through reconciliation. This reduces spending by $2.042 trillion over ten years and follows through on the commitment by House conservatives to reverse the administration's unconstitutional takeover of the nation's healthcare system.

## A Better Way Forward: The American Health Care Reform Act

Republican opposition to Obamacare goes hand-in-hand with a recognition that challenges have long existed in the health insurance market. Rising costs, limited access to health insurance, and a serious need for medical malpractice reform were issues that existed both before and after Obamacare. In the 113th Congress, the RSC's American Health Care Reform Act (AHCRA), the only comprehensive Obamacare alternative to be endorsed by a majority of House Republicans, was born from this realization.

The RSC budget recognizes that patient-centered reforms, rooted in free-market principles, are the best way to lower costs, increase access, and solve the challenges that existed before Obamacare, as well as the problems created by Obamacare.

Under Obamacare, families and individuals who do not receive employer-sponsored health insurance are penalized through the tax code. The AHCRA provides tax reform that allows families and individuals to deduct healthcare costs, much like employers. This change would ensure equality by providing all Americans with a standard deduction for health insurance and allowing for the freedom to find a health insurance plan tailored to needs of the enrollee. This plan would also spur competition and lower healthcare costs by allowing Americans to purchase health insurance across state lines and enabling small businesses to pool resources to get the same buying power as large corporations.

Importantly, this plan acknowledges that no one with a pre-existing condition should have to worry about where they will purchase their health insurance. The AHCRA bolsters state high-risk pools, caps premiums for those who enroll, and strengthens HIPAA (the Health Insurance Portability and Accountability Act) guaranteed-availability protections. This ensures those who maintain continuous coverage can move across the health insurance market without fear of discrimination due to a pre-existing condition.

The AHCRA also expands access to Health Savings Accounts (HSAs) and increases the amount of pre-tax dollars individuals can deposit into portable savings accounts to be used for healthcare expenses. HSAs are proven to lower healthcare spending by putting patients in charge of their money and encouraging those who hold these savings accounts to shop for the best prices for medical services. This budget further recommends medical liability reform, addressing runaway costs caused by frivolous lawsuits and defensive medicine. This proposal does not sacrifice a state's prerogative for federal whim; rather, it protects states with existing functional medical liability laws from federal preemption.

## Better Results for Medicaid and the Children's Health Insurance Program

As a quasi-voluntary federal-state partnership, Medicaid subsidizes healthcare services for the most vulnerable Americans, including the poor, chronically ill and disabled, children, the elderly, and pregnant women. Medicaid is the largest federal means-tested welfare program, and it accounts for 40 percent of all federal means-tested spending. Besides failing to provide quality care or even access to care, Medicaid grows more unaffordable each year, while increasing Washington's control over states. Medicaid's open-ended entitlement structure encourages states to spend more, with 50 to 74 percent federal-matching incentives. Under Obamacare's Medicaid expansion, the federal government will finance 100 percent of costs for new enrollees, phasing down to 90 percent in 2020. In addition, those who qualify for Medicaid must use the program even if they are able to purchase health insurance elsewhere. Obamacare fundamentally changed Medicaid and has forced Americans to participate in a failing program. With Obamacare's planned enrollment of millions of new beneficiaries, including able-bodied adults, spending will bankrupt state budgets.

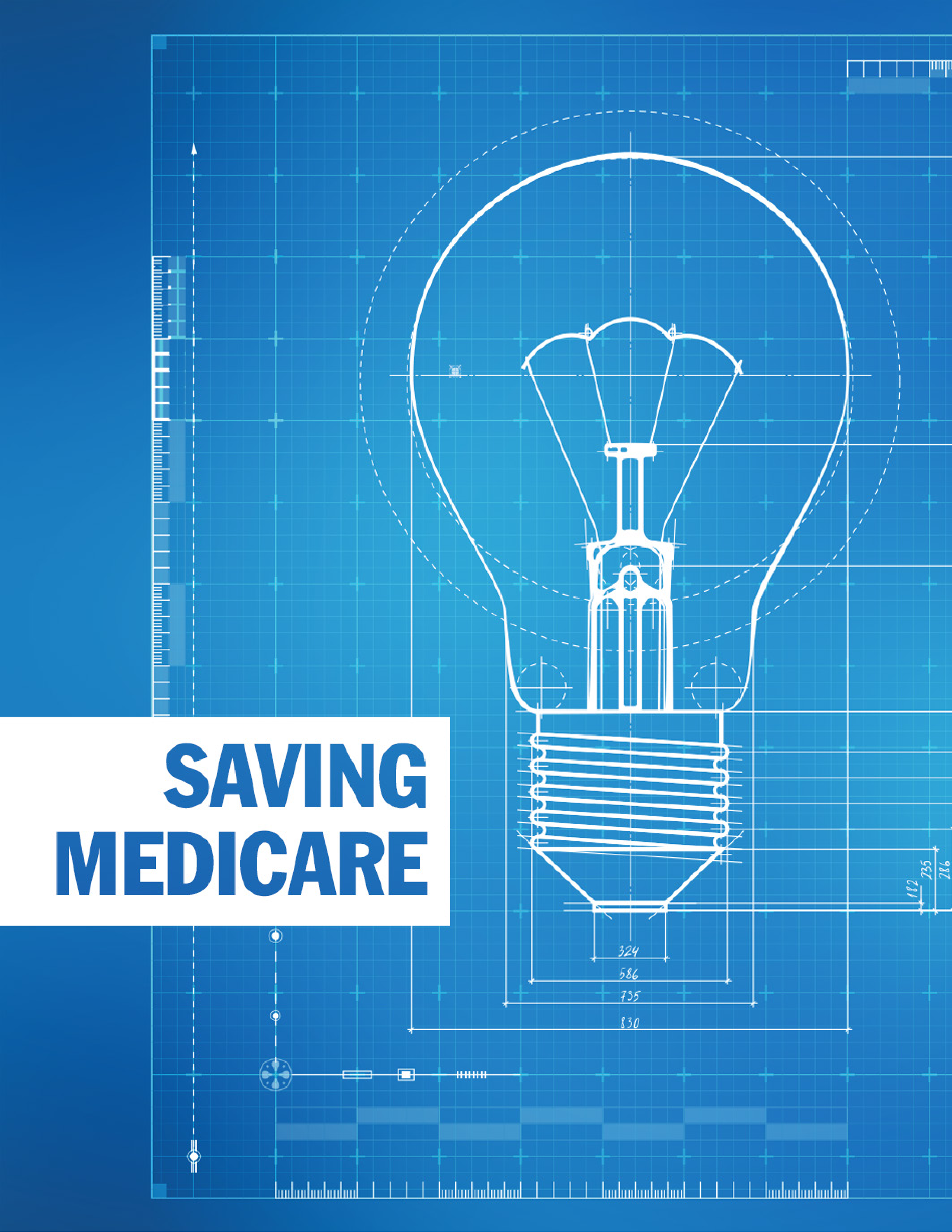
Separately, the Children's Health Insurance Program (CHIP) provides aid to children in families above Medicaid's income-eligibility level. In both programs, instead of focusing exclusively on the specific needs of their residents, states must maneuver through a bureaucratic maze of rules and mandates. States may petition the federal government for exemptions, yet it can take years to get a decision.

The RSC proposes combining Medicaid and CHIP funding into a single, streamlined block grant at the pre-Obamacare levels. This commonsense proposal gives states budgetary certainty as well as maximum flexibility to address the unique healthcare needs of their vulnerable citizens. Modeled after the State Health Flexibility Act, this proposal would create a Medicaid and CHIP state-flexibility block grant that answers governors' calls for more independence.

When granted flexibility, states can create reforms to ensure that those in need receive quality healthcare services, while taxpayer funds are used wisely. For example, increased flexibility could be used to allow the non-elderly, non-disabled Medicaid population to use their Medicaid dollars to purchase private insurance. Studies have shown health outcomes for those on Medicaid are comparable to those who remain uninsured. Ensuring this population receives insurance through a private carrier, instead of a federally mandated product, would help individuals access care and purchase the coverage that best fits their needs. In addition, states should also be free to set new requirements for certain subsets of their Medicaid population. Work activation requirements for able-bodied adults could be instituted, similar to the successful Temporary Assistance for Needy Families (TANF) reforms established in the 1990's. Work requirements would be beneficial to the program to ensure the prioritization of distribution of federal resources.

Implementing these reforms would save $1.7 trillion over ten years compared to the projected increases under current law.

# SAVING MEDICARE



# SAVING MEDICARE

## Reinforce Medicare's Commitment to Seniors

The RSC budget proposes a Medicare reform plan to ensure that the federal government keeps the promises it has made to current and future beneficiaries. This budget makes minimal changes for individuals in-or-near retirement and applies common-sense reforms for individuals born in 1955 or later.

This budget recognizes that the U.S. is facing unprecedented demographic challenges. Medicare currently covers more than 54 million people: 45 million seniors and 9 million disabled Americans at a cost of $618 billion per year. The program is only expected to grow, with 10,000 baby boomers reaching retirement age every day for the next 16 years. By 2024, 60 percent of baby boomers will be receiving Medicare benefits. As such, the number of working-age individuals paying into Medicare lags the number of individuals reaching retirement age.

According to the Medicare Trustees, unless we reform the program, Medicare's Trust Fund will be depleted by 2030. This estimate is a best case scenario.

Saving Medicare presents policymakers, healthcare professionals, and the nation with a daunting challenge. Unless we take 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 or future beneficiaries.

## Simplify Medicare by Combining Parts A and B

This budget modernizes the Medicare program by combining Part A, which primarily covers services furnished in a hospital, and Part B, which traditionally covers physician payment. The current system causes beneficiaries confusion as each part of Medicare has a separate deductible, copayments, and cost-sharing structure. Our budget would merge Part A and Part B so seniors would have a single annual deductible of $650 and a coinsurance rate of 20 percent for amounts above the deducible.

## Medigap Reform

The complex payment arrangement for Medicare Parts A and B, coupled with Medicare's lack of a catastrophic cap, means that many seniors purchase additional insurance coverage. These plans, known as Medigap plans, reduce or eliminate beneficiary cost-sharing obligations. Currently, more than 60 percent of beneficiaries choose plans that offer first-dollar coverage. The Medicare Payment Advisory Commission found that Medicare spends 33 percent more on a person who enrolls in supplemental coverage. According to GAO, Medicare enrollees who are subject to lower cost-sharing requirements spend more on medical care than those without supplemental coverage. This arrangement drives up the cost of health care and leaves taxpayers on the hook for increased Medicare spending.

This budget establishes an annual cap of $5,850 for each Medicare enrollee's cost share, while also reforming Medigap. New Medigap plans would be prohibited from covering the first $650 for Part A and Part B services. This proposal would set a uniform coinsurance rate of 10 percent after meeting the $650 deductible for Medigap enrollees. This would ensure out-of-pocket costs would not exceed $3,575 for those with supplemental coverage in 2016.

The current structure of Medicare Part A and B, and its separate deductible and copayment schedule, makes Medicare confusing to navigate and often results in wasted dollars for enrolled seniors and taxpayers. These reforms streamline Medicare for seniors and will help shore up the program's finances.

## Premium Support

Beginning in 2020, our budget gradually transforms Medicare into a health insurance program similar both to the system that federal employees enjoy and to the current Medicare Part D. These programs allow participants to choose among health and prescription drug plans provided on a regulated exchange. Changes would only apply to individuals born in 1955 or later. Those born prior to 1955 would have the choice of opting into the new system.

By introducing the powerful forces of consumer choice and competition in Medicare, healthcare plans and providers will be incentivized to deliver value. The standard federal contribution towards beneficiary premiums would be based upon a competitive bidding process for health insurance companies. CBO estimates that a similar approach would lower beneficiary premiums by six percent as compared to the current Part B premiums.

Beginning in 2020, enrollees in the newly created private insurance market would receive premium subsidies to offset the cost of their health insurance policies. Seniors can direct this premium support payment to the plan of their choice offered on a regulated exchange. This includes private plans as well as Medicare's traditional fee-for-service option. 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, under this plan, Medicare beneficiaries would receive several cost protections, including those from catastrophic healthcare costs.

Under the RSC's proposal, wealthier seniors would be required to pay slightly more in annual premiums than those with fewer financial resources, and conversely, low-income seniors would receive higher health insurance subsidies. Even today, in Medicare, wealthier seniors pay higher premiums in the Medicare Part B fee-for-service program and Medicare Part D Prescription Drug benefit plan. This reasonable proposal would help put Medicare as a whole on more sound financial footing.

Experts on both sides of the political aisle agree that providing Medicare enrollees a greater choice, increased competition among private insurance plans to reduce costs for seniors, and improved quality of care would substantially improve Medicare's long-term fiscal outlook. This reform will help render Medicare solvent in the long term while helping to lower costs for seniors.

## Adjust the Medicare Eligibility Age to Reflect Life Expectancy

Since Medicare's creation in 1965, advances in science and medical technology have increased average life expectancy. As a result, the average length of time individuals are covered by the program has increased by 163 percent, from 5.2 years to 13.7 years. According to the U.S. Centers for Disease Control and Prevention, the average life expectancy in the U.S. was 78.7 years in 2011. In 1965, it was 70.2 years. We have every reason to believe this trend will continue. As beneficiaries continue to live longer, the ratio of workers to retirees shrinks. This pattern is expected to continue as baby boomers enter Medicare, and the increased beneficiary population will put significant financial strain on the solvency of the program.

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 1960 until the eligibility age reaches 67. Bringing Medicare's eligibility age in line with longevity will help strengthen its foundation for future retirees.

## Address Medicare Waste, Fraud, and Abuse

The $600 billion taxpayer-funded Medicare program is vulnerable to waste, fraud, and abuse due to its substantial size and scope. The independent Government Accountability Office (GAO) has considered Medicare to be a "high-risk" program since 1990, and estimates that in 2013 alone, Medicare made more than $50 billion in improper payments. While improper payments across the government declined in 2013, those in Medicare increased from 8.5 percent in FY 2012 to 10.1 percent in FY 2013. While this budget does not assume explicit savings in Medicare waste, fraud, and abuse, the RSC believes that it must be addressed.

# PROTECTING SOCIAL SECURITY

# PROTECTING SOCIAL SECURITY

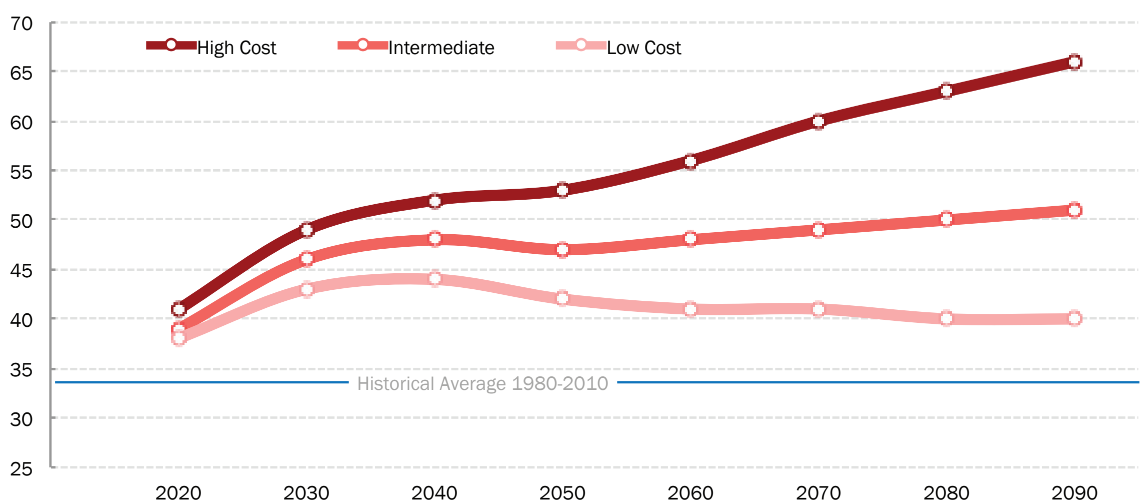
## Strengthen Social Security

Social Security is the federal government's largest program and a central part of retirement planning for millions of Americans. This important program is made up of two main components, Old-Age and Survivors Insurance (retirement benefits often referred to as Social Security) and Disability Insurance. Unfortunately, the program does not stand on sound financial footing. The president and Congress must act to protect and preserve both traditional Social Security and Disability Insurance.

Many beneficiaries believe that since they paid into Social Security over the course of their working years, the government has saved their contributions in an account, ready for withdrawal upon retirement. Unfortunately, this is not how Social Security operates. The taxes paid by today's employers and employees are used to pay current beneficiaries.

In 1945, there were 41.9 workers to cover each Social Security beneficiary. By 1960, there were only 5.1 workers per beneficiary, declining to 3.2 workers per beneficiary in 1980. Today, there are only 2.8 workers paying taxes to cover current beneficiaries.[15] This trend continues to put pressure on Social Security.

Number of OASDI Beneficiaries Per 100 Covered Workers




15 - Social Security Administration 2014 OASDI Trustees Report, Table IV.B2.—Covered Workers and Beneficiaries, Calendar Years 1945-2090.

In 2010, Social Security began operating on a cash flow deficit, spending more on benefits than the program collects in payroll taxes. The program ran a $71 billion deficit in 2013, and the long-term unfunded obligation of the trust fund is $13.4 trillion.[16] As retirees increase as a share of the workforce and the labor force participation rate falls, the Social Security Trustees predict that the shortfall will grow larger each year.

This growing deficit will deplete the Social Security Trust Funds, which will become bankrupt by 2033.[17] Unless meaningful Social Security reforms are enacted, a dramatic and immediate benefit cut will hit all seniors in order to bring spending in line with revenue.

Fortunately, there is a better way. This budget lays out the specific proposals that could be implemented to help put Social Security on a path towards solvency for the long term, protecting seniors and preserving the program for generations to come.

## More Accurate Cost of Living Adjustments

To ensure that the purchasing power of benefits stays constant each year, the Social Security cost of living adjustment (COLA) increases the dollar amount of benefits by a formula tied to inflation. The formula uses an old index, CPI-W (the Consumer Price Index for Urban Wage Earners and Clerical Workers), that overstates the true effects of inflation. This outdated formula contributes to the current program's impending bankruptcy.

This budget recommends switching to a more accurate index for all government programs called chained CPI-U, which economists across the political spectrum agree tracks the effects of inflation more accurately.[18] This proposal would both put the program on sounder financial footing and ensure that Social Security beneficiaries do not see their benefits eroded by inflation. According to CBO, this proposal would save $140.8 billion over ten years. More importantly, according to the Social Security Trustees 2014 report, this proposal would close about 19 percent of Social Security's long-term funding shortfall.

## Adjust the Retirement Age to Reflect Longevity

The bipartisan Social Security Amendments of 1983 (P.L. 98-21) phases in an increase in the Social Security full retirement age over time, beginning at 65 and reaching 67 by 2022 for those born in 1960 and later.

16 - Heritage Foundation, Social Security Trustees Report: Unfunded Liability Increased $1.1 Trillion and Projected Insolvency in 2033.
17 - Social Security Administration, A Summary of the 2014 Annual Reports.
18 - Congressional Budget Office, Differences Between the Traditional CPI and the Chained CPI.

This budget proposes to continue a gradual increase of two months per year until the full retirement age reaches 70. Under this plan, for individuals born in 1962, the retirement age would increase to age 67 and two months. The full retirement age will reach age 70 for individuals born in 1979 or later.

This adjustment would realign the Social Security full retirement age to account for 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 now has increased to age 84 from 77. For women reaching age 65 now, the average life expectancy has increased to age 86 from 79.[19]

This reasonable, incremental approach protects individuals in and near retirement and makes changes for younger workers commensurate with the time they have remaining in the work force. According to the Social Security Trustees reports on similar proposals, raising the retirement age could solve between 23 percent and 48 percent of Social Security's long-term actuarial deficit balance.

## Increase the Progressivity of Social Security

The RSC budget proposes to gradually return Social Security to its original design: a guarantee against poverty in old age. To accomplish this, over time, the level of benefits for wealthy lifetime earners should be reduced, while maintaining benefits for those who earned the least over their working years. These changes would only apply to new beneficiaries who retire after 2020.

The Social Security Actuary has analyzed various proposals to ensure long-term actuarial balance for the program. This budget recommends that the House Ways and Means Committee introduce legislation detailing the exact specifications. Although the RSC budget does not endorse a specific proposal, the fact remains slowing the growth of benefits for higher-income earners would protect and preserve the program as a safety net for those most in need.

## Cannot Tax Our Way Out

The Left's solution for Social Security is the same as it is for every other fiscal problem: raise taxes. This is a problem that we cannot tax away. Social Security payroll taxes have increased 20 times since the program's inception, significantly increasing the payroll tax rate from its

19 - Social Security Administration "Calculators: Life Expectancy,"

original two percent to the current 12.4 percent.[20] These tax increases have not kept Social Security solvent in the face of overwhelming demographic and economic forces.

Further, Social Security contains an automatic tax increase every single year there is inflation. The taxable wage base—the maximum amount of earnings subject to the payroll tax that is used to calculate benefits—increases every year with the growth in average wages. These tax increases have not made Social Security solvent and proposals to increase or eliminate the taxable wage base do not eliminate the program's deficits.

## The Need to Act Now

Unless we take action, the Social Security Trust Funds will be depleted in 2033. If that occurs, all current beneficiaries, whether they are wealthy or poor, face a 23 percent benefit cut.[21] The depletion date is only 18 years away, meaning most retirees that turn 65 today face a benefit cut unless reforms are made.[22]

On the other hand, implementing the reforms in this budget would allow future retirees who have the ability to save for their own retirement to do so. These reforms would still protect those who need the program as a safety net.

The fact remains that promised Social Security benefits cannot actually be paid under current law since the program will not have enough cash to make good on its promises.

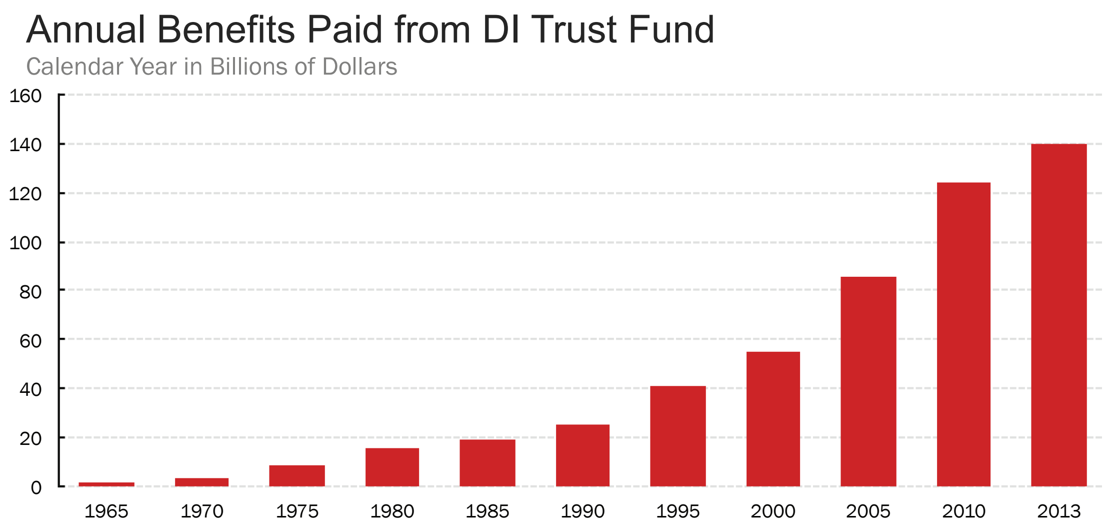
20 - Social Security Administration, Social Security and Medicare Tax Rates.
21 - Social Security and Medicare Boards of Trustees, A Summary of the 2014 Annual Reports.
22 - Social Security Administration, Calculators: Life Expectancy.


# SAVING SOCIAL SECURITY DISABILITY INSURANCE

# SAVING SOCIAL SECURITY DISABILITY INSURANCE

The 2014 Social Security Trustees Report projects that the Disability Insurance Trust Fund will be depleted in 2016. In 2016, disabled beneficiaries will face a 20 percent across-the-board cut in benefits unless we enact strong reforms.

Social Security DI costs have exceeded revenue since 2005. The trustees describe the need for legislation to save DI as "most urgent."[23] DI's insolvency will become a crisis unless the president and Congress take decisive action soon. This challenge is apparent in the below chart: annual benefit payments from the DI Trust Fund have skyrocketed over time.




## The President's Failed Leadership

The president has put forward his "solution," specifically, to bail out the DI Trust Fund by ransacking Social Security. The president's budget proposes transferring payroll taxes meant for the Old Age and Survivors Insurance (OASI) Trust Fund and divert these revenues to the DI Trust Fund through 2020.[24] This plan would weaken the solvency of Social Security, on which 50 million Americans rely.

## Real Solutions

Instead of bailing out one program to the detriment of the other, we should take steps to

23 - Social Security Administration, A Summary of the 2014 Annual Reports.
24 - Social Security Chief Actuary Stephen Goss letter to OMB Director Shaun Donovan, Feb. 5, 2015.

reform and preserve both Social Security's OASDI and DI programs.

At the beginning of the 114th Congress, the House adopted a rules change put forward by Representative Sam Johnson to protect Social Security by requiring any DI reform proposal to shore up the DI and OASDI funds on a combined basis.

At a broader level, DI's impending bankruptcy should serve as the proverbial "canary in the coal mine," alerting us to the dire need to reform all of our safety net programs. Congress must take steps to secure the future of the important DI program and the continued benefits for the program's beneficiaries. Options to save DI are as follows:

## Encourage Work

Over the past twenty years, enrollment in DI has almost doubled. Just since 2008, enrollment has increased by 18 percent. At the same time, the labor force participation rate has fallen to the lowest levels since the 1970's.

The Americans with Disabilities Act requires employers to make reasonable accommodations for disabled employees. Despite these facts, the employment rate among those with disabilities has fallen by about half in the last 25 years.[25]

Because of the way that the DI program is currently designed, beneficiaries can become trapped in the program, unable to earn a living even if they get healthier and want to return to work. Surveys of DI beneficiaries have shown that 40 percent of those receiving benefits are interested in working. However, only 0.5 percent of beneficiaries leave the rolls each year due to earnings from work.[26] Since beneficiaries face a "cash cliff" if they earn above a set amount, or else they will be removed from the rolls, there is a powerful incentive for beneficiaries not to find employment.

The DI program should encourage the program's beneficiaries to find work they can do.

## Update the Eligibility Rules

The DI program must ensure that only the truly disabled are eligible to receive benefits. Unfortunately, the criteria to determine eligibility has not been updated to reflect advances in medicine, technology, and the labor market, leading GAO to designate federal disability programs, including the DI program, as "high risk." Many of the medical criteria have not been updated since the 1980's when the qualification standards were expanded. A large

25 - Congressional Budget Office, Policy Options for the Social Security Disability Insurance Program.
26 - Representative Sam Johnson, "Johnson Statement: Hearing on Encouraging Work Through SSDI," Jun. 19, 2013.

percentage of applicants suffer from mental or musculoskeletal problems, which can be difficult to diagnose. Making a diagnoses and ability-to-work determination can be subjective and can vary from one adjudicator to the next. This budget recommends that the eligibility standards be updated to take advantage of the advances in science and medicine that have taken place in the last 30 years and to be more uniformly applied.

## Require Social Security Disability Insurance Applicants to Have Worked in Recent Years

In general, applicants for DI must have worked in five of the last ten years to be eligible for benefits. That means that someone who has not worked in the last five years could be eligible for DI benefits. To focus the program on people who leave the workforce because of a new disability, applicants could be required to have worked in four of the past six years. This proposal would save $36.4 billion.

## Fight Fraud

Fraud and abuse in the DI program has been widely reported. Under the leadership of Chairman Sam Johnson, the Ways and Means Subcommittee on Social Security has held more than a dozen hearings on the DI program over the last several years. Many of these hearings have focused on large-scale fraud found in DI, including the case of more than 100 retired New York police officers and firefighters who were accused of collecting $22 million in fraudulent benefits. In addition, a scheme in Puerto Rico involved doctors providing fraudulent medical evidence, with more than 70 claimants submitting false claims aided by a non-attorney representative.[27]

Other examples of fraud and abuse include:

» A 2013 report from GAO identified $1.29 billion in improper DI payments made to 36,000 individuals. [28]

» A report by the Senate Homeland Security and Governmental Affairs Committee chronicled improper collusion between a law firm that represented DI claimants, doctors who made questionable medical determinations, and a judge who approved a large number of these cases.[29]

27 - Representative Sam Johnson “Johnson Opening Statement: Hearing on Preventing Disability,” Feb. 26, 2014.
28 -Government Accountability Office “Disability Insurance,” Sep. 13, 2013.
29 - Sen. Tom Coburn, Sen. Tom Carper, Sen. Carl Levin, Sen. John McCain, “HSGAC Senators Release Social Security Disability Fraud Report,”, Oct. 7, 2013.

» Another report released by former Senator Tom Coburn in 2012 found that a review of disability cases showed that 25 percent of cases contained significant errors.[30]

Each case of fraud that goes undetected can cost the taxpayers more than $300,000, an amount equal to the average lifetime benefit for an DI recipient.[31] It is imperative that the SSA do a better job of preventing fraud and abuse of DI, so that this program can exist for those who truly need the benefits. This budget recommends passage of Representative Sam Johnson's Stop Disability Fraud Act, which would expand criminal penalties for fraud, strengthen reviews of Administrative Law Judges, and prevent evidence from unlicensed doctors from being used to determine disability.

## Fund and Complete Anti-Fraud Reviews

The SSA has the authority to conduct periodic reevaluations called continuing disability reviews (CDR) to determine whether beneficiaries continue to meet the definition of disability. To preserve the DI program for those who truly need it, only those who actually qualify should be allowed to draw benefits.

According to the SSA, these reviews are one of the most cost-effective tools for improving program integrity. Every dollar spent on reviews in 2010 generated $9.30 in future program savings. Unfortunately, the SSA faces a backlog of more than one million pending CDRs. An earlier report released by the inspector general estimates that if SSA had been able to eliminate the backlog it faced in 2010, up to $2.6 billion in improper payments could have been avoided.[32]

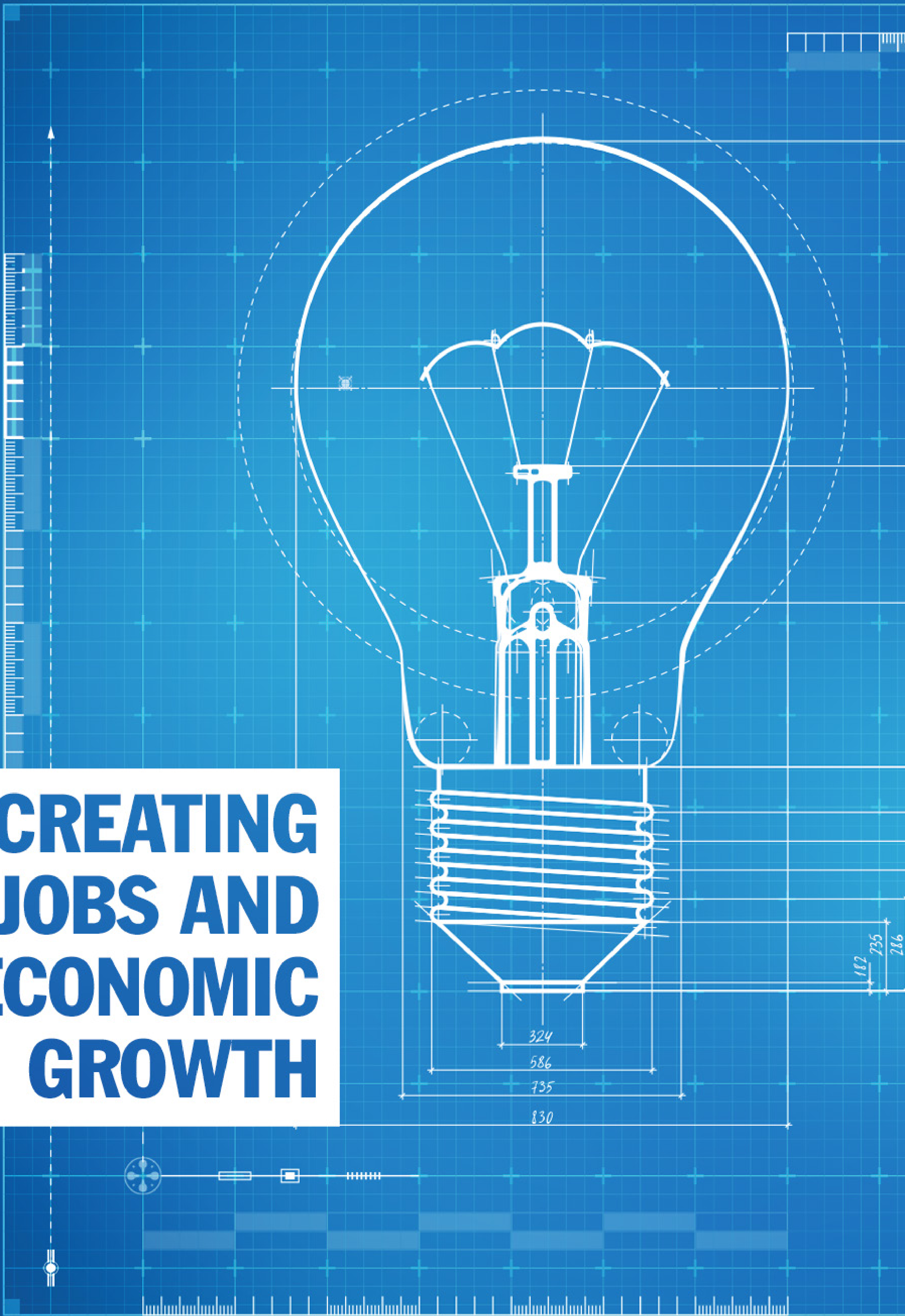
The Budget Control Act provides an adjustment to the spending caps, permitting necessary funding, for program integrity activities such as CDRs. Beginning in FY 2016, the Appropriations Committee should fully fund CDRs and the SSA should fully clear its backlog of pending reviews.

## Prohibit Double Dipping

In 2010, 117,000 individuals received more than $850 million in payments from both the DI program and Unemployment Insurance benefits.[33] These two programs are meant

30 - "Senate Republican Policy Committee, Social Security Disability Insurance Is Failing.
31 - Office of the Inspector General, Social Security Administration "Disability Fraud Probe Leads to Arrests in Puerto Rico," Aug. 21, 2013.
32 - Social Security Administration Office of the Inspector General, Full Medical Continuing Disability Reviews, March 30, 2010.
33 - Government Accountability Office, "Income Security: Overlapping Disability and Unemployment Benefits," Aug. 30 2012.

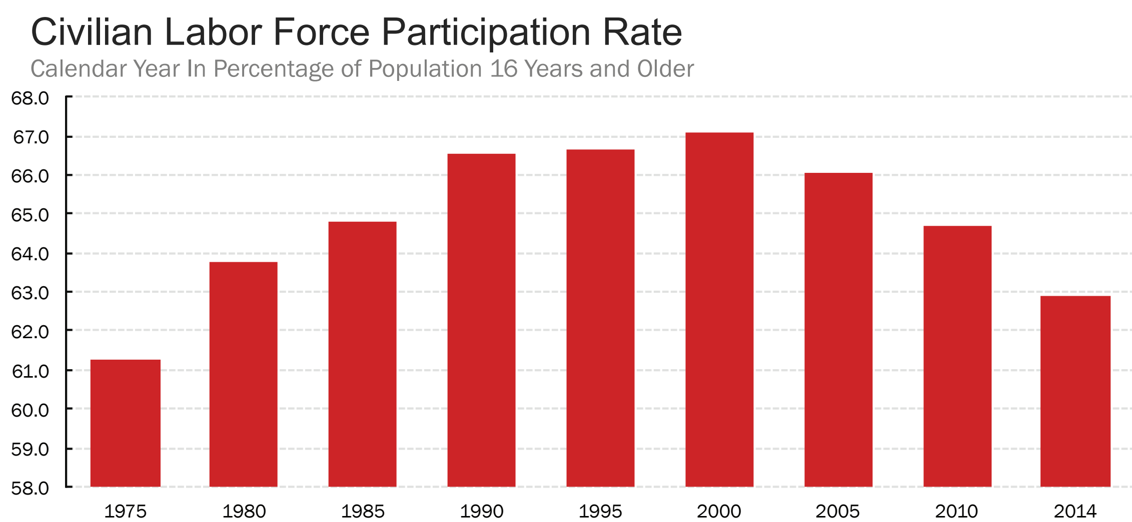
to serve different populations: DI is for individuals who are unable to work and UI is for individuals temporarily unemployed. Individuals should not be allowed to draw benefits from both programs at the same time. This proposal is based upon H.R. 918, the Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act put forward by Representative Sam Johnson. GAO identified this issue as one where program improvements can be made, and President Obama endorsed a similar approach in his budget request. According to the Social Security actuaries, this proposal would reduce spending by $6.9 billion.




# CREATING JOBS AND ECONOMIC GROWTH

# CREATING JOBS AND ECONOMIC GROWTH

Across the nation, Americans are struggling under the weight of burdensome regulations and a sluggish economy. Slowly falling unemployment numbers have masked an underlying crisis as millions of Americans have abandoned the work force and wages have been stubbornly stagnant. The labor force participation rate is at levels not seen since the Carter presidency.[34] Since the beginning of President Obama's term, 12.4 million people have withdrawn from the workforce—the equivalent of everyone in the state of Pennsylvania deciding to stop working or searching for a job.[35] All of this comes after the president's failed "stimulus" spending spree.




Conservatives recognize that government is the problem, not the solution. This budget proposes a number of common-sense steps to foster economic growth, while removing the government burdens holding back America's job creators. After nearly seven years of the president's job-killing policies, it time that we kick start the power of American energy, reform federal labor laws, promote transparency and accountability in the regulatory process, spur investment in local businesses, and expand free trade. These bold solutions create jobs by growing the economy—not the government.

34 - Bureau of Labor Statistics, Labor Force Participation Rate (Seasonally Adjusted), retrieved March 14, 2015.
35 - Bureau of labor Statistics, Not in Labor Force (Seasonally Adjusted), comparing February 2015 to January 2009, retrieved March 14, 2015. U.S. Census Bureau, State Totals: Vintage 2014.

## Unleashing North American Energy Production

America should be exploring and unleashing our vast reserves of energy and mineral resources on public lands. Tapping our domestic energy resources would promote job creation and decrease our dependence on foreign oil.

This budget proposes opening up new areas of the Outer Continental Shelf for domestic energy production, repealing the ban on energy exploration in Arctic National Wildlife Refuge, allowing states to develop resources on federal land within their borders, and stopping the federal government from implementing any hydraulic fracturing regulations in a state that has already issued its own regulations.

This budget approves the Keystone XL pipeline, something that the president has vetoed despite a recent State Department environmental impact statement that found construction of the pipeline would support more than 40,000 jobs. It is past time to green light this "shovel-ready," job-creating project.

The RSC budget would block the Obama administration's war on coal. Despite the fact the American people rejected the president's cap-and-trade proposal, the EPA is moving ahead with job-killing climate change regulations on new and existing power plants.

Our plan also accelerates approval for liquefied natural gas (LNG) exports and strengthens America's ability to advance nuclear power. These are all commonsense solutions to put Americans to work and increase our energy security.

Lifting the ban on the export of crude petroleum, a ban put in place after the oil shocks of the 1970s, would continue to help stimulate domestic energy production. At the same time, it would make America more energy independent, and would lower prices at the pump in the long term.

The Renewable Fuel Standard (RFS) is a program that requires fuel sold in the U.S. to contain a minimum volume of renewable fuels. However, the standard has caused the dramatic increase in the price of corn, food and gasoline. A reform of the standard would end ethanol fuel-blending mandates. This proposal mirrors Representative Goodlatte's Renewable Fuel Standard Elimination Act (H.R. 703).

## Reins in Regulations to Spur Economic Growth

The budget ensures that those affected by regulations are able to weigh in and have their voices heard.

Specifically, our plan requires, for the first time, that all federal agencies objectively weigh the economic impact of proposed new red tape against the estimated benefits, and conduct a cost-benefit analysis for proposed rules.

This budget requires the Administrator of the Small Business Administration to conduct an annual study of the total costs to small businesses of federal regulations and provide small businesses with a six-month grace period for regulatory violations, and allow the agency to waive sanctions if the small business corrects the violation within the six-month window.

The budget also requires federal agencies to periodically review existing rules that have an effect on the economy of $100 million or more and modify, consolidate, or terminate (sunset) these rules on a periodic basis.

The budget also provides a mechanism for people affected by burdensome regulations to petition for sunset review of particular regulations, regardless of their economic impact.

As a final protection against radical regulations, the RSC budget incorporates the REINS Act to require that Congress approve of any regulations that have an annual economic impact of $50 million or more.

## Gets Unions Off the Backs of Job Creators

The budget fully repeals Davis-Bacon, which requires prevailing wages to be paid for all government contracting jobs. Removing this job-killing requirement would allow for increased job creation and allow taxpayer dollars to go further for infrastructure projects.

In addition, this budget allows employers of workers operating under a union contract to award bonuses and pay raises to employees without having to get permission from union bosses.

The budget also prohibits federal employees from using official taxpayer-paid time for union activity. The OPM estimated that in FY 2011 taxpayers paid more than $155 million in official time (salary plus benefits) for employees to conduct union activities.

The proposal also repeals the ability of the General Counsel of the National Labor Relations Board to prosecute before the board.

## Spurs Investment in Local Businesses

The RSC budget allows more capital to flow to Main Street to spur investment. It does this by providing regulatory relief to community banks and credit unions so local financial institutions can more effectively lend to small businesses.

This proposal also removes unnecessary regulations that inhibit investment in businesses. American businesses must have the ability to obtain loans to expand. It is time to get the government off the backs of our job creators so we can rebuild an America that works.

# STRENGHTENING OUR SAFETY NET

# STRENGTHENING OUR SAFETY NET

## Transform Safety Net Programs to Encourage Work and Self-Reliance

Conservatives believe that individuals should have the opportunity to better their circumstances, escape from poverty, and achieve their potential. This notion that everyone has the God-given right to the pursuit of happiness is embodied in our Declaration of Independence. Too many people are trapped at the bottom rungs of the economic ladder. Instead of trapping individuals in poverty, government should clear obstacles and encourage all to rise and achieve the American dream.

## We Know What Doesn't Work

In his 1964 State of the Union address, President Johnson—who declared the War on Poverty and launched the modern welfare system—stated that his agenda's "aim is not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it."[36] This is a laudable goal and should be the focus of our safety-net programs.

But by any measure, Johnson's welfare state has been a failure. The programs launched by the federal government decades ago did little to address the root causes of poverty and the lack of upward mobility. Instead, these programs focus on alleviating the material symptoms of the poverty rather than fostering the conditions that allow individuals to flourish and improve their standing.

Since the War on Poverty was declared in 1965, the federal government and the states have spent $16 trillion on welfare programs.[37] Welfare spending in real terms has increased 16-fold since the War on Poverty was declared and by one-third in President Obama's first four years in office.[38] The House Budget Committee has identified 92 federal programs designed to assist low-income Americans. In 2012, taxpayers spent $799 billion on these programs.[39] This amount could have been used to provide the 46 million Americans living below the poverty line over $17,000 each.[40]

The current welfare system entices people to become dependent on government and behave

36 - President Lyndon Johnson, "Annual Message to the Congress on the State of the Union", January 8, 1964.
37 - Scott Winship, "Safety-Net Reform to Protect the Vulnerable and Expand the Middle Class", YG Network Room to Grow.
38 - Robert Rector and Rachel Sheffield, Heritage Foundation, Opportunity for All.
39 - House Budget Committee, "The War on Poverty: 50 Years Later," Mar. 2014.
40 - Author calculation. Poverty figure from U.S. Census, People in Poverty by Selected Characteristics: 2012 and 2013.

in ways that keep them there. The Department of Health and Human Service's Thirteenth Report to Congress on Welfare Indicators and Risk Factors included a study of new welfare recipients.

Between 2008 and 2011, the department found that 21.5 percent of TANF recipients, 47.8 percent of SNAP recipients, and 48.9 percent of SSI recipients collected benefits for more than a year at a time.[41] Families can become trapped in these programs, limiting their upward mobility. Studies have shown that children whose parents receive welfare benefits are more likely to become dependent themselves when they become adults.[42] This cycle perpetuates a negative feedback loop of economic and social poverty.

Another reason the system encourages dependence is because of the high marginal "costs" imposed on beneficiaries should they take steps to become financially independent—sometimes described as the "welfare cliff." A study conducted by Pennsylvania's Secretary of Public Welfare showed that a single mother could be better off with a job that paid $29,000 and receiving welfare payments than she would be if she had a job that paid $69,000.[43]

While liberals defend this failed and outdated system, conservatives believe that compassion is not measured by how much money is thrown at a problem. Compassion means helping individuals escape from poverty and climb the ladder of opportunity.

## We Know What Works

We know what type of reform actually works. In 1996, conservatives in the Congress worked to enact reforms of the Aid to Families with Dependent Children program that had created a culture of dependency. These reforms became the Temporary Assistance to Needy Families (TANF) program, which instead incentivized work. The results were dramatic: thanks to these reforms, child poverty decreased and employment for single mothers increased.

Individuals respond to incentives. That is why it is important to design a proper system of "carrots and sticks"—policies that reinforce positive behaviors and discourage negative choices. In the same 1964 speech, President Johnson said that "very often a lack of jobs and money is not the cause of poverty, but the symptom."[44] Obtaining work and keeping

41 - Department of Health and Human Services, Welfare Indicators and Risk Factors Thirteenth Report to Congress, Table IND 7a. Percentage of TANF, SNAP and SSI Spells for Persons Entering Programs during the 2008 SIPP Panel by Length of Spell and Selected Characteristics.
42 - FamilyFacts, "Breaking the Cycle of Welfare Dependence".
43 - Gary Alexander, Secretary of Public Welfare, Commonwealth of Pennsylvania, Testimony before the Senate Budget Committee, February 13, 2013.
44 - President Lyndon Johnson, Annual Message to the Congress on the State of the Union, January 8, 1964.

a job takes effort, perseverance, commitment, sacrifice, prioritization, and personal responsibility. Our assistance programs should encourage these positive traits.

Conservatives reject the idea that government can solve every problem for every individual. Poverty is not something that can be regulated away by Washington bureaucrats or even officials from a state agency. But we believe that government can and should create an environment where the right incentives are in place to promote positive results for our fellow citizens. That is why this budget puts forward these important reforms.

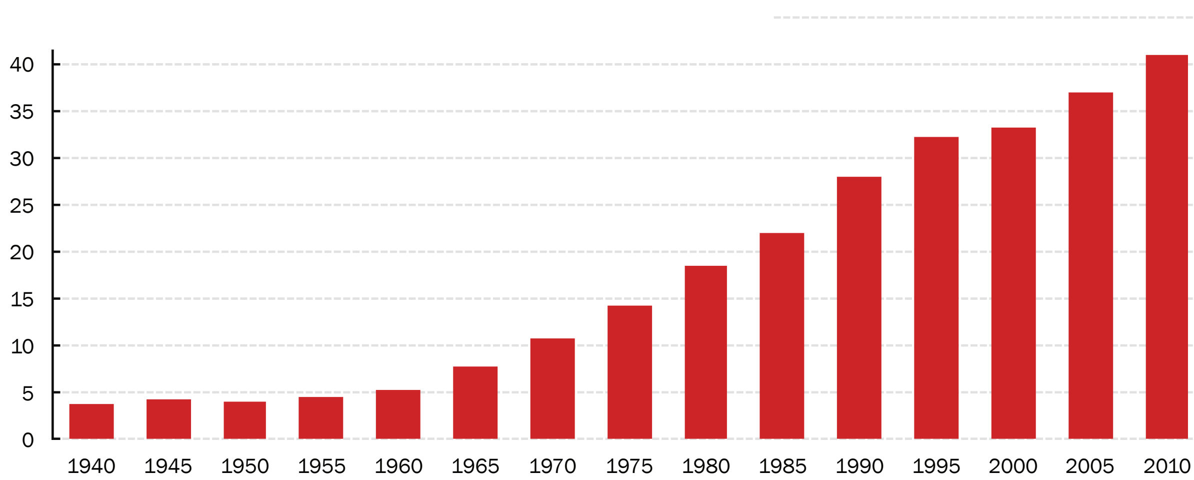
## The Importance of Families and Civil Society

Of course, no amount of government intervention can replace the pillars of American civil society—our family, friends, neighbors, religious institutions, and charities.

One of the most important predictors of whether a family lives in poverty is whether the mother and father remain married. In 2012, 30.9 percent of families headed by a single mother with no husband present and 16.4 percent of families headed by single fathers without a wife present lived in poverty, while 6.3 percent of married-couple families lived in poverty.[45]

Percentage of Births that are Nonmarital

Calendar Year In Percentage of Population 16 Years and Older




Each community must decide what sort of behaviors and social norms it will encourage. It takes the support of friends, family, and communities to nurture and support individuals in their time of need. If those vital social bonds are broken down, that important safety net

45 - U.S. Census Bureau “Historical Poverty Tables”.

disappears. Deepening the ties that hold our families and local communities together is the most effective way to fight poverty.

## Reduce the Marriage Penalties in Welfare Programs

Unfortunately, the current system of means-tested welfare programs punishes those who marry. The largest welfare programs all contain a marriage penalty, including Medicaid, TANF, SNAP, housing assistance, and child care.[46] If a low-income person receiving government assistance marries an employed person, their welfare benefits would be reduced or eliminated. It has even been said that “For most couples on welfare, getting married is among the more expensive decisions they will face as newlyweds, saying “I do” will reduce welfare benefits, on average, by 10 percent to 20 percent of their total income.”[47]

These policies encourage broken families. The RSC budget recommends that Congress take steps to reduce these penalties against the single best antipoverty measure: marriage and a stable family structure.

## Restore the TANF Work Requirements

Unfortunately, in 2012, President Obama gutted the reforms enacted on a bipartisan basis in 1996. In contravention of the law, the Department of Health and Human Services offered to waive the work requirements through executive fiat. To restore this important provision, the Congress should quickly enact H.R. 1179, the Preserving Work Requirements for Welfare Programs Act put forward by Representative Tom Reed.

## Reform the Food Stamp Program

The Supplemental Nutrition Assistance Program (SNAP, formerly called Food Stamps) rolls have grown by 69 percent since 2008, while spending on the program has increased by 112 percent to almost $80 billion per year. Loopholes in the current program have allowed those who would not normally qualify for benefits to enroll or receive additional benefits. GAO found that in 2010, more than 473,000 households received benefits despite the fact their incomes were over the federal eligibility limit.[48] GAO also found more than $2 billion in SNAP benefits were paid in error in 2009.[49] Because states administer the program, but do not have the ability to reap the full savings from preventing fraud, the SNAP program is

46 - Adam Carasso and C. Eugene Steuerle, “The Hefty Penalty on Marriage Facing Many Households with Children.”
47 - Sam Brownback and David Blankenhorn, Wall Street Journal, “End the Welfare Marriage Penalty.”
48 - Government Accountability Office Supplemental Nutrition Assistance Program, Jul. 30, 2012.
49 - Government Accountability Office, Supplemental Nutrition Assistance Program, Jul. 28, 2010.

fundamentally flawed.

This budget recommends that the House Agriculture Committee put forward legislation that would authorize the food stamp program as a block grant, with funding subject to the annual appropriations process. Nutrition assistance funds would be distributed to states based on a formula that accounts for poverty and unemployment in each state. States would have flexibility to administer their own programs and supplement federal funds with state funds. The budget includes a deficit neutral reserve fund to allow such a reform to be implemented.

Many benefit programs are already funded through the appropriations process and distributed by formula, including the Housing Opportunities for Persons With AIDS program, the Community-Based Child Abuse Prevention program, the Weatherization Assistance program, the HOME Investment Partnerships Program, the Stephanie Tubbs Jones Child Welfare Services Program, and the Native American Housing Block Grants program. Unlike mandatory spending programs that are on budgetary autopilot, Congress is able to fully analyze, review, and conduct oversight of programs every year through the appropriations process. In 2014, the House Appropriations Committee held more than 100 oversight hearings with federal agencies. Since Congress considers appropriations bills each year, lawmakers are able to respond to the changing needs in funding for nutrition assistance and other types of programs.

In an effort to combat fraud, it is recommended that states also require nutrition assistance beneficiaries to present a photographic identification card when using an electronic benefit card to make a purchase. This proposal, which is based on H.R. 733, the SNAP Verify Act put forward by Representative Matt Salmon, would help crack down on the estimated $750 million in SNAP card trafficking fraud that takes place each year.

The fact that 46 million people currently receive food stamps points to the failures of President Obama's economic policies to provide opportunity for the most vulnerable in our society. Because it is the goal of this proposal to move those in need off of the assistance rolls and back into the workforce and towards self-sufficiency, funds from the grant must be used by the states to establish and maintain a work activation program for able-bodied adults without dependents. These programs will be administered by the states and could include training and work placement activities.

## State Flexibility for Supplemental Security Income (SSI)

Supplemental Security Income (SSI) is one of the largest federal welfare programs and is projected to cost $60 billion in FY 2016, with the cost growing to $72 billion in FY 2025. SSI provides cash payments to aged, blind, or disabled persons. SSI has also been expanded to include payments to the parents of disabled children. Studies have shown that most children who received SSI payments end up on the program as adults.[50] This budget proposes to convert SSI into a state flexibility block grant program that would allow all 50 states to experiment and better serve their citizens.

## Fighting Fraud

A disappointing consequence of the federal government spending so much on assistance programs is the predictable fraud that occurs. GAO has said that fraud is rampant in the Food Stamp program.[51] The Earned Income Tax Credit (EITC) is plagued with a high error rate according to the Treasury Inspector General for Tax Administration.[52] The IRS "paid out at least $5.9 billion in improper payments" for the Child Tax Credit in 2013.[53] A report from the House Oversight and Government Reform Committee says that Medicaid waste, fraud, and abuse "may exceed $100 billion per year."[54] And the SSI program is reported to have sent benefit checks to Mexico City.[55]

The federal government could reduce fraud in state-administered programs by incentivizing state agencies and attorneys generals to investigate and prosecute welfare fraud. If states are allowed to retain a portion of the dollars recovered due to fraud and abuse they eliminate, they will be more likely to crack down on it.

This budget also proposes requiring a legitimate Social Security number in order to be eligible for the Child Tax Credit. Representative Sam Johnson has put forward such a proposal in the Refundable Child Tax Credit Eligibility Verification Reform Act.

## Continue to Improve the Rest of the Safety Net

This budget proposes to reform our federal welfare system so that it encourages work, self-reliance and opportunity. The federal government should give states the flexibility to implement and improve safety-net programs based on the needs of their citizens.

Building on the success of the 1996 welfare reforms, this budget proposes reforms that would incentivize states to encourage individuals to gain skills that lead toward self-sufficiency. Programs such as Medicaid and housing assistance would be strengthened with such incentives. To be eligible for benefits, able-bodied adults without dependents would be

50 - House Budget Committee, The War on Poverty: 50 Years later.
51 - Fox News, Food stamp fraud rampant: GAO report.
52 - Tax Foundation, Earned Income Tax Credit Still Plagued with High Error Rate.
53 - Politico, IG: Billions lost to potential child tax credit fraud.
54 - House Oversight and Government Reform Committee, Uncovering Waste, Fraud, and Abuse in the Medicaid Program.
55 - The American Spectator, The Fraud in Our Entitlement System.

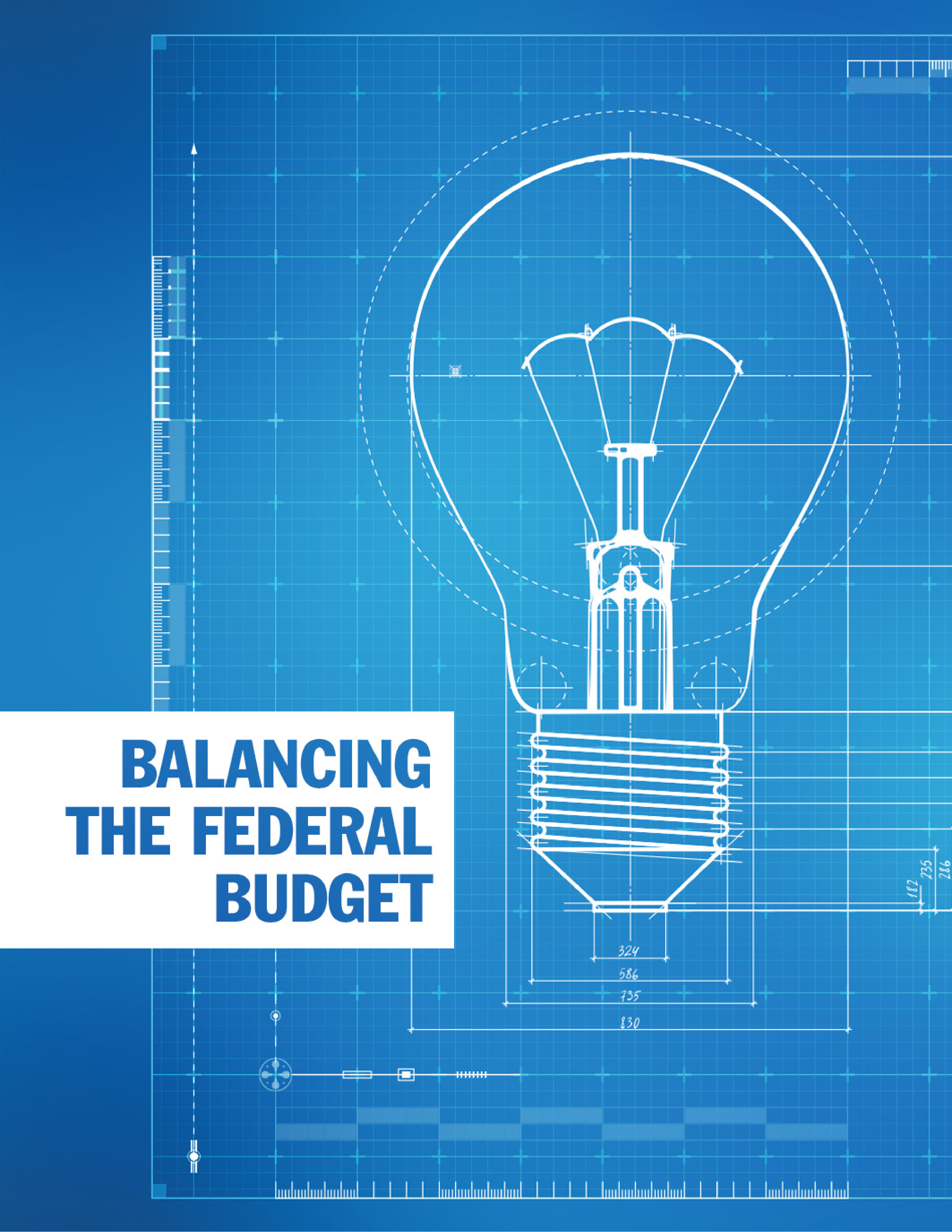
required to work or be preparing for work, including enrolling in educational or job training programs, community service, or a supervised job search.

This proposal is based on a simple premise—government should offer a hand up, not a just a hand out. The most effective welfare benefit is one that leads to a job. We should change the incentives of our safety-net programs, so that instead of dependency, we foster a path towards success and self-sufficiency. Everyone deserves the dignity and freedom that comes from the self-reliance provided by employment.

This budget also proposes giving states additional flexibility to tailor programs to the populations in their state. States could strengthen means testing of programs to ensure that the poorest citizens are given the biggest boost, while those who are better off receive less assistance. Conversely, a state could decide to give a set level of support to all who meet eligibility requirements for a program.

This budget does not encourage reforms to impose a burden on those most in need. To the contrary, this budget advocates crafting a better system to create upward mobility for individuals and families. Justice for the poor is giving those most in need the opportunity to be successful. We should help the poorest among us build the skills they need to prosper, climb the economic ladder, and achieve the American dream.

# BALANCING THE FEDERAL BUDGET



# BALANCING THE FEDERAL BUDGET

The federal government is drowning in red ink. Since President Obama took office, the national debt has increased by approximately $7.5 trillion, to $18.1 trillion. And if the president had his way, the federal government would add another $8.5 trillion by the end of the decade. The current path is absolutely unsustainable.

Add on the exploding interest payments that come with runaway debt and the dire reality of our fiscal situation becomes worse. By FY 2025, CBO projects that net interest spending will quadruple to $827 billion from the current level of $227 billion. Unless we implement bold reforms, this country will be on the hook for hundreds of billions of dollars in interest payments—much of it to countries like China and Saudi Arabia. By FY 2023, our nation will spend more on interest payments than for national defense.

Caps on discretionary spending have been helpful in the short-term to lighten the load on our nation's credit card, but more must be done. Mandatory spending programs make up about two-thirds of our spending each year. These programs are on budgetary autopilot, with little yearly congressional review.

Over the last decade, mandatory spending increased by almost 70 percent, and within ten years, CBO projects that mandatory spending will increase by another 70 percent to almost $4 trillion. On the current path, the next generation of Americans will see mandatory spending consume all government revenues, leaving nothing for defense, infrastructure, and other national priorities. Like quicksand, given enough time, these programs will naturally drag us further down the debt hole. Of course, those programs will also fiscally fail during that time. Doing nothing is not an option.

This budget puts forward sensible reforms that bring spending back to a responsible level, reducing spending by $7.1 trillion over the next ten years compared to current policy.

## Decouple Farm Subsidy Programs from Nutrition Subsidy Programs

Congress has reauthorized farm program spending and nutrition program spending (commonly known as food stamps) together in the same legislation for decades. This unholy alliance assures increased spending for both categories of assistance. In 2013, the House of Representatives decoupled these two issues, only to see them cobbled back together in the conference committee with the Senate. In fact, about 80 percent of the spending in the final farm bill went towards nutrition programs, not agriculture programs. This budget proposes that farm subsidies and nutrition subsidies be considered separately, each on their own merits, in future reauthorizations. This proposal is based on a plan put forward by

Representative Marlin Stutzman.

## Prohibit New Enrollments in the Conservation Reserve Program (CRP)

CRP provides payments to farmers to take certain cropland out of production for 10 years or more to improve soil, water, and environmental quality. Demand for enrollment in CRP has declined steadily over recent years. This budget would respond to this trend and prohibit new enrollments in CRP. This would save $1.8 billion over ten years, according to CBO.

## Prohibit New Enrollment in the Conservation Stewardship Program (CSP)

The Conservation Stewardship Program (CSP) encourages agricultural producers to adopt more environmentally sustainable practices on their working land. Like most government programs, it was well intended. However, this program subsidizes agricultural producers to use conservation techniques that many have already adopted as best practices. This budget would prohibit new enrollments in CSP. Land that is currently enrolled in CSP would continue to be eligible to receive payments until the contract expires. The National Commission on Fiscal Responsibility and Reform targeted this program as one in need of change. This would save $8 billion over ten years, according to CBO.

## Eliminate Funding for Farmers Market and Local Food Promotion

The Farmers Market Promotion Program provides grants to support local farmers markets and roadside stands, community-supported agriculture, and agri-tourism activities. These businesses connect local producers with local consumers; however, these activities should not be subsidized by the federal government.

## Repeal Biomass Crop Assistance Program (BCAP)

BCAP provides matching or annual payments to owners and operators of agricultural and forest land to support biomass feedstock production. As made painfully evident by other failed ventures, the federal government should not be in the business of picking winners and losers among energy sources. BCAP would be eliminated beginning in FY 2016, saving $109 million over ten years, according to CBO.

## Eliminate the Foreign Market Development Program (FMDP)

The Foreign Market Development Program (also known as the Cooperator Program) is used to help promote agricultural exports and provide nutritional and technical assistance to foreign consumers. This program would be terminated beginning in FY 2016. The industry already operates a program to promote agriculture exports overseas, and federal support for this program is inappropriate. FMDP would be eliminated beginning in FY 2016, saving $316 million over ten years, according to CBO.

## Eliminate the Market Access Program (MAP)

The Market Access Program funds—in partnership with U.S. agricultural trade associations, cooperatives, state regional trade groups, and small businesses—overseas marketing and promotion activities for U.S. agricultural products and commodities. While this is no doubt helpful to businesses across the country, taxpayers should not be responsible for product promotion. The National Commission on Fiscal Responsibility and Reform targeted this program as one in need of change. This program would be terminated in FY 2016, saving $1.9 billion over ten years.

## Repeal the Acer Access and Development Program (For Maple Syrup)

The 2014 Farm Bill authorizes $20 million per fiscal year in grants to states, tribal governments, and research institutions to promote the domestic maple syrup industry. Federal funding is not necessary to promote this delicious, largely North American-produced product.

## Repeal Additional Crop Insurance for Organic Crops

The 2014 Farm Bill requires the federal government to pay higher prices when making insurance payouts for federally insured organic crops. These higher payments should be repealed.

## Repeal Organic Product Promotion Order

This program in the 2014 Farm Bill allows the federal government to add a new tax on organic crops and to use those fees to promote the organic industry. Advertising niche products is not a core responsibility of the federal government, and this program should be repealed.

## Repeal Specialty Crop Block Grants (SCBGP)

The SCBGP provides grants to state agriculture agencies to support specialty crops. This special interest subsidy program is an inefficient use of taxpayer dollars and should be repealed.

## Repeal Christmas Tree Promotion Order

The final version of the 2014 Farm Bill included a new Christmas tree tax. The new 15-cent-per- tree fee would fund the Christmas Tree Promotion Board "to enhance the image of Christmas trees and the Christmas tree industry in the United States." The federal government should not have a special tax on Christmas trees, and this provision should be repealed.

## Repeal National Organic Certification Cost Share Program

The National Organic Certification Cost-Share Program subsidizes organic producers up to 75 percent of their organic certification costs. This special interest program was highlighted as a wasteful use of taxpayer dollars by the RSC Sunset Caucus in 2010 and should be eliminated.

## Eliminate the National Sheep Industry Improvement Center

The National Sheep Industry Improvement Center provides grants to support sheep and goat producers, including financing annual trips to Australia. This mature industry does not require taxpayer dollars to enhance its production and marketing. This program should be repealed.

## Eliminate Subsidies for Wool and Mohair

Federal subsidies for wool and mohair were first established in 1947. There is no compelling economic or strategic reason to continue these subsidies. Beginning in FY 2016, subsidies would be eliminated, saving $10 million over ten years, according to CBO.

## Eliminate the Sugar Program

The federal government's sugar program is one of the worst examples of crony capitalism that drives up costs for consumers. The program consists of both price supports and production limits for domestic sugar producers as well as import restrictions and tariffs for imported sugar. Because of these restrictions, the price of domestic sugar is about twice that of the world market price. According to CBO, eliminating the sugar program would save $115 million over ten years. However, the savings would be much greater for American consumers.

## Allow States to Help Pay Down the National Debt

States should be allowed to designate unused federal funds to the Treasury to help pay down the national debt. Under current law, the federal government often spends elsewhere any funds that are refused by a state, creating a “use it or lose it” mentality among state lawmakers regarding federal dollars. This proposal is based upon Representative Fleischmann’s Returned Exclusively For Unpaid National Debt (REFUND) Act, which was introduced in the 113th Congress.

## Repeal the Universal Service Fund (USF)

The USF provides subsidized telephone and broadband services for low-income individuals and in areas that are considered underserved. The USF is funded by “contributions” from telecommunications companies—in reality, consumers pay a tax that is included on each monthly bill. Unfortunately, the programs run by the fund—including the LifeLine program that provides free government-subsidized cell phones—are too often fraught with waste, fraud, and abuse. This budget repeals the USF, saving the taxpayers $96 billion in spending over the next ten years, according to CBO.

## Transfer the Tennessee Valley Authority’s (TVA) Electric Utility Functions to the Private Sector

The TVA was created in 1933 to develop hydroelectric capability on the Tennessee River. Since that time, the federally run TVA has expanded its electric generating and transmission infrastructure significantly, accounting for five percent of the nation’s electric generation in 2010. Because power generation no longer needs to be carried out by the federal government, the TVA’s electric utility functions should be transferred to the private sector.

## Encourage Reforms to Higher Education to Increase Accessibility and Decrease Cost

As college costs rise, we must look to innovative approaches to higher education aimed at serving a diverse and non-traditional student population. Not all students want to pursue a traditional four-year degree, nor do they need to for their careers. Unfortunately, students who use federal loans and grants can only access these funds if they attend a federally “accredited” institution. Allowing states to experiment with their own accreditation processes—while keeping in place the current system for those who use it—would allow a variety of institutions to offer classes to students who depend on federal grants and loans. In addition, increased state flexibility would allow non-traditional students the opportunity to tailor their education to fit their needs. This proposal is based off of H.R. 1287, the Higher

Education Reform and Opportunity (HERO) Act.

## Prevent the President's College Rating System

In 2013, President Obama laid out his plan to measure college performance through a newly created college rating system. One of the biggest problems with this proposal is the benchmarks used to create the rating system. In particular, the proposal ties the success of the university to the earnings of its graduates. Some are concerned that colleges with a high number of graduates who choose to go into the military, public service or non-profit fields, as opposed to more lucrative fields, will suffer in the rankings. This college rating system will not support innovations in higher education; instead, it will lead to greater standardization and less choice in postsecondary education. This proposal is based on H. Res. 26 put forward by Representative Bob Goodlatte.

## Prevent the President's Student Loan Bailout

The president's FY 2016 budget reveals that the student loan program fell $22 billion short last year. This shortfall is the largest recorded for any government credit program, and is a direct result of the president's policies. These policies have caused a reduction in loan payments to the government. Since the student loan program is categorized as a credit program, the Treasury automatically covers the shortfall without congressional approval. It is estimated this shortfall alone will add 5 percent to the deficit. This budget calls for reforms to how federal credit programs operate.

## Allow States to Control Their Education Policies and Stop Forcing Common Core on our Children

Education policy should be set by teachers, school boards, and locally elected officials—not Washington bureaucrats. The implementation of No Child Left Behind (NCLB) has drastically increased federal reach into classrooms, with spending by the Department of Education doubling since the year 2000. To prevent this, states should have the ability to completely opt-out of the burdensome and costly mandates created by the federal government under NCLB. States should have the option to receive their federal education funds in the form of a block grant or refundable tax credits for a participating states' residents. These proposals are based on the Academic Partnerships Lead Us to Success (A-PLUS) Act and the Local Education Authority Returns Now (LEARN) Act, respectively.

Instead of forcing states to adopt Common Core, the RSC budget calls for the passage of Representative Joe Wilson's Local Control of Education Act. This legislation would stop the federal government from mandating a one-size-fits-all approach to K-12 education standards.

In addition, parents should be given the flexibility and choice to remove their students from failing schools and place them in accredited private schools using their portion of Title I funding. H.R. 554, the Enhancing Educational Opportunities for All Students Act and H.R. 773, Transform Education in America through Choice (TEACH) Act, both contain this proposal.

## End the Government Sponsored Enterprises Fannie Mae and Freddie Mac and Reform the Federal Housing Administration

The taxpayers have bailed out Fannie Mae and Freddie Mac to the tune of $187 billion since they were placed in conservatorship in 2008. Since that time, the government sponsored enterprises (GSEs) have funded between 75 and 85 percent of all mortgage originations.[56] The Federal Housing Administration's (FHA) fiscal situation got so dire that the president's FY 2014 budget requested $943 million to bail out the mortgage insurer.

According the House Financial Services Committee, Fannie and Freddie have left taxpayers liable for more than $5 trillion in mortgage guarantees.[57]

This budget recommends a repeal of Fannie Mae and Freddie Mae's federal charters. Further, the FHA should be reformed so that it can operate on a self-sufficient basis. This proposal is based on the Protecting American Taxpayers and Homeowners Act.

## Eliminate the Consumer Financial Protection Bureau (CFPB)

The Dodd-Frank financial reform law created the CFPB as a new financial regulator with wide authority. Unlike other regulatory agencies, the CFPB is subject to little congressional oversight. During its brief existence, the CFPB has already dramatically expanded its reach with little transparency and accountability. The CFPB, with its "government knows best" philosophy, should be eliminated.

## End Dodd-Frank Bailout Authority for Big Banks

Dodd-Frank financial reform law provided the Federal Deposit Insurance Corporation (FDIC) the authority to access taxpayer dollars to bail out the creditors of large, "systemically significant" financial institutions. The federal government—read taxpayers—should not be

56 - Selected Legislative Proposals to Reform the Housing Finance System," Congressional Research Service, Sep. 10, 2013.
57 - "PATH Act," Committee on Financial Services, Majority, Jul. 24, 2013.

the emergency piggy bank for hazardous decision-making by banks and corporations. This budget proposal would save $37.7 billion over ten years, according to CBO.

## Reform the Federal Commemorative Coins Program

When directed by Congress, the U.S. Mint can create special commemorative coins to honor things such as famous individuals, organizations, places, or events. These coins are sold to the public and a surcharge is devoted to specific private organizations. Instead of this revenue benefiting the well-connected, this surcharge revenue for new commemorative coins should be directed to the Treasury for the purpose of paying down our national debt. This proposal is based upon the Commemorative Coins Reform Act, which was introduced in the 113th Congress.

## Use a More Accurate Measure of Inflation, Government Wide

Many federal programs rely on a measure of inflation to determine benefit levels. This is typically done using changes in the consumer price index (CPI). Since 2002, the Bureau of Labor Statistics has published a more accurate measure of inflation, called the Chained Consumer Price Index (chained CPI). This budget proposes to begin using the more accurate measure for inflation, chained CPI, saving the taxpayers $220 billion in total over the next ten years, with $140.8 billion of that amount going toward making Social Security solvent, according to CBO.

## Reform Federal Employee Pension Plans

Federal employees hired since 1984 are entitled to a two-part retirement program, including the Federal Retirement System (FERS) defined benefit plan and a 301k-style plan with up to a 5 percent government contribution. Under FERS, federal workers contribute only 0.8 percent of their pay, while the taxpayers contribute 11.7 percent of employees' salaries. A recent CBO report found that, on average, federal civilian employees receive 48 percent more in benefits than the average private-sector employee with similar characteristics.

This budget would make several reforms to the federal employee retirement system. First, instead of basing the amount of a retiree's benefit on the highest three years of earnings, the benefit would be calculated from the highest five-year period. According to CBO, this proposal would save $3.3 billion over ten years.

Second, all federal employees would be required to contribute more towards their retirement. The Middle Class Tax Relief and Job Creation Act of 2012 required new federal employees to contribute more towards their retirement. No changes were made for current federal employees. This proposal would equalize the treatment for all federal workers.

## Adopt Premium Support For Federal Employee Health Care

The Federal Health Benefits Program (FEHBP) provides health insurance coverage for federal employees and their dependents. Participants choose from a range of plans and pay for about 30 percent of premiums, with the federal government covers the remaining 70 percent. Because this ratio does not change with the higher-priced coverage options, federal employees have the incentive to choose the more expensive plans on the government's dime. This budget would transition to a premium support system for the FEHBP. The government would offer a standard federal contribution towards the purchase of health insurance and the employees would be responsible for paying the rest. This option would encourage employees to purchase plans with the appropriate amount of coverage that fits their needs. This proposal would save $29 billion over ten years, according to CBO.

## Increase Federal Insurance Premiums for Private Pension Plans

The Pension Benefit Guarantee Corporation (PBGC) provides federal insurance for participants in private defined-benefit pension plans covering approximately 44 million people. Companies that are covered by the PBGC pay premiums for this insurance. If an insured pension plan fails without sufficient assets to pay promised benefits, the plans liabilities are assumed by the PBGC. According to the PBGC's recent annual report, the single-employer pension program is stabilizing but remains in net deficit, and the multiemployer program is likely to run out of money within the next eight years. This budget proposes to increase the premiums charged to private pension plans, more closely aligning them with the risk posed to the PBGC (and the taxpayer) and increasing the incentive for employers to properly fund their pension plans. This proposal would save $5 billion over the next ten years, according to CBO.

## Prohibit the Federal Government from Bailing Out Irresponsible State and Local Governments

State and local governments are the great laboratories for democracy. Sadly, some states and cities have proved irresponsible or have been negligent in addressing pending financial problems. Taxpayers in financially healthy states should not be put on the hook for the reckless behavior and mistakes of other states. This proposal is based upon the No Bailouts for State and Local Governments Act, introduced in the 113th Congress.

## Sell Unneeded Federal Land and Property

According to CRS, the federal government owns about 640 million acres, an amount equal to 28 percent of the land in the U.S.[58] Additionally, the federal government owns more than 900,000 buildings and structures that are worth hundreds of billions of dollars. A 2011 GAO report found that 24 federal agencies operated 45,190 underutilized buildings at a cost of $1.7 billion.[59]

The federal government should look for ways to reduce its holdings of unnecessary lands and real property in a responsible way. The Excess Federal Building and Property Disposal Act and the Civilian Property Realignment Act, introduced in the 113th Congress could serve as ideal ways to sell off the government's holdings. The federal government should also explore ways to transition certain federal lands to state governments or the private sector.

## Return Transportation Policy to the States

It's been almost sixty years since President Dwight Eisenhower signed the Federal Aid Highway Act of 1956 into law, beginning the construction of our nation's interstate system. Nearly 48,000 miles later, this top-down federal approach for our nation's highways should be returned to the states. State and local officials are in a much better position to understand the needs of local transportation needs than are bureaucrats in Washington.

Federal transportation policy is supposed to be self-financed by the 18.4 cent per gallon federal gas tax. But, as is too often the case, Washington has spent beyond its means and left the taxpayers to foot the bill. Congress has bailed out the Highway Trust Fund (HTF) to the tune of $65 billion. Over the next ten years, CBO projects that HTF outlays will exceed revenues by approximately $168 billion.

Highway spending needs an overhaul. In reality, only about seventy percent of the most recent highway bill's spending goes towards highway programs. Meanwhile, 15 percent goes to public transportation and one percent to "transportation alternatives," which can be anything from landscaping to walking trails. Federal mandates and carve-outs get in the way of infrastructure spending.

Instead, Congress should devolve the federal government's control over most highway and transit programs to the state and local governments. This budget proposes a five-year

58 - "Federal Lands and Natural Resources: Overview and Selected Issues for the 113th Congress," Congressional Research Service, Mar. 19, 2014.
59 - "Government Faces Challenges to Disposing of Unneeded Buildings," Government Accountability Office, Feb. 10, 2011.

phase-out, after which, federal transportation spending will be limited to core federal duties. These duties would center primarily on the interstate highway system and transportation infrastructure on federal land. As the level of federal responsibility is reduced, Congress should reduce the federal gas tax.

This budget includes a deficit neutral reserve fund to accomplish these reforms, based on the principles laid out in the Transportation Empowerment Act.

In an effort to allow for increased levels of spending, some have called for an increase in the gas tax. This would hurt hardworking Americans at the pump. The RSC budget would prohibit any gas tax increase.

## Eliminate Transportation Alternatives Program (TAP)

TAP provides federal funding for a number of local alternative transportation projects, including bike paths, trails, medians, sidewalks, historical preservation, archeological activities, landscaping, environmental mitigation, and scenic overlooks. These types of transportation projects are local in nature and not the responsibility of the federal government. Eliminating the TAP would save taxpayers $820 million per year.

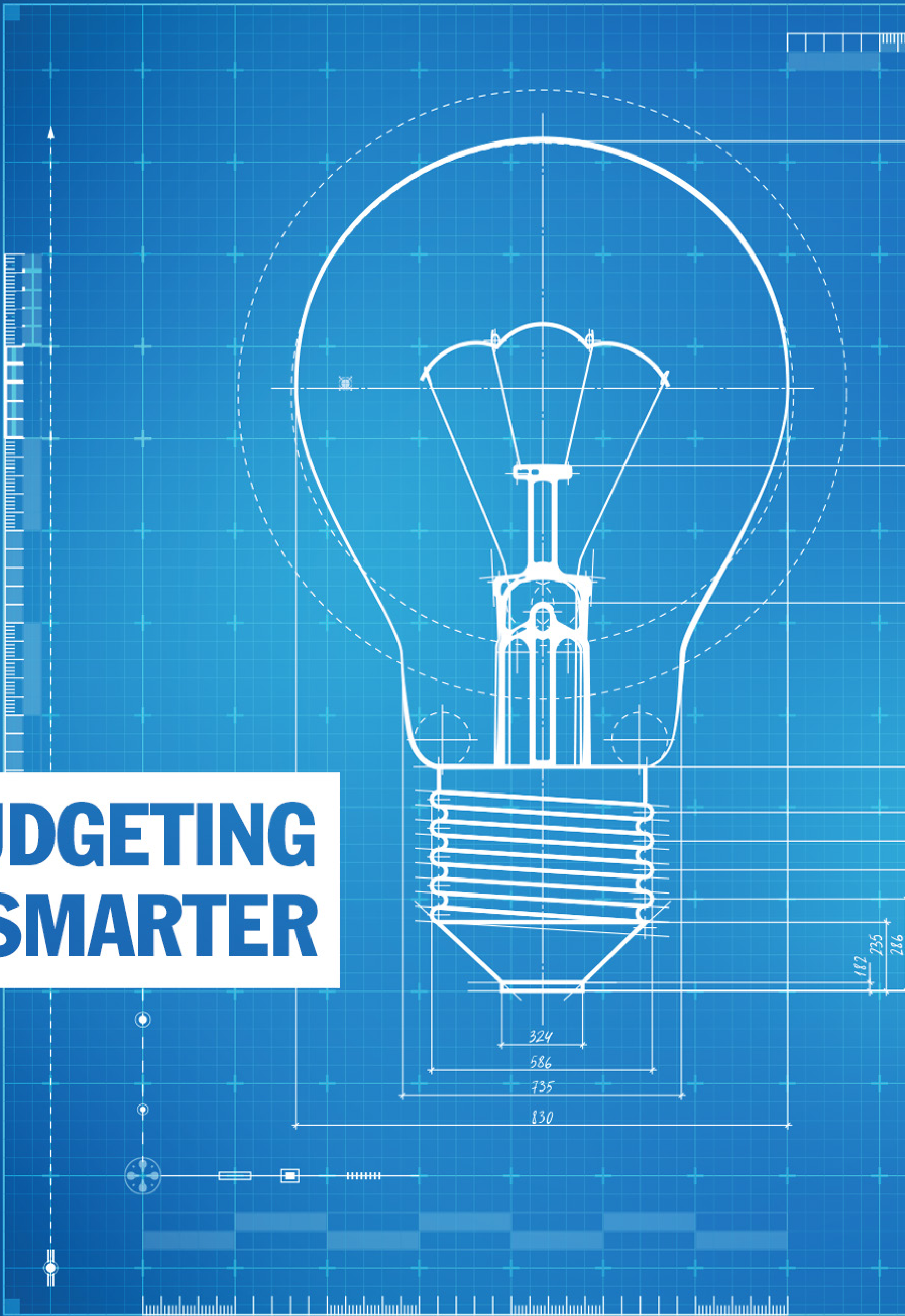
## Eliminate the Essential Air Service Program

This program heavily subsidizes flights to and from rural areas—often at a cost of several hundred dollars per passenger. Congress has debated eliminating this program for years. The federal government should not be borrowing money to provide air service to areas of the country where the market will not support it.

## Eliminate the Social Services Block Grant (SSBG)

The SSBG program provides funding to states that can be used for a wide range of social programs. However, this funding is duplicative of many other federal programs. The single largest use of these funds is to cover states' administrative costs of providing information and referrals to government programs. The SSBG should be eliminated, saving $16.8 billion over the next decade.

# BUDGETING SMARTER



# BUDGETING SMARTER

Discretionary spending makes up about one-third of total federal spending each year, and it is important that Congress spends this wisely. This budget proposes to reduce total discretionary spending to $975 billion in FY 2016. The RSC budget freezes total discretionary spending through FY 2017, and then allows discretionary spending to grow with inflation.

This budget lays out a menu of discretionary spending reforms that Congress should implement, saving taxpayer billions of dollars each year.

## Repeal United States Department of Agriculture (USDA) Catfish Inspection Program

The USDA Catfish Inspection Program should be repealed beginning in FY 2016, saving $15 million annually. This duplicative program was “airdropped” into the 2008 Farm Bill without prior consideration and was disappointingly maintained in the recent 2014 Farm Bill. The Food and Drug Administration is charged with inspecting all seafood, except for catfish, which now unexplainably is the responsibility of the USDA.

## Eliminate Rural Cooperative Development Grants (RCDG)

The RCDG program is meant to provide grants to subsidize rural cooperatives. Grantees are only subject to a 25-percent cost-sharing requirement and may use the funds for the operation, expansion, or startup of a cooperative. The RCDG program should be eliminated in FY 2016, saving $22 million per year.

## Eliminate Rural Renewable Energy Subsidies

This program should be eliminated beginning in FY 2016, saving the taxpayers $1.35 million per year. This program subsidizes the development of renewable energy programs for small rural businesses and agriculture producers. The federal government should not be in the business of subsidizing inefficient types of energy that would be better produced by the private market. According to GAO, this is just one of 679 different economically unsound initiatives meant to promote green energy.

## Eliminate the Legal Services Corporation (LSC)

Though created with the intent to provide free, legal assistance in non-criminal cases, the LSC has evolved into an organization that also takes part in the advocacy for political causes and lobbying. The LSC is marked by misuse of taxpayer money and redundancy as many of LSC's programs are offered by the states. Beginning in FY 2016, the LSC should be eliminated, saving the taxpayers $375 million per year.

## Eliminate the Economic Development Administration (EDA)

The EDA is a duplicative program and seeks to accomplish many of the same goals as the Neighborhood Reinvestment Corporation. The EDA should be eliminated beginning in FY 2016, saving the taxpayers $213 million per year. This proposal is based on H.R. 661, the EDA Elimination Act.

## Eliminate the International Trade Administration (ITA)

By the ITA's own account, its activities provide "counseling to American companies in order to develop the most profitable and sustainable plans for pricing, export, and the full range of public and private trade promotion assistance, as well as market intelligence, and industry and market-specific research." U.S. companies produce products that can compete with those produced anywhere in the world. These successful companies do not need Uncle Sam pitching in to do market research (funded by taxpayer dollars and debt). Beginning in FY 2016, the ITA should be eliminated, saving $472 million per year.

## Eliminate the Energy Efficiency and Renewable Energy (EERE) Program

This program invests in high-risk research and development in the fields of energy efficiency and renewable energy technologies. Some of the programs within EERE include the Super Truck program, the Advanced Technology Vehicle Manufacturing Loan program, and solid state lighting research. Not only does this allow the federal government to pick winners and losers, but also it limits research to a small sector of the energy economy—renewables. The U.S. should pursue a market-based, all-of-the-above energy policy. Beginning in FY 2016, programs within the EERE account should be eliminated, saving the taxpayers over $1.9 billion per year.

## Eliminate Regional Commissions

The RSC budget recommends cutting regional commissions including the Denali Commission, Appalachian Regional Commission, the Northern Border Regional Commission, the Southeast Crescent Regional Commission, and the Delta Regional Authority. The economic development programs are duplicative of other programs in the federal government and provide federal funding for local projects. Not only is the federal government out of money, but also it is ill-equipped to prioritize local infrastructure and development projects. These activities are also more appropriately carried out by state and local governments. Beginning in FY 2016, the commissions should be eliminated, saving the taxpayers $117.3 million per year.

## Eliminate Title 17 Innovative Technology Loan Guarantee Program

The Title 17 program provides loans to clean energy projects. This is the program that gave us the Solyndra scandal, with taxpayers losing more than $500 million after the administration gambled on a politically favored company. Eliminating this program beginning in FY 2016 would save the taxpayers $17 million per year in reduced administrative expenses alone.

## Reduce funding for the Internal Revenue Service (IRS)

The IRS has betrayed the trust of the American people. Instead of fulfilling its role as the neutral collector of federal revenue, the IRS has become a partisan political organization. Whether it is targeting organizations and individuals who may disagree with the president, or selectively enforcing provisions of Obamacare, the actions taken by the IRS over the last several years have been unacceptable.

Furthermore, the IRS has not been a good steward of taxpayer resources. GAO includes the IRS enforcement of tax laws on its high-risk list. It has been reported that the IRS has sent billions in erroneous tax refunds to criminals who stole the identities of victims and filed fraudulent tax returns in the victims' names. And the IRS has wasted taxpayer dollars on expensive conferences and filming parody videos. Beginning in FY 2016, funding for the IRS should be significantly reduced.

## Repeal Food Financing Initiatives

The Healthy Food Financing Initiative should be repealed in FY 2016, saving $22 million per year. This program is meant to subsidize businesses in so-called "food deserts" so that they can offer healthy food options through grants, loans, and educational programs. While it is important that Americans have access to healthy food options, there are already public and private programs at the federal, state, and local levels that can better serve these communities. Additionally, the federal government should not be in the business of picking winners and losers as to who gets subsidized and who does not receive federal dollars.

## Eliminate the Election Assistance Commission

The Election Assistance Commission was created by the 2002 Help America Vote Act to help states modernize voting equipment. The commission no longer serves a statutory purpose and should be eliminated beginning in FY 2016, saving the taxpayers $10 million per year. This proposal is based on the Election Assistance Commission Termination Act, which was introduced in the 113th Congress.

## Reduce funding for the Environmental Protection Agency (EPA)

The EPA is a job-killing agency that is out-of-control. In the most recent Unified Agenda and Regulatory Plan, the EPA lists 134 regulations currently being prepared to be imposed on Americans, including eight major regulations that will each have a cost of $100 million or more on the American economy and American paychecks.[60]

These regulations impose costs on consumers, businesses, and local governments, resulting in fewer well-paying jobs in important sectors like energy production and manufacturing. Beginning in FY 2016, funding for the EPA should be significantly reduced, saving the taxpayers billions of dollars per year and giving much-needed regulatory certainty to job creators.

## Eliminate the National Endowment for the Arts and the National Endowment for the Humanities

The federal government should not be in the business of funding the arts. Support for the arts can easily and more properly be found from non-governmental sources. Eliminating the Endowment for the Arts would save taxpayers $146 million per year and eliminating the Endowment for the Humanities would save an additional $146 million per year.

## Eliminate Diesel Emissions Reduction Act (DERA) Grants

Grants made under DERA have gone to wasteful projects involving cherry pickers, electrifying parking spaces at rest stops, and retrofitting old tractors. Beginning in FY 2016, DERA grants should be eliminated.

## Eliminate Subsidies for the D.C Opera House

The John. F. Kennedy Center, located along the Potomac River waterfront in Washington, D.C., first opened in 1971. According to its website, the Kennedy Center hosts “an unmatched variety of theater and musicals, dance and ballet, orchestral, chamber, jazz, popular, world, and folk music, and multimedia performances for all ages.” It is affiliated with

60 - Office of Information and Regulatory Affairs, OMB, Agency Rule List – Fall 2014, Environmental Protection Agency.

the National Symphony Orchestra and the Washington National Opera. And it receives tens of millions of dollars in taxpayer subsidies each year.

It is inappropriate for the federal government to subsidize a performing arts center in one of the wealthiest areas in the country. For example, tickets to recent shows of the Nutcracker ranged in price from $56 to $165. The Kennedy Center's website currently lists 15 corporations as Executive Benefactors who provide annual commitment of $250,000 or greater. Eliminating subsidies to the Kennedy Center beginning in FY 2016 would save taxpayers $32.8 million per year.

## Eliminate Funding for the Corporation for Public Broadcasting (CPB)

A free society should not have government-supported media outlets, especially ones that so often convey political news and opinion. There is no shortage of media outlets and news services. Eliminating all taxpayer funding for the CPB beginning in FY 2016 would save $445 million per year.

## Eliminate the National Labor Relations Board (NLRB)

The Department of Justice (DOJ) already oversees a wide variety of civil, criminal, and administrative issues, including anti-trust and voting rights. DOJ is certainly capable of handling claims of unfair labor practices and could do so without the pro-big-labor bias and partisanship endemic to the NLRB. Eliminating the NLRB beginning in FY 2016 would save $274 million per year.

## Eliminate the Institute of Museum and Library Services (IMLS)

The IMLS provides grants to local museums and libraries, a task that can be better handled by the private sector and local government. Eliminating the IMLS would save $227 million per year.

## Eliminate Open World Leadership Center

The Open World Leadership Center is meant to facilitate cultural and political exchanges between the U.S. Congress and leaders in post-Soviet countries. Eliminating the Center beginning in FY 2016 would save taxpayers $5.7 million per year.

## Reduce Foreign Aid

At a time when our gross national debt has topped $18 trillion, and we must rely on foreign countries to finance our debt, we cannot afford to be as generous to other nations as we have been in the past. Beginning in FY 2016, foreign assistance should be reduced.

## Reform the Board of Broadcasting Governors

The Broadcasting Board of Governors (BBG) oversees all U.S. civilian international media, including the Voice of America (VOA). According to GAO and the State Department's Office of Inspector General,[61] the agency suffers from managerial problems and other structural deficiencies. These problems have inhibited the agency's effectiveness to promote the country's message across the globe. This proposal is based on H.R. 4490, introduced in the 113th Congress.

## Eliminate International Organizations and Programs Account

This account provides voluntary contributions to international organizations. Within this account, the U.N. Population Fund provides family planning and abortion funding abroad. Ending U.S. contributions to the U.N. Population fund beginning in FY 2016 would save the American taxpayers $35 million per year. Because the president has the authority to make contributions to organizations when it is in the national interest, this account is duplicative. Funds should also be withheld from the U.N. Intergovernmental Panel on Climate Change (IPCC) as well as the U.N. Human Rights Council comprised of member nations like Cuba, Venezuela, China, and Russia.

Eliminating these funds beginning in FY 2016 would save $344 million per year.

## Eliminate Contributions to the Clean Technology Fund

The Clean Technology Fund was created in 2010 by the Obama administration to promote green energy abroad. Borrowing from foreign nations to spend millions promoting green energy is not a wise fiscal decision. Ending contributions to the fund beginning in FY 2016 would save over $184 million per year.

## Eliminate Contributions to the Strategic Climate Fund

Created in 2010 by the Obama administration, the Strategic Fund is meant to address climate change abroad. Ending contributions to the fund beginning in FY 2016 would save $50 million per year.

61 - Audit of the Broadcasting Board of Governors Administration and Oversight of Acquisition Functions, State Department's Office of Inspector General, June 2014

## Eliminate Complex Crises Fund

The Complex Crises Fund was established in 2010 by the Obama administration without authorization by Congress. The fund is meant to allow the State Department to "respond to unforeseen crises," and is duplicative of other State Department funding. Eliminating the fund beginning in FY 2016 would save $20 million per year.

## Eliminate the Inter-American Foundation

The Inter-American Foundation provides assistance to Latin America and the Caribbean and is duplicative of other State Department and USAID activities. Eliminating the Foundation beginning in FY 2016 would save $22.5 million per year.

## Eliminate the United States African Development Foundation

The U.S. African Development Foundation provides assistance to Africa and is duplicative of other State Department and USAID activities. Eliminating the foundation beginning in FY 2016 would save $30 million per year.

## Eliminate the East-West Center

The East-West Center promotes relationships between the U.S., Pacific, and Asian countries. Eliminating the Center beginning in FY 2016 would save $17 million per year.

## Eliminate the Asia Foundation

The Asia Foundation provides assistance to Asia and is duplicative of other State Department and USAID activities. Eliminating the Foundation beginning in FY 2016 would save $17 million per year.

## Eliminate the Center for Middle Eastern-Western Dialogue

The Center for Middle Eastern-Western Dialogue, more commonly called the Hollings Center, is meant to foster dialogue between the U.S. and predominately Muslim countries. Eliminating the center beginning in FY 2016 would save $96 million per year.

## Eliminate Funding for the U.S. Institute of Peace

The U.S. Institute of Peace was established by Congress in 1984 to promote peace and conflict resolution. In 2011, the institute moved into a new $180 million headquarters, of which $100 million was allocated by Congress. Eliminating funding for the Institute of Peace would save $35.3 million per year.

## Eliminate Funding for the Washington Metropolitan Transit Authority (WMATA)

The federal government should not be directly subsidizing the public transit system of one of the most affluent metropolitan areas in the U.S. Eliminating this subsidy beginning in FY 2016 would save the nation's taxpayers $150 million per year.

## Reduce Funding for the HUD Office of Housing

The Office of Housing regulates the housing industry, a task that is better left to state and local governments. Beginning in FY 2016, funding for the Office of Housing should be reduced.

## Reduce Funding for the Public Housing Capital Fund

The Public Housing Capital Fund provides federal funding for public housing projects, a task that is better left to state and local governments. Beginning in FY 2016, the funding Public Housing Capital Fund should be reduced.

## Eliminate Amtrak Operating Grants and Capital Grants

The federal government has subsidized the National Railroad Passenger Corporation (better known as Amtrak) since it was created by Congress in 1970. The railroad service is a notoriously poor fiscal manager, losing $72 million on food and beverage service alone in 2012. But Amtrak has no incentive to improve its performance if it is able to count on the taxpayers for a bailout each year. The federal government should not force the taxpayers to subsidize Amtrak, which should be privatized. Eliminating Amtrak Operating grants beginning in FY 2016 would save $250 million per year, while eliminating Amtrak Capital grants beginning in FY 2016 would save $1.1 billion per year.

## Prohibit High-Speed Rail Funding

The failed 2009 stimulus spending bill provided $8 billion for high-speed rail projects. To be clear, there was no demand for these big-government projects and high-speed rail often costs significantly more than other forms of transportation. Thankfully, the governors of Florida, Ohio, and Wisconsin rejected funds for high-speed rail projects so the residents of their states would not get stuck with the bills. The high-speed rail boondoggle shows why the states, local governments, and the market should take a leading role in determining where transportation dollars get spent, not bureaucrats in Washington.

## Eliminate the New Starts Transit Program

The New Starts Program provides billions in subsidies to local transit for capital improvements to fixed-guideway projects, including streetcars, subways, and dedicated bus lanes.  Often these projects are inefficient and fail to reduce congestion. Because this program subsidizes new projects, it incentivizes transit agencies to build expensive projects without regard to cost, putting taxpayers on the hook for operating costs down the road. Eliminating New Starts beginning in FY 2016 would save taxpayers $2.1 billion per year.

## Reduce Funding for Community Development Block Grants (CDBG) and Community Development Loan Guarantees (CDLG)

This program has been unauthorized (yet still funded) for decades and is a prime example of the federal government's difficulty prioritizing local programs. CDBG has paid for programs as diverse as doggie daycare, a local circus, and decorative sidewalks in an affluent suburb. Beginning in FY 2016, CDBG and CDLG funding should be reduced.

## Prohibit Federal Funds From Going to Entities that Provide Abortions

While individuals are free to make personal contributions to organizations as they see fit, the federal government should not fund entities that provide abortion services. This budget ensures that no taxpayer dollars flow to entities that provide abortions.

## Reduce the Annual Across the Board Adjustment for Federal Civilian Employees Pay

Unlike most Americans, federal workers receive an automatic pay increase every year under the Federal Employees Pay Comparability Act of 1990. If the president determines that a national emergency exists, he can limit the size of the increase. President Obama signed legislation blocking pay increases in 2011, 2012, and 2013. With the national debt topping $18 trillion, and projected to skyrocket to $26 trillion over the next decade, a fiscal state of emergency exists. Beginning in FY 2016, the annual across-the-board increase for federal workers should be reduced by half a percentage point below the expected automatic increases.

## Reduce the Size of the Federal Workforce Through Attrition

This proposal, based on H.R. 417, the Federal Workforce Reduction Through Attrition Act, would reduce the size of the federal workforce by limiting new hires to one employee for every three who leaves the workforce. The president would have flexibility to adjust federal employment in case of a national emergency.

## Limit Funding for Unauthorized Programs

Approximately $294 billion of the $1 trillion appropriated for FY 2015 in the Consolidated Appropriations Act were for programs whose authorizations had expired. Beginning in FY 2016, funding for unauthorized programs should be limited to encourage reauthorization and reform of worthy programs and the elimination of failing programs.

## Prohibit Federal Employees From Conducting Union Business on Official Time

Ending the federal government's sanction of union activity at federal expense will make the federal workforce more effective and efficient as proposed by the Federal Employee Accountability Act, introduced in the 113th Congress.

## Prohibit Automatic Collection of Union Dues for Federal Employee Unions

Currently, the federal government acts as the dues collector for unionized federal workers by deducting union dues from an employee's paycheck and then remitting dues to the union. If a worker wants to join a union, then the union should collect its dues from the worker, not force the taxpayers to do it. This budget recommends prohibiting the automatic deduction of union dues for federal workers.

## Eliminate, Combine, or Consolidate Duplicative Government Programs

GAO issues periodic reports that expose duplicative federal programs. A few examples of duplicative programs from GAO's 2013 report include:

- 679 programs to encourage renewable energy, spanning 23 agencies, costing taxpayers $15 billion in 2010. One hundred fifty-seven of these programs were impacted by the president's failed spending stimulus law.
- 159 contracting organizations in ten Department of Defense components to provide foreign language support services.
- 21 programs and tax credits meant to help pay for higher education.
- Three agencies with overlapping services to promote exports.

- 76 programs for drug abuse and prevention, including 22 focusing on treatment, 21 focusing on prevention, and 13 that do both prevention and treatment. Twenty-nine of these programs reported no coordination with other programs.

This budget resolution charges the committees of the House to examine the programs within their jurisdiction and to report legislation that would eliminate, consolidate, or combine unnecessarily duplicative programs.

# LIMITING GOVERNMENT THROUGH CONSERVATIVE REFORM

# LIMITING GOVERNMENT THROUGH CONSERVATIVE REFORM

It is the goal of this budget to enact reforms that produce a government that is not just smaller, but a government that works better. The federal government's reach has grown, inserting itself into every facet of the economy and everyday life. This expanded state has come at the expense of the freedom and prosperity of the American people. Conservatives understand that government can play an important role in protecting its citizens' lives, liberty and property. A limited government, devoted to its core functions, gives taxpayers a more efficient government. To this end, this budget proposes specific reforms that would rein in government excesses, cut red tape, and increase government transparency.

## Stop the President's Unconstitutional Executive Amnesty

Despite saying at least 22 times that he had no authority to do so, President Obama has taken action to change America's longstanding immigration laws.[62] In 2012, the president granted amnesty to at least half-a-million illegal immigrants through the Deferred Action for Childhood Arrivals (DACA) program. In November 2014, the president announced a series of executive actions to expand amnesty to potentially millions more.

The House has passed a series of measures to uphold the law and prohibit funding for the illegal executive amnesty. Twenty-six states, led by Texas, have filed a lawsuit in federal court to block the president's actions. On February 16, 2015, a federal judge in the Southern District of Texas enjoined in full the president's actions. The judge found that "the DHS Secretary is not just rewriting the laws; he is creating them from scratch."[63] Given the president's statements leading up to his actions, the House response, and the court's ruling, all three branches of the federal government have indicated that what the president did was wrong.[64]

According to CBO, the executive amnesty actions will cost American taxpayers $14.9 billion in new welfare spending for illegal immigrants. This includes $815 million in Social Security payments, $330 million for Medicare, $811 million for food stamps, $1 billion in SSI payments, $1.5 billion for Obamacare and Medicaid, and $10.2 billion in earned income

62 - Speaker John Boehner, 22 Times President Obama Said He Couldn't Ignore or Create His Own Immigration Law, November 19, 2014.
63 - United States District Judge Andrew Hanen, United States District Court For The Southern District Of Texas Brownsville Division, Memorandum and Order, February 16, 2015.
64 - Representative Bill Flores (TX-17), Flores Talks DHS Funding On The Rundown with Jose Diaz Balart, February 25, 2015.

and child tax credits.[65] This budget takes the fiscally responsible step of upholding the Constitution and stops the president's executive amnesty.

## Require the President to Fulfill his Constitutional Duty to Enforce the Law

Article II, Section 3, of the U.S. Constitution states that the president "shall take care that the laws be faithfully executed." Unfortunately, President Obama has failed to fulfill his Constitutional duty by delaying the Obamacare employer mandate, refusing to enforce our immigration laws, granting welfare work requirement waivers in violation of the 1996 welfare reform law, failing to enforce federal drug laws in states that permit medical and recreational marijuana use, and halting the prosecution of low-level drug offenders under mandatory minimum sentencing laws.[66]

Under current law, if the attorney general determines that a law is unconstitutional and no longer enforces it, he is required to submit a report to Congress. If a federal agency decides that it will no longer enforce a law for any reason, the head of that agency should notify Congress and provide their legal reasoning for not enforcing the law. This proposal is based on Representative Ron DeSantis's Faithful Execution of the Law Act.

Further, because of the court system's strict standing precedent regarding Congress, it can be unnecessarily difficult to challenge a president who does not uphold the law. Congress should have the ability to authorize a lawsuit against the executive branch with an expedited process for consideration by the courts if the president fails to faithfully execute the law. This proposal is based on Representative Trey Gowdy's Executive Needs to Faithfully Observe and Respect Congressional Enactments of the Law (ENFORCE the Law) Act.

## Protect Taxpayers from the IRS

In 2010, the IRS began targeting certain groups applying for tax-exempt status based upon their conservative ideological leanings. The IRS denied its political targeting to congressional investigators and the public, until finally admitting to the targeting in 2013. Any IRS employee who targets a taxpayer for political purposes does not deserve a paycheck from the taxpayers and should be fired.

The IRS has proposed a rule change for 501(c)(4) tax-exempt organizations that would severely restrict their ability to engage in the public square. More than 143,000 public

65 - Congressional Budget Office, Letter to Senator Thad Cochran, Re: Budgetary Effects of Immigration-Related Provisions of the House Passed Version of H.R. 240, An Act Making Appropriations for the Department of Homeland Security, January 29, 2015.
66 - House Judiciary Committee, Majority, "Reining in Executive Overreach," Accessed April 6, 2014.

comments have been submitted in response to the proposed regulations. In addition, 81 members of the RSC submitted a letter opposing the rule change last year. The IRS should be prohibited from issuing these regulations.

Further, the IRS should be prohibited from asking taxpayers about their political or religious beliefs, as well as being required to notify taxpayers if the IRS shares their information with another government agency. Finally, the IRS should institute a Taxpayer Bill of Rights, codifying basic protections for the taxpayers.

These proposals are based on Representative Jim Renacci's Stop Targeting Our Politics (STOP) IRS Act, H.R. 599, the Stop Targeting of Political Beliefs by the IRS Act, H.R. 1059, the Protecting Taxpayers from Intrusive IRS Requests Act, Representative Peter Roskam's Taxpayer Transparency & Efficient Audit Act, and H.R. 1058, the Taxpayer Bill of Rights Act of 2013.

## Commitment to the Unborn

One of the saddest legacies of the 20th century is the mass destruction of human life at the hands of abortion practitioners. We are charged with protecting the most vulnerable among us, and this charge certainly extends to the unborn. The RSC budget prioritizes the sanctity of human life by prohibiting federal funds from going to entities that provide abortions.

In addition, religious liberties are protected by ensuring no individuals or institutions will moral or religious objections be forced or coerced to participate in abortion procedures, and by clearly defining the right to life guaranteed by the Constitution as beginning at birth. These protections follow principles introduced in H.R. 940, the Health Care Conscience Rights Act, by Representative Diane Black, and the Life at Conception Act authored by Representative Jim Jordan.

## Stop Net Neutrality

A free and open Internet has been one of the greatest catalysts for innovation, opportunity, and economic growth. Rigid government regulation of the Internet will not promote growth and innovation; it will stifle it. Congress should repeal the Federal Communication Commission's February 26, 2015 rule reclassifying broadband Internet access as a telecommunication service under Title II of the Communications Act of 1934. This proposal is based on H.R. 1212, the Internet Freedom Act.

## Permanent Internet Tax Freedom

The Internet has been one of the few bright spots in the economy in recent years. Not surprisingly, it has been one that has been least affected by government interference. Congress originally passed legislation to ban taxes on Internet access in 1998, and the House unanimously approved legislation that would have made this ban permanent in the 113th Congress. Unfortunately, the Senate failed to act on this important issue. This budget calls for passage of H.R. 235, the Permanent Internet Tax Freedom Act.

## Protect Private Property from Government Seizure

The Fifth Amendment provides that "private property [shall not] be taken for public use, without just compensation." However, the Supreme Court placed this important guarantee of private property rights in jeopardy with it decision in *Kelo v. City of New London* that local governments may use eminent domain to seize private property and then sell it for development purposes. To prevent this type of government abuse, federal economic development funding to local governments should be dependent on states' restraint from using eminent domain for private economic development.  This proposal is based on the Private Property Rights Protection Act.

## Reform the Antiquities Act

Under the Antiquities Act of 1906, the president is authorized to unilaterally proclaim national monuments on federal lands. Like other unchecked powers that have been given to the executive branch, this authority has been abused. Because a national monument designation imposes strict restrictions on land use, the Antiquities Act can hurt local economies that rely on logging, mineral development, energy creation, or recreational activities on the federal land. Before an area is designated as a national monument, the designation should be approved by an act of Congress. This proposal is based on legislation put forward by Representative Jason Chaffetz to reform the Antiquities Act.

## Hold Government Employees Accountable for their Actions

The past few years have brought us news stories about senior government employees who have abused their positions of power. Whether it is employees at the General Services Administration taking lavish vacations on the taxpayers' dime or the IRS making parody videos and targeting conservatives, the federal government has limited options to discipline federal workers. Often employees who are under investigation are simply placed on paid leave. Federal agencies should have the ability to fire Senior Executive Service employees for serious violations or place them on unpaid leave while they are under investigation. This common sense proposal is based on Representative Mike Kelly's Government Employee Accountability Act.

## Don’t Waste Taxpayer Funds on Expensive Conferences

In 2013, it was reported that the Government Services Administration held a lavish conference in Las Vegas, charging more than $800,000 to the taxpayers. In 2012 alone, the taxpayers funded $340 million for 894 conferences for federal employees. While it can be important for federal workers to attend certain events and conferences, the waste, fraud, and abuse must stop. Spending limits should be in place for conferences and the heads of federal agencies should be required to approve the most expensive conferences.

## Limit Bonuses for Federal Workers to a Reasonable Level

At a time when we have a ballooning national debt, we cannot afford to hand out lavish bonuses to senior federal workers. In 2010, 75 percent of Senior Executive Service workers received bonuses at an average of $13,081 per employee. There should be reasonable limits on the size of bonuses that can be awarded and the number of senior employees who can receive an award. This proposal is based on Representative Mark Meadows’s Common Sense in Compensation Act.

## Establish Customer Service Standards

Unsurprisingly, a 2011 survey found that only 31 percent of Americans are very satisfied with the federal government’s customer service. Because so much of what the government does is serving the public, the federal government should establish standards for customer service and improve its response time to citizen requests.

## Protect Our Fifth Amendment Rights

Many Americans assume that their due process rights are automatically honored by the government. Under current law, federal, state and local police can seize an individual’s property unless that individual can prove that he or she acquired it legally. This must change. The Fifth Amendment Integrity Restoration (FAIR) Act would protect our constitutional rights and save American families from a costly and messy legal process to regain what is legally theirs. This legislation would raise the standard to seize assets and reduce incentives in law for states and localities to unnecessarily seize property in civil forfeiture.

## Reform the Criminal Justice System

As the size and scope of the federal government has dramatically expanded, so has the criminal code. The U.S. Department of Justice and the American Bar Association cannot even accurately quantify the number of laws that impose a criminal penalty.[67] Federal regulatory agencies spend tens of billions of dollars each year developing and enforcing regulations—many of which are enforceable by fines or even imprisonment.[68] Overcriminalization can trap some people in a cycle of poverty and incarceration, even if they have committed only non-violent offenses. The RSC budget recommends that the House Judiciary Committee conduct a review of the criminal code and propose reforms to rein in overcriminalization.

## Reduce Government Competition with the Private Sector

Government at all levels is increasingly involved with providing goods and services that should be better left to the private sector. The Obama administration is even encouraging local governments to offer broadband Internet service, overriding state laws through regulation and offering incentives in the tax code.[69] Government should be restricted to its core constitutional duties and only provide services that are appropriate in the federal government's constitutional domain. We should also terminate the Government Printing Office (GPO) and outsource its few remaining functions to the private sector.

## Transparency on Unfunded Mandates

Federal agencies should be required to measure the effect of a proposed regulation on the economy and allow those affected by mandates to weigh in on the regulation. These reviews would increase the transparency of the true costs of federal mandates on state and local governments as well as the private sector. This proposal is based on H.R. 50, the Unfunded Mandates Information and Transparency Act.

## Cost-Benefit Analysis on Regulations

Federal agencies should perform a cost-benefit analysis on their proposed regulations and choose the regulatory options that impose the lowest cost on the economy. This proposal is based on H.R. 185, the Regulatory Accountability Act.

## Transparency for Sue-and-Settle Regulatory Actions

All too often, pro-regulatory litigants will sue federal agencies with the intention of obtaining a settlement that forces the government to take regulatory action. Unfortunately, regulatory agencies have become more than happy to cooperate with these litigants, entering into

67 - Michael B. Mukasey and Paul Larkin, Heritage Foundation, The Perils of Overcriminalization.
68 - Competitive Enterprise Institute, Red Tapeworm 2014: The High Cost of Overcriminalization.
69 - Wall Street Journal, Tom Wheeler's Other Web Takeover, February 24, 2015.

legally binding consent decrees that require a regulatory action. These settlements are negotiated behind closed doors, without the public participation required by the normal regulatory process governed by the Administrative Procedure Act, the Regulatory Flexibility Act, and the Unfunded Mandates Reform Act. In President Obama's first term, the EPA sought at least 60 settlements with advocacy groups, which resulted in more than 100 new regulations.[70] This budget brings transparency by requiring public disclosure of the complaints against agencies, the terms of consent decrees, and attorneys' fees. Consent decrees should also be made available for public comment in the Federal Register prior to being filed with the courts. This proposal is based on H.R. 712, the Sunshine for Regulatory Decrees and Settlements Act.

## Account for the Cost of Regulations on Small Businesses

Before finalizing new regulations, federal agencies should understand how regulatory proposals impact small businesses. This understanding will allow agencies to minimize the cost on small businesses. This proposal is based on H.R. 527, the Small Business Regulatory Flexibility Improvements Act.

## Provide Regulatory Certainty

The public should be able to know what regulations the executive branch plans to issue. Currently, the administration is statutorily required to publish the Unified Agenda of Federal Regulatory and Regulatory Actions twice per year. Unfortunately, this is another issue where President Obama has failed to provide transparency, with some reports being filed late and others not at all. Instead, to provide real transparency and regulatory certainty, federal agencies should publish monthly information about their proposed regulations. This proposal is based on Representative George E. B. Holding's the All Economic Regulations are Transparent (ALERT) Act.

## Reform/Modernize Federal IT Infrastructure

Over the last decade, the federal government has spent $600 billion on information technology infrastructure.[71] Unfortunately, it has been estimated that 20 to 30 percent of our annual IT spending could have been reduced with better management.[72] Most recently, we have seen the Obama administration's disastrous rollout of the Obamacare website at a

70 - "Sue and Settle: Regulating Behind Closed Doors," U.S. Chamber of Commerce, May 2013.
71 - "25 Point Implementation Plan to Reform Federal Information Technology Management," Vivek Kundra, U.S. Chief Information Officer, Dec. 9, 2010.
72 - "One Trillion Reasons," Technology CEO Council, Accessed April 6, 2014.

cost of hundreds of millions of dollars.[73] Instead, federal agencies should modernize their IT infrastructure, take advantage of new technologies, and coordinate with each other so that America has the 21st century government its citizens deserve. This proposal is based on Representative Darrell Issa's the Federal Information Technology Acquisition Reform Act.

## Audit the Federal Reserve

Article I of the Constitution gives Congress the authority to coin money and to regulate the dollar's value. To remove politics from decisions about monetary, prudential, and supervisory policy, Congress outsourced this responsibility to an independent Federal Reserve. For too long, the Fed has operated without full transparency. Under current law, Congress is prohibited from accessing all of the Federal Reserve's books. GAO, which serves as Congress's watchdog, should be allowed to audit the Fed just as it does other agencies. Only through increased transparency can Congress conduct necessary oversight of the Fed and hold it accountable to the American people. This common sense proposal is based on H.R. 24, the Federal Reserve Transparency Act, and H.R. 113, the Federal Reserve Accounting and Transparency Act

This budget also recommends the creation of a Centennial Monetary Commission, such as the one proposed by Representative Kevin Brady. This commission should examine how the Fed's policies have affected the U.S. economy and make recommendations to Congress for potential reforms.

## Tell the Taxpayers Where their Dollars are Being Spent

With the federal government spending $3.9 trillion each year—an amount equal to more than $12,000 for every citizen—the taxpayers deserve to know how their hard-earned dollars are being spent. Federal agencies should publicly disclose each program they run, how much it costs, who benefits from it, and if the program is duplicative of other federal programs. This proposal is based on H.R. 598, the Taxpayers Right to Know Act.

## Improve the FOIA Process

The Freedom of Information Act (FOIA) allows citizens to request records from federal agencies. To improve and modernize this process, this budget recommends the creation of a single online portal for citizens to submit and track their requests. Further, agencies should establish a presumption of openness when complying with requests, should justify their reasoning when withholding requested records, and should make public records

73 - "Doubts about HealthCare.gov Repair Date," Politico, Accessed April 6, 2014.

that are regularly requested. This proposal is based on H.R. 653, the FOIA Oversight and Implementation Act.

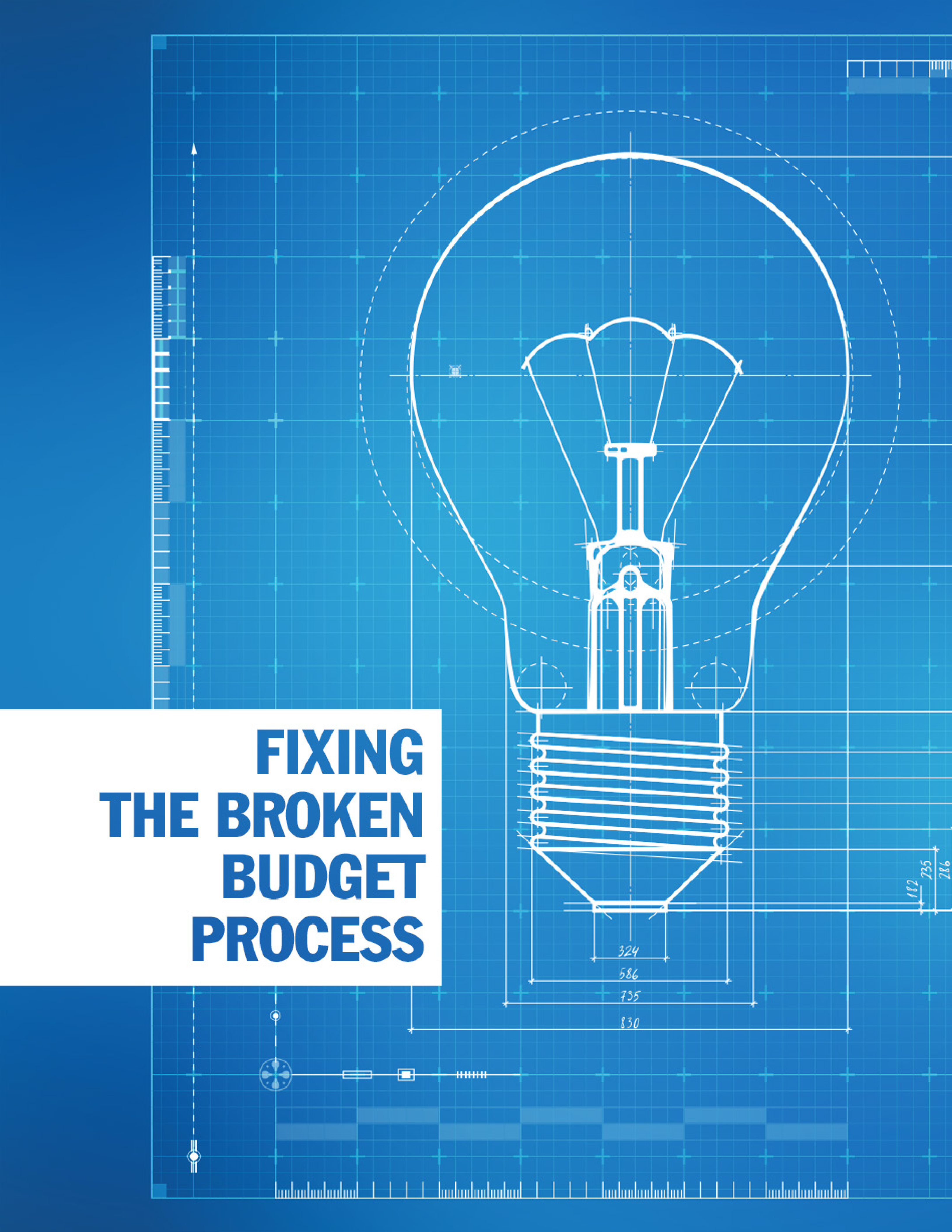
## Require Disclosure on Taxpayer-Funded Advertisements

In the interest of transparency and accountability, the public should know when taxpayer dollars are used to promote government projects. Television and radio advertisements, mailers, and brochures that are purchased at taxpayer expense should include a disclaimer identifying this fact, as well as the cost of the advertisement. This proposal is based on H.R. 310, the Taxpayer Transparency Act.

## Federal Fines, Penalties and Settlements

Many federal agencies collect substantial fines, penalties and settlements from enforcement (and sometimes extortion) activities. Too often, these funds are then spent by those agencies with limited oversight and to pay employees bonuses which encourages more aggressive enforcement behavior, often against individuals and small companies which have limited means to defend themselves. We propose the proceeds from such activities be returned to the Treasury for deficit reduction.

# FIXING THE BROKEN BUDGET PROCESS



# FIXING THE BROKEN BUDGET PROCESS

Washington liberals like nothing more than spending other people's money. Where they frequently fail, however, is in following the process that, by law, directs government spending.

Of the seven budget requests submitted by President Obama, five were late, after the statutory deadline.

Former Senate Majority Leader Harry Reid single-handedly shut down the Senate's budget process four times in the last seven years. The Senate failed to pass a budget for FY 2011, 2012, 2013, and 2015. The Senate did not pass a single regular appropriations bill in FY 2011, 2013, 2014, and 2015.

The federal budget process is undeniably broken, and Congress shares some of the responsibility. Too often, procedural rules are waived that would otherwise restrain out-of-control spending. Massive omnibus appropriations bills—written behind closed doors—come to a vote on the House floor, with little time for members and staff to review the legislation.

| Fiscal Year | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Number of Days After Start of Fiscal Year Before Government Was Funded | 154 | 108 | 176 | 83 | 198 |

The American people made their voices heard in last November's election and gave Republicans a Senate majority. Congress now has the opportunity to start a fresh budget process in FY 2016. By sticking to our principals and following the law, the House and Senate should complete the budget process under regular order. Both chambers can pass their respective budget resolutions before the April 15 deadline, and a conference report should be considered shortly after that. All 12 appropriations bills should be considered under an open process and sent to the president for his signature.

This budget makes a number of specific recommendations to restore order to the budget process and to bring transparency and accountability to Washington's spending.

## End the Political Threats of Default

To prevent the possibility that the U.S. defaults on its debt, this budget recommends implementing Representative Tom McClintock's Default Prevention Act (H.R. 692). This RSC Initiative requires the Treasury to make timely payments of principal and interest, including on interest owed to the Social Security Trust Fund, in the event the statutory debt limit is reached. To accomplish this, the Treasury is permitted to issue debt that is not subject to the statutory limit.

The Default Prevention Act is a commonsense measure to protect the full faith and credit of the United States. Those who oppose it risk jeopardizing the nation's standing in the world and seek to use the threat of default as a political weapon.

## Reclaim Congress's Power of the Purse

Article I, Section 9 of the Constitution entrusts the power of the federal purse with Congress alone. As Madison makes clear in Federalist 58, "the House of Representatives cannot only refuse, but they alone can propose, the supplies requisite for the support of government."[74]

President Obama has violated the separation of powers through his use of executive actions. GAO found that the Obama administration violated the Antideficiency Act by transferring dangerous terrorists from Guantanamo Bay.[75] The U.S. Customs and Immigration Services (USCIS) has diverted user fees to implement the president's executive amnesty actions without congressional authorization.

Too often, Congress has allowed the executive branch to use fees and other revenue streams virtually unchecked. This budget calls for changes to authorizing statutes that will require explicit congressional authority to spend offsetting collections and receipts.

Similarly, federal agencies should not be able to use fines to give themselves more money to spend. Representative Markwayne Mullin's Fines in Need of Extensive Reform (FINER) Act would require revenues from fines to be deposited in the Treasury instead of being used as an agency slush fund.

## Unauthorized Spending

Since 1835, the Rules of the House (clause 2(a)(1) of rule XXI) have required that appropriations may only be for purposes authorized by law. This rule is rarely enforced because appropriations bills are routinely considered under legislative procedures that waive existing budget rules. As a result, much of the discretionary budget is spent without oversight or accountability. The FY 2015 Consolidated and Further Continuing Appropriations Act included $294 billion in appropriations not authorized by law, constituting almost

74 - James Madison, Federalist #58, the Federalist Papers.
75 - Government Accountability Office, Department of Defense--Compliance with Statutory Notification Requirement,.

one-third of the entire discretionary budget.[76]

The Appropriations Committee should disclose the current funding levels for unauthorized programs in the committee reports accompanying the appropriations bill legislative text. Representative Tom McClintock has put forward a modest proposal to prohibit consideration of appropriations bills that increase funding above their most recently appropriated amount for unauthorized programs.

This budget would go a step further by prohibiting the Rules Committee from allowing consideration of legislation that waives the House Rule against unauthorized spending in an appropriations bill.

## Improve Enforcement of Budget Rules

The Budget Act's enforcement provisions can be waived with only a majority vote, which allows the majority party in Congress to ignore its provisions at will. This budget adopts a requirement that a two-thirds majority is needed to waive points of order authorized by the Budget Act. The budget also makes it out of order to consider a rule or suspension of the rules waiving such points of order.

## Make the Earmark Ban Permanent

Until House Republicans adopted an earmark moratorium in the 112th Congress, the number of earmarks included in appropriations and authorization bills was skyrocketing. These requests often diverted taxpayer resources to special interests, greased the wheels of Washington's spending machine, and set a poor example of fiscal responsibility.

The Rules of the House speak at length about earmark disclosure, but they do not actually ban them. This budget would amend the House rules to make it out of order in the House to consider any legislation that includes an earmark. This budget would also prevent the Rules Committee from reporting a rule or order that would waive a ban on earmarks.

## Realistic Scoring

At the beginning of the 114th Congress, the House adopted a new rule that requires CBO and the Joint Committee on Taxation (JCT) to incorporate the macroeconomic effects of major legislation into the budgetary scores of major legislation. This practice—called "dynamic scoring"— takes into account the real world economic impact of new laws.

76 - Congressional Budget Office, Unauthorized Appropriations and Expiring Authorizations,.

This commonsense proposal should be enshrined into law by enacting legislation similar to Representative Tom Price's Pro-Growth Budgeting Act. That way, before voting on legislation, lawmakers could be sure they have the most accurate information regarding the fiscal impact of legislation.

## Disclose the Real Cost of Federal Credit Programs

This budget proposes increasing transparency in federal budgeting by using fair-value accounting for federal insurance programs. This would ensure that the true costs of these programs are included in the federal budget. A CBO report shows that the current accounting rules hide the real cost to the taxpayers of several programs. For instance, under the current rules, student loans generate $135 billion for the treasurer, however the program actually costs $88 billion.[77] This proposal is based on Representative Scott Garrett's the Budget and Accounting Transparency Act (H.R. 119).

## Disclosure and Accountability on Emergency Spending

This budget also reforms congressional abuse of "emergency spending" to exceed spending limits set by the Budget Control Act and budget resolutions. According to CBO, net supplemental spending totaled $99 billion in the 1980s and $86 billion in the 1990s. By contrast, from 2000 to 2009, supplemental appropriations often exceeded $100 billion in a single year, and the cumulative total over those years was more than $907 billion—ten times the total in the preceding decade.

This proposal would require the sponsor of legislation that contains emergency spending—or the Chair of the House Budget Committee in circumstances where there is no House sponsor—to submit a statement in the Congressional Record explaining why an emergency designation is necessary. It would also require a three-fifths majority vote in the House to approve legislation that is designated as emergency spending.

## Disclose Welfare Spending in the President's Budget

In the 113th Congress, House Republicans adopted a new rule requiring budget resolutions in the House provide a ten-year outlook of means-tested welfare spending. In the interest of transparency, this provision would extend that rule to presidential budget submissions.

77- Congressional Budget Office, Fair-Value Estimates of the Cost of Selected Federal Credit Programs for 2015 to 2024.

## Long-Term Budgeting

It is clear that the federal government faces a long-term budget problem. According to GAO, under one projected scenario, taxes would need to be increased by 52 percent over the next 75 years to keep the national debt held by the public at its 2014 level.[78] Unfortunately, current budget rules only look at a short ten-year window. This narrow view gives lawmakers and the public an inaccurate picture of the nation's fiscal health and encourages gimmicks that allow enormous spending increases in the future.

This budget proposes to extend the baseline beyond the current ten-year window. It would require CBO to estimate the baseline for discretionary spending, Medicare, Medicaid, Social Security, other direct spending, and net interest as a percentage of GDP for each of the three ten-fiscal-year periods after the initial ten-year window. CBO would be required to measure major legislation against this long-term baseline, including each of the three ten-year windows. Congressional budget resolutions and the president's budget request would also be required to include long-term projections.

## Intergenerational Accounting

It is important for policymakers to have a clear and accurate picture of the fiscal future of America. The so-called "fiscal gap" is the present value of projected expenditures less the present value of projected receipts. The fiscal gap provides a truer understanding of the actual long-term debt. The Intergenerational Financial Obligations Reform (INFORM) Act would require CBO to analyze the fiscal gap over a 75-year window. The RSC budget recommends implementation of this reform to show the burden irresponsible fiscal policies have placed on our children and grandchildren. This proposal is supported by at least 17 Nobel Laureates in Economics.[79]

## Fix the Budgetary Treatment of Highway Programs

The budgetary treatment of the highway program contributes to overspending and unaccountability. Under current law, the budget authority for transportation programs is treated as mandatory spending, while outlays from the Highway Trust Fund are treated as discretionary spending. This has the effect of exempting transportation programs from any of the standard budget enforcement procedures.[80] Normal discretionary spending is limited

78 - Government Accountability Office, Fiscal Outlook: Federal Fiscal Outlook.
79 - The INFORM Act, Nobel Laureate Supporters of The Inform Act.
80 - Committee for a Responsible Federal Budget, Why Lawmakers Should Fix The Budgetary Treatment Of The Highway Trust Fund.

by the budget caps and sequestration, while mandatory spending is limited by the House CutGO rule and statutory pay-as-you-go requirements.

The president has proposed to shift highway spending to be fully mandatory, further weakening congressional oversight and control of the program. This is the opposite of the approach we should take. As mentioned earlier, this budget includes a deficit neutral reserve fund for transportation reform, which would also allow Congress to address the budgetary treatment of highway spending.

## Report on the Cost of Legislation Enacted Each Year

It may surprise some, but the federal government does not actually keep track of the cost of new laws enacted each year. This budget calls for the OMB to prepare a report each calendar year that details the cost of each law signed by the president.

## Disclosure of Changes in Mandatory Programs (CHIMPS)

Many appropriations bills include changes in mandatory programs (CHIMPS). Because of CBO scoring conventions, an appropriations bill can offset increases in discretionary spending by reducing mandatory spending in the first year of the budget window. These CHIMPS are often just gimmicks that shift the timing of mandatory spending, and allow increases in discretionary spending year after year using the same “offset” over and over. CBO scores CHIMPS in appropriations bills, but neither CBO nor the Appropriations Committee generally disclose this information. This budget would require the House Appropriations Committee’s accompanying committee reports to disclose CHIMPS.

## Require OMB To Report On Unobligated Balances

As a part of the Supplemental Materials to the president’s budget request, OMB prepares a document called the Balances of Budget Authority that includes information on end-of-year balances that remain unexpended. This budget requires OMB to provide Congress and the public with up-to-date information about unobligated balances. Each month, OMB would be required to produce a public report that includes a detailed description of unobligated balances in each account, with details including the years from which the balances were originally made available.

## Implement the Cut Resolution

Too often, Congress falls short when it comes to executive branch oversight. The RSC budget would require the majority leader to bring a quarterly rescissions bill before the House to ensure that agencies spend taxpayer dollars appropriately. 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.

## Baseline Budgeting

Under current law, CBO's baseline spending projections automatically assume higher spending each year. This budget recommends that the pro-spending bias for discretionary spending be removed from the baseline. This proposal is based on Representative Rob Woodall's Baseline Reform Act.

## Strengthen the Spending Reduction Accounts

House rules require appropriations bills to include spending reduction accounts. These accounts allow members to offer amendments to reduce spending elsewhere in the bill and allocate those amounts to deficit reduction.

Unfortunately, although the House has voted on bills and amendments that reduce the level of discretionary spending, 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 and conference reports.

This budget would require spending reduction accounts under the standing Rules of the House. This proposal would further strengthen the spending reduction accounts by requiring that any funds 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.

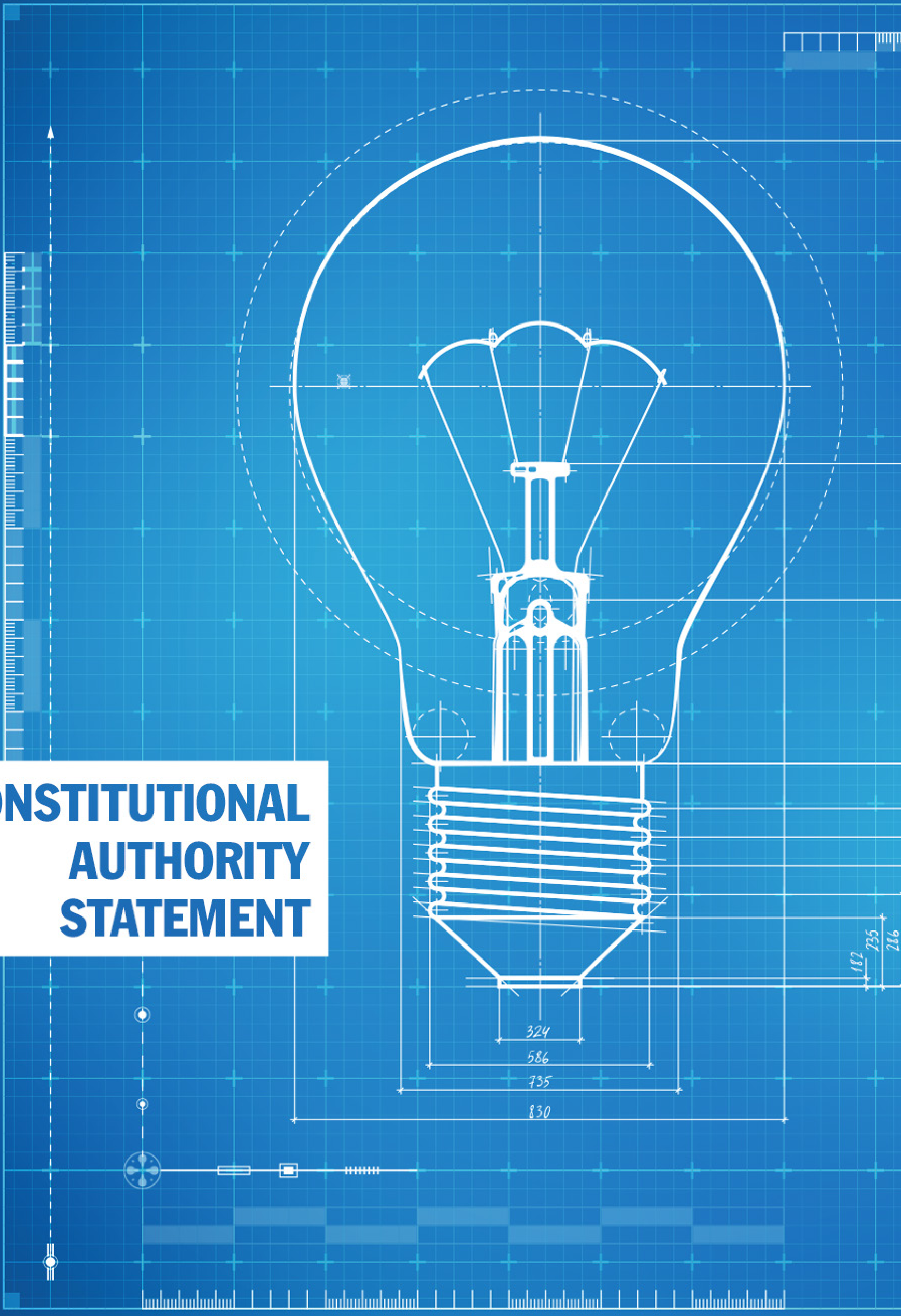
## Consequences for Not Following the Law

The Congressional Budget and Impoundment Control Act of 1974 mandates specific budgetary responsibilities that Congress and the president must fulfill each year. Because there are no real consequences for disregarding the law, however, these deadlines are often missed or ignored altogether.

In 2013, Congress passed the No Budget, No Pay Act, which would have withheld the salaries of representatives and senators if each chamber failed to pass a budget resolution. Not surprisingly, both the House and Senate were able to approve budgets in time to get their paychecks. The law was only in effect that year.

This budget proposes to build off the success of No Budget, No Pay by imposing real consequences for lawmakers if they fail to follow the law. Each year, the president, the House, and the Senate would be required to propose budgets. If the president has not submitted a budget proposal by the first Monday in February, as currently required by the Budget Act, his pay will be withheld until he does so. If the House or the Senate has not passed a budget resolution by the April 15th statutory deadline, congressional salaries will be withheld until their respective chamber approves a budget. This proposal is based on the ideas put forward by Representative Rob Wittman's No Budget, No Pay Act.

# CONSTITUTIONAL AUTHORITY STATEMENT



# CONSTITUTIONAL AUTHORITY STATEMENT

The constitutional authority on which this resolution rests is the power of Congress to lay and collect taxes, pay the debts, and provide for the common defense and general welfare of the United States as enumerated in Article I, Section 8, Clause 1 of the United States Constitution. Additionally, Article I, Section 9, Clause 7 of the Constitution provides Congress with the power of the purse and assigns Congress the role of the guardian of the public treasury by requiring that an account of the "Receipts and Expenditures of all public Money… be published from time to time."

The Congressional Budget Act of 1974 provides for the annual adoption of a concurrent resolution on the budget. The budget resolution serves as the guide created by and for Congress for all subsequent fiscal actions taken by the legislative branch during each congressional session.

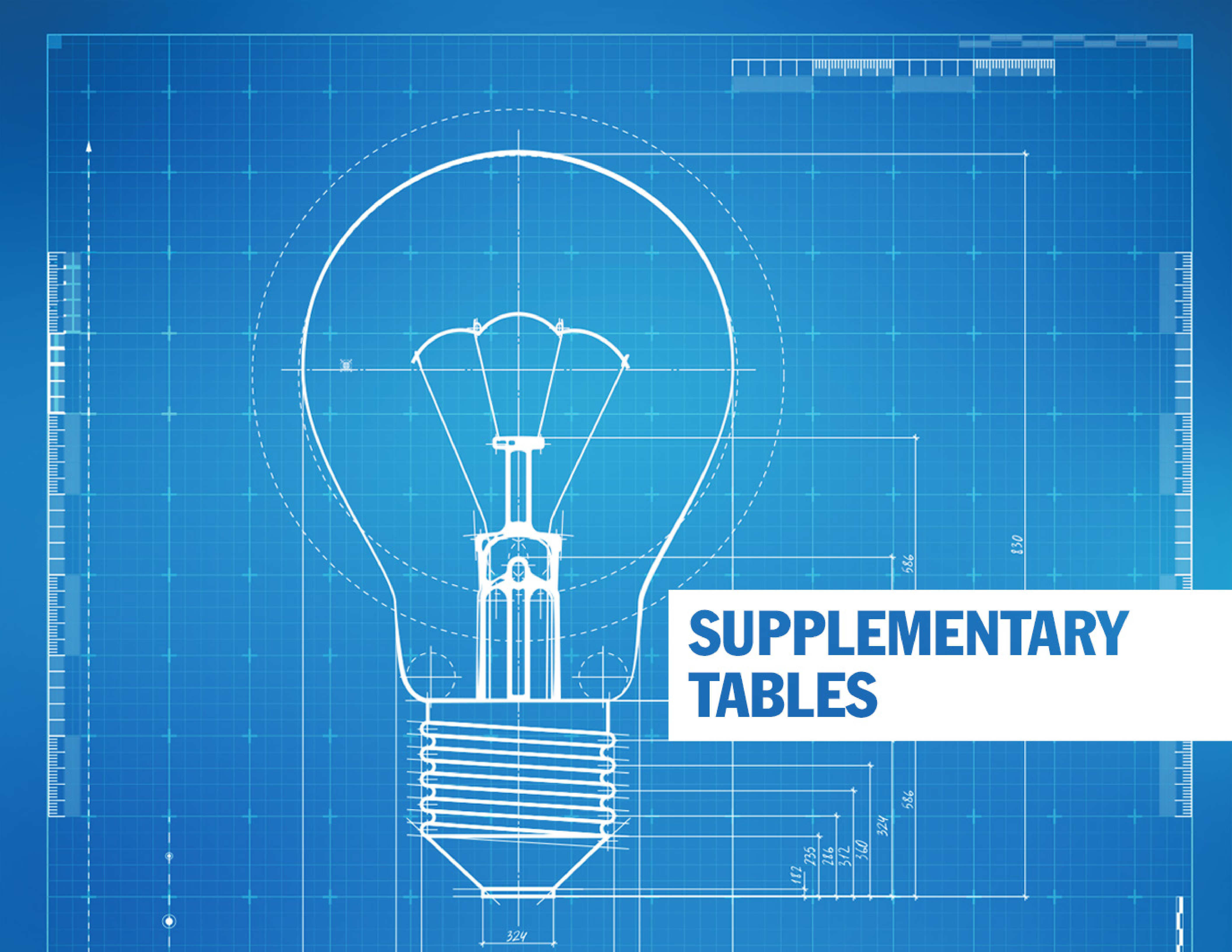
As ordained by the Constitution and required by law, the legislative branch is the sole authority entrusted with the adoption of a comprehensive budget resolution for the federal government.

This budget resolution recognizes the threats to individual liberty posed by the inability of the federal government to live within its means. Failing to address the looming debt crisis now would doom American families and future generations to a crushing tax burden, smother the ability of small businesses to create jobs, result in ever-increasing interest rates, and set the nation on course for economic collapse.

This budget also takes steps toward restoring a more proper balance between the states and the federal government as defined in the 10th Amendment of the United States Constitution.

By restoring fiscal responsibility and constructing a path to a balanced budget, this resolution dissolves the chains of government debt and fulfills the promise of the Declaration of Independence—that all Americans have the unalienable right to life, liberty, and the pursuit of happiness.

In accordance with our constitutional duty, adherence to the law of the land, and the intention to preserve the American way of life for this and future generations, this budget resolution is submitted for the consideration of the 114th Congress.




# SUPPLEMENTARY TABLES

# SUPPLEMENTARY TABLES

## Revenues, Outlays, and Deficit/Surplus

(Nominal Dollars, In Billions, By Fiscal Year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | 3,460 | 3,588 | 3,715 | 3,865 | 4,025 | 4,204 | 4,389 | 4,591 | 4,804 | 5,029 | 41,670 |
| **Outlays** | 3,652 | 3,637 | 3,725 | 3,903 | 4,059 | 4,199 | 4,383 | 4,518 | 4,611 | 4,818 | 41,505 |
| **Deficit(-)/Surplus** | -193 | -50 | -10 | -38 | -34 | 5 | 6 | 73 | 192 | 212 | 165 |

(Percentage of GDP, By Fiscal Year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | 18.4% | 18.2% | 18.1% | 18.1% | 18.0% | 18.1% | 18.1% | 18.2% | 18.2% | 18.3% | 18.2% |
| **Outlays** | 19.4% | 18.5% | 18.1% | 18.2% | 18.2% | 18.0% | 18.1% | 17.9% | 17.5% | 17.5% | 18.2% |
| **Deficit(-)/Surplus** | -1.0% | -0.3% | 0.0% | -0.2% | -0.2% | 0.0% | 0.0% | 0.3% | 0.7% | 0.8% | 0.0% |

## Major Outlay Categories

(Nominal Dollars, In Billions, By Fiscal Year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Social Security** | 919 | 966 | 1,024 | 1,084 | 1,150 | 1,218 | 1,289 | 1,364 | 1,442 | 1,523 | 11,979 |
| **Medicare** | 571 | 568 | 569 | 628 | 668 | 712 | 790 | 805 | 811 | 903 | 7,026 |
| **Medicaid/CHIP** | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 307 | 3,070 |
| **Obamacare** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Other Mandatory** | 481 | 418 | 395 | 389 | 409 | 392 | 381 | 393 | 377 | 380 | 4,016 |
| **Discretionary** | 1,103 | 1,059 | 1,053 | 1,071 | 1,063 | 1,083 | 1,108 | 1,124 | 1,140 | 1,168 | 10,971 |
| **Interest** | 272 | 319 | 377 | 423 | 462 | 487 | 508 | 525 | 534 | 537 | 4,444 |
| **Total Outlays** | 3,652 | 3,637 | 3,725 | 3,903 | 4,059 | 4,199 | 4,383 | 4,518 | 4,611 | 4,818 | 41,505 |

## Discretionary Budget Authority

(Nominal Dollars, In Billions, By Fiscal Year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non-Defense** | 405 | 401 | 395 | 403 | 412 | 420 | 429 | 437 | 446 | 455 | 4,204 |
| **Defense** | 570 | 574 | 599 | 611 | 623 | 635 | 648 | 661 | 673 | 687 | 6,282 |
| **Total Base** | 975 | 975 | 995 | 1,014 | 1,035 | 1,055 | 1,076 | 1,098 | 1,120 | 1,142 | 10,486 |
| **GWOT/OCO** | 58 | 27 | 27 | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 138 |
| | | | | | | | | | | | |
| **Total** | **1,033** | **1,002** | **1,021** | **1,041** | **1,035** | **1,055** | **1,076** | **1,098** | **1,120** | **1,142** | **10,624** |

## RSC vs. "Current Policy" Baseline

(Nominal Dollars, In Billions, By Fiscal Year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Outlays** | -272 | -407 | -480 | -557 | -644 | -750 | -865 | -925 | -1,034 | -1,181 | -7,114 |
| **Deficit** | -272 | -407 | -480 | -557 | -644 | -750 | -865 | -925 | -1,034 | -1,181 | -7,114 |

## RSC vs "Current Policy" Baseline

(Nominal Dollars, In Billions, By Fiscal Year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| **Social Security** | -2 | -5 | -7 | -12 | -16 | -20 | -24 | -29 | -35 | -41 | -188 |
| **Medicare** | 9 | 1 | -6 | -10 | -16 | -21 | -28 | -33 | -47 | -66 | -216 |
| **Medicaid and Other Health** | -61 | -44 | -60 | -77 | -96 | -116 | -140 | -165 | -191 | -219 | -1,168 |
| **Obamacare** | -104 | -165 | -180 | -195 | -206 | -218 | -231 | -239 | -247 | -257 | -2,042 |
| **Other Mandatory** | -39 | -91 | -104 | -114 | -102 | -133 | -174 | -152 | -160 | -195 | -1,262 |
| **Discretionary** | -70 | -91 | -93 | -96 | -129 | -133 | -125 | -126 | -131 | -138 | -1,135 |
| **Interest** | -4 | -12 | -30 | -54 | -79 | -109 | -143 | -181 | -223 | -265 | -1,102 |
| **Total Outlays** | -272 | -407 | -480 | -557 | -644 | -750 | -865 | -925 | -1,034 | -1,181 | -7,114 |
| | | | | | | | | | | | |
| **Deficit** | -272 | -407 | -480 | -557 | -644 | -750 | -865 | -925 | -1,034 | -1,181 | -7,114 |

## RSC vs. "Current Policy" Discretionary Budget Authority

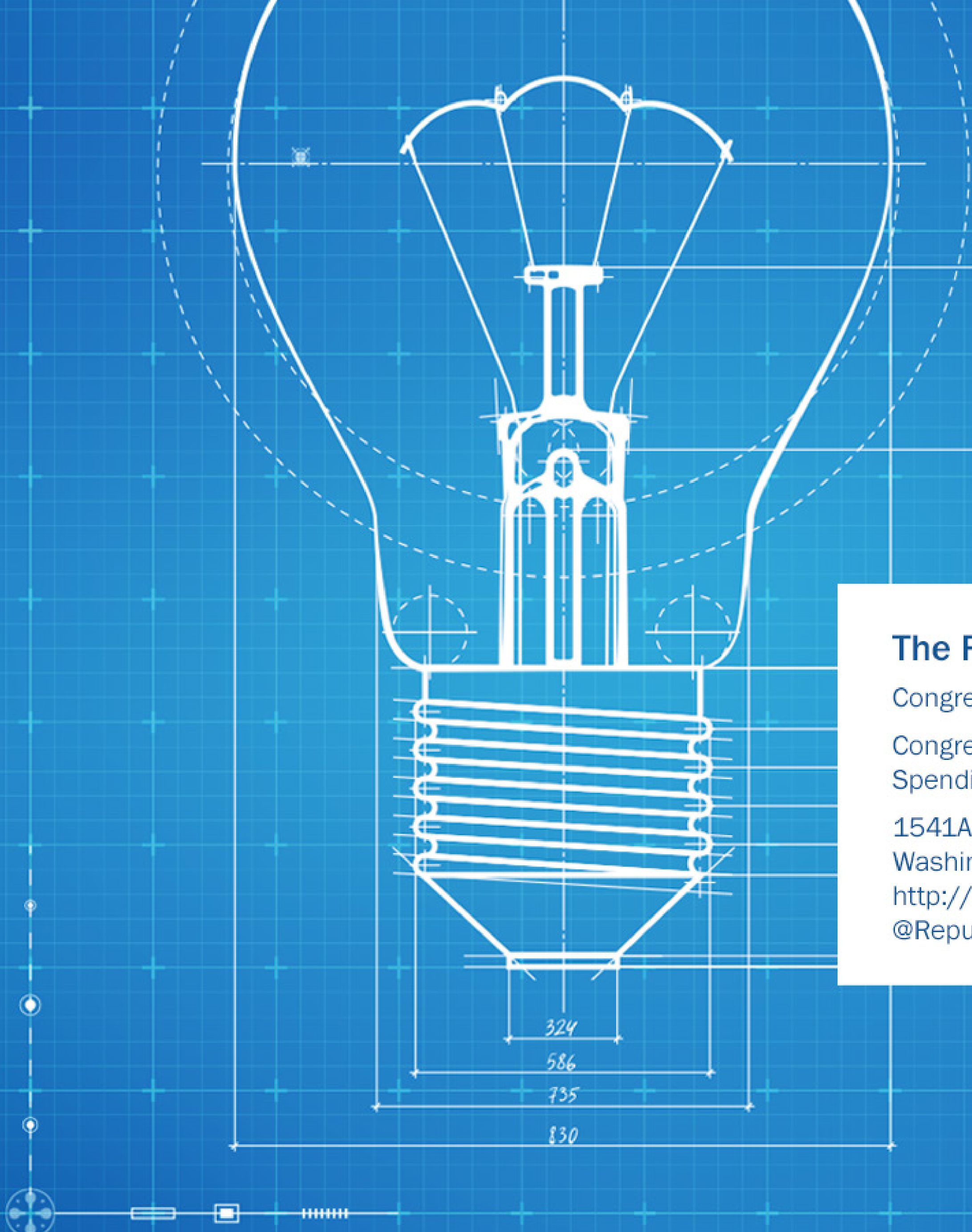
(Nominal Dollars, In Billions, By Fiscal Year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | |
| **RSC FY 2016** | | | | | | | | | | | |
| **Non-Defense** | 405 | 401 | 395 | 403 | 412 | 420 | 429 | 437 | 446 | 455 | 4,204 |
| **Defense** | 570 | 574 | 599 | 611 | 623 | 635 | 648 | 661 | 673 | 687 | 6,282 |
| **Total base** | 975 | 975 | 995 | 1,014 | 1,035 | 1,055 | 1,076 | 1,098 | 1,120 | 1,142 | 10,486 |
| | | | | | | | | | | | |
| **Current Policy Baseline** | | | | | | | | | | | |
| **Non-Defense** | 493 | 504 | 516 | 530 | 543 | 555 | 569 | 583 | 598 | 613 | 5,504 |
| **Defense** | 523 | 536 | 549 | 562 | 576 | 590 | 605 | 620 | 635 | 651 | 5,848 |
| **Total Base** | 1,017 | 1,040 | 1,065 | 1,092 | 1,119 | 1,145 | 1,174 | 1,203 | 1,233 | 1,264 | 11,352 |
| | | | | | | | | | | | |
| **RSC vs. Current Policy Baseline** | | | | | | | | | | | |
| **Non-Defense** | -88 | -103 | -121 | -127 | -131 | -135 | -140 | -146 | -152 | -158 | -1,300 |
| **Defense** | 47 | 38 | 50 | 49 | 47 | 45 | 43 | 41 | 38 | 36 | 435 |
| **Total Base** | -42 | -65 | -71 | -78 | -84 | -90 | -98 | -105 | -113 | -122 | -866 |

## RSC vs. President Obama FY 2016 Budget

(Nominal Dollars, In Billions, By Fiscal Year)

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | -118 | -154 | -189 | -198 | -204 | -165 | -184 | -200 | -213 | -231 | -1,856 |
| **Outlays** | -307 | -506 | -614 | -671 | -745 | -837 | -894 | -1,007 | -1,175 | -1,243 | -7,999 |
| **Deficit Improvement** | 187 | 351 | 425 | 473 | 540 | 673 | 710 | 808 | 961 | 1,013 | 6,142 |





## The Republican Study Committee

Congressman Bill Flores, Chairman

Congressman Marlin Stutzman, Chairman, Budget and Spending Taskforce

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