112TH CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
112–58

CONCURRENT RESOLUTION ON THE BUDGET— FISCAL YEAR 2012

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 34

ESTABLISHING THE BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2012 AND SETTING FORTH APPROPRIATE BUDGETARY LEVELS FOR FISCAL YEARS 2013 THROUGH 2021

together with

MINORITY AND ADDITIONAL VIEWS

APRIL 11, 2011.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. RYAN of Wisconsin, from the Committee on the Budget, submitted the following

R E P O R T

together with

MINORITY AND ADDITIONAL VIEWS

[To accompany H. Con. Res. 34]

The Path to Prosperity: Restoring America's Promise

Americans face a monumental choice about the future of their country.

This budget resolution reflects that choice. It disavows the relentless government spending, taxing, and borrowing that are leading America, right at this moment, toward a debt-fueled economic crisis, and to the demise of America's exceptional promise.

It chooses instead a path to prosperity—by limiting government to its core constitutional roles, keeping America's promises to seniors, and unleashing the genius of America's workers, investors, and entrepreneurs.

For too long, policymakers in Washington have traveled the path of least resistance—a path that has, unsurprisingly, led the Nation downhill. The empty promises made by Washington over the years have resulted in economic hardships today and increasing pessimism about tomorrow.

Government at all levels is mired in debt. Mismanagement and overspending have left the Nation on the brink of bankruptcy. Only recently, millions of American families saw their dreams destroyed in a financial disaster caused by misguided policies, perverse incentives, and irresponsible leadership. The crisis squandered the Nation's savings and crippled its economy.

At a time when the free-market foundations of the American economy were in desperate need of restoration and repair, the past Congress took actions that further undermined them. The President and his party's leaders embarked on a stimulus spending spree that added hundreds of billions of dollars to the debt, yet failed to deliver on its promise to create jobs. Acute economic hardship was exploited to enact unprecedented expansions of government power.

The American public swiftly rejected this approach. Citizens stood up and demanded their leaders reacquaint themselves with America's founding ideals of liberty, limited government, and equality under the rule of law.

Congress can no longer afford to ignore the demands of the American public for honest leadership and real solutions. A government that loses sovereignty to its bondholders cannot long guarantee its people's prosperity—or secure their freedom. A government that buries the next generation under an avalanche of debt cannot claim the moral high ground in the world. A government that allows economic destinies to be determined by political considerations rather than merit cannot lead the world in productivity and growth. A government that promotes dependency and undermines the institutions of faith and family will inevitably weaken the Nation's greatest strength: the exceptional character of its entrepreneurial, self-reliant, and hard-working citizens.

This budget, *The Path to Prosperity,* heeds America's political, economic, and moral imperatives by confronting the Nation's most urgent fiscal challenges.

- It draws upon solutions from across the political spectrum and builds upon the important work of the President's bipartisan Commission on Fiscal Responsibility and Reform.

- It reflects input from leaders at the State and local level, economists and experts who have testified before the Committee, and American citizens calling for honest leadership and real solutions.

- It applies America's timeless principles to today's greatest challenges by committing to three key goals: lifting the crushing burden of debt, fulfilling the mission of health and retirement security for all Americans, and strengthening the foundations of economic growth and job creation.

- Above all, this *Path to Prosperity* calls for a government faithful to its limited but noble mission: securing every American's right to pursue a destiny of his or her choosing. This budget rejects a culture of complacency, offers reforms that promote initiative by rewarding effort, and aims to restore the dynamism that has defined America over the generations.

As President Lincoln said: "We cannot escape history. We of this Congress and this administration will be remembered in spite of ourselves." This Congress will be remembered either for doing nothing as the Nation slouched toward a preventable debt crisis and irreversible decline, or for committing itself to the hard work of preventing that crisis.

This budget cuts $6.2 trillion in spending from the President's budget over the next 10 years, reduces the debt as a percentage of the economy, and puts the Nation on a path to actually pay off the national debt. It brings Federal spending to below 20 percent of gross domestic product [GDP], consistent with the post-war average, and reduces deficits by $4.4 trillion.

Here are its major components:

Reducing Spending. This budget proposes to bring spending on domestic government agencies to below 2008 levels and freezes this category for 5 years. The savings proposals in the budget are numerous, and include reforming agricultural subsidies, shrinking the Federal workforce through a sensible attrition policy, and accepting Defense Secretary Gates' plan to target inefficiencies at the Pentagon.

Welfare Reform. The budget will build upon the historic welfare reforms of the late 1990s by converting the Federal share of Medicaid spending into a block grant that lets States create a range of options and gives Medicaid patients access to better care. The budget proposes similar reforms to food stamps, ending the flawed incentive structure that rewards States for adding to the program's rolls. Finally, this budget recognizes that the best welfare program is one that ends with a job: it consolidates dozens of duplicative job-training programs into more accessible, accountable career scholarships that will better serve people looking for work.

While strengthening welfare programs for those who need them, the budget calls for eliminating welfare for those who do not. It targets corporate welfare, first by ending the conservatorship of Fannie Mae and Freddie Mac that is costing taxpayers hundreds of billions of dollars. It gets rid of the permanent Wall Street bailout authority that Congress created last year. It rolls back expensive handouts for uncompetitive sources of energy, calling instead for a free and open marketplace for energy development, innovation, and exploration.

Health and Retirement Security. The budget's reforms will protect health and retirement security. This starts with saving Medicare. The open-ended, blank-check nature of the Medicare subsidy threatens the solvency of this critical program and creates inexcusable levels of waste. This budget takes action where others have ducked—but because government should reorient its policies *without* forcing people to reorganize their lives, the budget's reforms will not affect those in or near retirement in any way.

Starting in 2022, new Medicare beneficiaries will be enrolled in the same kind of health care program that members of Congress enjoy. Future Medicare recipients will be able to choose a plan that works best for them from a list of guaranteed coverage options. This is not a voucher program, but rather a premium-support model. A Medicare premium-support payment would be paid, by Medicare, to the plan chosen by the beneficiary, subsidizing its cost.

In addition, Medicare will provide increased assistance for lower-income beneficiaries and those with greater health risks. Reform that empowers individuals—with more help for the poor and the sick—will guarantee that Medicare can fulfill the promise of health security for America's seniors.

Congress must also reform Social Security to prevent severe cuts to future benefits. This budget calls for policymakers to work together to enact common-sense reforms. The goal of this proposal is to achieve a solution similar to the plan the President's bipartisan Fiscal Commission put forward to save Social Security for current retirees and strengthen it for future generations.

Budget Enforcement. It is not enough to change how much government spends; Congress also must change *how* government spends. Therefore, this budget proposes process reforms—including real, enforceable caps on spending—to make sure government spends and taxes only as much as it needs to fulfill its constitutionally prescribed roles.

Tax Reform. The budget would focus on growth by reforming the Nation's outdated tax code, consolidating brackets, lowering tax rates, and assuming top individual and corporate rates of 25 percent. It maintains a revenue-neutral approach by clearing out a burdensome tangle of deductions and loopholes that distort economic activity and leave some corporations paying no income taxes at all.

Decline is antithetical to the American Idea. America is a Nation conceived in liberty, dedicated to equal treatment under the law, and defined by endless opportunity. In all the chapters of human history, there has never been anything quite like America. This budget's goal is to keep it exceptional, and to preserve its promise for the next generation.

Statement of Congress' Authority Under the Constitution and the Law

Article I of the U.S. Constitution grants Congress the power to appropriate funds from the Treasury, pay the obligations of and raise revenue for the Federal Government, and publish statements and accounts of all financial transactions.

By law, Congress is also obligated to write a budget representing its plan to carry out these transactions in the forthcoming fiscal years. While the President is required to propose his administration's budget requests for Congress' consideration, Congress is solely responsible for writing the laws that raise revenues, appropriate funds, and prioritize taxpayer dollars within an overall federal budget.

The budget resolution is the only legislative vehicle that views government comprehensively. It provides the framework for the consideration of other legislation. Ultimately, a budget is more than a series of numbers; it also serves as an expression of Congress' principles, vision and philosophy of governing.

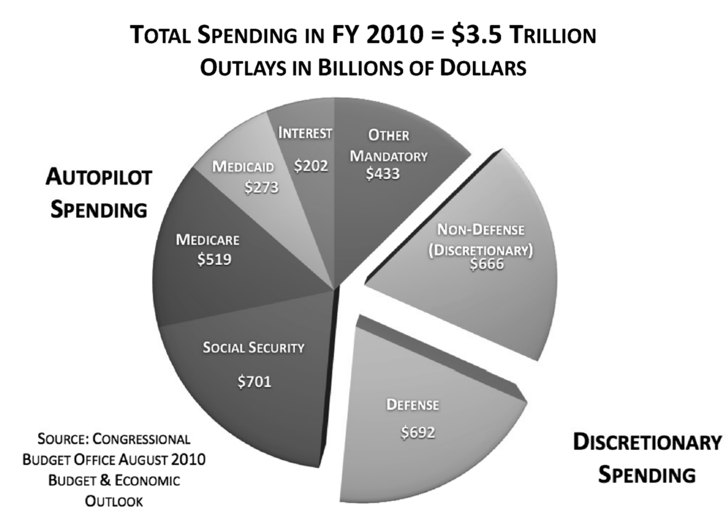
This budget resolution intends to recommit the nation fully to the timeless principles of American government enshrined in the U.S. Constitution—liberty, limited government, and equality under the rule of law. It is submitted, as prescribed by law, to apply these principles, to reflect this vision, and to provide a framework for the orderly execution of Congress' constitutional duties for fiscal year 2012 and beyond.

Components of the Federal Budget

Annually Approved Spending

Discretionary spending—funding debated and approved annually by Congress and the President—accounted for slightly less than 40 percent of all Federal spending in 2010. This category includes transportation, energy, education, foreign aid, and funding for most government agencies.

FIGURE 1



More than half of the category goes toward national defense, but it is important to put that number into perspective. Defense spending as a share of the budget has fallen from around 25 percent 30 years ago to around 20 percent today. Like all categories of government spending, defense spending should be executed with efficiency and accountability. But responsible budgeting must never forget that the first responsibility of the Federal Government is to provide for the defense of the Nation.

The category in Figure 1 labeled "non-defense discretionary" spending is primarily devoted to funding other government agencies. These agencies have been the beneficiaries of a major spending increase over the past 2 years. Since January 2009, there has been a 24 percent increase in this slice of the pie—a number that jumps to 84 percent when stimulus funds are included.

Of the many new laws that made up the recent spending spree, the 2009 stimulus law has gotten the most attention, with considerable focus on the billions of dollars it wasted on dubious government projects as well as the many promises it broke with respect to job creation and economic growth. But domestic government agencies also received large increases in their base budgets—the Environmental Protection Agency [EPA], for example, received a 36 percent budget increase in just two short years.

An inevitable consequence of the past Congress' decision to ramp up spending so quickly was that billions of Americans' tax dollars were squandered. The Government Accountability Office [GAO]—the non-partisan agency that audits the government's books—recently found between $100 billion and $200 billion in duplication, overlap, and waste in Federal spending.[1] Clearly, Congress must restore discipline to this category.

The Path to Prosperity builds on these efforts to cut spending, ensuring government can efficiently and effectively meet its proper responsibilities. But getting discretionary spending under control is only a first step toward fiscal sustainability. The real drivers of the Nation's debt lie elsewhere.

Entitlement Spending

Spending for programs authorized under permanent law is usually referred to as "mandatory spending," even though Congress can change the law at any time.

As illustrated in Figure 1, this "autopilot" spending accounted for nearly 60 percent of all Federal spending in 2010. Congress does not regularly debate, annually appropriate, or properly scrutinize this category of spending. If an individual meets legal eligibility requirements for these government programs, he or she automatically receives—or "is legally entitled to"—the benefit. This category includes food stamps, unemployment benefits, and farm subsidies—programs that are frequently referred to as "entitlement programs."

The three largest entitlements are Medicare, Medicaid, and Social Security. Congress created these programs in the middle decades of the past century in response to a problem that has preoccupied American lawmakers for more than a century: how can government best preserve the freedom to risk and to dare, in pursuit of dreams large and small, while providing a safety net for those citizens who meet with misfortune along the way?

For decades, seniors have been able to rely on Social Security and Medicare for their basic retirement needs, while Medicaid has sought to ensure that low-income Americans would not go without essential health care. But Americans will not be able to rely on these programs for much longer unless Congress repairs and reforms them. Medicare, Medicaid, and Social Security all face structural problems that are driving them—and the country—into bankruptcy.

[1] Government Accountability Office: *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue,* March 2011. *http://www.gao.gov/new.items/d11318sp.pdf.*

Unlike defense, the share of the budget that goes to these entitlement programs is growing rapidly. In 1970, these major entitlements consumed about 20 percent of the budget—a number that has grown to more than 40 percent today (see Figure 1). Unless action is taken to reform these programs, they will continue to crowd out all other national priorities until they break the Federal budget.

Simply put, these programs were created with a 20th-century economy in mind. They were not designed for the new demographic and economic challenges of the 21st century.

There are three key forces driving Medicare, Medicaid, and Social Security into bankruptcy. All three are interrelated, even though some of them affect one program more than the others.

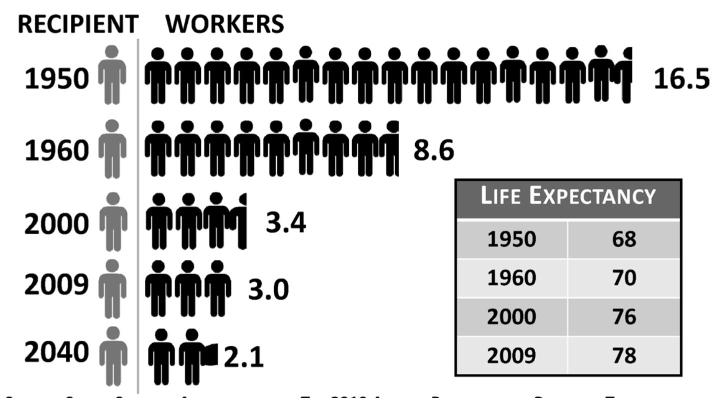
DEMOGRAPHICS

The first is demographics. This problem is most clearly seen in the financing for Social Security.

Social Security is financed through a pay-as-you-go system, which means that current workers' Social Security taxes are used to pay benefits for current retirees. In 1935 when Social Security was enacted, there were about 42 working-age Americans for each retiree. The average life expectancy for men in America was 60 years; for women it was 64. With these demographics, it was easy for the program to generate sufficient revenue to meet its promises to those older than 65.

FIGURE 2

TAXPAYERS SUPPORTING EACH SOCIAL SECURITY RECIPIENT



SOURCE: SOCIAL SECURITY ADMINISTRATION, *THE 2010 ANNUAL REPORT OF THE BOARD OF TRUSTEES*; CENTERS FOR DISEASE CONTROL, *U.S. LIFE TABLES*

The demographic situation has changed dramatically, however, since the creation of the program. In 1950, there were 3.5 million beneficiaries. Currently, there are more than 50 million beneficiaries—a more than 14-fold increase.

The explosion of payments in the 75 years since the Social Security system was enacted will be dwarfed by the demographic demands about to come. The first members of the baby-boom generation—those born between 1946 and 1964—are already eligible for early retirement. At the same time, thanks to innovations in medical technology and health care, life expectancies have lengthened to an average of 75 years for men and 80 years for women, and are expected to grow further.

Not only is the Nation aging, there has also been a demographic shift to a lower retirement age. In 1945, the average age of retirement was 69.6 years. In 2009, it was 63.8 years.

To put this in perspective, when Social Security was first enacted in 1935, each worker, on average, was contributing less than 2.5 percent of one retiree's benefits. By 2030, each wage earner will be paying for nearly half of each retired person's full benefits.

This represents a huge shift of earnings away from younger families trying to build their futures, toward Social Security recipients. No economy can grow and thrive under that heavy a tax burden.

Real reform—especially with respect to Social Security—must reflect demographic reality.

ECONOMICS

The second force is economics. For much of the past 2 years, Washington has been embroiled in a bruising debate over a law that was supposed to provide a "comprehensive" solution to the Nation's health-care problems by putting even more of the health sector under government control. Yet rapidly rising health-care costs remain as big a problem as ever. In 2010, health-care costs rose by more than 7 percent, compared to around 1 percent for all other goods and services.

This is putting immense pressure on Medicare and Medicaid. But these programs are not just affected by rapidly rising health-care costs—they are actually a key driver of inflation in the health-care sector. Nearly 50 cents of every dollar spent on health care in this country is spent by Federal, State, or local governments. Because of the design and structure of these programs, much of the government's money gets wasted—and shows up as inflation in the cost of care.

Everyone who is on Medicare or knows someone on Medicare has stories about waste in the system: unnecessary tests, redundant treatments, and the cost in both time and money of mistaken billings and misplaced records. This kind of waste is inevitable in a top-down, government-run system, and it is a big reason that costs have spiraled out of control.

Moreover, America's health-care entitlements are currently set up as open-ended, blank-check commitments to reimburse health-care providers for services—and this very structure raises costs and reduces efficiency. Such commitments create perverse incentives for everyone in the health-care system to maximize his or her share of this apparently limitless government subsidy. This leads to large-scale waste and fraud.

Last year's health-care law—with its maze of mandates, dictates, controls, tax hikes, and subsidies—exacerbates the flaws in this model and will push costs further in the wrong direction. Already, health insurance companies have announced big premium hikes related to the law's new mandates. Its so-called cost controls amount to the same kind of fee-for-service reductions that have failed to control costs in Medicare for decades. (Providers predictably increase the number of services provided for each condition as the government lowers fees). It will dramatically expand a Medicaid program that is already breaking State budgets and adding to a growing flood of red ink at the Federal level.

Real reform—especially with respect to Medicare—must eliminate this unsustainable waste and reduce inefficiencies and costs by giving beneficiaries themselves more control over their own health-care benefits and decisions.

SKEWED POLITICAL INCENTIVES

As the central government increases subsidies and control over the price and delivery of health care, it saps the system of innovation and efficiency, and it pushes quality health care out of reach for those who are not eligible for Federal programs. This results in more demands to increase Federal subsidies and control. Any effort to propose significant reforms to these programs triggers a barrage of demagoguery and resistance.

Skewed political incentives have proved especially damaging in the Medicaid Program. Because the Federal Government matches every State dollar spent on the program, States do not pay the full cost of expanding benefits. At the same time, every dollar in Medicaid expenditures cut from State budgets triggers more than a dollar worth of cuts in Federal funding. These incentives encourage States to expand the program beyond those who are truly in need.

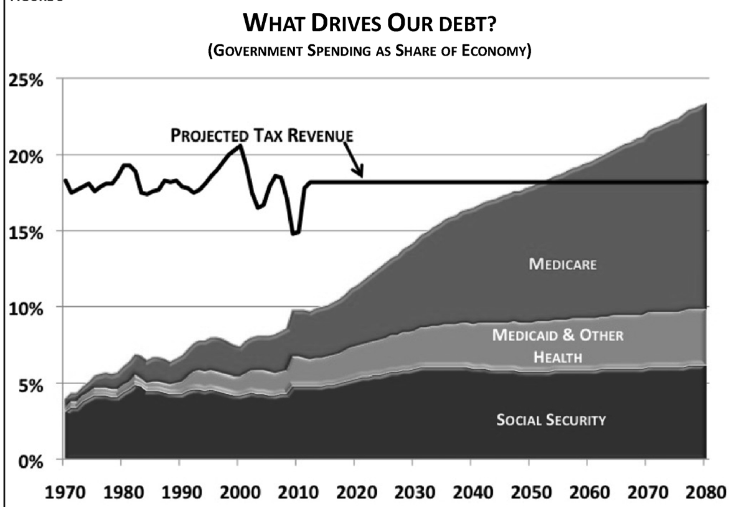
Worse, States are not given the flexibility to design their Medicaid programs in smart or efficient ways. When even their smaller share of the tab becomes unaffordable, as has happened in many States recently, it is often the case that their only option is to impose across-the-board reductions in reimbursements to doctors, which leave many doctors unwilling to see Medicaid patients. As a result, these patients are left with fewer options and lower-quality care. The new health care law, with its large expansions of Medicaid, will funnel more people into a broken system.

Real reform—especially with respect to Medicaid—must give States the flexibility they need to better assist their most vulnerable populations.

EMPTY PROMISES

Policymakers have known about these problems for decades, but few have been willing to propose real solutions.

FIGURE 3

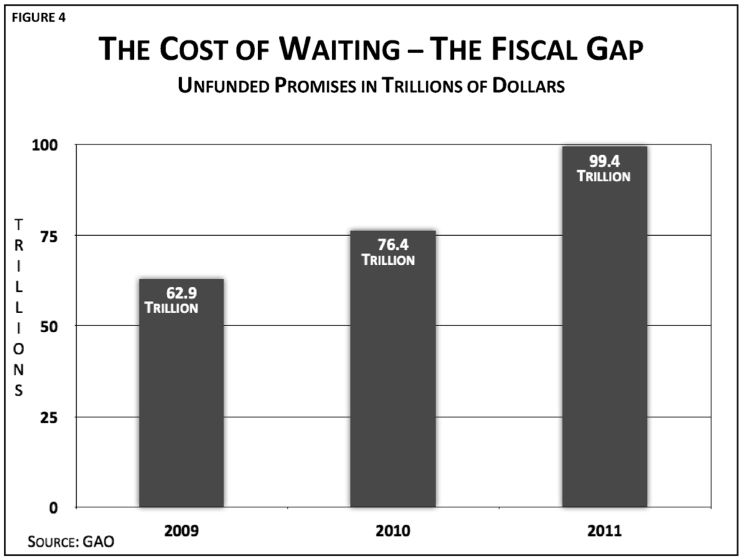


SOURCE: CBO

Figure 3 makes clear that, absent action, Medicare, Medicaid, and Social Security will soon grow to consume every dollar of revenue the government raises in taxes. At that point, policymakers would be left with no good options. Making do without any Federal Government departments, including the military, is not really an option, and neither is raising taxes to a level that no free and prospering economy could sustain.

Of course, if Congress continues to delay, it will lose even the ability to make such choices on its own terms. The foreign governments and institutional lenders that finance America's debt would cut up the Nation's credit cards before things got that far. That would mean sudden, steep cuts in entitlement benefits to current seniors, less help for the poor, and a crushing tax burden on young families.

Each year that Congress fails to act, the U.S. government gets closer to breaking promises to current retirees, while adding to a growing list of empty promises made to future generations. The government's unfunded liabilities—promises the government makes to current workers about their health and retirement security for which it has no means to pay—are growing by trillions of dollars a year.



America has seen unfunded obligations much less daunting take down some of its proudest companies. In industries such as steel, aviation, and autos, workers lost promised benefits when their employers failed to take timely, responsible steps to update their unworkable, 20th-century benefit structures. Many retirees lost the critical health and retirement benefits they were counting on.

Unless Congress acts, Americans can expect the same thing to happen to Social Security and Medicare. Under current law, Social Security benefits are scheduled to be cut by 22 percent in 2037, when the Social Security trust fund runs out of assets and payroll taxes are not sufficient to cover benefits owed. Medicare is on a similarly unsustainable path: the Medicare trend line illustrated in Figure 3 is a mathematical impossibility. Future benefit cuts—against a backdrop of skyrocketing health-care costs—are a certainty if the program goes unreformed.

Americans deserve a Federal health and retirement safety net they can count on. If Congress wants to avoid defaulting on Federal health and retirement programs, it must adopt a program of gradual adjustment—one that frees the Nation from the shadow of debt, strengthens its health and retirement safety net, protects those in or near retirement from any disruptions in their benefits, and supports robust economic growth and job creation.

Taxes

The U.S. government is running sustained deficits not because Americans are taxed too little, because it spends too much.

Over the past 40 years, Federal revenue has averaged between 18 percent and 19 percent of GDP. This level has generally been compatible with prosperity, even though there is broad agreement that the structure of the tax code should be simplified and made more conducive to economic growth, higher wages, and entrepreneurship.

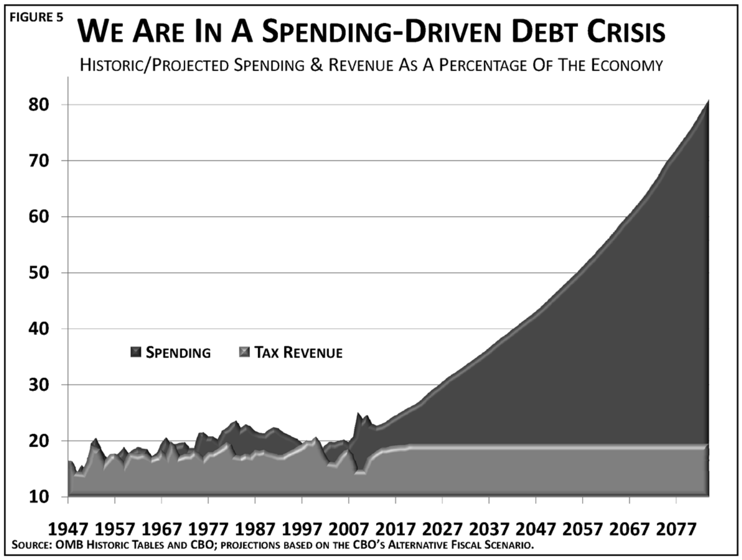


Figure 5 shows that Washington has a spending problem, not a revenue problem. The President's budget would drive both spending and revenues to historic highs as a share of the total U.S. economy. The trend is clear: chasing ever-higher spending with ever-higher tax rates would leave the U.S. economy at a severe disadvantage compared to the rest of the world, to say nothing of the pain felt by American families deprived of the chance to save for a better future.

Nor can the government solve this problem just by raising the top individual tax rates: even if it were wise to raise taxes on the most successful small businesses in America—most of which are owned by individuals and file at individual rates—the government cannot even come close to closing the fiscal gap that way. To close the fiscal gap by raising the top rates, the government would have to collect an additional $500,000 each year on average from every taxpayer in the top two brackets, on top of what these taxpayers already pay.

The non-partisan Congressional Budget Office has concluded that the tax rates needed to sustain the Nation's current fiscal trajectory into the future would end up sinking the economy.[2] That is one reason why the President's Commission on Fiscal Responsibility and Reform proposed, as part of an overall effort to fix the Nation's unsustainable deficits, a fundamental tax reform plan that actually lowered income tax rates to promote growth, while eliminating tax loopholes to broaden the tax base.[3]

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[2] Congressional Budget Office. Letter to Congressman Paul D. Ryan. May 2008.

[3] The National Commission on Fiscal Responsibility and Reform: *The Moment of Truth,* December 2010. *http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12—1—2010.pdf.*

A broader base with lower rates is central to a fair, efficient and sustainable tax code, and the economic growth spurred by such a reform is a precondition to fixing the Nation's fiscal mess.

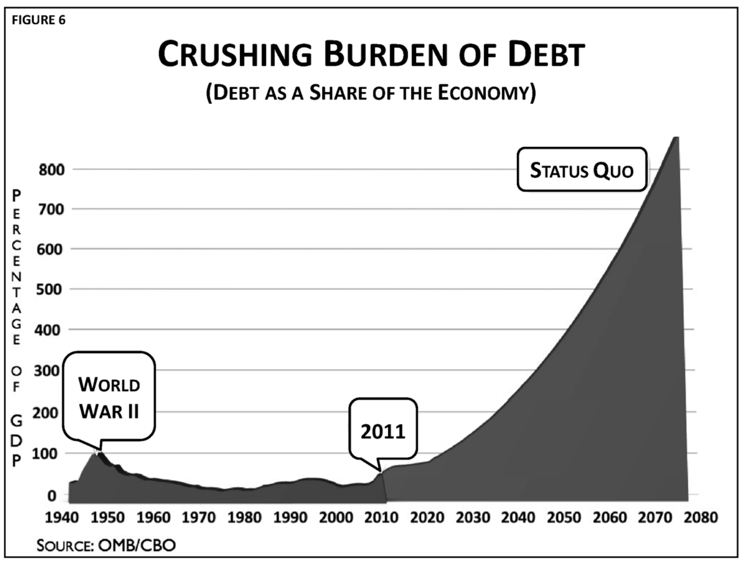
Deficits and Debt

The deficit is how much the Federal Government has to borrow to fund the excess of spending over revenue in a given year. The debt is the total amount outstanding that the government owes; it represents the accumulation of deficits over time.

This year is projected to mark the third straight year in which the government borrows more than $1 trillion. Debt held by the public stood a $6.3 trillion the day President Obama took office. According to the Congressional Budget Office, under the President's budget, the debt will double by 2013 and triple by 2021. Clearly, Congress must address this crisis now—before it is too late.

The Crushing Burden of Debt

The United States is facing a crushing burden of debt—a debt that will soon surpass the size of the entire U.S. economy and ultimately capsize it if left on its present course.



America's unsustainable budget path is no longer a problem that is far off in the future. The lenders who buy much of the Federal Government's debt have noticed the disconnect between the government's perilous fiscal situation and the low rates of interest it is paying on the bonds that constitute the government's debts. Some have even decided to purge their portfolios of U.S. debt, and others are advising their clients to do the same.[4]

Through its interventions into the economy, the Federal Reserve has recently become the largest buyer of government debt in the country, and these purchases have helped keep interest rates low. But the Fed is scheduled to stop making these purchases this summer. Congress must show the market that it has a credible plan for getting the national debt under control, in order to ease concerns over the government's credit-worthiness and stave off an interest-rate spike.

[4] "Pimco's Biggest Fund Dumps Treasury Bond Holdings." Reuters with CNBC.com, 9 March 2011, *http://www.cnbc.com/id/41990901/* (accessed 31 March 2011).

This budget is offered in the hope that it might demonstrate the new House majority's determination to face the government's most difficult fiscal challenges.

An Unsustainable Path

The recent sovereign debt crises in Greece and other highly-indebted European countries provide a cautionary tale of the rough justice of the marketplace—lenders cannot and will not finance unsustainable deficits forever, and when they cut up the credit cards of profligate countries, severe economic turmoil ensues.

Over the past few years, Americans have seen just how quickly a severe financial crisis can create widespread pain and chaos. But the last crisis was foreseen only by a small number of perceptive individuals who recognized the implications of unwise decisions being made in Washington and on Wall Street.

By contrast, nearly every fiscal expert and advisor in Washington has warned that a major debt crisis is inevitable if the U.S. government remains on its current unsustainable path. The government's failure to prevent this completely preventable crisis would rank among history's most infamous episodes of political malpractice. Erskine B. Bowles, the Democratic co-chairman of the President's Fiscal Commission, said it best: "The era of deficit denial is over." [5]

Nearing a Debt Crisis

Like a household or business, a nation's indebtedness is best understood in terms of how much it owes relative to how much it makes. By that measure, debt held by the public—money that the U.S. government owes to others—will reach nearly 70 percent of the entire U.S. economy this year.

If this were merely a temporary rise in the debt, it would not be so alarming. But, the spending spree of the past 2 years, combined with the coming retirement of nearly 80 million baby boomers, threaten to turn these recent deficit spikes into a permanent plunge into debt.

Debt in excess of 60 percent of the economy is not sustainable for an extended period of time. That is bad news for the United States. According to the non-partisan CBO, the President's budget would keep the debt climbing as a share of the economy in the decade ahead, from nearly 70 percent this year to more than 87 percent of the U.S. economy by 2021.

How a Debt Crisis Would Unfold

SPIRALING INTEREST RATES

The first sign that a debt crisis has arrived is that bond investors lose confidence in a government's ability to pay its debts—and by that point, it is usually too late to avoid severe disruption and economic pain. Right now, the U.S. government is able to borrow at historically low rates, partly because of the Fed's interventions in the market, but also because the bonds of most foreign countries

[5] Wolf, Richard. "Are We Ready to Cut the U.S. Deficit?" *USA TODAY,* 29 November 2010. *http://www.usatoday.com/printedition/news/20101129/1adeficit29—cv.art.htm* (accessed 31 March 2011).

are looking even riskier. Neither of these conditions is going to last. Interest rates—and the burden of paying interest on the debt—have nowhere to go but up.

Interest payments are already consuming around 10 cents of every tax dollar. But as interest rates rise from their current historically low levels and debt continues to mount, interest payments are projected to consume over 20 percent of all tax revenue by 2020.

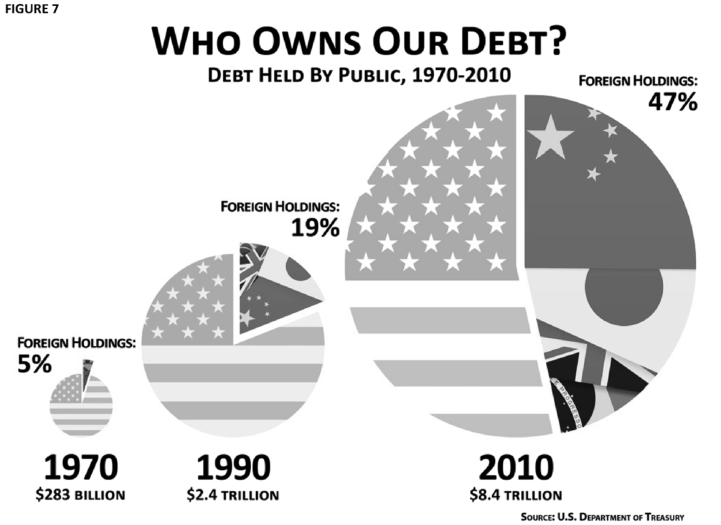
That means that one in five tax dollars will be dedicated to making interest payments by the end of the decade—and that's according to optimistic projections about interest rates. If interest rates increase by a higher-than-expected amount in the future—which appears to be more likely—then the Nation's interest payments could cost trillions of dollars more.

FOREIGN FLIGHT

It would be one thing if the U.S. government owed most of this money to domestic lenders. But the Nation's reliance on foreign creditors has increased dramatically over the past few decades. Foreigners now own roughly half of all publicly held U.S. debt, a sharp increase from a generation ago when foreigners owned just 5 percent of U.S. debt. This makes the Nation vulnerable to a sudden shift in foreign-investor sentiment, particularly during a time of crisis.

If foreign investors, especially foreign governments such as China, begin to lose confidence in the U.S. government's ability to solve its most difficult fiscal challenges, they will demand higher compensation to offset the perceived risk of holding U.S. debt—meaning sharply higher interest rates.

FIGURE 7



During the financial crisis, foreigners flocked to Treasury debt simply because other investments looked so unsafe by comparison, and this helped keep interest rates low. But these investment flows work both ways, as the heavily indebted nations of Europe have recently learned. If Congress continues to put off difficult choices regarding the Nation's long-term problems, foreign investors will reevaluate the creditworthiness of the United States and demand higher interest rates.

The Consequences of Inaction

STAGFLATION

The economic effects of a debt crisis would be far worse than what the Nation experienced during the financial turmoil of 2008. For starters, no entity on the planet is large enough to bail out the U.S. government. Absent a bailout, the only solutions to a debt crisis would be truly painful: massive tax increases, sudden and disruptive cuts to vital programs, runaway inflation, or all three. This would create a huge hole in the economy that would be exacerbated by panic.

Even if high debt did not cause a crisis, however, the Nation would still be in for a long and grinding period of economic decline. A recent study completed by Reinhart and economist Kenneth S. Rogoff of Harvard confirms this common-sense conclusion. The study found conclusive empirical evidence that total debt exceeding 90 percent of the economy has a significant negative effect on economic growth.[7]

The study looked specifically at the United States, focusing on growth and inflation relative to past periods when this Nation has experienced high debt levels. The study found that not only is average economic growth dramatically lower when gross U.S. debt exceeds 90 percent of the economy, but inflation also becomes a problem.

Essentially, the study confirmed that huge debts of the kind the Nation is on track to accumulate are associated with "stagflation"—a toxic mix of economic stagnation and rising inflation.

REAL PAIN FOR FAMILIES

Warning signs in financial markets would merely be a harbinger of the real economic pain that would eventually be felt by American families in the event of a debt crisis.

Much higher interest rates on government debt would translate into much higher interest rates on mortgages, credit cards, and auto loans. These higher rates would most likely come as a shock to most Americans, who have grown accustomed to borrowing in a climate of historically low interest rates. It might even shock those who lived through the double-digit interest rates of the early 1980s.

Despite the increase in saving rates that has occurred in the wake of the financial crisis, U.S. households are still heavily indebted. The Nation's households still owe $13 trillion in private debt, or roughly 120 percent of their total disposable income. A large chunk of that total debt consists of home mortgages, while the rest is in credit cards and other forms of debt.

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[7] Reinhart, Carmen M. and Kenneth S. Rogoff: *Growth in a Time of Debt,* January 2010. *http://www.economics.harvard.edu/files/faculty/51—Growth—in—Time—Debt.pdf.*

It turns out that roughly half of all that debt is in the form of variable interest rate loans, meaning that a sudden increase in Treasury bond rates would lead to higher borrowing costs for consumers relatively quickly. According to the current level and composition of U.S. household debt, estimates suggest that an interest rate increase of just 1 percentage point would lead to more than $400 in extra interest payments each year for the average family.

Given that a serious debt crisis could lead to a sharp increase in Treasury rates, the added interest costs for the typical family could easily exceed $1,000 per year. As household borrowing costs spiked, growth in overall consumer spending, which accounts for nearly 70 percent of the U.S. economy, would decline.

REAL PAIN FOR BUSINESSES

Higher borrowing costs would also serve as a serious impediment for businesses. The rise in interest rates would lead to lower business investment as companies would face a much higher hurdle for profitability on potential expansion plans.

Businesses would be doubly squeezed because, as their funding costs were rising, demand for their products (particularly consumer durables bought on credit such as cars, home furnishings, and the like) would be slipping as consumer spending tailed off. Add in higher taxes from a cash-strapped government trying to appease its creditors, and the inevitable result would be less business expansion and higher unemployment.

HARSH AUSTERITY

As economic growth deteriorates, it becomes harder for the government to raise revenue through taxes, and a vicious cycle ensues. If the Nation ultimately experiences a panicked run on its debt, it will be forced to make immediate and painful fiscal adjustments (like the austerity program that has provoked riots in Greece).

Facing the inability to borrow at a reasonable rate in the market, the government would have to slash spending and raise taxes to narrow its large fiscal gap. In such a crisis, the Fed may also face rising pressure to step in and “monetize” the government’s debt—essentially printing money to buy up the public debt that private investors refuse to finance.

The consequences of these actions would be disastrous for the U.S. and the global economy. If the U.S. government were forced to address such a situation by cutting domestic spending and raising taxes to close the budget gap, it would be compelled to do so indiscriminately. Promises to current retirees would be broken, and tax rates would be raised across the board, without regard for the economic consequences. Monetizing the debt, meanwhile, would soon lead to a destabilizing inflation. This would wipe out the savings of millions of Americans, hitting seniors the hardest. When combined with benefit cuts, this would mean punishing seniors twice.

FINANCIAL SYSTEM BREAKDOWN

The U.S. dollar is the world’s reserve currency, and U.S. Treasury bonds are the lynchpin of global debt markets, considered to be safe and highly liquid assets by virtually all financial institutions worldwide. A U.S. debt crisis would lead to sharp declines in the dollar and in the price of these bonds, causing a deterioration of the balance sheets of large financial institutions. The resulting panic would be orders of magnitude more disruptive than the financial crisis in 2008.

The Path to Decline

In the end, the debate about rising U.S. debt is not just about dollars and cents, but also about America's status as a world power and its freedom to act in its own best interests. If the Nation stays on its current path, interest payments on the national debt will begin to exceed yearly defense spending just 11 years from now. In just 16 years, yearly interest expenses will be double national defense spending.

If it stays on its current fiscal path, the United States will be unable to afford its role as an economic and military superpower. Other nations with very different interests will rush in to fill that role.

Last year in *Foreign Affairs* magazine, financial historian Niall Ferguson surveyed some of the great empire declines throughout history and observed that "most imperial falls are associated with fiscal crises. All the * * * cases were marked by sharp imbalances between revenues and expenditures, as well as difficulties with financing public debt. Alarm bells should be ringing loudly * * * [for] the United States." [8]

America must not lose its role in the world. For this and many other reasons, Congress must act now to change the Nation's fiscal course. The new House majority was sent here by the American people to get spending under control, keep taxes low, and confront these great challenges today to allow this generation to pass an even greater Nation along to the next generation.

Congress can choose to let this Nation go the way of fallen empires, or it can begin—today—the work of restoring the vitality and greatness of America.

[8] Ferguson, Niall: "Complexity and Collapse: Empires on the Edge of Chaos," *Foreign Affairs,* March/April 2010.

A Reform Agenda for the U.S. Government

When it comes to this generation's defining challenge—the explosive growth of the national debt—the simple truth is that Washington has not been honest with the American people.

The past Congress added trillions to the problem, and the current administration has offered no serious plan to address the sea of red ink. There is a vacuum of leadership in Washington. This budget attempts to lead where others have fallen short. To do otherwise would consign the United States to a diminished future—a future that disrespects the sacrifices that generations of American families have made to secure the promise of this exceptional Nation.

This budget offers America a model of government guided by the timeless principles of the American Idea: free market democracy, open competition, a robust private sector bound by rules of honesty and fairness, a secure safety net, and equal opportunity for all under a limited constitutional government of popular consent.

In certain key respects, the Federal Government has strayed from these timeless principles. This budget offers a set of fundamental reforms to put the Nation back on the right track.

1. Reform government to make it more efficient, effective, and responsible

The role of the Federal Government is both vital and limited. When government takes on too many tasks, it usually does none of them well. Limited government also means effective government. This budget recommits the Federal Government to the security of every American citizen's natural right to life, liberty and the pursuit of happiness, while fostering an environment for economic growth and private-sector job creation.

Providing for the Common Defense. Recognizing that the first job of government is to secure the safety and liberty of its citizens from threats at home and abroad, this budget rejects proposals to make deep, across-the-board cuts in funding for national defense. Instead, it reflects the $178 billion in savings identified by Defense Secretary Robert Gates, $100 billion of which would be reinvested in higher military priorities. American men and women in uniform are currently engaged with a fierce enemy and dealing with emerging threats around the world. This budget achieves savings in the category of national defense without jeopardizing preparedness or critical missions.

Streamlining Other Government Agencies. Government spending on domestic departments and agencies has grown too much, too fast over the past decade, with much of the money going to programs and projects the Nation can do without. This budget starts to restore spending discipline to a government that badly needs it by returning non-security discretionary spending to below 2008 levels. It reduces the bureaucracy's reach by applying private-sector realities to the Federal Government's civilian workforce. Similar to the Fiscal Commission, the budget resolution would boost private-sector employment by slowing the explosive growth of the public sector, achieving, through attrition, a 10-percent reduction over the next 3 years in the Federal workforce, coupled with a pay freeze through 2016. It targets hundreds of government programs that have outlived their usefulness. It reflects an extension of the moratorium on earmarks. It repeals the government takeover of health care enacted last year and moves toward patient-centered reform.

Ending Corporate Welfare. There is a growing and pernicious trend of government overreach into sectors of the private economy—a trend that stacks the deck in favor of entrenched interests and stifles growth. This budget ends the taxpayer bailouts of failed financial institutions and stops Washington from picking the winners and losers across sectors of the economy.

Boosting American Energy Resources. Too great a percentage of America's vast natural resources remain locked behind bureaucratic barriers and red tape. This budget removes moratoria on safe, responsible energy exploration in the United States, ends Washington policies that drive up gas prices, and unlocks American energy production to help lower costs, create jobs, and reduce dependence on foreign oil.

Changing Washington's Culture of Spending. The budget process in Washington contains numerous structural flaws that bias the Federal Government toward ever-higher levels of spending. This budget locks in savings with enforceable spending caps and budget-process reforms, addressing not only what Washington spends, but also how tax dollars are spent.

2. Reform welfare to strengthen the social safety net

This budget builds upon the historic progress of bipartisan welfare reform in the late 1990s. It strengthens Medicaid, food stamps and job-training programs by providing States with greater flexibility to help recipients build self-sufficient futures for themselves and their families.

Repairing a Broken Medicaid System. Medicaid's flawed financing structure has created rapidly rising costs that are nearly impossible to check. This budget ends an onerous, one-size-fits-all approach by converting the Federal share of Medicaid spending into a block grant that gives States the flexibility to tailor their Medicaid programs to the needs of their unique populations.

Protecting Assistance for Those in Need. The welfare reformers of the 1990s were not able to extend their work beyond cash welfare program. This budget extends those successes to other means-tested programs to ensure that America's safety net does not become a hammock that lulls able-bodied citizens into lives of complacency and dependency.

Preparing the Workforce for a 21st Century Economy. The government's dozens of job-training programs suffer from overlapping responsibilities and too often lack accountability. The government must do a much better job of leveraging and targeting existing resources in this policy area. This budget consolidates a complex maze of dozens of job-training programs into more accessible, accountable career scholarships aimed at empowering American workers with the resources they need to pursue their dreams.

3. Reform government programs to fulfill the mission of health and retirement security

This budget puts an end to empty promises from a broke government, offering instead real security through real reforms. The framework established in this budget secures health and retirement benefit programs both for current beneficiaries, who will receive the benefits they have organized their retirements around, and for future generations, who will inherit stronger programs they can count on when they retire.

Saving Medicare. A flaw in Medicare's structure is driving up health-care costs, which are, in turn, threatening to bankrupt the system—and ultimately the Nation. This budget saves Medicare by fixing this flawed structure so that the program will be there for future generations. These changes will not affect those in or near retirement in any way. When younger workers become eligible for Medicare, they will be able to choose from a list of guaranteed coverage options, enjoying the same kind of choices in their plans that members of Congress enjoy today. Medicare would then provide a payment to subsidize the cost of the plan. In addition, Medicare will provide increased assistance for lower-income beneficiaries and those with greater health risks. Reform that empowers individuals—with a strengthened safety net for the poor and the sick—will guarantee that Medicare can fulfill the promise of health security for America's seniors.

Advancing Social Security Solutions. The risk to Social Security, driven by demographic changes, is nearer at hand than most acknowledge. This budget heads off a crisis by forcing action from the President and both chambers of Congress to ensure the solvency of this critical program—creating the space for bipartisan solutions.

4. Reform the tax code to promote economic growth and job creation

This budget recognizes that the Nation's fiscal health requires a vibrant, growing private sector. It charts a prosperous path forward by reforming a tax code that is overly complex and unfair.

Individual Tax Reform. The current code for individuals is too complicated, with high marginal rates that discourage growth. This budget embraces the widely acknowledged principles of pro-growth tax reform by proposing to consolidate tax brackets and lower tax rates, with a top rate of 25 percent, while clearing out the burdensome tangle of loopholes that distort economic activity.

Corporate Tax Reform. American businesses labor under the highest corporate income tax in the developed world. The perverse incentives created by the corporate income tax do a lot of damage, yet the tax itself raises relatively little revenue. This budget improves incentives for job creators to work, invest, and innovate in the United States by lowering the corporate rate from 35 percent to a much more competitive 25 percent.

The Choice

Throughout history, Americans have selflessly tackled the difficult challenges before the republic, whether civil war, economic depression, or military threats from abroad. Each generation has been tested, and each generation has found strength in America's highest principles and called forth its deepest virtues to make certain that the next generation inherited a stronger, more prosperous and free America.

Today, the Nation's crushing burden of debt jeopardizes this legacy. This generation must not be the first to fail—to break the link that binds the past, the present, and the future.

America is drawing perilously close to a tipping point that has the potential to curtail free enterprise, transform its government, and weaken its national identity in ways that may not be reversible.

In this America faces two dangers: long-term economic decline as the number of makers diminishes and the number of takers grows and, worse, gradual moral-political decline as dependency and passivity weaken the Nation's character and as the power to make decisions is stripped from individuals and their elected representatives and given to non-elected bureaucracies.

The Path to Prosperity charts a different course.

This budget provides a plan for assuring that this generation upholds America's historic legacy, rediscovers her abiding principles, and charts a new path to prosperity.

It marks a new Federal commitment, assuring this Nation's workers, savers, and investors that the new House majority recognizes the threat that unlimited government poses to the American way of life, and that it is determined to fulfill its commitments and responsibly restrain government's growth.

Restoring limits to the size and scope of government is not a partisan issue. In his State of the Union Address on 4 January 1935, President Roosevelt—in words later repeated by President Reagan—warned of the threat to America's national character from permanent dependency on government:

> The lessons of history, confirmed by the evidence immediately before me, show conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit * * * It is in violation of the traditions of America.

Americans truly face a monumental choice—a choice that can no longer be avoided.

The Path to Prosperity is the groundwork for a serious conversation about the future of this exceptional Nation.

While an important statement of priorities, a budget is merely a blueprint for the actual work of statecraft. The elected representatives of the American people—in the House of Representatives, in the Senate, and in the White House—now must take up the tools and start building the future Americans deserve.

This generation's defining moment has arrived.

TABLE 1.—FISCAL YEAR 2012 BUDGET RESOLUTION TOTAL SPENDING AND REVENUES

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Summary													
Total Spending:													
BA	3,540.321	3,442.192	3,482.930	3,592.504	3,695.660	3,880.045	4,034.289	4,187.742	4,397.323	4,602.220	4,786.275	18,093.331	40,101.181
OT	3,617.800	3,528.537	3,558.999	3,585.799	3,670.705	3,857.986	3,997.718	4,123.287	4,352.171	4,543.782	4,739.102	18,202.026	39,958.085
On-budget:													
BA	3,040.757	2,858.546	2,836.375	2,908.773	2,973.288	3,117.227	3,226.372	3,330.990	3,488.494	3,636.213	3,761.565	14,694.209	32,137.842
OT	3,120.767	2,947.917	2,915.880	2,905.764	2,952.528	3,099.709	3,194.911	3,271.929	3,449.147	3,584.187	3,720.855	14,821.797	32,042.826
Off-budget:													
BA	499.564	583.646	646.555	683.731	722.372	762.818	807.918	856.752	908.829	966.007	1,024.710	3,399.123	7,963.339
OT	497.033	580.620	643.119	680.035	718.177	758.277	802.806	851.357	903.024	959.596	1,018.248	3,380.228	7,915.259
Revenues:													
Total	2,230.199	2,533.212	2,860.329	3,093.942	3,236.738	3,377.014	3,589.281	3,744.762	3,938.622	4,142.155	4,354.210	15,101.235	34,870.265
On-budget	1,664.563	1,866.454	2,127.981	2,324.503	2,425.363	2,522.695	2,693.493	2,807.893	2,958.678	3,119.794	3,286.942	11,266.996	26,133.796
Off-budget	565.636	666.758	732.348	769.439	811.375	854.319	895.788	936.869	979.944	1,022.361	1,067.268	3,834.239	8,736.469
Surplus/Deficit (−):													
Total	−1,387.601	−995.325	−698.670	−491.857	−433.967	−480.972	−408.437	−378.525	−413.549	−401.627	−384.892	−3,100.791	−5,087.820
On-budget	−1,456.204	−1,081.463	−787.899	−581.261	−527.165	−577.014	−501.418	−464.036	−490.469	−464.392	−433.912	−3,554.801	−5,909.030
Off-budget	68.603	86.138	89.229	89.404	93.198	96.042	92.982	85.512	76.920	62.765	49.020	454.011	821.210
Debt Held by the Public (end of year)	10,351	11,418	12,217	12,801	13,326	13,886	14,363	14,800	15,254	15,681	16,071	na	na
Debt Subject to Limit (end of year)	14,973	16,204	17,177	17,955	18,704	19,513	20,257	20,981	21,711	22,416	23,105	na	na
By Function													
National Defense (050):													
BA	561.172	582.626	600.283	616.451	628.847	641.976	653.695	665.679	677.884	690.273	702.903	3,070.183	6,460.618
OT	640.396	593.580	597.211	606.903	618.837	635.475	643.275	650.246	666.959	679.088	691.494	3,052.006	6,383.068
International Affairs (150):													
BA	51.873	36.575	35.653	31.694	30.316	29.356	30.729	31.978	32.824	33.698	34.572	163.594	327.396
OT	44.138	36.102	34.545	34.178	32.613	32.161	31.926	31.594	30.487	30.123	30.740	169.599	324.469
General Science, Space, and Technology (250):													
BA	28.649	27.452	27.316	27.312	27.312	27.311	27.652	28.341	29.049	29.758	30.472	136.704	281.976
OT	31.037	29.798	28.242	27.763	27.469	27.506	27.646	28.114	28.684	29.344	29.946	140.777	284.511
Energy (270):													
BA	6.535	6.996	3.850	1.215	1.101	1.021	1.010	1.075	1.211	1.179	1.195	14.182	19.852
OT	13.328	16.174	10.053	4.547	1.360	0.340	0.460	0.539	0.497	0.470	0.476	32.474	34.916

Natural Resources and Environment (300):													
BA	31.986	31.921	29.414	25.296	26.893	25.231	26.156	26.618	26.956	27.787	27.756	138.753	274.027
OT	40.431	36.818	33.386	28.943	29.271	26.070	26.307	25.308	25.439	25.990	25.992	154.487	283.523
Agriculture (350):													
BA	26.337	19.819	18.396	16.717	17.355	17.235	16.859	17.025	17.159	17.469	17.755	89.522	175.789
OT	21.703	19.559	21.989	16.469	16.688	16.505	16.069	16.180	16.283	16.579	16.873	91.210	173.193
Commerce and Housing Credit (370):													
BA	−6.720	15.275	3.998	0.666	−2.451	−3.102	−0.232	0.006	0.052	0.153	0.091	14.386	14.458
OT	−6.708	17.235	2.573	−13.823	−19.253	−23.295	−23.525	−25.709	−17.268	−17.707	−19.359	−36.562	−140.129
On-budget:													
BA	−10.478	14.317	4.040	0.508	−2.609	−3.260	−0.293	−0.261	−0.222	−0.128	−0.196	12.996	11.895
OT	−10.466	16.275	2.611	−13.986	−19.417	−23.459	−23.592	−25.981	−17.547	−17.992	−19.650	−37.976	−142.738
Off-budget:													
BA	3.758	0.958	−0.042	0.158	0.158	0.158	0.061	0.268	0.274	0.281	0.288	1.390	2.563
OT	3.758	0.960	−0.038	0.163	0.164	0.165	0.068	0.272	0.278	0.285	0.291	1.414	2.609
Transportation (400):													
BA	84.992	64.316	64.515	64.265	60.377	68.563	65.916	70.578	66.719	67.472	68.936	322.036	661.656
OT	94.664	80.431	71.264	67.722	66.084	65.957	67.036	67.451	69.869	71.551	76.853	351.457	704.218
Community and Regional Development (450):													
BA	15.832	11.572	11.344	11.280	11.206	11.117	11.219	11.497	11.779	12.065	12.354	56.519	115.434
OT	24.306	23.559	20.609	18.127	14.176	12.257	11.231	10.860	11.028	11.294	11.524	88.728	144.664
Education, Training, Employment and Social Services (500):													
BA	57.756	67.122	63.887	66.076	69.446	73.314	75.371	76.798	78.314	79.629	80.952	339.845	730.909
OT	100.278	100.012	73.071	68.044	70.450	73.310	75.665	77.013	78.385	79.806	81.047	384.887	776.803
Health (550):													
BA	376.350	341.873	343.733	338.064	327.012	320.409	339.663	349.840	371.826	395.908	404.674	1,671.091	3,533.001
OT	375.875	346.636	340.608	320.444	315.117	325.200	342.703	347.303	368.558	382.056	400.682	1,648.006	3,489.309
Medicare (570):													
BA	490.879	481.521	519.903	550.105	573.252	618.945	637.938	657.067	711.486	758.271	809.106	2,743.726	6,317.594
OT	490.687	481.816	520.406	550.248	573.333	619.385	638.059	657.111	711.897	758.376	809.201	2,745.188	6,319.832
Income Security (600):													
BA	592.287	501.664	487.498	457.308	431.150	436.659	436.985	441.467	457.183	468.308	480.687	2,314.278	4,598.908
OT	603.073	501.006	487.248	456.072	429.143	438.896	434.795	434.302	454.448	465.565	477.942	2,312.364	4,579.416
Social Security (650):													
BA	735.080	769.060	807.668	850.744	897.641	948.701	1,006.098	1,068.714	1,135.334	1,206.195	1,278.208	4,273.814	9,968.364
OT	732.595	766.217	804.387	847.118	893.490	944.153	1,000.980	1,063.315	1,129.525	1,199.780	1,271.743	4,255.365	9,920.707
On-budget:													
BA	106.523	54.439	29.096	32.701	36.261	40.171	44.263	48.717	53.508	58.552	64.053	192.668	461.761
OT	106.569	54.624	29.256	32.776	36.311	40.171	44.263	48.717	53.508	58.552	64.053	193.138	462.231

TABLE 1.—FISCAL YEAR 2012 BUDGET RESOLUTION TOTAL SPENDING AND REVENUES—Continued

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Off-budget:													
BA	628.557	714.621	778.572	818.043	861.380	908.530	961.835	1,019.997	1,081.826	1,147.643	1,214.155	4,081.146	9,506.603
OT	626.026	711.593	775.131	814.342	857.179	903.982	956.717	1,014.598	1,076.017	1,141.228	1,207.690	4,062.227	9,458.476
Veterans Benefits and Services (700):													
BA	129.331	128.339	130.024	134.143	138.167	147.410	146.323	145.412	155.091	159.680	164.381	678.083	1,448.970
OT	128.435	127.140	130.025	134.055	137.851	146.868	145.704	144.751	154.407	158.979	163.622	675.939	1,443.401
Administration of Justice (750):													
BA	46.813	56.946	45.326	45.093	44.928	47.009	45.731	46.699	47.768	50.848	52.863	239.302	483.212
OT	55.166	53.931	50.482	48.664	47.337	48.519	46.650	46.957	47.649	50.415	52.407	248.933	493.010
General Government (800):													
BA	26.337	22.762	22.185	22.232	22.183	22.217	22.453	22.979	23.559	23.915	24.356	111.579	228.841
OT	27.003	27.205	23.460	22.619	22.021	21.643	21.718	22.016	22.295	22.606	23.024	116.947	228.606
Net Interest (900):													
BA	212.303	255.731	317.745	386.625	448.008	506.973	557.872	600.266	633.687	665.554	687.087	1,915.081	5,059.547
OT	212.303	255.731	317.745	386.625	448.008	506.973	557.872	600.266	633.687	665.554	687.087	1,915.081	5,059.547
On-budget:													
BA	329.803	372.433	433.760	504.269	569.303	633.745	691.747	742.666	784.534	823.870	851.993	2,513.510	6,408.320
OT	329.803	372.433	433.760	504.269	569.303	633.745	691.747	742.666	784.534	823.870	851.993	2,513.510	6,408.320
Off-budget:													
BA	−117.500	−116.702	−116.016	−117.644	−121.295	−126.772	−133.875	−142.401	−150.847	−158.316	−164.906	−598.428	−1,348.773
OT	−117.500	−116.702	−116.016	−117.644	−121.295	−126.772	−133.875	−142.401	−150.847	−158.316	−164.906	−598.428	−1,348.773
Allowances (920):													
BA	....	−6.198	−2.528	−3.548	−4.827	−5.933	−6.682	−7.172	−7.706	−8.187	−8.765	−23.034	−61.546
OT	....	−2.525	−3.687	−4.564	−5.433	−6.499	−6.533	−7.059	−7.588	−8.097	−8.652	−22.709	−60.637
On-budget:													
BA	....	−6.173	−2.399	−3.260	−4.353	−5.256	−5.799	−6.085	−6.417	−6.697	−7.073	−21.441	−53.512
OT	....	−2.500	−3.558	−4.276	−4.959	−5.822	−5.650	−5.972	−6.299	−6.607	−6.960	−21.116	−52.603
Off-budget:													
BA	....	−0.025	−0.129	−0.288	−0.474	−0.677	−0.883	−1.087	−1.289	−1.490	−1.692	−1.593	−8.034
OT	....	−0.025	−0.129	−0.288	−0.474	−0.677	−0.883	−1.087	−1.289	−1.490	−1.692	−1.593	−8.034
Undistributed Offsetting Receipts (950):													
BA	−86.894	−99.723	−97.279	−99.233	−102.254	−104.367	−110.468	−117.124	−122.853	−127.757	−133.309	−502.856	−1,114.367
OT	−86.894	−99.723	−97.279	−99.233	−102.254	−104.367	−110.468	−117.124	−122.853	−127.757	−133.309	−502.856	−1,114.367
On-budget:													
BA	−71.643	−84.517	−81.449	−82.695	−84.857	−85.946	−91.248	−97.099	−101.718	−105.645	−110.174	−419.464	−925.348

OT	−71.643	−84.517	−81.449	−82.695	−84.857	−85.946	−91.248	−97.099	−101.718	−105.645	−110.174	−419.464	−925.348
Off-budget:													
BA	−15.251	−15.206	−15.830	−16.538	−17.397	−18.421	−19.220	−20.025	−21.135	−22.112	−23.135	−83.392	−189.019
OT	−15.251	−15.206	−15.830	−16.538	−17.397	−18.421	−19.220	−20.025	−21.135	−22.112	−23.135	−83.392	−189.019
Global War on Terrorism (970):													
BA	159.423	126.544	50.000	50.000	50.000	50.000	50.000	50.000	50.000	50.000	50.000	326.544	576.544
OT	75.984	117.835	92.661	64.878	54.401	50.929	50.147	49.851	49.784	49.769	49.769	380.704	630.024

TABLE 2.—FISCAL YEAR 2012 BUDGET RESOLUTION DISCRETIONARY SPENDING

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Summary													
Total Spending:													
BA	1,182.761	1,139.974	1,079.883	1,095.524	1,108.667	1,122.766	1,139.781	1,162.246	1,185.789	1,209.598	1,233.627	5,546.812	11,477.854
OT	1,352.070	1,285.957	1,207.946	1,166.605	1,155.469	1,160.959	1,170.491	1,182.506	1,208.292	1,231.858	1,259.695	5,976.935	12,029.777
Defense (050 + 970):													
BA	714.531	702.334	643.476	659.549	671.853	684.895	696.458	708.261	720.277	732.507	744.938	3,362.107	6,964.549
OT	710.308	704.656	683.207	665.026	666.236	679.287	686.143	692.641	709.102	721.061	733.272	3,398.412	6,940.631
Nondefense:													
BA	468.230	437.640	436.406	435.975	436.814	437.871	443.323	453.985	465.512	477.091	488.689	2,184.706	4,513.305
OT	641.762	581.301	524.739	501.579	489.233	481.672	484.348	489.864	499.190	510.797	526.423	2,578.524	5,089.146
By Function													
National Defense (050):													
BA	555.108	575.790	593.476	609.549	621.853	634.895	646.458	658.261	670.277	682.507	694.938	3,035.563	6,388.005
OT	634.324	586.821	590.546	600.148	611.835	628.358	635.996	642.790	659.318	671.292	683.503	3,017.708	6,310.607
International Affairs (150):													
BA	45.985	32.316	32.316	32.316	32.316	32.316	32.145	32.374	33.183	34.020	34.861	161.580	328.164
OT	48.858	39.014	35.494	34.964	33.507	32.712	32.086	31.828	32.279	32.976	33.660	175.691	338.520
General Science, Space, and Technology (250):													
BA	28.534	27.333	27.191	27.187	27.187	27.186	27.527	28.216	28.924	29.633	30.347	136.085	280.732
OT	30.915	29.675	28.114	27.638	27.344	27.381	27.521	27.989	28.559	29.219	29.821	140.151	283.260
Energy (270):													
BA	4.009	1.898	1.798	1.798	1.798	1.798	1.820	1.866	1.912	1.959	2.006	9.089	18.652
OT	12.456	11.964	8.927	5.981	2.834	1.870	1.850	1.898	1.913	1.925	1.947	31.576	41.109
Natural Resources and Environment (300):													
BA	29.838	28.793	27.193	25.612	25.550	25.479	25.765	26.431	27.115	27.793	28.484	132.625	268.214

TABLE 2.—FISCAL YEAR 2012 BUDGET RESOLUTION DISCRETIONARY SPENDING—Continued

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
OT	38.250	34.099	30.976	29.065	27.797	26.264	25.810	25.009	25.487	26.041	26.660	148.202	277.208
Agriculture (350):													
BA	4.895	4.895	4.895	4.895	4.895	4.895	4.956	5.080	5.207	5.335	5.463	24.475	50.516
OT	5.823	5.594	5.011	4.814	4.722	4.668	4.706	4.790	4.900	5.013	5.131	24.809	49.348
Commerce and Housing Credit (370):													
BA	−3.083	−4.179	−4.168	−4.190	−4.212	−4.237	−4.304	−4.412	−4.523	−4.634	−4.745	−20.986	−43.602
OT	2.115	−0.128	−2.558	−2.821	−2.957	−3.739	−3.912	−4.036	−4.059	−4.103	−4.152	−12.202	−32.463
On-budget:													
BA	−3.341	−4.437	−4.426	−4.448	−4.470	−4.495	−4.565	−4.679	−4.797	−4.915	−5.032	−22.276	−46.265
OT	1.857	−0.388	−2.820	−3.084	−3.221	−4.003	−4.179	−4.308	−4.338	−4.388	−4.443	−13.516	−35.172
Off-budget:													
BA	0.258	0.258	0.258	0.258	0.258	0.258	0.261	0.268	0.274	0.281	0.288	1.290	2.663
OT	0.258	0.260	0.262	0.263	0.264	0.265	0.268	0.272	0.278	0.285	0.291	1.314	2.709
Transportation (400):													
BA	26.986	23.767	23.716	23.681	23.646	23.611	23.895	24.496	25.123	25.742	26.374	118.421	244.050
OT	92.362	80.210	70.920	67.468	65.707	65.648	66.723	67.145	67.454	69.117	74.379	349.952	694.771
Community and Regional Development (450):													
BA	12.402	11.415	11.395	11.370	11.344	11.316	11.443	11.731	12.025	12.322	12.619	56.840	116.981
OT	23.523	21.252	18.722	16.097	13.894	12.284	11.517	11.246	11.414	11.681	11.911	82.249	140.017
Education, Training, Employment and Social Services (500):													
BA	78.255	77.273	76.621	76.654	76.228	76.021	76.619	78.278	79.943	81.701	83.361	382.797	782.699
OT	116.401	100.300	81.733	77.599	76.553	75.835	76.117	77.140	78.616	80.185	81.868	412.020	805.946
Health (550):													
BA	50.122	50.122	50.122	50.122	50.122	50.122	50.749	52.017	53.318	54.624	55.935	250.610	517.252
OT	63.320	60.157	54.763	50.803	50.073	49.361	49.391	50.216	51.278	52.497	53.759	265.158	522.300
Medicare (570):													
BA	5.389	4.902	4.902	4.802	4.802	4.702	4.769	4.887	5.009	5.036	5.154	24.110	48.965
OT	5.431	5.326	5.178	5.033	5.023	4.919	4.979	5.074	5.197	5.232	5.364	25.480	51.325
Income Security (600):													
BA	61.655	56.883	56.802	56.705	56.601	56.490	57.136	58.565	60.029	61.500	62.976	283.480	583.686
OT	69.314	62.850	59.547	58.435	57.901	57.400	57.700	58.657	59.883	61.232	62.579	296.132	596.183
Social Security (650):													
BA	5.504	5.504	5.504	5.504	5.504	5.504	5.573	5.712	5.855	5.998	6.142	27.520	56.801
OT	5.819	5.861	5.773	5.678	5.653	5.606	5.655	5.763	5.896	6.033	6.177	28.571	58.094

On-budget:													
BA													
OT	0.046	0.185	0.160	0.075	0.050							0.470	0.470
Off-budget:													
BA	5.504	5.504	5.504	5.504	5.504	5.504	5.573	5.712	5.855	5.998	6.142	27.520	56.801
OT	5.773	5.676	5.613	5.603	5.603	5.606	5.655	5.763	5.896	6.033	6.177	28.101	57.624
Veterans Benefits and Services (700):													
BA	56.812	58.979	60.918	62.834	64.840	66.904	69.004	71.179	73.500	75.843	78.292	314.475	682.293
OT	55.958	57.866	60.992	62.798	64.558	66.385	68.399	70.529	72.827	75.155	77.551	312.599	677.059
Administration of Justice (750):													
BA	44.561	47.676	42.988	42.988	42.988	42.988	43.525	44.614	45.729	46.849	47.973	219.628	448.319
OT	52.539	50.607	46.843	44.978	44.226	43.443	43.681	44.475	45.515	46.464	47.576	230.097	457.807
General Government (800):													
BA	16.366	16.035	16.033	16.027	16.020	16.012	16.186	16.591	17.006	17.423	17.842	80.127	165.175
OT	18.678	18.915	17.301	16.411	15.821	15.437	15.461	15.666	15.758	16.097	16.475	83.884	163.341
Allowances (920):													
BA		−5.972	−1.819	−2.329	−2.814	−3.236	−3.486	−3.639	−3.844	−4.055	−4.396	−16.170	−35.590
OT		−2.262	−2.998	−3.362	−3.420	−3.802	−3.337	−3.526	−3.726	−3.965	−4.283	−15.845	−34.681
Global War on Terrorism (970):													
BA	159.423	126.544	50.000	50.000	50.000	50.000	50.000	50.000	50.000	50.000	50.000	326.544	576.544
OT	75.984	117.835	92.661	64.878	54.401	50.929	50.147	49.851	49.784	49.769	49.769	380.704	630.024

TABLE 3.—FISCAL YEAR 2012 BUDGET RESOLUTION MANDATORY SPENDING

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
					Summary								
Total Spending:													
BA	2,357.560	2,302.218	2,403.048	2,496.980	2,586.994	2,757.279	2,894.508	3,025.496	3,211.534	3,392.622	3,552.648	12,546.519	28,623.327
OT	2,265.730	2,242.580	2,351.053	2,419.194	2,515.236	2,697.027	2,827.227	2,940.781	3,143.879	3,311.924	3,479.407	12,225.090	27,928.309
On-budget:													
BA	1,863.758	1,724.334	1,762.254	1,819.011	1,870.384	2,000.223	2,092.424	2,174.723	2,308.834	2,432.895	2,534.368	9,176.206	20,719.451
OT	1,774.728	1,667.896	1,713.809	1,745.025	1,802.926	1,944.621	2,030.343	2,095.459	2,247.029	2,358.647	2,467.627	8,874.278	20,073.383
Off-budget:													
BA	493.802	577.884	640.793	677.969	716.610	757.056	802.084	850.772	902.700	959.727	1,018.280	3,370.313	7,903.876
OT	491.002	574.684	637.243	674.169	712.310	752.406	796.884	845.322	896.850	953.277	1,011.780	3,350.813	7,854.926

TABLE 3.—FISCAL YEAR 2012 BUDGET RESOLUTION MANDATORY SPENDING—Continued

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
By Function													
National Defense (050):													
BA	6.064	6.836	6.807	6.902	6.994	7.081	7.237	7.418	7.607	7.766	7.965	34.620	72.613
OT	6.072	6.759	6.665	6.755	7.002	7.117	7.279	7.456	7.641	7.796	7.991	34.298	72.461
International Affairs (150):													
BA	5.888	4.259	3.337	−0.622	−2.000	−2.960	−1.416	−0.396	−0.359	−0.322	−0.289	2.014	−0.768
OT	−4.720	−2.912	−0.949	−0.786	−0.894	−0.551	−0.160	−0.234	−1.792	−2.853	−2.920	−6.092	−14.051
General Science, Space, and Technology (250):													
BA	0.115	0.119	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.619	1.244
OT	0.122	0.123	0.128	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.626	1.251
Energy (270):													
BA	2.526	5.098	2.052	−0.583	−0.697	−0.777	−0.810	−0.791	−0.701	−0.780	−0.811	5.093	1.200
OT	0.872	4.210	1.126	−1.434	−1.474	−1.530	−1.390	−1.359	−1.416	−1.455	−1.471	0.898	−6.193
Natural Resources and Environment (300):													
BA	2.148	3.128	2.221	−0.316	1.343	−0.248	0.391	0.187	−0.159	−0.006	−0.728	6.128	5.813
OT	2.181	2.719	2.409	−0.122	1.473	−0.194	0.497	0.299	−0.048	−0.051	−0.668	6.285	6.315
Agriculture (350):													
BA	21.442	14.924	13.501	11.822	12.460	12.340	11.903	11.945	11.952	12.134	12.292	65.047	125.273
OT	15.880	13.965	16.978	11.655	11.966	11.837	11.363	11.390	11.383	11.566	11.742	66.401	123.845
Commerce and Housing Credit (370):													
BA	−3.637	19.454	8.166	4.856	1.761	1.135	4.072	4.418	4.575	4.787	4.836	35.372	58.060
OT	−8.823	17.363	5.131	−11.002	−16.296	−19.556	−19.613	−21.673	−13.209	−13.604	−15.207	−24.360	−107.666
On-budget:													
BA	−7.137	18.754	8.466	4.956	1.861	1.235	4.272	4.418	4.575	4.787	4.836	35.272	58.160
OT	−12.323	16.663	5.431	−10.902	−16.196	−19.456	−19.413	−21.673	−13.209	−13.604	−15.207	−24.460	−107.566
Off-budget:													
BA	3.500	0.700	−0.300	−0.100	−0.100	−0.100	−0.200					0.100	−0.100
OT	3.500	0.700	−0.300	−0.100	−0.100	−0.100	−0.200					0.100	−0.100
Transportation (400):													
BA	58.006	40.549	40.799	40.584	36.731	44.952	42.021	46.082	41.596	41.730	42.562	203.615	417.606
OT	2.302	0.221	0.344	0.254	0.377	0.309	0.313	0.306	2.415	2.434	2.474	1.505	9.447
Community and Regional Development (450):													
BA	3.430	0.157	−0.051	−0.090	−0.138	−0.199	−0.224	−0.234	−0.246	−0.257	−0.265	−0.321	−1.547
OT	0.783	2.307	1.887	2.030	0.282	−0.027	−0.286	−0.386	−0.386	−0.387	−0.387	6.479	4.647

Education, Training, Employment and Social Services (500):													
BA	−20.499	−10.151	−12.734	−10.578	−6.782	−2.707	−1.248	−1.480	−1.629	−2.072	−2.409	−42.952	−51.790
OT	−16.123	−0.288	−8.662	−9.555	−6.103	−2.525	−0.452	−0.127	−0.231	−0.379	−0.821	−27.133	−29.143
Health (550):													
BA	326.228	291.751	293.611	287.942	276.890	270.287	288.914	297.823	318.508	341.284	348.739	1,420.481	3,015.749
OT	312.555	286.479	285.845	269.641	265.044	275.839	293.312	297.087	317.280	329.559	346.923	1,382.848	2,967.009
Medicare (570):													
BA	485.490	476.619	515.001	545.303	568.450	614.243	633.169	652.180	706.477	753.235	803.952	2,719.616	6,268.629
OT	485.256	476.490	515.228	545.215	568.310	614.466	633.080	652.037	706.700	753.144	803.837	2,719.709	6,268.507
Income Security (600):													
BA	530.632	444.781	430.696	400.603	374.549	380.169	379.849	382.902	397.154	406.808	417.711	2,030.798	4,015.222
OT	533.759	438.156	427.701	397.637	371.242	381.496	377.095	375.645	394.565	404.333	415.363	2,016.232	3,983.233
Social Security (650):													
BA	729.576	763.556	802.164	845.240	892.137	943.197	1,000.525	1,063.002	1,129.479	1,200.197	1,272.066	4,246.294	9,911.563
OT	726.776	760.356	798.614	841.440	887.837	938.547	995.325	1,057.552	1,123.629	1,193.747	1,265.566	4,226.794	9,862.613
On-budget:													
BA	106.523	54.439	29.096	32.701	36.261	40.171	44.263	48.717	53.508	58.552	64.053	192.668	461.761
OT	106.523	54.439	29.096	32.701	36.261	40.171	44.263	48.717	53.508	58.552	64.053	192.668	461.761
Off-budget:													
BA	623.053	709.117	773.068	812.539	855.876	903.026	956.262	1,014.285	1,075.971	1,141.645	1,208.013	4,053.626	9,449.802
OT	620.253	705.917	769.518	808.739	851.576	898.376	951.062	1,008.835	1,070.121	1,135.195	1,201.513	4,034.126	9,400.852
Veterans Benefits and Services (700):													
BA	72.519	69.360	69.106	71.309	73.327	80.506	77.319	74.233	81.591	83.837	86.089	363.608	766.677
OT	72.477	69.274	69.033	71.257	73.293	80.483	77.305	74.222	81.580	83.824	86.071	363.340	766.342
Administration of Justice (750):													
BA	2.252	9.270	2.338	2.105	1.940	4.021	2.206	2.085	2.039	3.999	4.890	19.674	34.893
OT	2.627	3.324	3.639	3.686	3.111	5.076	2.969	2.482	2.134	3.951	4.831	18.836	35.203
General Government (800):													
BA	9.971	6.727	6.152	6.205	6.163	6.205	6.267	6.388	6.553	6.492	6.514	31.452	63.666
OT	8.325	8.290	6.159	6.208	6.200	6.206	6.257	6.350	6.537	6.509	6.549	33.063	65.265
Net Interest (900):													
BA	212.303	255.731	317.745	386.625	448.008	506.973	557.872	600.266	633.687	665.554	687.087	1,915.081	5,059.547
OT	212.303	255.731	317.745	386.625	448.008	506.973	557.872	600.266	633.687	665.554	687.087	1,915.081	5,059.547
On-budget:													
BA	329.803	372.433	433.760	504.269	569.303	633.745	691.747	742.666	784.534	823.870	851.993	2,513.510	6,408.320
OT	329.803	372.433	433.760	504.269	569.303	633.745	691.747	742.666	784.534	823.870	851.993	2,513.510	6,408.320
Off-budget:													
BA	−117.500	−116.702	−116.016	−117.644	−121.295	−126.772	−133.875	−142.401	−150.847	−158.316	−164.906	−598.428	−1,348.773
OT	−117.500	−116.702	−116.016	−117.644	−121.295	−126.772	−133.875	−142.401	−150.847	−158.316	−164.906	−598.428	−1,348.773

TABLE 3.—FISCAL YEAR 2012 BUDGET RESOLUTION MANDATORY SPENDING—Continued

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Allowances (920):													
BA	....	−0.226	−0.709	−1.219	−2.013	−2.697	−3.196	−3.533	−3.862	−4.132	−4.369	−6.864	−25.956
OT	....	−0.263	−0.689	−1.202	−2.013	−2.697	−3.196	−3.533	−3.862	−4.132	−4.369	−6.864	−25.956
On-budget:													
BA	....	−0.201	−0.580	−0.931	−1.539	−2.020	−2.313	−2.446	−2.573	−2.642	−2.677	−5.271	−17.922
OT	....	−0.238	−0.560	−0.914	−1.539	−2.020	−2.313	−2.446	−2.573	−2.642	−2.677	−5.271	−17.922
Off-budget:													
BA	....	−0.025	−0.129	−0.288	−0.474	−0.677	−0.883	−1.087	−1.289	−1.490	−1.692	−1.593	−8.034
OT	....	−0.025	−0.129	−0.288	−0.474	−0.677	−0.883	−1.087	−1.289	−1.490	−1.692	−1.593	−8.034
Undistributed Offsetting Receipts (950):													
BA	−86.894	−99.723	−97.279	−99.233	−102.254	−104.367	−110.468	−117.124	−122.853	−127.757	−133.309	−502.856	−1,114.367
OT	−86.894	−99.723	−97.279	−99.233	−102.254	−104.367	−110.468	−117.124	−122.853	−127.757	−133.309	−502.856	−1,114.367
On-budget:													
BA	−71.643	−84.517	−81.449	−82.695	−84.857	−85.946	−91.248	−97.099	−101.718	−105.645	−110.174	−419.464	−925.348
OT	−71.643	−84.517	−81.449	−82.695	−84.857	−85.946	−91.248	−97.099	−101.718	−105.645	−110.174	−419.464	−925.348
Off-budget:													
BA	−15.251	−15.206	−15.830	−16.538	−17.397	−18.421	−19.220	−20.025	−21.135	−22.112	−23.135	−83.392	−189.019
OT	−15.251	−15.206	−15.830	−16.538	−17.397	−18.421	−19.220	−20.025	−21.135	−22.112	−23.135	−83.392	−189.019
Global War on Terrorism (970):													
BA	....	....	....	....	....	....	....	....	....	....	....	....	....
OT	....	....	....	....	....	....	....	....	....	....	....	....	....

TABLE 4.—SUMMARY OF FISCAL YEAR 2012 BUDGET RESOLUTION

[As a percentage of GDP]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average 2012–21
Deficit:												
Committee Recommendation	9.2	6.3	4.3	2.9	2.4	2.5	2.0	1.8	1.9	1.8	1.6	2.7
CBO	9.3	6.9	4.2	3.0	3.0	3.3	2.9	2.8	3.0	3.1	3.1	3.5
President's Budget	9.5	7.4	5.5	4.4	4.1	4.4	4.3	4.3	4.7	4.8	4.9	4.9
Debt Held by the Public:												
Committee Recommendation	68.8	72.8	74.5	74.2	73.2	72.5	71.7	70.7	69.8	68.7	67.5	na
CBO	68.9	73.4	75.1	74.9	74.5	74.6	74.7	74.7	75.0	75.3	75.6	na
President's Budget	69.1	74.3	77.2	78.3	78.9	79.9	81.1	82.4	84.0	85.7	87.4	na
Outlays:												
Committee Recommendation	24.1	22.5	21.7	20.8	20.2	20.2	20.0	19.7	19.9	19.9	19.9	20.5
CBO	24.1	23.2	23.0	22.9	23.0	23.3	23.3	23.2	23.6	23.7	23.9	23.3
President's Budget	24.3	23.6	23.2	23.0	23.0	23.4	23.4	23.4	23.8	24.0	24.2	23.5
Revenues:												
Committee Recommendation	14.8	16.1	17.4	17.9	17.8	17.6	17.9	17.9	18.0	18.2	18.3	17.7
CBO	14.8	16.3	18.8	19.9	20.0	20.0	20.3	20.4	20.5	20.6	20.8	19.8
President's Budget	14.8	16.2	17.7	18.6	18.9	19.0	19.1	19.1	19.1	19.2	19.3	18.6

TABLE 5.—FISCAL YEAR 2012 BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
FIscal Year 2012 Budget Resolution as Approved													
Total Spending:													
BA	3,540.321	3,442.192	3,482.930	3,592.504	3,695.660	3,880.045	4,034.289	4,187.742	4,397.323	4,602.220	4,786.275	18,093.331	40,101.181
OT	3,617.800	3,528.537	3,558.999	3,585.799	3,670.705	3,857.986	3,997.718	4,123.287	4,352.171	4,543.782	4,739.102	18,202.026	39,958.085
On-budget:													
BA	3,040.757	2,858.546	2,836.375	2,908.773	2,973.288	3,117.227	3,226.372	3,330.990	3,488.494	3,636.213	3,761.565	14,694.209	32,137.842
OT	3,120.767	2,947.917	2,915.880	2,905.764	2,952.528	3,099.709	3,194.911	3,271.929	3,449.147	3,584.187	3,720.855	14,821.797	32,042.826
Off-budget:													
BA	499.564	583.646	646.555	683.731	722.372	762.818	807.918	856.752	908.829	966.007	1,024.710	3,399.123	7,963.339
OT	497.033	580.620	643.119	680.035	718.177	758.277	802.806	851.357	903.024	959.596	1,018.248	3,380.228	7,915.259
Revenues:													
Total	2,230.199	2,533.212	2,860.329	3,093.942	3,236.738	3,377.014	3,589.281	3,744.762	3,938.622	4,142.155	4,354.210	15,101.235	34,870.265
On-budget	1,664.563	1,866.454	2,127.981	2,324.503	2,425.363	2,522.695	2,693.493	2,807.893	2,958.678	3,119.794	3,286.942	11,266.996	26,133.796
Off-budget	565.636	666.758	732.348	769.439	811.375	854.319	895.788	936.869	979.944	1,022.361	1,067.268	3,834.239	8,736.469
Surplus/Deficit (−):													
Total	−1,387.601	−995.325	−698.670	−491.857	−433.967	−480.972	−408.437	−378.525	−413.549	−401.627	−384.892	−3,100.791	−5,087.820
On-budget	−1,456.204	−1,081.463	−787.899	−581.261	−527.165	−577.014	−501.418	−464.036	−490.469	−464.392	−433.912	−3,554.801	−5,909.030
Off-budget	68.603	86.138	89.229	89.404	93.198	96.042	92.982	85.512	76.920	62.765	49.020	454.011	821.210
CBO Reestimate of President's FY 2012 Budget													
Total Spending:													
BA	3,677.645	3,709.647	3,747.784	4,000.342	4,237.851	4,517.330	4,748.371	4,969.225	5,258.895	5,555.389	5,819.706	20,212.954	46,564.540
OT	3,654.674	3,707.711	3,799.617	3,976.170	4,190.719	4,475.798	4,687.227	4,896.108	5,200.243	5,482.594	5,755.561	20,150.015	46,171.748
On-budget:													
BA	3,177.788	3,125.156	3,100.451	3,315.659	3,514.460	3,753.448	3,939.325	4,111.173	4,348.530	4,587.593	4,792.920	16,809.174	38,588.715
OT	3,157.641	3,126.667	3,155.807	3,295.189	3,471.671	3,716.602	3,883.405	4,043.545	4,295.770	4,521.290	4,735.320	16,765.936	38,245.266
Off-budget:													
BA	499.857	584.491	647.333	684.683	723.391	763.882	809.046	858.052	910.365	967.796	1,026.786	3,403.780	7,975.825
OT	497.033	581.044	643.810	680.981	719.048	759.196	803.822	852.563	904.473	961.304	1,020.241	3,384.079	7,926.482
Revenues:													
Total	2,229.272	2,543.820	2,898.846	3,211.879	3,442.445	3,634.952	3,817.507	3,993.990	4,179.021	4,381.930	4,597.186	15,731.942	36,701.576
On-budget	1,663.636	1,877.062	2,166.741	2,442.771	2,631.410	2,780.984	2,922.080	3,057.493	3,199.460	3,359.964	3,530.324	11,898.968	27,968.289
Off-budget	565.636	666.758	732.105	769.108	811.035	853.968	895.427	936.497	979.561	1,021.966	1,066.862	3,832.974	8,733.287
Surplus/Deficit (−):													
Total	−1,425.402	−1,163.891	−900.771	−764.291	−748.274	−840.846	−869.720	−902.118	−1,021.222	−1,100.664	−1,158.375	−4,418.073	−9,470.172
On-budget	−1,494.005	−1,249.605	−989.066	−852.418	−840.261	−935.618	−961.325	−986.052	−1,096.310	−1,161.326	−1,204.996	−4,866.968	−10,276.977

Off-budget	68.603	85.714	88.295	88.127	91.987	94.772	91.605	83.934	75.088	60.662	46.621	448.895	806.805
Difference													
Total Spending:													
BA	−137.324	−267.455	−264.854	−407.838	−542.191	−637.285	−714.082	−781.483	−861.572	−953.169	−1,033.431	−2,119.623	−6,463.359
OT	−36.874	−179.174	−240.618	−390.371	−520.014	−617.812	−689.509	−772.821	−848.072	−938.812	−1,016.459	−1,947.989	−6,213.663
On-budget:													
BA	−137.031	−266.610	−264.076	−406.886	−541.172	−636.221	−712.953	−780.183	−860.036	−951.380	−1,031.355	−2,114.965	−6,450.873
OT	−36.874	−178.750	−239.927	−389.425	−519.143	−616.893	−688.494	−771.616	−846.623	−937.103	−1,014.465	−1,944.139	−6,202.440
Off-budget:													
BA	−0.293	−0.845	−0.778	−0.952	−1.019	−1.064	−1.128	−1.300	−1.536	−1.789	−2.076	−4.657	−12.486
OT	0.000	−0.424	−0.691	−0.946	−0.871	−0.919	−1.016	−1.206	−1.449	−1.708	−1.993	−3.851	−11.223
Revenues:													
Total	0.927	−10.608	−38.517	−117.937	−205.707	−257.938	−228.226	−249.228	−240.399	−239.775	−242.976	−630.707	−1,831.310
On-budget	0.927	−10.608	−38.760	−118.268	−206.047	−258.289	−228.587	−249.600	−240.782	−240.170	−243.382	−631.972	−1,834.492
Off-budget	0.000	0.000	0.243	0.331	0.340	0.351	0.361	0.372	0.383	0.395	0.406	1.265	3.182
Surplus/Deficit (−):													
Total	−37.801	−168.566	−202.101	−272.434	−314.307	−359.874	−461.284	−523.594	−607.673	−699.037	−773.483	−1,317.282	−4,382.352
On-budget	−37.801	−168.142	−201.167	−271.157	−313.095	−358.604	−459.907	−522.016	−605.840	−696.933	−771.083	−1,312.167	−4,367.947
Off-budget	0.000	−0.424	−0.934	−1.277	−1.211	−1.270	−1.377	−1.578	−1.832	−2.103	−2.399	−5.116	−14.405

TABLE 6.—COMPARISON OF TOTAL BUDGET REVENUES FOR PRESIDENT'S REQUEST AND COMMITTEE RECOMMENDATION

[In billions of dollars]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2021
President's Request	2,229	2,544	2,899	3,212	3,442	3,635	3,818	3,994	4,179	4,382	4,597	36,702
Committee Recommendation	2,230	2,533	2,860	3,094	3,237	3,377	3,589	3,745	3,939	4,142	4,354	34,870
Difference	1	−11	−39	−118	−206	−258	−228	−249	−240	−240	−243	−1,831

TABLE 7.—COMPARISON OF ON–BUDGET REVENUES FOR PRESIDENT'S REQUEST AND COMMITTEE RECOMMENDATION

[In billions of dollars]

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2021
President's Request	1,664	1,877	2,167	2,443	2,631	2,781	2,922	3,057	3,199	3,360	3,530	27,968
Committee Recommendation	1,665	1,866	2,128	2,325	2,425	2,523	2,693	2,808	2,959	3,120	3,287	26,134
Difference	1	−11	−39	−118	−206	−258	−229	−250	−241	−240	−243	−1,834

Economic Assumptions of the Budget Resolution

Introduction

The U.S. economy began to slowly recover, in the latter part of 2009, from the damaging effects of a long and deep recession and financial crisis. Growth in gross domestic product [GDP] turned positive, financial markets normalized, and major credit markets began to function smoothly after an extended period of paralysis and turmoil. Still, the recession and financial crisis put the economy in a deep ditch, and the climb out will take years. A prime example of this uphill climb is the labor market. Total job losses during the recession and aftermath summed to 8.7 million, and as of early 2011, only 1.5 million of those jobs have been recouped. Although the latest employment data are encouraging, at the current pace of job creation it would still take until the end of the decade to return to a pre-recession level of unemployment of around 5.0 percent.

The economic crisis and actions by the Congress also promise to have long-lasting negative effects on the Federal budget and the U.S. fiscal position more generally. Before the crisis, the Congressional Budget Office [CBO] projected the budget deficit would be about $250 billion in 2010, or 1.5 percent of GDP, with a debt level just under the long-term historical average. Today, a budget deficit measured in billions almost seems quaint; last year's deficit was $1.4 *trillion,* nearly *10 percent* of GDP—the largest deficit, as a share of the economy, since World War II.

The sources of this swift and sharp deterioration in Federal finances are easy to identify: the recession and financial crisis shrank tax revenues while record spending across the entire government—from temporary initiatives aimed at addressing the financial crisis, to permanent expansions—caused the public debt to soar. In many important ways, the sizeable losses recorded by the private sector in 2008 and 2009 have simply been *transferred* to the public sector. While household and bank balance sheets have mended, the public balance sheet has deteriorated and sovereign risk has increased. Experts say that U.S. debt has now reached levels that promise to hamper economic growth and job creation, or even spark an economic crisis, in the coming years. The Nation's economic health and prosperity depend increasingly on reining in budget deficits and getting debt levels under control.

The Current Economic Situation

The current data suggest the U.S. economy is expanding at a moderate pace, though the recovery from the recession and financial crisis still promises to be long and difficult.

• Real GDP grew by just more than 2½ percent in 2010. Private Blue Chip forecasters expect growth of just more than 3.0 percent in 2011, rising toward 3½ percent (with some upside potential) in 2012.

• Total payroll employment rose by 216,000 in March. Recent monthly job increases have been encouraging, though at this pace it would still take until the end of the decade to return to a pre-recession level of unemployment (5.0 percent).

• Since late last year, the unemployment rate has declined from 9.8 percent to its current level of 8.8 percent. Still, a broader gauge of unemployment, which includes individuals who are marginally attached to the workforce, are closer to 16 percent. In addition, the share of the unemployed population who have been out of work for 6 months or more is 45 percent.

• Food, energy, and other commodity prices have increased sharply in recent months, straining family budgets. (Food and energy account for slightly less than 15 percent of consumer spending.) Oil prices are well over $100 per barrel heading into the spring, pushed upward in part by continued turmoil in the Middle East.

• These food and energy prices have caused headline inflation to drift somewhat higher in recent months, although so-called "core" inflation (excluding food and energy) is still well contained at just more than 1.0 percent. This is still below the Federal Reserve's implicit target range of 2.0 percent to 2.5 percent for core inflation.

• The housing market is still quite weak and remains a lingering headwind for the U.S. economy. New home sales continue to hover at an all-time low and the excess inventory of homes continues to weigh on home prices. Since their peak in 2006, national home values have fallen by about one-third.

• The manufacturing sector has been showing signs of strength recently, after a significant decline. The Institute of Supply Management's manufacturing index has topped 61 in recent months (readings above 50 indicate expansion) and manufacturing employment is up by more than 125,000 in the past 5 months.

• The stock market has rallied sharply since last fall, helped along by the Federal Reserve's additional monetary stimulus through "quantitative easing," or QE2, over this period. For instance, the Standard & Poor's 500 has risen by more than 20 percent since last fall.

The Economic Outlook

• The economic projections from the administration, the CBO, and private forecasters generally show moderate to fairly strong growth in the next few years (see Table 1).

TABLE 8.—ECONOMIC PROJECTIONS: ADMINISTRATION, CBO, AND PRIVATE FORECASTERS

[Calendar years]

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Percent Change												
Real GDP:												
Administration Budget ...	2.7	2.7	3.6	4.4	4.3	3.8	3.3	2.9	2.6	2.5	2.5	2.5
CBO (Jan. 2011)	2.8	2.7	3.1	3.1	3.5	3.8	3.0	2.5	2.4	2.4	2.4	2.3
Blue Chip*	2.9	3.1	3.3	3.2	3.1	2.9	2.8	2.7	2.6	2.6	2.6	2.6
Consumer Price Index:												
Administration Budget ...	1.6	1.3	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
CBO (Jan. 2011)	1.7	1.6	1.3	1.6	1.8	2.0	2.2	2.4	2.3	2.3	2.3	2.3
Blue Chip*	1.6	2.2	2.1	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Annual Average, Percent												
Unemployment Rate:												
Administration Budget ...	9.6	9.3	8.6	7.5	6.6	5.9	5.5	5.3	5.3	5.3	5.3	5.3
CBO (Jan. 2011)	9.6	9.4	8.4	7.6	6.8	5.9	5.3	5.3	5.2	5.2	5.2	5.2
Blue Chip*	9.6	9.0	8.4	7.5	6.8	6.3	6.0	5.8	5.6	5.6	5.6	5.6
3-Month Treasury Bill:												
Administration Budget ...	0.1	0.2	1.0	2.6	3.7	4.0	4.1	4.1	4.1	4.1	4.1	4.1
CBO (Jan. 2011)	0.1	0.3	1.1	2.5	3.5	4.0	4.3	4.4	4.4	4.4	4.4	4.4
Blue Chip*	0.1	0.2	1.1	2.9	3.6	3.8	3.9	4.0	3.9	3.9	3.9	3.9
10-Year Treasury Note:												
Administration Budget ...	3.2	3.0	3.6	4.2	4.6	5.0	5.2	5.3	5.3	5.3	5.3	5.3
CBO (Jan. 2011)	3.2	3.4	3.8	4.2	4.6	5.0	5.3	5.4	5.4	5.4	5.4	5.4
Blue Chip*	3.2	3.7	4.3	4.9	5.2	5.4	5.4	5.4	5.4	5.4	5.4	5.4

*Figures for 2011 through 2021 are from the Blue Chip forecast of March 2011.

Sources: Office of Management and Budget, Congressional Budget Office, Blue Chip Economic Indcators.

- CBO sees economic growth improving at a moderate pace in the coming years. GDP is expected to move into the 3-percent to 3½ percent growth range in the next few years, even reaching nearly 4.0 percent in 2015. The administration's near-term GDP is outlook is more optimistic than either CBO or the Blue Chip consensus. For instance, the administration is calling for growth well in excess of 4.0 percent in 2013 and 2014, just as significant tax increases are being absorbed by the economy. Consecutive-year GDP growth in excess of 4.0 percent has not been realized in the U.S. since the latter part of the 1990s.

- Most forecasts see the unemployment rate declining slowly from its current elevated level. Both CBO and the administration do not see the unemployment rate falling back to the 5.0-percent range until the latter part of the decade. The Blue Chip consensus sees unemployment ranging between 5½ percent and 6 percent even in the latter part of the budget horizon.

- As the economy recovers, the forecasts predict that interest rates will gradually move higher. The 10-year Treasury rate, for instance, is expected to rise from its current level of about 3½ percent into the 4-percent to 5-percent range over the medium term. Despite showing stronger economic growth than CBO, the administration projects long-term interest rates at, or below CBO's. The Blue Chip consensus expects higher interest rates over the near term than either the administration or CBO. Over the medium term, the private sector consensus sees the 10-year rate reaching nearly 5.5 percent.

- Rates of inflation are also expected to normalize in the coming years from their current very low levels. Both CBO and the administration expect the consumer price index to move up to the 2.0-percent range in 2015. The Blue Chip consensus sees inflation exceeding 2.0 percent as early as 2012.

CBO's annual economic assumptions were adopted for use in the budget resolution and are shown in Table 9.

TABLE 9.—ECONOMIC ASSUMPTIONS OF THE BUDGET RESOLUTION

[Calendar years, 2010–2021]

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Percent Change												
Real GDP:												
CBO (Jan. 2011)	2.8	2.7	3.1	3.1	3.5	3.8	3.0	2.5	2.4	2.4	2.4	2.3
Consumer Price Index:												
CBO (Jan. 2011)	1.7	1.6	1.3	1.6	1.8	2.0	2.2	2.4	2.3	2.3	2.3	2.3
Annual Average, Percent												
Unemployment Rate:												
CBO (Jan. 2011)	9.6	9.4	8.4	7.6	6.8	5.9	5.3	5.3	5.2	5.2	5.2	5.2
3–Month Treasruy Bill:												
CBO (Jan. 2011)	0.1	0.3	1.1	2.5	3.5	4.0	4.3	4.4	4.4	4.4	4.4	4.4
10–Year Treasury Note:												
CBO (Jan. 2011)	3.2	3.4	3.8	4.2	4.6	5.0	5.3	5.4	5.4	5.4	5.4	5.4

Sources: Office of Management and Budget, Congressional Budget Office, Blue Chip Economic Indcators.

TABLE 10.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2010–2014 [1]

[Billions of dollars]

Function	Corporations					Individuals					Total 2010–14
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
National Defense											
Exclusion of benefits and allowances to armed forces personnel	....	....	....	....	....	4.3	4.7	4.9	5.1	5.7	24.7
Exclusion of military disability benefits	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.1
Deduction for overnight-travel expenses of national guard and reserve members	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.3
Exclusion of combat pay	....	....	....	....	....	1.2	1.0	0.9	0.9	1.0	4.9
International Affairs											
Exclusion of certain allowances for Federal employees abroad	....	....	....	....	....	1.6	1.7	1.8	1.9	2.0	9.0
Exclusion of foreign earned income:											
Housing	....	....	....	....	....	1.1	1.1	1.2	1.2	1.3	5.9
Salary	....	....	....	....	....	5.1	5.2	5.4	5.6	5.8	27.1
Inventory property sales source rule exception	7.2	7.4	7.6	7.8	8.0	....	....	....	....	....	38.0
Deduction for foreign taxes instead of a credit	0.2	0.2	0.3	0.3	0.3	....	....	....	....	....	1.3
Interest expense allocation:											
Unavailability of symmetric worldwide method*	−2.7	−2.9	−3.1	−3.3	−3.5	....	....	....	....	....	−15.5
Separate grouping of affiliated financial companies	1.2	1.3	1.4	1.5	1.6	....	....	....	....	....	7.0
Apportionment of research and development expenses for determination of foreign tax credits	0.3	0.3	0.4	0.4	0.4	....	....	....	....	....	1.8
Special rules for interest-charge domestic international sales corporations	0.5	0.1	0.1	0.1	0.1	....	....	....	....	....	0.9
Tonnage tax	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Deferral of active income of controlled foreign corporations	12.5	13.3	14.1	14.9	15.8	....	....	....	....	....	70.6
Deferral of active financing income [2]	1.0	....	....	....	....	....	....	....	....	....	1.0
General Science, Space, and Technology											
Credit for increasing research activities (section 41)	4.0	3.0	2.3	1.8	0.9	0.1	0.1	(3)	(3)	(3)	12.6
Expensing of research and experimental expenditures	4.3	4.2	4.4	5.8	6.9	0.1	0.1	0.1	0.1	0.1	26.3
Therapeutic research credit	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.8
Energy											
Credit for energy efficiency improvements to existing homes	....	....	....	....	....	1.7	1.2	....	....	....	2.8
Credits for alternative technology vehicles	0.2	0.1	(3)	(3)	(3)	0.6	0.3	....	....	....	1.3
Credit for holders of clean renewable energy bonds (sections 54 and 54C)	(3)	(3)	(3)	(3)	(3)	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of energy conservation subsidies provided by public utilities	....	....	....	....	....	(3)	(3)	(3)	(3)	(3)	0.1
Credit for holder of qualified energy conservation bonds	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.1	0.1	0.1	0.4
Credit for enhanced oil recovery costs	(3)	(3)	....	....	....	(3)	(3)	....	....	....	0.1
Credit for producing fuels from a non-conventional source	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.1

TABLE 10.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2010–2014 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2010–14
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
Credits for alcohol fuels [4]	0.1	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Energy credit (section 48):											
Solar	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Geothermal	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Fuel cells	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Microturbines	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Credits for electricity production from renewable resources (section 45):											
Wind	1.0	1.1	1.3	1.4	1.5	(3)	(3)	(3)	(3)	(3)	6.2
Closed-loop biomass	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.2
Geothermal	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Qualified hydropower	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Solar (limited to facilities placed in service before1/1/06)	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Small irrigation power	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Municipal solid waste	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Open-loop biomass	0.4	0.3	0.3	0.3	0.2	(3)	(3)	(3)	(3)	(3)	1.6
Credits for investments in clean coal facilities	0.2	0.2	0.2	0.2	0.2	....	....	....	....	....	0.9
Coal production credits:											
Refined coal	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Indian coal	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Credit for the production of energy-efficient appliances	0.2	0.1	....	....	....	....	....	....	....	....	0.3
Credits for alternative technology vehicles:											
Hybrid vehicles	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	1.0
Other alternative fuel vehicles	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.1
Credit for clean-fuel vehicle refueling property	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.2
Residential energy efficient property credit	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	0.9
New energy efficient home credit	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Credit for certain alternative motor vehicles that do not meet existing criteria of a qualified plug-in electric drive motor vehicle	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.2
Credit for investment in advanced energy property	0.4	0.3	0.2	0.1	0.1	0.1	0.1	(3)	(3)	(3)	1.5
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.3
Deduction for expenditures on energy-efficient commercial building property	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9

Expensing of exploration and development costs, fuels:											
Oil and gas	0.7	0.7	0.9	1.0	1.0	([3])	([3])	([3])	([3])	([3])	4.2
Other fuels	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	0.4
Excess of percentage over cost depletion, fuels:											
Oil and gas	0.5	0.8	0.9	0.9	1.0	([3])	([3])	([3])	([3])	([3])	4.1
Other fuels	0.2	0.2	0.2	0.2	0.2	([3])	([3])	([3])	([3])	([3])	0.7
Amortization of geological and geophysical expenditures associated with oil and gas exploration	0.1	0.1	0.1	0.1	0.1	([3])	([3])	([3])	([3])	([3])	0.6
Amortization of air pollution control facilities	0.1	0.2	0.2	0.2	0.1	....	....	....	....	....	0.7
Depreciation recovery periods for energy specific items:											
Five-year MACRS for certain energy property (solar, wind, etc.)	0.3	0.3	0.2	0.2	0.1	([3])	([3])	([3])	([3])	([3])	1.1
10-year MACRS for smart electric distribution property	([3])	0.1	0.1	0.1	0.2	....	....	....	....	....	0.5
15-year MACRS for certain electric transmission property	0.1	0.1	0.2	0.2	0.2	....	....	....	....	....	0.8
15-year MACRS for natural gas distribution line	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.6
Election to expense 50 percent of qualified property used to refine liquid fuels	0.7	0.8	0.7	0.6	0.2	....	....	....	....	....	2.7
Exceptions for publicly traded partnership with qualified income derived from certain energy-related activities	....	....	....	....	....	0.5	0.5	0.6	0.6	0.7	2.8
Natural Resources and Environment											
Special depreciation allowance for certain reuse and recycling property	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	0.1
Expensing of exploration and development costs, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	([3])	([3])	([3])	([3])	([3])	0.3
Excess of percentage over cost depletion, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	([3])	([3])	([3])	([3])	([3])	0.5
Expensing of timber-growing costs	0.7	0.2	0.2	0.2	0.2	([3])	([3])	([3])	([3])	([3])	1.2
Special rules for mining reclamation reserves	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	0.2
Special tax rate for nuclear decommissioning reserve funds	0.9	0.9	1.0	1.1	1.1	....	....	....	....	....	5.0
Exclusion of contributions in aid of construction for water and sewer utilities	([3])	([3])	([3])	([3])	([3])	....	....	....	....	....	0.2
Exclusion of earnings of certain environmental settlement funds	([3])	([3])	([3])	([3])	([3])	....	....	....	....	....	0.1
Amortization and expensing of reforestation expenditures	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.2
Special tax rate for qualified timber gain	....	....	....	....	....	0.4	0.4	0.4	0.4	0.5	2.2
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules	....	....	....	....	....	([3])	([3])	([3])	([3])	([3])	0.1
Agriculture											
Expensing of soil and water conservation expenditures	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	0.2
Expensing of the costs of raising dairy and breeding cattle	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	0.6
Exclusion of cost-sharing payments	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	0.1
Exclusion of cancellation of indebtedness income of farmers	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Income averaging for farmers and fishermen	....	....	....	....	....	([3])	([3])	([3])	([3])	([3])	0.1
Five-year carryback period for net operating losses attributable to farming	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7
Expensing by farmers for fertilizer and soil conditioner costs	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	([3])	0.3

TABLE 10.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2010–2014 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2010–14
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
Commerce and Housing											
Housing:											
Deduction for mortgage interest on owner-occupied residences	....	....	....	....	....	90.8	93.8	94.1	98.5	106.8	484.1
Deduction for property taxes on real property	....	....	....	....	....	15.0	22.8	26.5	27.6	29.1	120.9
Increased standard deduction for real property taxes	....	....	....	....	....	0.5	....	....	....	....	0.5
Exclusion of capital gains on sales of principal residences	....	....	....	....	....	15.0	16.5	17.5	18.2	19.0	86.3
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing	0.3	0.3	0.3	0.4	0.4	0.7	0.8	0.8	0.9	1.0	5.9
Deduction for premiums for qualified mortgage insurance	....	....	....	....	....	0.3	0.1	....	....	....	0.4
Exclusion of income attributable to the discharge of principal residence acquisition indebtedness	....	....	....	....	....	0.8	0.7	0.5	(3)	....	2.1
First-time homebuyer credit [5]	....	....	....	....	....	8.7	−2.4	−2.5	−1.6	−0.8	1.5
Credit for low-income housing	4.9	5.1	5.3	5.6	6.1	0.2	0.3	0.3	0.3	0.3	28.5
Credit for rehabilitation of historic structures	0.4	0.4	0.4	0.4	0.4	0.1	0.1	0.2	0.2	0.2	2.7
Credit for rehabilitation of structures, other than historic structures	(3)	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	1.1
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.2	0.2	0.3	0.3	0.3	0.6	0.6	0.7	0.7	0.7	4.7
Depreciation of rental housing in excess of alternative depreciation system	0.5	0.5	0.5	0.4	0.4	4.5	4.4	4.2	3.9	4.0	23.3
Other business and commerce:											
Exclusion of interest on State and local government small-issue qualified private activity bonds	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.8
Carryover basis of capital gains on gifts	....	....	....	....	....	7.7	9.4	3.6	4.2	7.2	32.1
15-year recovery period for retail motor fuels outlets	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	1.9
Deferral of gain on non-dealer installment sales [6]	−4.1	0.1	4.1	5.6	5.8	−1.4	−2.3	2.0	2.4	1.9	14.1
Deferral of gain on like-kind exchanges	1.4	1.7	2.0	2.3	2.6	0.7	0.8	1.2	1.4	1.5	15.6
Expensing under section 179 of depreciable business property	0.2	1.3	0.7	−0.5	−0.2	0.7	5.7	3.1	−1.9	−0.9	8.2
Amortization of business start-up costs	0.1	0.1	(3)	(3)	(3)	1.3	1.3	1.1	1.0	0.9	5.8
Reduced rates on first $10,000,000 of corporate taxable income	3.2	3.2	3.2	3.1	3.1	....	....	....	....	....	15.9
Exemptions from imputed interest rules	(3)	(3)	(3)	(3)	(3)	0.4	0.5	0.5	0.6	0.6	2.6
Expensing of magazine circulation expenditures	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.1
Special rules for magazine, paperback book, and record returns	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.2
Completed contract rules	0.6	0.6	0.7	0.7	0.8	(3)	(3)	(3)	(3)	(3)	3.4
Cash accounting, other than agriculture	(3)	(3)	(3)	(3)	(3)	1.0	1.0	1.1	1.1	1.2	5.4

Credit for employer-paid FICA taxes on tips	0.3	0.4	0.4	0.4	0.4	0.2	0.3	0.3	0.3	0.3	3.3
Deduction for income attributable to domestic production activities	7.0	8.4	8.8	9.2	9.8	2.4	3.2	3.8	4.4	5.1	62.1
Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Reduced rates of tax on dividends and long-term capital gains	....	....	....	....	....	77.7	84.2	65.9	90.3	84.9	402.9
Surtax on unearned income*	....	....	....	−18.3	−26.3	....	....	....	....	....	−44.7
Exclusion of capital gains at death	....	....	....	....	....	25.4	31.7	39.0	45.6	52.3	194.0
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly	(3)	(3)	(3)	(3)	(3)	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion for gain from certain small business stock	....	....	....	....	....	0.5	0.3	0.4	0.5	0.7	2.5
Distributions in redemption of stock to pay various taxes imposed at death	....	....	....	....	....	0.2	(3)	0.3	0.4	0.4	1.3
Ordinary gain or loss treatment for sale or exchange of Fannie Mae and Freddie Mac preferred stock by certain financial institutions	0.4	0.2	0.1	−0.1	−0.1	(3)	(3)	(3)	(3)	(3)	0.5
Inventory methods and valuation:											
Last in first out	3.6	3.8	4.0	4.2	4.4	0.5	0.5	0.6	0.6	0.7	22.9
Lower of cost or market	0.4	0.4	0.4	0.5	0.5	0.1	0.1	0.1	0.1	0.1	2.7
Specific identification for homogeneous products	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.2
Exclusion of gain or loss on sale or exchange of brownfield property	(3)	(3)	(3)	(3)	(3)	....	....	....	....	....	0.1
Income recognition rule for gain or loss from section 1256 contracts	(3)	(3)	(3)	(3)	(3)	0.8	0.8	0.8	0.8	0.9	4.4
Net alternative minimum tax attributable to net operating loss limitation*	−0.5	−0.5	−0.5	−0.5	−0.5	−0.1	−0.1	−0.1	−0.1	−0.1	−3.0
Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.1
Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	1.9
Depreciation of equipment in excess of the alternative depreciation system[7]	24.1	6.5	−5.0	0.8	10.7	4.3	1.2	−0.9	0.1	1.9	43.7
Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument	21.1	6.9	0.5	0.3	(3)	1.7	0.5	(3)	(3)	(3)	31.0
5-year carryback of general business credits	1.3	−0.1	−0.1	−0.1	−0.1	0.3	(8)	(8)	(8)	(8)	0.9
Financial institutions:											
Exemption of credit union income	0.4	0.3	0.5	0.5	0.7	....	....	....	....	....	2.3
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	2.5	2.5	2.6	2.6	2.7	25.4	25.7	26.3	27.0	27.7	149.5
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.3
Special treatment of life insurance company reserves	2.2	2.3	2.4	2.6	2.7	....	....	....	....	....	12.2
Special deduction for Blue Cross and Blue Shield companies	0.4	0.4	0.4	0.4	0.5	....	....	....	....	....	2.1
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.3
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	0.7	0.7	0.7	0.8	0.7	....	....	....	....	....	3.4
Proration for property and casualty insurance companies	0.3	0.3	0.4	0.4	0.4	....	....	....	....	....	1.8

TABLE 10.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2010–2014 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2010–14
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
Transportation											
Exclusion of employer-paid transportation benefits	...	...	...	...	...	3.8	4.2	4.4	4.6	4.8	21.8
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	...	...	...	...	...	0.5
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities	(3)	(3)	(3)	(3)	0.1	0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of employer-provided transit and vanpool benefits	...	...	...	...	...	0.7	0.8	0.8	0.9	0.9	4.0
High-speed intercity rail vehicle speed requirement for exempt high-speed rail facility bonds	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.1
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities	0.2	0.2	0.2	0.3	0.3	0.5	0.6	0.6	0.7	0.7	4.2
Community and Regional Development											
Empowerment zone tax incentives	0.2	0.2	0.1	(3)	(3)	0.3	0.2	0.1	(3)	(3)	1.3
Renewal community incentives	(3)	(3)	(3)	(3)	(3)	0.2	0.1	0.1	0.1	0.1	1.0
New markets tax credit	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	3.5
District of Columbia tax incentives	0.1	(3)	(3)	(3)	(3)	0.2	0.1	0.1	0.1	0.1	0.7
Credit for Indian reservation employment	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.1
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.3	0.3	0.3	1.9
Issuance of recovery zone economic development bonds	(3)	0.1	0.1	0.1	0.1	(3)	0.1	0.1	0.1	0.1	0.7
Issuance of tribal economic development bonds	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.2
Build America bonds [5]	0.2	0.5	0.8	0.8	0.8	0.7	1.5	2.3	2.3	2.3	12.0
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.2	0.3	0.3	0.3	0.3	...	...	...	...	...	1.6
Disaster Relief:											
Gulf opportunity zone	0.1	(3)	(3)	(3)	(3)	0.6	0.4	0.3	0.2	0.2	1.9
Midwest disaster relief	0.2	0.2	0.3	0.3	0.3	0.9	0.1	0.1	0.1	0.2	2.7
National disaster relief	0.2	0.1	(3)	(3)	(3)	0.2	0.2	0.1	(3)	(3)	0.8
Education, Training, Employment, and Social Services											
Education and training:											
Deduction for interest on student loans	...	...	...	...	...	0.9	0.5	0.4	0.5	0.5	2.8
Deduction for higher education expenses	...	...	...	...	...	0.1	...	...	...	...	0.1
Exclusion of earnings of Coverdell education savings accounts	...	...	...	...	...	0.1	0.1	0.1	0.2	0.2	0.6
Exclusion of interest on educational savings bonds	...	...	...	...	...	(3)	(3)	(3)	(3)	(3)	0.1

Exclusion of scholarship and fellowship income	....	....	....	....	....	2.1	2.2	2.4	2.5	2.7	11.9
Exclusion of income attributable to the discharge of certain student loan debt and NHSC and certain State educational loan repayments	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of employer-provided education assistance benefits	....	....	....	....	....	0.9	0.9	0.9	0.9	1.0	4.5
Exclusion of employer-provided tuition reduction benefits	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.1
Parental personal exemption for students aged 19 to 23	....	....	....	....	....	1.3	2.3	2.4	2.2	2.1	10.4
Exclusion of interest on State and local government qualified private activity bonds for student loans	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.4	0.4	0.4	2.6
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	0.7	0.8	0.9	1.0	1.0	1.9	2.2	2.3	2.5	2.6	16.0
Credit for holders of qualified zone academy bonds	0.2	0.3	0.3	0.3	0.3	....	....	....	....	....	1.4
Deduction for charitable contributions to educational institutions	0.4	0.4	0.4	0.4	0.4	5.1	6.0	6.5	6.8	7.1	33.3
Deduction for teacher classroom expenses	....	....	....	....	....	(3)	(3)	(3)	(3)	(3)	0.1
Credits for tuition for post-secondary education:											
Hope credit [5]	....	....	....	....	....	9.6	4.7	3.0	3.0	2.9	23.1
Lifetime learning credit	....	....	....	....	....	2.3	3.0	3.2	3.2	3.1	14.7
Exclusion of tax on earnings of qualified tuition programs:											
Prepaid tuition programs	....	....	....	....	....	(3)	0.1	0.1	0.1	0.1	0.4
Savings account programs	....	....	....	....	....	0.4	0.5	0.6	0.7	0.8	2.9
Qualified school construction bonds	(3)	0.1	0.2	0.3	0.4	0.1	0.3	0.5	0.6	0.7	3.3
Employment:											
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	1.0	1.1	1.1	1.2	1.2	5.6
Exclusion of benefits provided under cafeteria plans [9]	....	....	....	....	....	26.4	29.3	32.3	36.1	39.0	163.1
Exclusion of housing allowances for ministers	....	....	....	....	....	0.6	0.7	0.7	0.7	0.7	3.4
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	6.6	7.5	8.0	8.2	8.5	38.7
Exclusion of employee awards	....	....	....	....	....	0.3	0.4	0.4	0.4	0.4	1.8
Exclusion of income earned by voluntary employees' beneficiary associations	....	....	....	....	....	3.2	3.8	4.2	4.4	4.6	20.2
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.1	1.2	1.3	0.5	0.5	0.5	0.5	2.5	8.0
Deferral of taxation on spread on acquisition of stock under incentive stock option plans*	−1.0	−1.0	−1.1	−1.2	−1.2	0.4	0.3	0.3	0.3	0.3	−4.9
Deferral of taxation on spread on employee stock purchase plans*	−0.1	−0.1	−0.1	−0.2	−0.2	(3)	(3)	(3)	0.1	0.1	−0.5
Disallowance of deduction for excess parachute payments (applicable if payments to a disqualified individual are contingent on a change of control of a corporation and are equal to or greater than three times the individual's annualized includible compensation) [10]*	−0.2	−0.2	−0.2	−0.2	−0.2	....	....	....	....	....	−1.0
Limits on deductible compensation [11]*	−0.6	−0.6	−0.6	−0.7	−0.8	....	....	....	....	....	−3.3
Work opportunity tax credit	0.5	0.5	0.3	0.1	0.1	0.1	0.1	0.1	(3)	....	1.8
Credit for retention of certain newly hired workers	....	1.7	0.9	0.3	0.2	....	1.5	0.6	....	....	5.3
Social services:											
Credit for children under age 17 [5]	....	....	....	....	....	55.1	24.7	14.2	14.0	13.9	121.9

TABLE 10.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2010–2014 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2010–14
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
Credit for child and dependent care and exclusion of employer-provided child care [12]	....	....	....	....	....	3.1	2.5	2.5	2.5	2.5	13.1
Credit for employer-provided dependent care	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.2
Exclusion of certain foster care payments	....	....	....	....	....	0.4	0.4	0.4	0.4	0.4	2.1
Adoption credit and employee adoption benefits exclusion	....	....	....	....	....	0.5	1.0	(3)	(3)	(3)	1.6
Deduction for charitable contributions, other than for education and health [13]	1.0	1.0	1.0	1.1	1.1	29.2	34.5	37.8	39.6	41.3	187.5
Credit for disabled access expenditures	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.4
Health											
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [14]	....	....	....	....	....	105.7	117.3	128.0	147.4	161.0	659.4
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare	....	....	....	....	....	2.3	2.5	2.6	2.8	2.9	13.1
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare	....	....	....	....	....	1.4	1.7	1.9	2.1	2.3	9.5
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	....	....	....	....	....	4.6	5.1	5.5	6.1	6.6	27.9
Deduction for medical expenses and long-term care expenses	....	....	....	....	....	10.8	13.5	16.1	17.5	19.6	77.6
Exclusion of workers' compensation benefits (medical benefits)	....	....	....	....	....	3.0	3.2	3.5	3.7	4.0	17.4
Health savings accounts	....	....	....	....	....	0.9	1.2	1.6	2.1	2.1	8.0
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities	0.5	0.6	0.6	0.7	0.7	1.3	1.5	1.6	1.7	1.8	10.8
Deduction for charitable contributions to health organizations	1.8	1.8	1.9	1.9	2.0	2.5	3.0	3.3	3.5	3.6	25.3
Credit for purchase of health insurance by certain displaced persons [5]	....	....	....	....	....	0.2	0.2	0.1	0.1	0.1	0.8
Credit for orphan drug research	0.5	0.5	0.6	0.6	0.6	(3)	(3)	(3)	(3)	(3)	2.8
Premium subsidy for COBRA continuation coverage [5]	....	....	....	....	....	4.9	1.2	(3)	....	....	6.2
Tax credit for small businesses purchasing employer insurance	0.3	0.6	0.8	0.9	0.7	1.6	3.6	4.4	5.1	4.5	22.6
Credits and subsidies for participation in exchanges [5]	....	....	....	....	....	....	....	....	....	22.4	22.4
Medicare											
Exclusion of Medicare benefits:.											
Hospital insurance (Part A)	....	....	....	....	....	28.6	33.6	35.9	37.8	39.9	175.8
Supplementary medical insurance (Part B)	....	....	....	....	....	20.5	23.4	24.4	27.2	29.0	124.5
Prescription drug insurance (Part D)	....	....	....	....	....	5.5	6.6	6.7	7.7	8.7	35.1
Exclusion of certain subsidies to employers who maintain prescription drug plans for Medicare enrollees	0.4	0.5	0.5	0.3	....	....	....	....	....	....	1.7

Income Security											
Exclusion of workers' compensation benefits (disability and survivors payments)	....	....	....	....	....	3.4	3.7	3.9	4.1	4.4	19.5
Exclusion of damages on account of personal physical injuries or physical sickness	....	....	....	....	....	1.5	1.6	1.6	1.6	1.6	7.9
Exclusion of special benefits for disabled coal miners	....	....	....	....	....	(3)	(3)	(3)	(3)	(3)	0.1
Exclusion of cash public assistance benefits	....	....	....	....	....	3.1	3.4	4.4	4.9	5.0	20.8
Net exclusion of pension contributions and earnings [6]:											
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans")	....	....	....	....	....	12.4	15.7	17.0	17.7	18.2	81.1
Defined benefit plans	....	....	....	....	....	38.9	51.9	62.0	75.8	74.6	303.2
Defined contribution plans	....	....	....	....	....	32.5	38.2	44.1	49.1	48.3	212.2
Individual retirement arrangements:											
Traditional IRAs	....	....	....	....	....	20.1	12.3	13.2	18.4	21.6	85.6
Roth IRAs	....	....	....	....	....	3.4	4.0	4.8	5.4	6.3	23.9
Credit for certain individuals for elective deferrals and IRA contributions	....	....	....	....	....	0.9	1.0	1.1	1.0	1.0	5.0
Exclusion of other employee benefits:											
Premiums on group term life insurance (excludes payroll taxes)	....	....	....	....	....	1.5	1.6	1.7	1.8	1.9	8.5
Premiums on accident and disability insurance	....	....	....	....	....	3.2	3.4	3.6	3.7	3.8	17.8
Additional standard deduction for the blind and the elderly	....	....	....	....	....	1.8	2.2	2.7	2.8	3.0	12.4
Deduction for casualty and theft losses	....	....	....	....	....	0.2	0.3	0.3	0.3	0.3	1.4
Earned income credit [5]	....	....	....	....	....	56.2	52.4	52.5	53.6	54.0	268.8
Phase out of the personal exemption for the regular income tax, and disallowance of the personal exemption and the standard deduction against the alternative minimum tax*	....	....	....	....	....	−30.6	−41.1	−33.5	−38.6	−42.7	−186.5
Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty	....	....	....	....	....	(3)	(3)	(3)	(3)	(3)	0.1
Exclusion of disaster mitigation payments	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.2
Making work pay credit [5]	....	....	....	....	....	59.7	15.5	....	....	....	75.3
Social Security and Railroad Retirement											
Exclusion of untaxed Social Security and railroad retirement benefits	....	....	....	....	....	26.8	33.4	36.0	37.4	39.7	173.0
Veterans' Benefits and Services											
Exclusion of veterans' disability compensation	....	....	....	....	....	4.5	5.9	5.4	5.6	5.7	27.0
Exclusion of veterans' pensions	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of veterans' readjustment benefits	....	....	....	....	....	0.9	1.0	1.3	1.3	1.4	5.8
Exclusion of interest on State and local government qualified private activity bonds for veterans' housing	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	0.1	0.1	0.3
General Purpose Fiscal Assistance											
Exclusion of interest on public purpose State and local government bonds	7.5	8.5	9.0	9.9	10.4	19.3	21.9	23.1	25.3	26.7	161.6
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes	....	....	....	....	....	30.7	43.6	50.6	54.1	58.3	237.3

TABLE 10.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2010–2014 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2010–14
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
Interest											
Deferral of interest on savings bonds	....	....	....	....	....	1.3	1.4	1.4	1.5	1.5	7.1

[1] Reflects legislation enacted by December 15, 2010.
[2] Does not include provision that permits look-through of payments between related foreign corporations.
[3] Positive tax expenditure of less than $50 million.
[4] In addition to the amounts above, the excise tax credit for alcohol fuel mixtures results in a reduction in excise tax receipts, net of income, of $5.1 billion over the fiscal years 2010 through 2014.
[5] Estimate includes refundability associated with the following outlay effects:

	Corporations					Individuals					Total
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
First-time homebuyer credit	....	....	....	....	....	3.4	....	....	....	....	3.4
Build America bonds	0.2	0.5	0.8	0.8	0.8	0.7	1.5	2.3	2.3	2.3	12.0
Recovery zone bonds	(3)	0.1	0.1	0.1	0.1	(3)	0.1	0.1	0.1	0.1	0.7
Hope credit	....	....	....	....	....	3.1	0.8	....	....	....	3.9
Credit for children under age 17	....	....	....	....	....	32.7	11.1	4.1	4.2	4.7	56.7
Earned income credit	....	....	....	....	....	50.9	45.5	44.8	45.5	45.6	232.2
Making work pay credit	....	....	....	....	....	19.7	4.7	....	....	....	24.4
Premium subsidy for COBRA continuation coverage	....	....	....	....	....	0.1	0.1	(3)	....	....	0.3
Credit for health insurance by certain displaced persons	....	....	....	....	....	0.2	0.1	0.1	0.1	0.1	0.6
Credits and subsidies for participation in exchanges	....	....	....	....	....	....	....	....	....	12.6	12.6

[6] Pattern differs from tax expenditure calculated in prior pamphlets because of economic conditions in 2008 and 2009.
[7] Includes bonus depreciation and general acceleration under MACRS.
[8] Negative tax expenditure of less than $50 million.
[9] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.
[10] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008.
[11] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008. Estimate includes effects of changes made by Patient Protection and Affordable Care Act enacted in 2010.
[12] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.
[13] In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rules.
[14] Estimate includes employer-provided health insurance purchased through cafeteria plans.

Note: Details may not add to totals due to rounding. An "*" indicates a negative tax expenditure for the 2010–2014 period.
Source: Joint Committee on Taxation.

Function-by-Function Presentation

The budget resolution often is described as the "architecture" of policy—and the metaphor is fitting in several ways. First, the structure of the resolution is built with myriad technical components—numbers, legislative text, procedural mechanisms—necessary for the budget to stand. Second, the measure's allocation of resources creates a framework in which the government is intended to function. Third, as a whole—in its choices of priorities, and its overall fiscal policy—the budget resolution stands against the backdrop of the economy, expressing its authors' vision of governing. The budget's role is to set the Federal Government's fiscal policy to reflect the Nation's priorities, and establish the foundation for the legislative decisions that will be made by the committees of jurisdiction.

Total spending in the budget is divided among 21 budget "functions." Each function represents a broad area of government activities—national defense, international affairs, transportation, education, health, and so on. The functions have antecedents dating back decades, but they are not directly linked to specific congressional committees, agencies of the Executive Branch, or, for the most part, particular programs; they transcend these units. Because the totals in the functions are *prospective*—the budget is a planning document, not an audit—the function totals are not binding; they simply describe how the Budget Committee views the expected distribution of resources under the budget's guidelines. But the committee allocations that flow from these function levels (see "The Congressional Budget Process" later in this report) do have a means of enforcement; and in that sense, the function levels in the resolution are relevant to the programs over which legislative committees have jurisdiction.

The budget functions presented here are the following:

050 National Defense
150 International Affairs
250 Science, Space, and Technology
270 Energy
300 Natural Resources and Environment
350 Agriculture
370 Commerce and Housing Credit
400 Transportation
450 Community and Regional Development
500 Education, Training, Employment, and Social Services
550 Health
570 Medicare
600 Income Security
650 Social Security

700 Veterans Benefits and Services
750 Administration of Justice
800 General Government
900 Net Interest
920 Allowances
950 Undistributed Offsetting Receipts
970 Global War on Terrorism and Related Activities

When the committee allocations differ from those estimated in baseline spending projections, it means some form of policy change must occur to meet the budget levels. The budget does not prescribe the specific policies—the committees of jurisdiction make those decisions—but it does drive changes in policy.

This budget assumes significant policy changes, and a major readjustment of the Federal Government's fiscal course. To demonstrate the viability of these assumptions—and to prove the credibility of the budget itself—this report offers a range of policy options to help demonstrate how the budget's fiscal goals could be achieved. These options are illustrative; as noted, any actual policy changes are the discretion of the committees with jurisdiction over the programs involved. Nevertheless, the assumptions are based on the Congressional Budget Office estimates and justified in the report text.

FUNCTION 050: NATIONAL DEFENSE

Function Summary

The first job of a nation's government is securing the safety and liberty of its citizens from threats at home and abroad. Recent events in the Middle East, South Asia, and East Asia have demonstrated again that the demands on the American military are unpredictable both in geographic location and in the mission to be executed. Whether supporting transitions to democracy in the Middle East, providing disaster relief in Japan, combating piracy off the Horn of Africa, or suppressing the terrorist networks that threaten Americans' way of life, the men and women of the United States military have performed superbly. As reflected in the National Defense function, this budget maintains funding to provide the equipment, training, and compensation for their continued success.

National Defense includes funds to develop, maintain, and equip the military forces of the United States. More than 95 percent of the funding in this function goes to Department of Defense [DoD] military activities; the remainder applies to atomic energy defense activities of the Department of Energy, and other defense-related activities (primarily in connection with homeland security). Funding for global war on terror and related activities is included in Function 970.

Summary of Committee-Reported Resolution

The resolution calls for $582.6 billion in budget authority and $593.6 billion in outlays in fiscal year 2012. Most of the spending in the function is discretionary, which in fiscal year 2012 totals $575.8 billion in budget authority and $586.8 billion in outlays. Mandatory spending in 2012 is $6.8 billion in budget authority and $6.8 billion in outlays. The 10-year totals for budget authority and outlays are $6.461 trillion and $6.383 trillion, respectively.

A robust national defense requires a substantial commitment of national resources, and Congress and the administration must remain vigilant to ensure the national defense program is executed efficiently and accountably. The Armed Services Committee has outlined an aggressive oversight agenda for the 112th Congress that is intended to "ensure that the Department of Defense is operated efficiently and with fiscal discipline in order to maximize the return on the taxpayers' investments." A critical element of that oversight agenda is a review of acquisition programs with an eye toward reevaluating those programs that "no longer represent the best value for the taxpayer."

Congressional efforts to increase accountability and efficiency in the national defense mission dovetail with the efforts of Secretary of Defense Gates. After an exhaustive review of the Pentagon's operations, the Secretary, together with the uniformed military, identified $178 billion (over 5 years) in efficiencies and savings. This budget reinvests $100 billion of that amount in higher priority military capabilities. The remaining $78 billion is dedicated to deficit reduction. As Admiral Mullen, Chairman of the Joint Chiefs of Staff has said on many occasions, the national debt is a threat to the economic foundations of America's national security. The Department's reform efforts, and the oversight program of the Armed Services Committee, are critical to ensuring the defense budget provides the capabilities America needs at a cost the country can afford.

The rising share of total defense spending consumed by compensation costs is putting pressure on the defense budget. On a per-troop basis, the military personnel account has reached record levels over the past decade, rising at a real annual rate of 3.4 percent (excluding war funding). This growth has been driven by rising basic pay, new and enhanced benefits for service members, and growing health care costs. Generous compensation is essential to the maintenance of the all-volunteer military, but the tremendous growth in these accounts raises fundamental questions about the risk of personnel costs crowding out needed investment in defense modernization.

Discretionary Spending Policies

Fully Fund the President's Military Force Request. Within the National Defense category, subfunction 051 represents the Department of Defense military activities. The budget resolution assumes full funding of the request developed by Secretary Gates in this area.

Prioritize Nuclear Modernization. The independent Strategic Posture Commission identified a "pattern of underinvestment [in the nuclear weapons complex] over the last two decades." This resolution addresses to reverse the pattern by prioritizing the nuclear modernization work of the National Nuclear Security Administration [NNSA]. This includes providing fiscal space for the modernization of the nuclear weapons complex and in connection with the implementation of the New Strategic Arms Reduction Treaty with Russia.

FUNCTION 150: INTERNATIONAL AFFAIRS

Function Summary

The past decade has seen a 167-percent increase in resources devoted to the international affairs activities of the United States. Numerous factors have driven this rapid expansion of government spending: efforts related to the war on terrorism, increases in staffing levels at the State Department and USAID, the expansion of U.S. aid for global health, and the adoption of a new model for delivering development assistance, the Millennium Challenge Corporation.

Unquestionably, many vital U.S. interests can best be achieved through the foreign affairs budget. But it is also necessary to step back and ask what results are being achieved through this rapidly growing commitment of resources—especially in light of the domestic challenges to the Federal Government's fiscal condition. Funding in the International Affairs function reflects this re-evaluation.

This category of the budget includes international development and humanitarian assistance; international security assistance; the conduct of foreign affairs; foreign information and exchange activities; and international financial programs. The major agencies in this function include the Departments of Agriculture, State, and the Treasury, the United States Agency for International Development [USAID], and the Millennium Challenge Corporation.

In accordance with the administration's request, funding for incremental, non-enduring civilian activities in Afghanistan, Pakistan, and Iraq are reflected in Function 970 rather than in this account.

Summary of Committee-Reported Resolution

The resolution calls for $36.6 billion in budget authority and $36.1 billion in outlays in fiscal year 2012. As with defense, the majority of International Affairs spending is discretionary; in fiscal year 2012, it totals $32.3 billion in budget authority and $39 billion in outlays. Mandatory spending in 2012 is $4.3 billion in budget authority and −$2.9 billion in outlays. (The negative outlay figure reflects receipts from foreign military sales and foreign military financing transactions.) Over 10 years, budget authority totals $327.4 billion, with outlays of $324.5 billion.

This budget assumes funding for the essential missions of the international affairs effort, while paring back spending in areas of duplication or non-core functions. While the actual policies will be determined by the committees of jurisdiction, options that could be employed to meet budget targets include those listed below.

Discretionary Spending Policy Options

While the committees of jurisdiction will determine actual policies, the illustrations below suggest some options for meeting the budget's parameters.

Eliminate Duplication in Development Efforts. President Bush and Congress created the Millennium Challenge Corporation [MCC] in January 2004 as part of a new approach to development assistance. Its aim was to focus on promoting partnerships with countries committed to good governance, economic freedom, and investing in their citizens. Since then, the U.S. Government has provided more than $10 billion in development assistance through the MCC. Over the same period, the United States' traditional Development Assistance program has provided more than $13 billion for these same development purposes. Now that the first round of MCC compacts is complete, it is time to evaluate the relative performance of these programs and to focus U.S. resources on the programs that produce the best results.

Protect U.S. Veto at Multilateral Development Banks. The U.S. plays a leading role in the world's multilateral financial institutions, especially the multilateral development banks [MDBs], including the World Bank and its regional counterparts. During the financial crisis, these institutions increased lending volumes sharply in an effort to ameliorate the consequences of the economic slowdown. Following years of negotiations, the Treasury Department is now requesting increased U.S. contributions to bolster the core capital of these institutions, allowing the MDBs to continue lending at these heightened levels. While these increased contribution levels are subject to authorization, failure to participate would result in the U.S. losing its veto over key decisions at these institutions. To protect the U.S. veto at these institutions, this resolution assumes full funding for the capital increases at the MDBs. The Budget Committee notes the Financial Services Committee's commitment to thorough oversight of the Treasury request, and will look to its conclusions in future years on the appropriate level of funding to assume for the MDBs' concessional lending windows.

Require Private Funding for the U.S. Institute for Peace. The U.S. Institute for Peace [USIP] is a think tank that seeks to help prevent and resolve international conflicts. While its goals are laudable, the contribution of USIP to achieving them is not unique given the approximately 350 think tanks in Washington DC, and another 1,500 across the country. Like other such organizations, USIP should rely on funding from the private sector or contract-based funding for particular projects of value to U.S. government agencies. One way to encourage this is to adopt the position added to H.R. 1, at the initiative of Representative Weiner of New York, which calls for no further direct government funding for USIP.

Require Private Funding for Peripheral Foreign Affairs Institutions. In the past, the U.S. has provided funding for a number of smaller foreign affairs agencies, including the East-West Center and the Asia Foundation. As noted by Chairman Ros-Lehtinen in the Foreign Affairs Committee's Views and Estimates letter, these institutions engage in programming that could easily be supported by the private sector and is redundant of other U.S. Government activities. Again, these aims could be achieved in a manner consistent with the Committee's recommendation by providing no further government funding for these peripheral institutions.

Consolidate Foreign Affairs Bureaucracies. Since 2001, staffing levels at the State Department and USAID have increased by 13 percent and 76 percent, respectively. Undoubtedly both organizations merited some increase in staff given the premature and excessive reduction of staff during the 1990s peace dividend. Nevertheless, consolidation of staffing levels here as in other government agencies is necessitated given the fiscal problems facing the U.S. Government.

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Function Summary

The largest component of this function—about half of total spending—is for the space flight, research, and supporting activities of the National Aeronautics and Space Administration [NASA]. The function also contains general science funding, including the budgets for the National Science Foundation [NSF], the Department of Energy [DOE] Office of Science, and the Department of Homeland Security's Science and Technology Directorate.

Spending for this function has grown by about 9 percent since the start of the administration. The stimulus bill also provided about $1.0 billion for NASA, $3.0 billion for NSF, and $1.6 billion for DOE's Office of Science.

Summary of Committee-Reported Resolution

The resolution calls for $27.5 billion in budget authority and $29.8 billion in outlays in fiscal year 2012. Nearly all the spending in the function is discretionary, which totals $27.3 billion in 2012 budget authority, and $29.7 billion in outlays. Mandatory budget authority in 2012 is $119 million, with $123 million in related outlays. The 10-year totals for budget authority and outlays are $282.0 billion and $284.5 billion, respectively.

The budget builds on H.R.1 by reducing excess and unnecessary spending, while supporting core government responsibilities.

The resolution preserves basic research, providing stable funding for NSF to conduct its authorized activities. The budget also recognizes the vital strategic importance of the United States to remain the pre-eminent space-faring Nation. In the President's request, the administration shifted priorities away from the 2010 NASA authorization, allocating about $2 billion to commercial cargo and crew and Earth Science climate change initiatives. The budget realigns funding in accordance with the NASA authorization and its specified spending limits to support robust space capability.

Illustrative Discretionary Spending Option

The committees of jurisdiction will determine policies to align with the spending levels in the resolution. The option below is offered as an illustration of the kinds of proposals that can help meet the budget's fiscal guidelines.

Restore Core Government Responsibilities. The stimulus bill provided $1.6 billion, $800 million of which is currently unspent, for the Department of Energy's Office of Science. Included were some areas, such as biological and environmental research, that could potentially crowd out private investment. The resolution levels support preserving the Office of Science's original role as a venue for groundbreaking scientific discoveries, while paring back applied and commercial research and development.

FUNCTION 270: ENERGY

Function Summary

This category includes civilian energy and environmental programs of the Department of Energy [DOE]. Function 270 also includes the Rural Utilities Service of the Department of Agriculture, the Tennessee Valley Authority [TVA], the Federal Energy Regulatory Commission, and the Nuclear Regulatory Commission. (It does not include DOE's national security activities—the National Nuclear Security Administration—which are in Function 050, or its basic research and science activities, which are in Function 250.)

Since the start of the current administration, total outlays in Function 270 activities have increased by more than 200 percent. The administration has pursued a heavy-handed compliance culture dependent on regulations and spending. Regulations have extracted some $1.75 trillion per year from the economy, according to a recent report from the Small Business Administration, including $281 billion for environmental regulations that disproportionately hit small businesses. (Further discussion can be found in "The Impact of Regulatory Costs on Small Firms," by Nicole V. Crain and W. Mark Crain, Small Business Research Survey, September 2010.) The stimulus alone allocated $80 billion of taxpayers' dollars specifically for politically favored renewable-energy interests. The administration has also stifled domestic energy production by blocking or delaying production both onshore and offshore, destroying jobs and idling American energy sources.

The results are plain to see: gasoline prices have more than doubled since the President took office; and burdensome and ineffective regulations have driven up the prices of many products and services, while creating barriers for needed capital investment and job creation.

All this for questionable gain. As *The New York Times* noted: "[A] growing number of economists say that the environmental benefits of energy efficiency have been oversold." (See "When Energy Efficiency Sullies the Environment," The New York Times, 7 March 2011.)

Summary of Committee-Reported Resolution

The resolution calls for $7.0 billion in budget authority and $16.2 billion in outlays in fiscal year 2012. Discretionary spending is $1.9 billion in budget authority and $12 billion in outlays in fiscal year 2012. Mandatory spending in 2012 is $5.1 billion in budget authority and $4.2 billion in outlays. The 10-year totals for budget authority and outlays are $19.9 billion and $34.9 billion, respectively. The large disparity between budget authority and outlays results mainly from a large infusion of stimulus funds that are still being expended: the function grew by more than 200 percent since the start of the Obama administration because of stimulus funding. Over the course of the decade, outlays return to more normal ranges.

H.R. 1 reduced funding for non-core energy research, loan guarantees for lower-demand programs, and excess and unnecessary spending in Department of Energy's civilian accounts which received large funding levels in the stimulus bill.

Additionally, the House continuing resolution limited the Nuclear Regulatory Commission from terminating the Yucca Mountain license review without due cause (e.g. a significant scientific or technical justification). The attempt by the administration to terminate the Yucca geologic repository would exacerbate the Federal Government's current significant unfunded liabilities and ignore its legal obligation to collect and manage commercial and defense waste across 39 States.

The fiscal year 2012 budget resolution builds on H.R.1 provisions and pursues a balanced approach to energy policy, domestic energy production to help generate economic prosperity for job creation, lower gasoline and energy prices, and greater revenues, while moving toward market-based solutions for sustainable energy sources. The resolution draws on the American Energy Initiative's efforts to advance an all-of-the-above energy approach for the U.S.

Illustrative Policy Options

The committees of jurisdiction will determine policies to align with the spending levels in the resolution. The options below are offered as illustrations of the kinds of proposals that can help meet the budget's fiscal guidelines.

DISCRETIONARY SPENDING

Scale Back Corporate Subsidies in the Energy Industry. The resolution provides sufficient funding for essential government missions, including energy security and basic research and development. It recommends paring back spending in areas of duplication or non-core functions, such as applied and commercial research and development projects best left to the private sector. For example, renewable projects have received substantial subsidies, increasing prices across the board for consumers. According to the Energy Information Agency, commercial solar and wind industries receive subsidies of more than $23/Mwh (megawatt hour) compared with $0.44/Mwh for conventional coal and $0.25/Mwh for natural gas. This does not include the $27.2 billion allocated in the 2009 "stimulus" bill for energy efficiency and renewable energy research and investment. The budget aims to roll back such Federal intervention and corporate welfare spending.

MANDATORY SPENDING

Repeal the Western Area Power Administration [WAPA] Borrowing Authority. The $3.25 billion borrowing authority in WAPA's Transmission Infrastructure Program provides loans to develop new transmission systems aimed solely at integrating renewable energy. To date, WAPA has announced only one project under the borrowing authority: a wind transmission project owned by a foreign company. This authority was inserted into the stimulus bill without the opportunity for debate. Of most concern, the authority includes a bailout provision that would require American taxpayers to pay outstanding balances on projects that private developers fail to repay.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

Function Summary

The Natural Resources and Environment function consists of major departments and agencies in the Department of Interior, including the National Park Service [NPS], the Bureau of Land Management [BLM], the Bureau of Reclamation, and the Fish and Wildlife Service [FWS]; conservation-oriented and land management agencies within the Department of Agriculture [USDA] including the Forest Service; the National Oceanic and Atmospheric Administration [NOAA] in the Department of Commerce; the Army Corps of Engineers; and the Environmental Protection Agency [EPA]. The discussion below elaborates on the budget resolution's recommended policies in these areas.

Spending on programs contained in the Natural Resources and Environment function has increased 45 percent since the start of the current administration. The budget resolution recognizes the importance of these activities—which include overseeing water resources, conservation, land management, and recreational resources—but bigger government has not equated to better government; and the increase in resources has only invited mismanagement and duplication.

The administration has blocked and delayed domestic energy production both onshore and offshore, costing jobs and sidelining American energy sources at a time of rising gasoline prices and unstable conflict in the Middle East and North Africa. The budget resolution provides for a more measured approach, generating receipts from bonus bids, rents, royalties, and fees as a result of unlocking domestic energy supplies in a safe, environmentally responsible manner. The budget also encourages the development of American-made renewable and alternative energy sources, while affirming the principle that environmental stewardship and economic growth are not mutually exclusive goals.

In addition, the budget recognizes the importance of preserving significant habitats, while properly maintaining America's existing public lands. The Federal Government owns and controls 650 million acres of land in the United States—one out of every three acres—especially in areas of the western U.S. But the government has not adequately maintained this land, some of which could return value to individual States and counties through more productive use. The Federal Government opts instead to acquire more while neglecting maintenance and upkeep of what it already controls. While the President's budget more than doubles funding for the Land and Water Conservation Fund [LWCF]—from $346.1 million in fiscal year 2008 to $900 million in his fiscal year 2012 budget—Federal lands suffer from a current maintenance backlog that measures in the billions of dollars. The government has a responsibility to maintain and care for existing resources before acquiring more land.

Summary of Committee-Reported Resolution

The resolution calls for $31.9 billion in budget authority and $36.8 billion in outlays in fiscal year 2012. Discretionary budget authority in 2012 totals $28.8 billion, with $34.1 billion in related outlays; mandatory spending is $3.1 billion in budget authority and $2.7 billion in outlays. Over 10 years, budget authority totals $274.0 billion, and outlays are $283.5 billion.

Illustrative Policy Options

H.R. 1 focused on paring back unnecessary spending and funds to carry out overreaching regulatory expansion. Its provisions also included funding limitations on EPA's ability to prohibit or restrict the emission of carbon dioxide or methane from any stationary source, on the Bureau of Reclamation's implementation of the San Joaquin River Settlement, and on implementation of Federal regulations on the Delta smelt thereby restoring water supplies to farming communities.

The budget builds on the fiscal discipline of H.R.1, and supports American energy production. The second largest source of revenue to taxpayers comes directly from the multiple forms of revenues, royalties, and payments generated from producing energy offshore and onshore. Producing more American-made energy can improve the Federal budget outlook, strengthen job creation, and reduce reliance on foreign oil.

This budget also emphasizes core government responsibilities, while reducing spending in areas of duplication or non-core functions. While the actual policies will be determined by the committees of jurisdiction, options to meet budget targets include those listed below.

DISCRETIONARY SPENDING

Focus on Maintaining Existing Land Resources. Annual funding for the Land and Water Conservation Fund [LWCF] has typically ranged between $250 million and $450 million. The President's budget requests $900 million for fiscal year 2012—an increase of more than 200 percent since the start of the administration—but this allocation cannot be used for maintenance. As noted previously, the Federal Government already is struggling with a maintenance backlog on the millions of acres it controls—a backlog totaling between $13.2 and $19.4 billion—but the administration is seeking to acquire even more land. Continuing the policy established in H.R. 1 would focus on the maintenance backlog, before moving to misdirected acquisition of additional lands.

MANDATORY SPENDING

Expand Onshore and Offshore Energy Production. Despite access to abundant domestic resources, the Federal Government has adopted policies that largely prevent American production of oil and natural gas. For the country to break free of excessive dependence on foreign energy supplies, it requires producing more energy at home.

Under this administration's policies, 2011 will be the first year since 1958 that there will be no lease sale in the Outer Continental Shelf. As a result in 2011, revenue to the Federal Government from bonus bids and rents was 1 percent the level of 2008, a decline of nearly $9.9 billion. Unlocking domestic energy supplies in a safe, environmentally responsible manner will increase revenues from bonus bids, rents, royalties, and fees. The budget allows for further access in areas such as the Outer Continental Shelf, including offshore sales off the coast of Virginia, the Eastern Gulf of Mexico, and the Intermountain West. A reinvigorated offshore and onshore energy program could create more than 1.2 million jobs annually.

Finally, the budget encourages the development of American-made renewable and alternative energy sources, including nuclear, wind, solar, and more, affirming the position that environmental stewardship and economic growth are not mutually exclusive goals.

Revise and Reauthorize the Bureau of Land Management's Land Sales Process. Instead of requiring that all proceeds from land sales be used to acquire other parcels of land and to cover sales expenses, this option would direct that 70 percent of the proceeds, net of expenses, go to the Treasury. It would limit the Department of the Interior's share of the receipts to $60 million per year (plus an additional amount to cover BLM's administrative costs) for land acquisition and restoration projects on BLM lands. The option also would reduce the amount of Federal spending not subject to regular oversight through the congressional appropriation process. The change would reduce the Federal budget deficit and ensure that U.S. taxpayers benefit directly from land sales.

FUNCTION 350: AGRICULTURE

Function Summary

The agriculture category includes funds for direct assistance and loans to food and fiber producers; export assistance; market information; inspection services; and agricultural research. Farm policy is driven by the Food, Conservation, and Energy Act of 2008 (the Farm Bill), which provides farmers protection against uncertainties, such as poor weather conditions and unfavorable market conditions.

Farm safety net programs are divided into three areas: commodity programs, crop insurance, and supplemental disaster assistance. Commodity programs, which the Farm Bill authorizes through the 2012 crop/marketing year, include both direct payments and price-based counter-cyclical payments as well as the marketing assistance loan program; and the new average crop revenue election payment program. Due to recent strength in agricultural markets, outlays for price-based programs have declined. Nevertheless, direct payments, which do not vary with market prices, have remained steady at $5 billion each year. Crop insurance outlays, while volatile, have trended sharply higher and averaged $5.6 billion over 2008-10, more than double their 2000-02 average level.

With farm income, crop prices, and Federal deficits hitting new highs, and with food prices going up, it is time to reform agricultural support programs, while maintaining a strong safety net for farmers.

Summary of Committee-Reported Resolution

The resolution calls for $19.8 billion in budget authority and $19.6 billion in outlays in fiscal year 2012. Discretionary spending in fiscal year 2012 is $4.9 billion in budget authority and $5.6 billion in outlays; mandatory spending, the majority of the function's total, is $14.9 billion in budget authority, with outlays of $14 billion. The 10-year totals for budget authority and outlays are $175.8 billion and $172.8 billion, respectively.

Illustrative Policy Options

Specific policies in this category will be determined by the committees of jurisdiction. Among the options they may wish to consider are the following.

DISCRETIONARY SPENDING

Adopt H.R. 1 Policies. This budget adopts the baseline of H.R. 1 as passed by the House on 11 February 2011. This would reduce spending by the United States Department of Agriculture [USDA] and other related agencies. Among other policies, this would reduce funding for Departmental Administration and Offices as well as requiring a more efficient use of existing funds.

MANDATORY SPENDING

Reform Agricultural Commodity and Insurance Programs. Under this option, mandatory agricultural outlays, other than food and nutrition programs, will be reduced by $29.3 billion relative to the currently anticipated levels from fiscal year 2012 through fiscal year 2021. These savings could be achieved by reducing both direct payments and crop insurance subsidies, and by reforming export assistance programs. The Committee on Agriculture is responsible for implementing these reductions, and to maintain the committee's flexibility, this option assumes the savings will not take effect until the beginning of the next Farm Bill. Farmers will benefit greatly from other provisions in this budget, including regulatory relief, the maintenance of low capital gains and estate taxes, and lower interest rates due to reduced Federal borrowing.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

Function Summary

The Federal Government's commerce and housing activities should refocus limited resources on efforts to bolster free enterprise and economic growth. Such an approach would have the additional direct benefit of reducing government spending, easing the demand for higher taxes or more borrowing, and would curb corporate welfare in the housing, financial services, and telecommunications industries. This budget calls for an end to the cycle of future bailouts perpetuated by the financial regulation law authored by Senator Dodd and Representative Frank, as well as putting a stop to the costly taxpayer ownership of Fannie Mae and Freddie Mac.

These government activities are included in the Commerce and Housing Credit budget function. Overall, the category has four components: mortgage credit; the Postal Service (mostly off budget); deposit insurance (negligible spending due to reserve supporting fees and the like); and other advancement of commerce (the majority of the discretionary and mandatory spending in this function).

The mortgage credit component of this function includes housing assistance through the Federal Housing Administration [FHA], the Federal National Mortgage Association [Fannie Mae], the Federal Home Loan Mortgage Corporation [Freddie Mac], the Government National Mortgage Association [Ginnie Mae], and rural housing programs of the Department of Agriculture. The function also includes net Postal Service spending and spending for deposit insurance activities of banks, thrifts, and credit unions. Most of the Commerce Department is provided for in this function, including the International Trade Administration, the Bureau of Economic Analysis, the Patent and Trademark Office, the National Institute of Standards and Technology, the National Telecommunications and Information Administration, and the Bureau of the Census. Also funded through this function are independent agencies such as the Securities and Exchange Commission [SEC], the Commodity Futures Trading Commission [CFTC], the Federal Trade Commission, the Federal Communications Commission [FCC], and the majority of the Small Business Administration [SBA].

Summary of Committee-Reported Resolution

In this function, the budget resolution provides for $15.3 billion in budget authority and $17.2 billion in outlays in fiscal year 2012. Of that total, 2012 discretionary spending is −$4.2 billion in budget authority and −$128 million in outlays. Mandatory spending in 2012 is $19.5 billion in budget authority and $17.4 billion in outlays. The function totals over 10 years are $14.5 billion in budget authority and −$140.1 billion in outlays.

On-budget totals for fiscal year 2012 are $14.3 billion in budget authority and $16.3 billion in outlays. Of these amounts, discretionary budget authority is −$4.4 billion, with outlays of −$388 million. Mandatory on-budget spending for fiscal year 2012 is $18.8 billion in budget authority and $16.7 billion in outlays. Over 10 years, the on-budget totals are $11.9 billion in budget authority and −$142.7 billion in outlays.

Negative discretionary totals for budget authority and outlays mainly reflect the negative subsidy rates applied to certain loan and loan guarantee programs scored under the guidelines of the Federal Credit Reform Act [FCRA], such as FHA and Ginnie Mae programs. It should be noted that FHA loans are scored using a different accounting method than the fair value estimates that CBO applies to Fannie Mae and Freddie Mac, resulting in budget disparities. (See discussion under Mandatory Spending.)

Negative mandatory totals for outlays in this function mainly result from the wind-down of several programs created in response to the financial crisis that initially produced large positive outlays, such as those associated with the Troubled Asset Relief Program and various deposit insurance programs. It should be noted that from 2008 through 2009, total outlays in Function 370 were a positive $319 billion.

Illustrative Policy Options

The resolution aims to draw the Federal Government back from its overreach into the housing, financial, and telecommunications markets, and curtail the corporate welfare that distorts and misdirects the flow of free market energies. While the committees of jurisdiction will determine the actual policies in pursuit of these goals, the options below offer several potential approaches.

DISCRETIONARY SPENDING

Eliminate Corporate Welfare Within the Department of Commerce. Business subsidies distort the economy, impose unfair burdens on taxpayers, and are especially problematic given the fiscal problems facing the U.S. Government. With potential savings of roughly $6 billion over 10 years, programs that should be considered for elimination include the following:

- The Holling's Manufacturing Extension Program, which subsidizes a network of nonprofit extension centers that provide technical, financial and marketing services for small and medium-size businesses that are largely available in the private market. The program already obtains two-thirds of its funding from non-Federalsources, and was originally intended to be self-supporting.

- The Baldrige National Quality Program. This program provides presidential awards to applicable companies that are found to be outstanding in certain categories of leadership and business. Given the Nation's fiscal condition, and the availability of quality management assistance for companies in the private marketplace, there is no justification for this subsidy.

• Trade Promotion Activities at the International Trade Administration [ITA]. This agency, within the Department of Commerce, provides trade promotion services for U.S. companies. The fees it charges for these services do not cover the cost of these activities. Businesses can obtain similar services from the State and local governments, and the private market. The ITA should be eliminated or charge for the full cost of these services.

Tighten the Belts of Government Agencies. Duplication, hidden subsidies, and large bureaucracies are symptomatic of many agencies within Function 370. Among them are the following:

• The General Services Administration [GSA] Federal Citizen Services Fund. This fund is the e-mail, print, and telephone information service of the GSA, managing websites for the general public such as USA.gov. Many of its responsibilities, however, duplicate those of other offices within the GSA, including the Electronic Government Fund. In light of cutbacks in various government agencies, this resolution supports rationalizing the GSA wherever possible. As an agency whose mission is to provide services to other parts of the government, the GSA stretches across many budget functions: it has more than 12,500 employees; owns or leases about 9,600 buildings and related assets; and has a budget of more than $900 million, an increase of 200 percent since 2008.

• The Small Business Administration [SBA]. The SBA provides almost $60 million in grants, hidden in its discretionary salaries and expenses budget, which could be canceled.

• The Securities and Exchange Commission [SEC]. In 2010, the SEC spent more than $1.1 billion on salaries and expenses, with more than $700 million going to compensation and benefits alone. About 3,800 full-time employees occupied the SEC at the end of 2010, with an average compensation and benefits package of about $187,600 per employee. The SEC's budget has swollen by 20 percent since 2008. The President's budget requests $1.4 billion in 2012, an increase of 53 percent from 2008 levels. On top of this, the Dodd-Frank Wall Street Reform and Consumer Protection Act requests doubling the size of the SEC's budget from current levels, increasing it to $2.25 billion in fiscal year 2015.

In its *Views and Estimates,* the House Committee on Financial Services notes the regulatory failures of the Commission leading up to the financial crisis: "It is well-documented that prior to 2009, the SEC failed to adequately fulfill its mission in the run-up to the financial crisis—including its failure to adequately supervise the Nation's largest investment banks, which resulted in the bailout of Bear Stearns and the collapse of Lehman Brothers and the ensuing financial panic; its failure to supervise the credit rating agencies that bestowed AAA ratings on securities that later proved to be no better than junk; and its failure to ensure that issuers made adequate disclosures about securities constructed from poorly underwritten mortgages that were bound to fail. In addition, subsequent to the financial crisis, the SEC's inability to detect the Madoff and Stanford Ponzi schemes cast further doubt on its capability to supervise the institutions under its regulatory mandate."

The Government Accountability Office [GAO] issued a report in 2010 in which it identified "material weaknesses in the SEC's controls." It demonstrated deficiencies in the SEC's reporting of financials, budgetary resources, and other internal controls.

While the administration requests expanding the SEC's budget, this resolution questions the premise that more funding for the SEC means better, smarter regulation. It denies the claim that the essential tasks of providing greater transparency, investor protection, and enforcement for increasingly complex markets can only be achieved with reams of even more complex regulation, and by adding scores of well-compensated regulators to government payrolls. During a time when trimming the deficit is imperative, the SEC should create headroom in its budget by streamlining and making more efficient its operations and resources; defraying taxpayer expenses by designating self-regulatory organizations (subject to SEC oversight) to perform needed examinations of investment advisors; and enhancing collaboration with other agencies, such as the Commodity Futures Trading Commission, to reduce duplication, waste, and overlap in supervision. Ultimately, the committees of jurisdiction will establish the specific policies.

MANDATORY SPENDING

Extend and Expand Auction Authority. Congress first granted auction authority to the Federal Communications Commission in the mid-1990s. Since then, auctions have generated more than $50 billion for the U.S. Treasury and created a vibrant wireless industry that contributes hundreds of thousands of jobs and hundreds of billions annually to the economy. With wireless usage growing exponentially every quarter, more spectrum is desperately needed. But the FCC's auction authority expires in 2012. Extending and expanding the auction authority would enable the agency to conduct voluntary incentive auctions that would encourage private entities to vacate under-utilized spectrum and make it available for re-auction—and could generate more than $24 billion over 10 years.

Terminate the Telecommunications Development Fund [TDF]. This fund, created by the Telecommunications Act of 1996, is a quasi-governmental venture capital entity that receives interest earnings from deposits made on spectrum auctions. A portion of the funding is used to invest in small telecommunications companies, and the rest is used for salaries and administrative costs, including lobbying. The fund has not demonstrated significant success in meeting its statutory goals, and its efforts overlap with several other Federal programs and the private sector. To date, the TDF has collected $100 million that would have otherwise been deposited into the Treasury and directly benefited taxpayers. Congress should accept the President's proposal to eliminate this program.

Freeze Universal Service Collections at Fiscal Year 2011 Levels, and Reduce Spending. In 1997 the Federal Communications Commission established the Universal Service Fund [USF] to preserve affordable telephone service for rural areas to enable the telecommunications industry's transition from a cross-subsidized monopoly to a competitive marketplace. This fund collects receipts derived by certain telecommunications operators from charges on their customers' phone bills to promote service to high-cost areas, low-income users, e-rate for schools and libraries, and rural health care. But runaway costs and lack of accountability have left this program in desperate need of reform. The USF fee now amounts to a 15-percent surcharge on subscribers' long-distance bills. Meanwhile, annual USF spending has doubled over the past decade, growing from $4.5 billion in 2000 to an estimated $9.09 billion this year, and is expected to reach $11.2 billion by 2021. The Energy and Commerce Committee has thoroughly documented cases of waste, fraud, and abuse in the USF programs, while the Office of Management and Budget has designated it as one of 14 Federal programs with "high-error" based on its level of improper payments. Moreover, the USF significantly overlaps with the Rural Broadband Access Loan and Loan Guarantee Program, the Community Connect Grant Program, the Distance Learning and Telemedicine Grant Program, and the $7 billion allocated in the broadband provisions of the American Recovery and Reinvestment Act of 2009. A complete overhaul of funding in this policy area is warranted. It might include freezing USF collections so they cannot rise any further; eliminating duplication by consolidating all competing broadband funding programs into a modernized USF; and requiring a minimum $1-billion reduction in annual spending through the elimination of waste, fraud and abuse.

Terminate Grants to Worsted Wool. The Miscellaneous Trade and Technical Corrections Act of 2004 (Public Law 108-429) mandated payments to certain manufacturers of worsted wool products to ease adjustment to changes in trade law. The grants, originally slated to end in 2007, still exist and have been extended until 2014. Termination of this "temporary" grant program is overdue.

Restrict New FDIC Authority to Bail Out Bank Creditors. This budget proposes to end the cycle of future bailouts perpetuated by the Dodd-Frank Wall Street Reform and Consumer Protection law.

This financial regulatory overhaul is not reform. It expands and centralizes power in Washington, doubling down on the root causes of the 2008 crisis. It contains layer-upon-layer of new bureaucracy sewn together by complex regulations, but fails to address key problems, such as Fannie Mae and Freddie Mac, that contributed to the worst financial meltdown in recent history. Although the bill is dubbed "Wall Street Reform," it actually intensifies the problem of too-big-to-fail by giving large, interconnected financial institutions advantages that small firms will not enjoy.

While the authors of Dodd-Frank went to great lengths to denounce bailouts, this law only sustains them. The Federal Deposit Insurance Corporation [FDIC] now has the authority to access taxpayer dollars in order to bail out the creditors of large, "systemically significant" financial institutions. CBO projects the cost for this new authority at $26 billion, although CBO Director Elmendorf recently testified that "the cost of the program will depend on future economic and financial events that are inherently unpredictable." In other words, another large-scale financial crisis where creditors are guaranteed government bailouts could cost much more.

This resolution calls for ending this regime, now enshrined into law, which paves the way for future bailouts. House Republicans put forth an enhanced bankruptcy alternative that—instead of rewarding corporate failure with taxpayer dollars—would place the responsibility of large, failing firms in the hands of the shareholders who own them, the managers who run them, and the creditors who finance them.

This resolution also supports cancelling ability of the Dodd-Frank Bureau of Consumer Financial Protection to fund its operations with the Federal Reserve's yearly remittances to the Treasury Department. The bill was written to provide off-budget financing for the new Bureau, which will be housed at the Federal Reserve but will have complete autonomy from the Fed. To preserve its independence as the Nation's monetary authority, the Federal Reserve is off budget and its excess earnings from monetary operations are returned to the Treasury to reduce the deficit. Now, instead of directing these remittances to reduce the deficit, Dodd-Frank requires diverting a portion of them to pay for a new bureaucracy with the authority to write far-reaching rules on financial products and restrict credit to the very customers it seeks to "protect."

Privatize the Business of Government-Controlled Mortgage Giants Fannie Mae and Freddie Mac. Since being placed into government conservatorship in 2008, Fannie Mae and Freddie Mac, absent major reforms, are expected to have an all-in cost to taxpayers of more than $375 billion through 2021, according to CBO estimates. This includes the losses on preexisting commitments, those entered into prior to conservatorship, of about $248 billion. CBO has made Fannie and Freddie explicit entities of the Federal budget, accounting for their liabilities as liabilities of the government. In contrast, the administration does not fully account for the taxpayer exposure of Fannie and Freddie, instead leaving them off budget.

So far, Treasury has bailed out Fannie and Freddie to the tune of $150 billion. Fannie Mae, Freddie Mac, and the Federal Housing Administration now own or insure 95 percent of the entire U.S. housing market.

This budget recommends putting an end to the practice of corporate subsidies and taxpayer bailouts in housing finance. It envisions the eventual elimination of Fannie Mae and Freddie Mac, winding down their government guarantee and ending taxpayer subsidies. In the interim, it supports requiring Fannie and Freddie to charge lenders to bring private capital back, shrinking their retained portfolios. It also calls for various measures that would bring transparency and accountability to these two government-sponsored enterprises.

At the same time, the government should adopt measures to discourage shifting of taxpayer risk to the FHA and other government-backed entities as Fannie and Freddie are dismantled. Right now, there are notable differences between the accounting treatment of FHA-insured loans and Fannie- and Freddie-guaranteed loans. The Federal Credit Reform Act of 1990, which determines cost by taking net present value of the cash flows associated with loans and discounting them using marketable Treasury security rates, applies to FHA Mutual Mortgage Insurance loans. But this understates the full costs associated with FHA loans. In contrast, CBO uses fair value scoring for Fannie Mae- and Freddie Mac-guaranteed loans, which reflects the full financial risk incurred by the taxpayer of backing these loans.

As a result, similar policies for Fannie and Freddie versus FHA could have opposite effects on the budget. For example, a decrease in the conforming loan limit for FHA loans under straight credit reform would increase spending and the deficit. In contrast, a decrease in the conforming loan limits for Fannie and Freddie loans would reduce spending and the deficit by reducing the expected taxpayer subsidy. Put another way, if credit reform scoring used by FHA were applied to Fannie Mae and Freddie Mac, it would show a savings to the Federal Government—when in reality the Treasury Department has provided more than $150 billion to date to cover their past losses. This resolution authorizes the use of fair value scoring for FHA loans. Without it, there is an opportunity for credit reform arbitrage by shifting loan losses into FHA on the budget, where they will appear as "gains" for the taxpayer.

As the government reforms its role in U.S. housing markets, which this resolution supports, Fannie, Freddie and FHA loans should be treated with parity and full transparency on the budget. The housing-finance system of the future, however, will allow private-market secondary lenders to fairly, freely, and transparently compete, with the knowledge that they will ultimately bear appropriate risk for the loans they guarantee. Their viability and profitability will be determined by the soundness of their practices and the value of their services.

FUNCTION 400: TRANSPORTATION

Function Summary

Although transportation infrastructure is a vital component of the U.S. economy—the mechanisms of Federal highway and transit spending have become distorted. Further, however worthy some transportation projects might be, their capacity as job creators has been vastly oversold, as demonstrated by the extravagant but unfulfilled promises that accompanied the 2009 "stimulus" bill. It is not solely a matter of how much the public spends on infrastructure, but how effectively the funds are spent—and how that spending is financed.

This budget builds on H.R. 1, which returns discretionary Federal transportation spending to 2008 levels, and in particular reduces dubious high-speed rail projects that have failed the clear basic cost-benefit analyses.

This budget category includes ground, air, water and other transportation funding. The major agencies and programs here include the Department of Transportation (including the Federal Aviation Administration; the Federal Highway Administration; the Federal Transit Administration; highway, motor carrier, rail and pipeline safety programs; and the Maritime Administration); the Department of Homeland Security (including the Federal Air Marshals, the Transportation Security Administration, and the U.S. Coast Guard); the aeronautical activities of the National Aeronautics and Space Administration [NASA]; and the National Railroad Passenger Corporation [Amtrak].

Summary of Committee-Reported Resolution

The resolution calls for $64.3 billion in budget authority and $80.4 billion in outlays in fiscal year 2012. Discretionary budget authority in 2012 is $23.8 billion, with outlays of $80.2 billion; and mandatory spending is $40.5 billion in budget authority and $221 million in outlays. (The large discrepancies between budget authority and outlays here results from transportation programs, such as the Highway Trust Fund, through which funding is provided as contract authority, a type of mandatory budget authority, while outlays are controlled by annual limitations on obligations set in appropriations acts.) Over 10 years, budget authority totals $661.7 billion, with outlays of $704.2 billion.

Illustrative Policy Options

The budget supports maintaining essential funding for highways, aviation and safety, with reductions in other transportation activities of lower priority to the Federal Government. As is true elsewhere, actual policy decisions will be determined by the committees of jurisdiction. Nevertheless, the options below suggest one set of policies that can help meet the budget's levels.

DISCRETIONARY SPENDING

Eliminate Funding for High-Speed Rail. With the Federal Government's fiscal challenges making long-term subsidization infeasible, high-speed rail projects and any new intercity rail projects should be pursued only if they can be established as self-supporting commercial services. The threat of large, endless subsidies is precisely the reason Governors across the country are rejecting federally funded high speed rail projects. There are only two high-speed rail lines in the world that break even: one in Europe and one in Japan, and both in areas that have unusually high population density and gasoline prices.

Terminate the Transit Starts Programs. The budget calls for terminating the New Starts and Small Starts programs within the Department of Transportation. The benefits of these mass transit projects are local, not national. They should be funded at the local level.

Increase Registration Fees for the Federal Aviation Administration [FAA]. The FAA regulates the registration of aircraft and the licensing and certification of pilots. Currently, taxpayers subsidize aircraft owners and operators because there is no charge for some of these licenses, while others are issued at below cost. The costs for these services should be borne by those who benefit from them.

MANDATORY SPENDING

Balance the Highway Trust Fund. Federal surface transportation programs are mainly funded through the 18.4-cent-per gallon tax on gasoline and the 24.4-cent-per-gallon tax on diesel fuel that are deposited into the Highway Trust Fund. This fund is on an unsustainable path. Over the past decade, spending has mostly exceeded revenues because gas-tax levels plateaued while spending grew; and spending increasingly has been diverted to non-highway projects, such as bike trails and museums, and politicized through earmarks such as the celebrated "bridge to nowhere." To make up for funding shortfalls, the trust fund has required three large general fund contributions totaling $35 billion since 2008. To maintain the current level of spending, the fund will require at least another $134 billion in bailouts through 2021, with the next installment due in 2013. The budget anticipates a long-term surface transportation authorization bill that keeps the Highway Trust Fund solvent without additional general fund transfers or increases in the gasoline tax. The legislation could achieve these goals by consolidating the more than 55 separate highway programs into a small number of core highway activities, and focusing every dollar on pursuing a targeted and cohesive national transportation policy.

Under current law, the trust fund cannot incur negative balances and therefore must maintain a $4 billion balance in the Highway Account and a $2 billion balance in the Transit Account to prevent a general fund transfer. This budget assumes these transportation programs are reformed and funding is reduced to maintain these balances.

Make Airport Improvement Grants Sustainable. Through the Airport Improvement Program [AIP], the Federal Aviation Administration provides capital improvement grants to airports. Between 2000 and 2010, spending on the AIP program increased by 47-percent. In light of soaring deficits, these high levels cannot be sustained. The budget calls for reasonable spending reductions consistent with H.R. 658, the FAA Reauthorization and Reform Act of 2011, which maintains the ability for airports to obtain additional non-Federalsources of funding for important infrastructure investments.

Require Airports to Fund a Larger Portion of the Cost of Aviation Security. Taxpayers currently subsidize more than half the cost of aviation security for the travelers who use and benefit from the system. This burden could be eased by shifting greater responsibility to those who fly. One way to do so would be by applying a simple flat fee of $5 per one-way trip for security system users—instead of a $2.50 fee for a one-way trip with no stops and a $5 fee for a trip with one or more stops.

Phase Out Subsidies for Essential Air Service [EAS]. EAS is a classic example of a temporary government program that has become immortal. EAS funding—originally intended to provide transitional assistance to small communities to adjust to the airline deregulation in the late 1970s—has not only continued, but has grown rapidly in recent years. From $50 million in 2001, it quadrupled to $200 million in fiscal year 2010, with a 45-percent increase since 2000 in the number of communities using these subsidies. According to the Transportation and Infrastructure Committee's Views and Estimates, 34 EAS communities in fiscal year 2010 averaged fewer than 10 passengers per day; and in 22 EAS communities, pilots often outnumbered passengers. Further, last year subsidies in 16 EAS communities exceeded $1,000 per-passenger on a round-trip basis, while one community had a per passenger round trip subsidy of $8,224.

Offset the Cost of Federal Rail Safety Activities. Private-sector passenger and rail freight companies should assume responsibility for government-provided safety services by paying a fee to the Federal Railroad Administration.

Terminate the Ocean Freight Differential Program for Food Aid. Current law requires the Department of Transportation to reimburse other Federal agencies for the subsidies they must pay to the U.S. shipping industry to transport food aid. The budget recommends ending these subsidies.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

Function Summary

This category includes programs that provide Federal funding for economic and community development in both urban and rural areas, including: Community Development Block Grants [CDBGs]; the non-power activities of the Tennessee Valley Authority; the regional commissions, including the Appalachian Regional Commission; the Economic Development Administration [EDA]; and partial funding for the Bureau of Indian Affairs.

Homeland Security spending in this function includes the State and local government grant programs of the Department of Homeland Security, including partial funding for the Federal Emergency Management Agency [FEMA].

Aside from those programs related to emergency preparedness and critical needs, this resolution supports streamlining non-essential community and regional initiatives that are not core functions of the Federalgovernment.

Summary of Committee-Reported Resolution

The resolution calls for $11.6 billion in budget authority and $23.6 billion in outlays in fiscal year 2012. Discretionary budget authority in 2012 is $11.4 billion, with $21.3 billion in associated outlays. Mandatory spending in 2012 is $157 million in budget authority and $2.3 billion in outlays. The 10-year totals for budget authority and outlays are $115.4 billion and $144.7 billion, respectively.

The large gap between budget authority and outlays in the function totals and discretionary levels results mainly from prior-year outlays from the stimulus bill.

Illustrative Policy Options

As elsewhere, the committees of jurisdiction will make final policy determinations. The proposals below indicate policy options that might be considered.

DISCRETIONARY SPENDING

Eliminate Non-Core Programs. At a time when shrinking spending is imperative for the government's fiscal well-being, this resolution recommends taking a hard look at community and regional programs; focusing on those that deliver funds for non-core Federalgovernment functions; and consolidating, streamlining and jettisoning wherever possible. Among programs that should be considered in this review are the following:

• The Community Development Fund [CDF]. Historically, about 80 percent to 90 percent of funding for the CDF is spent on the Community Development Block Grant [CDBG]. CDBG is an annual formula grant directed to State and local governments to address a broad array of initiatives. In 2010, about $4 billion was appropriated for CDBG. Currently, there is no set community poverty rate to be eligible for funds, nor is there an exclusion for communities with high average income. H.R. 1 reduced the funding for CDBG sharply from more than $4 billion to $1.5 billion.

• The Department of Housing and Urban Development [HUD] Role in Brownfields Redevelopment. This is a grant program for cities to develop, for other economic purposes, abandoned and unneeded properties that were formerly industrial and commercial sites. The President's budget and H.R. 1 both recommend termination of this program, which is duplicative with many existing HUD and other community development initiatives.

• The Community Development Financial Institutions [CDFI] Fund. The main purpose of the CDFI, which is in the Department of the Treasury, is to direct funding to a range of financial institutions to assist with community development. Spending for CDFI has grown 43 percent since 2008, there is overlap with CDFI in other areas of the government, and the core purpose of the program is increasingly hard to define. Its New Markets Tax Credit Program, designed to spur private capital investment in low-income areas, has financed development in luxury hotels, condominiums, and other projects for financial institutions such as The Blackstone Group, Goldman Sachs, and JPMorgan Chase. In addition, the President's budget would use CDFI for the Healthy Food Financing Initiative [HFFI]—part of the "Let's Move!" program led by the First Lady—provides financing from CDFI to certain retail operations that offer healthy food options.

MANDATORY SPENDING

Reform the National Flood Insurance Program [NFIP]. This program, administered by the Federal Emergency Management Agency, is one of the major mandatory programs in Function 450. While CBO's budget baseline assumes collections from policyholders will cover costs associated with flood insurance activities, the NFIP continues to owe a debt of $19.6 billion to the Treasury, on which it must also pay debt service. Most of this debt accumulated during the hurricane season of 2005. Currently, 20 percent of NFIP policies are subsidized. On average, taking into account subsidized and unsubsidized policies under NFIP, premium collections cover only 40 percent of the actuarial value of the insurance.

NFIP, like many other government programs, was designed as a temporary incentive for homeowners who were unaware of their flood risks (before flood-mapping began in 1975) to purchase flood insurance. At present, however, homeowners can receive NFIP subsidies for new purchases of existing properties with high-flood risk (even though flood mapping began decades ago), for second and vacation homes, and for properties that realize repetitive losses from flood damage. While ultimately the authorizing committee will determine the appropriate course to pursue for flood insurance reform, this resolution supports options for NFIP that eliminate the subsidy for those types of properties in particular, efforts that would create more headroom for the private sector in flood insurance, and any other policies that would make the NFIP more actuarially sound and reduce its deficit to the Treasury.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Function Summary

The budget for the U.S. Department of Education, and the role of the Federal Government in education, have grown significantly over the past 45 years, but academic achievement has not seen a commensurate improvement. Now more than ever, the Nation's students must have access to a high-quality education and skills-training needed to compete in the rapidly changing global economy. At the same time, Congress must make every dollar count by eliminating wasteful, duplicative, and ineffective programs. The U.S. Government Accountability Office [GAO] recently identified many areas that are ripe for reform. In the area of education, their report identified 82 separate programs designed to improve teacher quality across 10 Federal agencies, and dozens of overlapping job training programs.

Reforms in these areas are reflected in Function 500, which covers Federal spending primarily in the Departments of Education, Labor, and Health and Human Services for programs that directly provide—or assist States and localities in providing—services to young people and adults. Activities reflected here provide developmental services to low-income children; help fund programs for disadvantaged and other elementary and secondary school students; make grants and loans to post secondary students; and fund job-training and employment services for people of all ages.

Summary of Committee-Reported Resolution

The resolution provides $67.1 billion in budget authority and $100.0 billion in outlays in fiscal year 2012. In that year, discretionary spending is $77.3 billion in budget authority and $100.3 billion in outlays; mandatory spending in 2012 is −$10.2 billion in budget authority and −$288 million in outlays. Over 10 years, spending in this function totals $730.9 billion in budget authority and $776.8 billion in outlays.

The large gap between budget authority and outlays in the function totals and discretionary levels results mainly from prior-year outlays from the stimulus bill. The negative mandatory numbers are due to the direct lending program, in which the Education Department acts effectively as a bank making student loans.

Illustrative Policy Options

The committees of jurisdiction will make final policy determinations, but options worthy of consideration include the following.

DISCRETIONARY SPENDING

Reform Job Training Programs. As global economic forces churn through old jobs and create new ones, more workers must obtain additional skills to meet changing demands of the modern job market. Unfortunately, Federal job training programs are balkanized, difficult to access, and lacking in accountability. There are at least 49 job training programs spread across nine different agencies. In January, the GAO issued a report that found almost all Federalemployment and training programs overlap with at least one other program, providing similar services to similar populations. Together, these programs spent $18 billion in fiscal year 2009, including stimulus dollars, and $14.5 billion in fiscal year 2010. Meanwhile, Senator Coburn recently presented a report highlighting the high amount of waste, fraud, and abuse that occurs in these programs. All congressional committees with jurisdiction over job training programs should look to consolidate as many administrative structures as possible to eliminate duplication and maximize taxpayer funds by focusing them on the most effective means of delivering job training activities. A streamlined approach will not only provide administrative savings, but improve access, choice, and flexibility to enable workers and job seekers to respond quickly and effectively to whatever specific career challenges they face.

Restore funding for the DC Opportunity Scholarship Program [DC OSP]. The DC Opportunity Scholarship program, created in 2003, enabled thousands of the neediest children in the District of Columbia's failing public schools to attend participating private elementary or secondary schools of their choice. Even in the midst of its stimulus spending spree, the 111th Congress refused to reauthorize this program, denying students access to a high-quality education in the Nation's Capital. This budget supports the reinstatement of the successful DC Opportunity Scholarship Program.

Make the Pell Grant Program Sustainable. Pell Grants are the perfect example of promises that cannot be kept. The program is on an unsustainable path, a fact acknowledged by the President's own fiscal year 2012 budget. The College Cost Reduction and Access Act of 2007 [CCRAA], the Higher Education Opportunity Act of 2008 [HEOA], the 'stimulus' bill, and the Student Aid and Fiscal Responsibility Act of 2010 [SAFRA] all made Pell Grants more generous than the Federal budget could afford. This, along with a dramatic rise in the number of eligible students due to the recession, have caused program costs to more than double since 2008, from $16.1 billion in 2008 to an estimated $35.0 billion in fiscal year 2012. The Department of Education warns that without changes to reduce program costs, Pell Grants will have a shortfall of $20.4 billion at the end of fiscal year 2012.

Urgent reforms are necessary to enable the program to continue as the foundation of the Nation's commitment to helping low-income students gain access to higher education. The budget recommends the following:

• End year-round Pell. The Higher Education Opportunity Act expanded Pell Grant funding for eligible students to receive a second Pell Grant in a single year to attend summer school. The Department of Education attributes 22-percent of program growth since 2008 to this extra award.

- Set stricter lifetime limits. Currently, students can get Pell Grants for 18 semesters (9 years). The budget recommends a limit of 12 semesters (6 years), or their equivalents for part-time students.

- Roll back certain recent expansions to the Need Analysis to Ensure Aid is Targeted to the Truly Needy. The Department of Education attributes 14 percent of program growth since 2008 to recent legislative expansions to the need analysis formula. The biggest cost drivers come from changes made in the College Cost Reduction and Access Act of 2007 [CCRAA], such as the expansions of the level at which a student qualifies for an automatic zero 'Expected Family Contribution' [EFC] and the income protection allowance. These should be returned to pre-CCRAA levels.

- Eliminate administrative fees paid to participating institutions. The government pays participating schools $5 per grant to administer and distribute Pell awards. Schools already benefit significantly from the Pell program because the aid makes attendance at those schools more affordable.

- Consider a maximum income cap. Currently there is no fixed upper income limit for a student to qualify for Pell. Figures are simply plugged into a formula to calculate the amount for which the student qualifies. The higher the student's income level, the less of a grant they receive.

- Eliminate eligibility for less-than-half-time students. Funding should be reserved for students with a larger commitment to their education.

- Terminate eligibility for those who currently receive the minimum award. Right now a student can get a minimum Pell award of $278, which is unlikely to have much, if any, impact. Funding should be more effectively targeted towards those who need it most.

- Adopt a sustainable maximum award level. The Department of Education attributes 25 percent of recent program growth to the $619 increase in the maximum award done in the stimulus bill that took effect in the 2009-10 academic year.

Eliminate Ineffective and Duplicative Federal Education Programs. The current structure for K-12 programs at the Department of Education is fragmented and ineffective. Moreover, many programs are duplicative or are highly restrictive, serving only a small number of students. Given the budget constraints, Congress must focus resources on programs that truly help students. The budget calls for reorganization and streamlining of K-12 programs and anticipates major reforms to the Elementary and Secondary Education Act [ESEA], which was last reauthorized as the No Child Left Behind Act [NCLB]. The budget would continue the terminations and reductions made in H.R. 1 to programs that are failing to improve student achievement. It also recommends that the committees of jurisdiction address the duplication between the 82 programs that are designed to improve teacher quality.

Eliminate the Even Start Program. Even Start provides family literacy classes to low-income families. Evaluations have shown the program to be ineffective.

Encourage Private Funding for Cultural Agencies. Federal subsidies for the National Endowment for the Arts, the National Endowment for the Humanities, and the Corporation for Public Broadcasting can no longer be justified. The activities and content funded by these agencies go beyond the core mission of the Federal Government and they are generally enjoyed by people of higher education and income levels, making them a wealth transfer from poorer to wealthier citizens. These agencies can raise funds from private-sector patrons—which will also free them from any risk of political interference.

Reform and Consider Eliminating the Corporation for National and Community Service. Programs administered out of this agency—which created the oxymoron of the paid "volunteer"—provide funding to students and others who work in certain areas of public service. Participation by "volunteers" in these programs is not means-tested. The Federal Government already has aid programs focused on low-income students, and paying volunteers is not a core Federal responsibility, especially in times of high deficits and debt. Further, it is much more efficient to have such efforts operate at the State and local level by the community that receives the benefit of the service.

Accept the President's Proposal to Terminate the Christopher Columbus Fellowship Foundation. This fellowship program has not demonstrated clear outcomes and has high overhead costs.

Accept the President's Proposal to End Funding for the Harry S. Truman Scholarship Foundation. This program can continue to operate on its endowed Trust Fund.

Terminate the Safe and Drug-Free Schools Program. This program funds grants to reduce youth substance abuse. Program evaluations have repeatedly found the program to be ineffective.

Promote State, Local, and Private Funding for Museums and Libraries. The Federal Institute of Museum and Library Services is an independent agency that makes grants to museums and libraries. This is not a core Federal responsibility. This function can be funded at the State and local level and augmented significantly by charitable contributions from the private sector.

MANDATORY SPENDING

Repeal New Funding From the Student Aid and Fiscal Responsibility Act [SAFRA] of 2010. During the debate on SAFRA, the Congressional Budget Office provided estimates that showed projected future savings from a government takeover of all Federal student loans decreased dramatically when "market risk" was taken into account. Since that time, the President's National Commission on Fiscal Responsibility and the Pew-Peterson Commission on Budget Reform have recommended the incorporation of such "fair value accounting" for all Federal loan and loan guarantee programs to enable the true assessment of their cost to taxpayers. Unfortunately, SAFRA used the higher non-adjusted savings projection to subsidize the new health care law and to increase spending on several education programs. Although much of the funding allocations have already been spent, Congress could cancel the future spending in the following ways:

• First, it could repeal the expansion of the Income-Based Repayment [IBR] program. SAFRA made more generous the IBR plan for new borrowers of Direct Loans. This program, created in the College Cost Reduction and Access Act of 2007, is still relatively new. Congress should ensure the program is meeting its intended goals before it is expanded.

• Second, Congress could repeal the new mandatory College Access Challenge Grants. SAFRA dedicated mandatory spending to this discretionary program regardless of its effectiveness and created a "funding cliff" with resources abruptly terminating in 2014.

• Third, it could make discretionary payments to non-profit servicers, rather than mandatory payments. SAFRA established two separate funding categories for Direct Loan servicing contracts, a mandatory stream for eligible non-profit servicers and a discretionary stream for other servicers. Both of these types of servicers should be funded with discretionary funds.

• Fourth, it could make discretionary funding for the Community College/TAA grants. SAFRA provides mandatory funding for fiscal years 2011-14 for the Trade Adjustment Assistance [TAA] Community College and Career Training program a competitive grant program administered by the Department of Labor. This is a discretionary program that should not be funded with mandatory funds.

Accept the Fiscal Commission's Proposal to Eliminate In-School Interest Subsidies for Undergraduate and Graduate Students. The budget would accept the Fiscal Commission's recommendation to eliminate in-school interest subsidies for undergraduate and graduate students. The Federal Government focuses aid on family income prior to a student's enrollment, and then provides a number of repayment protections and, in some cases, loan forgiveness after graduation. There is no evidence that eliminating in-school interest is critical to individual matriculation.

Reform and Consider Eliminating the Social Services Block Grant. The Social Services Block Grant is an annual payment sent to States without a matching requirement, to help achieve a range of social goals, including child care, health services, and employment services. Most of these are also funded by other Federal programs. States are given wide discretion to determine how to spend this money and are not required to demonstrate the outcomes of this spending, so there is no evidence of its effectiveness. The budget recommends eliminating this duplicative spending.

FUNCTION 550: HEALTH

Function Summary

The principal driver of spending in this function is Medicaid, the Federal-State low-income health program. It represents more than 70 percent of the function total, and is growing at a rate of 7.5 percent per year—far faster than the growth of the overall economy. The Congressional Budget Office [CBO] projects that Federal spending on this program to be $259.7 billion in fiscal year 2012. This is expected to more than double within the next 10 years, reaching $559.9 billion by fiscal year 2021.

But this represents only the Federal share of Medicaid. State spending on the program is expected to follow these same trends. According to the Centers for Medicare and Medicaid Services' December 2010 Actuarial Report on the Financial Outlook on Medicaid, total State spending will rise from $133.5 billion in 2010 to $327.6 billion in 2019.

While these spending trends are clearly unsustainable, Medicaid also has fostered a two-tiered hierarchy in the health-care marketplace that stigmatizes Medicaid enrollees. Its perverse funding structure is exacerbating budget pressures at the State and Federal level, while creating a mountain of waste. With administrators looking to control costs and providers refusing to participate in a system that severely under-reimburses their services, Medicaid beneficiaries are ultimately left navigating an increasingly complex system for even the most basic procedures. Absent reform, Medicaid will not be able to deliver on its promise to provide a sturdy health-care safety net for society's most vulnerable.

Medicaid's current structure gives States a perverse incentive to expand the program and little incentive to save. For every dollar that a State government spends on Medicaid, the Federal Government pays an average of 57 cents. Expanding Medicaid coverage during boom years is tempting and easy to do—State governments pay less than half the cost. Yet to restrain Medicaid's growth, States must rescind a dollar's worth of coverage to save 43 cents.

The recently enacted health care law adds even more liabilities to an already unsustainable program. CBO estimates the new law will increase Federal Medicaid spending $627 billion more than it otherwise would be. This is due to the millions of new beneficiaries that are being driven into the program. In fact, CBO estimates that in every year for the next ten years, no fewer than 30 million new enrollees will be added the Medicaid program.

For all these reasons, this budget anticipates a fundamental reform of the Medicaid Program. One potential approach is described below.

In addition to Medicaid, this budget function reflects spending for the State Children's Health Insurance Program [SCHIP], health research and training, including the National Institutes of Health [NIH] and substance abuse prevention and treatment; and consumer and occupational health and safety, including the Occupational Safety and Health Administration.

Discretionary spending in this function includes funding for Project Bioshield, the National Institutes of Health, including the National Institute of Allergy and Infectious Diseases, the Food Safety and Inspection Service, and the Food and Drug Administration.

Summary of Committee-Reported Resolution

The resolution calls for $341.9 billion in budget authority and $346.6 billion in outlays in fiscal year 2012. Discretionary spending for the year is $50.1 billion in budget authority and $60.2 billion in outlays; mandatory spending is $291.8 billion in budget authority and $286.5 billion in outlays. The 10-year totals for budget authority and outlays are $3.53 trillion and $3.49 trillion, respectively.

Illustrative Policy Options

The exact contours of a Medicaid reform—as well as other policies flowing from the fiscal assumptions in this budget resolution—will be determined by the committees of jurisdiction. Nevertheless, the demand for Medicaid reform, and other measures to slow the growth of Federal spending, are unquestioned, and one set of potential approaches is described below.

MANDATORY SPENDING

Transform and Strengthen the Medicaid Safety Net. One way to secure the Medicaid benefit is by converting the Federal share of Medicaid spending into an allotment tailored to meet each State's needs, indexed for inflation and population growth. Such a reform would end the misguided one-size-fits-all approach that has tied the hands of so many State governments. States would no longer be shackled by federally determined program requirements and enrollment criteria. Instead, each State would have the freedom and flexibility and to tailor a Medicaid Program that fit the needs of its unique population.

This reform also would improve the health-care safety net for low-income Americans by giving States the ability to offer their Medicaid populations more options and better access to care. Medicaid recipients, like all other Americans, deserve to choose their own doctors and make their own health care decisions, instead of having Washington dictate those decisions for them.

Based on this kind of reform, this budget assumes $750 billion in savings over 10 years, easing the fiscal burdens imposed on State budgets, and contributing to the long-term stabilization of the Federal Government's fiscal path.

Repeal the Medicaid Expansions in the New Health Care Law. The recently enacted health care law calls for major expansions in the Medicaid program beginning in 2014. These expansions will have significant impact on the Federal share of the Medicaid Program, and will dramatically increase outlays.

From fiscal year 2014 through 2021, however, the new law is expected to increase Federal spending by $649 billion more than it otherwise would be.

This future fiscal burden will have serious budgetary consequences for both Federal and State governments. While the health law requires the Federal Government to finance 100 percent of the Medicaid costs associated covering new enrollees, this provision begins to phase out in fiscal year 2016. At that time, State governments will be required to assume a share of this cost. This share increases from fiscal year 2016 through 2020, when States will be required to finance 10 percent of the health law's expansion of Medicaid.

Not only does this expansion magnify the challenges to both State and Federal budgets, it also binds the hands of local governments in developing solutions that meet the unique needs of their own citizens. The health care law would exacerbate the already crippling one-size-fits-all enrollment mandates that resulted in below-market reimbursements, poor health care outcomes, and restrictive services. The budget calls for repealing the Medicaid expansions contained in the health care law, and removing the burdensome programmatic mandates on State governments. Adopting this option would save $649 billion over 10 years.

Repeal the Exchange Subsidies Created by the New Health Care Law. According to CBO estimates, the health law proposes to spend $777 billion over the next 10 years providing eligible individuals with subsidies to purchase government-approved health insurance. These subsidies can only be used to purchase plans that meet standards determined by Federal bureaucracies. In addition to this enormous market distortion, the law also stipulates a complex maze of eligibility and income tests to determine how much of a subsidy qualifying individuals may receive.

The new law couples these subsidies with a mandate for individuals to purchase health insurance and bureaucratic controls on the types of insurance companies can offer. Taken together, these provisions will dramatically undermine the private insurance market, which serves as the backbone of the current U.S. health care system. Exchange subsidies will undermine the competitive forces of a marketplace. Government mandates will drive out all but the largest insurance companies. Punitive tax penalties will force individuals to purchase coverage whether they choose to or not.

Left in place, the health law will eventually lead to a single-payer system in which the Federal Government determines how much health care Americans need and what kind of care they can receive. This budget recommends repealing the architecture of this new law and allowing Congress instead to purse patient-centered, consumer-directed health care reforms that actually bring down the cost of care rather than putting those decisions into the hands of bureaucrats. For Function 550, repeal of the insurance subsidies and other exchange-related spending would save roughly $760 billion over 10 years.

Other Related Savings. Interactions from repealing unspent stimulus funding and other associated provisions in the new health care law save roughly $24 billion over 10 years.

DISCRETIONARY SPENDING

Extend H.R. 1 Policies. This budget assumes the baseline proposed by H.R. 1, the Full-Year Continuing Appropriations Act of 2011, as passed by the House on 19 February 2011. This will reduce aggregate spending for the Department of Health and Human Services and other health-related agencies by requiring more efficient use of taxpayer dollars and adopting recommendations made by the *Opportunities to Reduce Potential Duplication in Government Programs, Save Taxpayer Dollars, and Enhance Revenue* report issued by the Government Accountability Office.

FUNCTION 570: MEDICARE

Function Summary

With the creation of Medicare in 1965, the United States made a commitment to help fund the medical care of elderly Americans without exhausting their life savings or the assets and incomes of their working children and younger relatives. In urging the creation of Medicare, President Kennedy said that such a program was chiefly needed to protect, not the poor, but people who had worked for years and suddenly found all their savings gone because of a costly health problem.

But spending for Medicare has grown quickly in recent decades—in part because of rising enrollment and in part because of rising costs per enrollee—and has reached unsustainable rates. Between 1975 and 2009, gross Federalspending for Medicare rose from 0.9 percent of GDP to 3.5 percent. Today Medicare outlays are growing at a rate of 7.2 percent per year, and under the alternative fiscal scenario in CBO's *The Long-Term Budget Outlook* (June 2010), mandatory spending on Medicare is projected to reach 7 percent of GDP by 2035 and 14 percent of GDP by 2080. CBO's March baseline projects that Medicare's Hospital Insurance Trust Fund will be bankrupt by 2020.

Medicare's imbalance threatens beneficiaries' access to quality, affordable care. The program's fundamentally flawed structure is driving up health care costs, which are, in turn, threatening to bankrupt the system—and ultimately the Nation. Without reform, the program will end up causing exactly what it was created to avoid: millions of America's seniors without adequate health security and a younger working generation saddled with enormous debts to pay for spending levels that cannot be sustained.

Letting government break its promises to current seniors and to future generations is unacceptable. In addition, placing Medicare on a sustainable path is an indispensable part of restoring the Federal Government's fiscal balance. The reforms outlined in this budget protect and preserve Medicare for those in or near retirement, while saving and strengthening the program so future generations can count on it when they retire.

The Medicare Program's spending appears here, in Function 570 of the budget resolution. The function reflects the Medicare Part A Hospital Insurance [HI] Program, Part B Supplementary Medical Insurance [SMI] Program, Part C Medicare Advantage Program, and Part D Prescription Drug Benefit, as well as premiums paid by qualified aged and disabled beneficiaries.

The various parts of the program are financed in different ways. Part A benefits are financed primarily by a payroll tax (currently 2.9 percent of taxable earnings), the revenues from which are credited to the HI Trust Fund. For Part B, premiums paid by beneficiaries cover about one-quarter of outlays, and the government's general funds cover the rest. (Payments to private insurance plans under Part C are financed by a blend of funds from Parts A and B.) Enrollees' premiums under Part D are set to cover about one-quarter of the cost of the basic prescription drug benefit, although many low-income enrollees receive larger subsidies; the general fund covers most of the remaining cost.

Summary of Committee-Reported Resolution

The resolution calls for $481.5 billion in budget authority and $481.8 billion in outlays in fiscal year 2012. Discretionary spending is $4.9 billion in budget authority and $5.3 billion in outlays in fiscal year 2012, and mandatory spending is $476.6 billion in budget authority and $476.5 billion in outlays. Over 10 years, the function totals are $6.32 trillion in budget authority and $6.32 trillion in outlays.

Illustrative Policy Options

The Medicare Program attempts to do two things to make sure that all seniors have secure, affordable health coverage. First, the program pools risk among a specific population of Americans, ensuring that seniors enjoy secure access to coverage. The policies supported by this budget strengthen and enhance this aspect of Medicare so seniors will have more health-care choices within the same stabilized risk pool.

Second, Medicare subsidizes coverage for seniors to ensure that coverage is affordable. Affordability is a critical goal, but the subsidy structure of Medicare is fundamentally broken and drives costs in the opposite direction. The open-ended, blank-check nature of the Medicare subsidy drives health-care inflation at an astonishing pace, threatens the solvency of the program, and creates inexcusable levels of waste in the system.

While the committees of jurisdiction will make the final determinations of specific Medicare reforms, the options described below offer one clear and reliable path toward solvency.

PREMIUM SUPPORT

In the Medicare system, the Federal Government—not the patient—is the customer; and the government has been a clumsy, ineffective steward of value. Controlling costs without limiting access or sacrificing quality has proved impossible. In an attempt to get control of the waste in the system, Washington has made across-the-board payment reductions to providers without regard to quality or patient satisfaction. It has not worked. Costs have continued to grow, seniors continue to lose access to quality care, and the program remains on its path to bankruptcy. Absent reform, Medicare will be unable to meet the needs of current seniors and future generations.

Reform aimed at empowering individuals—with a strengthened safety net for the poor and the sick—will not only ensure the fiscal sustainability of this program, the Federal budget, and the U.S.

economy, but also guarantee that Medicare can fulfill the promise of health security for America's seniors.

The Medicare reform envisioned in this budget resolution begins with a commitment to keep the promises made to those who now are in or near retirement. Consequently, for those 55 and older, the Medicare Program and its benefits will remain as they are, without change.

For future retirees, the budget supports an approach known as "premium support."

Starting in 2022, new Medicare beneficiaries would be enrolled in the same kind of health care program that Members of Congress enjoy. The Medicare recipient of the future would choose, from a list of guaranteed coverage options, a health plan that best suits his or her needs. This is not a voucher program; a Medicare premium-support payment would be paid, by Medicare, directly to the plan chosen by the beneficiary, subsidizing its cost. The program would operate in a manner similar to that of the Medicare prescription drug benefit. The Medicare premium-support payment would be adjusted so that the sick would receive higher payments if their conditions worsened; lower-income seniors would receive additional assistance to help cover out-of-pocket costs; and wealthier seniors would assume responsibility for a greater share of their premiums.

This approach to strengthening the Medicare Program—which builds on the Rivlin-Ryan reform advanced in the President's Fiscal Commission—would ensure security and affordability for seniors now and into the future. It would set up a carefully monitored exchange for Medicare plans. Health plans that chose to participate in the Medicare Exchange would agree to offer insurance to all Medicare beneficiaries—to avoid cherry-picking and ensure that Medicare's sickest and highest-cost beneficiaries received coverage.

While there would be no disruptions in the current Medicare fee-for-service program for those currently enrolled or becoming eligible in the next 10 years, all seniors would have the choice to opt-in to the new Medicare Program once it began in 2022. No senior would be forced to stay in the old program. This budget envisions giving seniors the freedom to choose a plan best suited for them, guaranteeing health security throughout their retirement years.

This reform also ensures affordability by fixing the currently broken subsidy system and letting market competition work as a real check on widespread waste and skyrocketing health-care costs. Putting patients in charge of how their health care dollars are spent will force providers to compete against each other on price and quality.

ADDITIONAL IMPROVEMENTS IN THE MEDICARE PROGRAM

A Long-Term 'Doc Fix.' In recent years, Medicare's physician reimbursement formula—the "sustained growth rate" [SGR]—has threatened steep reductions in payments, leaving doctors uncertain about their incomes and, in some cases, reluctant to take on additional Medicare patients. Congress has patched over the problem numerous times with ad hoc increases in reimbursements—a practice known as the "doc fix." These measures have become increasingly expensive to taxpayers without stabilizing the program. With the inclusion of a reserve fund this budget accommodates a fix to the Medicare physician payment formula for the next 10 years. It supports reforms to provide for a reimbursement system that fairly compensates physicians who treat Medicare beneficiaries while providing incentives to improve quality and efficiency.

Ending the Raid on the Medicare Trust Fund. Supporters of last year's government takeover of health care insisted the law would both shore up the Medicare Trust Fund and pay for a new health-care entitlement program. In testimony before the Committee, Medicare's chief actuary stated that the same dollar could not be used twice. This budget calls for directing any potential Medicare savings in current law toward shoring up Medicare, not paying for new entitlements. As part of the repeal of the new health care law, the budget eliminates its new rationing board (the Independent Payment Advisory Board) and stabilizes plan choices for current seniors.

Medical Liability Insurance Reform. This budget also advances common-sense curbs on abusive and frivolous lawsuits. Medical lawsuits and excessive verdicts increase health care costs and result in reduced access to care. When mistakes happen, patients have a right to fair representation and fair compensation. But the current tort litigation system too often serves the interests of lawyers while driving up costs. The budget supports several changes to laws governing medical liability, including limits on noneconomic and punitive damages.

FUNCTION 600: INCOME SECURITY

Function Summary

The welfare reforms of the late 1990s are a success story of modern domestic policy, but they did not go as far as many think. Reformers were not able to extend their work beyond cash welfare to other means-tested programs. Notably, programs that subsidize food and housing for low-income Americans remain dysfunctional, and their explosive growth is threatening the overall strength of the safety net. If the government continues running trillion-dollar deficits and experiences a debt crisis, the poor and vulnerable will undoubtedly be the hardest hit, as the Federal Government's only recourse will be severe, across-the-board cuts.

Most of the Federal Government's income support program are included in Function 600, Income Security. These include: general retirement and disability insurance (excluding Social Security)—mainly through the Pension Benefit Guaranty Corporation [PBGC]—and benefits to railroad retirees. Other components are Federal employee retirement and disability benefits (including military retirees); unemployment compensation; low-income housing assistance, including section 8 housing; food and nutrition assistance, including food stamps and school lunch subsidies; and other income security programs.

This last category includes: Temporary Assistance to Needy Families [TANF], the Government's principal welfare program; Supplemental Security Income [SSI]; spending for the refundable portion of the Earned Income Credit [EIC]; and the Low Income Home Energy Assistance Program [LIHEAP]. Agencies involved in these programs include the Departments of Agriculture, Health and Human Services, Housing and Urban Development, the Social Security Administration (for SSI), and the Office of Personnel Management (for Federal retirement benefits).

Summary of Committee-Reported Resolution

The resolution calls for $501.7 billion in budget authority and $501 billion in outlays in fiscal year 2012. Discretionary spending is $56.9 billion in budget authority and $62.9 billion in outlays in fiscal year 2012. Mandatory spending in 2012 is $444.8 billion in budget authority and $438.2 billion in outlays. The 10-year totals for budget authority and outlays are $4.60 trillion and $4.58 trillion, respectively.

Illustrative Policy Options

Reforming the Federal Government's income security programs can both strengthen the safety net and ease their growing burden on taxpayers. Among reforms that could be considered by the committees of jurisdiction are the following.

DISCRETIONARY SPENDING

Return LIHEAP to Historical Levels. The President has proposed to return the Low-Income Home Energy Assistance Program [LIHEAP] to historical funding levels, consistent with those provided in 2008 prior to energy price spikes. The budget recommends accepting the President's proposal.

MANDATORY SPENDING

Block Grant the Supplemental Nutrition Assistance Program [SNAP]. Spending on SNAP—formerly known as the Food Stamp Program—has increased dramatically over the past 3 years. Projections for SNAP have increased by more than 75 percent since 2007, or more than $300 billion. This program has grown more than fourfold since 2001. While this is partially due to the recession, SNAP spending is forecast to be permanently higher than previous estimates even after employment has recovered. A variety of factors are driving this growth, but one major reason is that while the States have the responsibility of administering the program, they have little incentive to ensure it is well run.

The budget resolution envisions converting SNAP into an allotment tailored for each State's low-income population, indexed for food inflation and eligibility. This option would make no changes to SNAP until 2015—after employment has recovered—providing States with time to structure their own programs. This proposal is estimated to save $127 billion over 10 years.

Reform Civil Service Pensions. In keeping with a recommendation from the National Commission on Fiscal Responsibility, this option calls for Federal employees—including Members of Congress and staff—to make greater contributions toward their own retirement. This would achieve significant budgetary savings and also help facilitate a transition to a defined contribution system for new Federal employees that would give them more control over their own retirement security. From a fiscal responsibility standpoint, this option would replace a system that is creating unfunded future liabilities for taxpayers with a fully funded system: it could save an estimated $121.5 billion over 10 years. The overwhelming majority of private sector companies have transitioned to defined contribution retirement plans for new employees. It is the public sector—at the Federal, State, and municipal level—that has been resistant to change.

Reduce Incentives to Medicate Children. Currently, the SSI program contains incentives for parents to place their children on medication solely to receive SSI benefits. This option would remove these incentives. This proposal is estimated to save $1.4 billion over 10 years.

Reform the Pension Benefit Guaranty Corporation [PBGC]. Currently, the PBGC faces a $23-billion unfunded liability. While this budget does not assume the President's proposal, it recognizes the need to reform the PBGC to ensure that a future taxpayer funded bailout does not occur. Potential savings could total an estimated $2.7 billion over 10 years.

Eliminate the Failed Troubled Asset Relief Program [TARP] Housing Subsidies. This resolution supports jettisoning the loan subsidy initiative, Home Affordable Modification Program [HAMP], created by the Obama administration as part of TARP for homeowners delinquent on mortgage payments. While the program announced in early 2009 that it would help up to 4 million homeowners avoid foreclosure, since then it has made only 600,000 loan modifications permanent—just 15 percent of the target. Eliminating HAMP could save $1.4 billion over 10 years.

FUNCTION 650: SOCIAL SECURITY

Function Summary

This category consists of the Social Security Program, or Old Age, Survivors, and Disability Insurance [OASDI]. It is the largest budget function in terms of outlays, and provides funds for the Government's largest entitlement program. Under provisions of the Congressional Budget Act and the Budget Enforcement Act, Social Security trust funds are considered to be off-budget. Therefore, although the discussion below describes both the on-budget and off-budget components, the budget resolution itself contains only the on-budget portion.

Social Security must be reformed to prevent severe cuts in future benefits. This budget strengthens the program by forcing policymakers to come to the table and enact common-sense reforms to keep the program solvent for current beneficiaries and make it stronger for future generations.

The President's Commission on Fiscal Responsibility and Reform put forward a proposal last December to make Social Security sustainably solvent over the 75-year actuarial period that is used to measure the soundness of the program—demonstrating that there is a bipartisan way forward.

Summary of Committee-Reported Resolution

Social Security contains both on-budget and off-budget spending—the latter consisting of benefit payments for the OASDI program. The budget resolution reflects only the on-budget spending. In that category, the resolution calls for \$54.4 billion in budget authority and \$54.6 billion in outlays in fiscal year 2012. Over 10 years, the on-budget totals are \$461.8 billion in budget authority and \$462.2 billion in outlays.

Confronting Social Security's Insolvency

Although Social Security is off budget, its impact on the government's overall fiscal condition is real and cannot be ignored. Regrettably, an all-too-common reaction to the fiscal problem in Social Security has been denial. It is claimed that the Social Security Trust Fund will remain solvent until 2037, at which point the government could theoretically cover any shortfall by raising taxes. Others play down whether any changes to Social Security will be necessary; they contend sustained economic growth could take care of the problem all by itself.

Neither is correct. First, any value in the balances in the Social Security Trust Fund is derived purely from government accounting. The trust fund is not a real savings account. From 1983 to 2011, it collected more Social Security taxes than it paid out in Social Security benefits. But the government borrowed all of these surpluses and spent them on other government programs unrelated to Social Security. The Trust Fund holds Treasury securities, but the ability to redeem these securities is completely dependent on the Treasury's ability to raise money through taxes or borrowing—or by squeezing out spending from other government priorities.

Beginning in 2011, Social Security started paying out more in benefits than it collected in taxes—in other words, running cash deficits—a trend that will worsen as the baby boomers continue to retire. To pay full benefits, the government must pay back the money it owes Social Security.

Those who wish to solve this problem by raising taxes ignore the profound economic damage that such large tax increases would entail. Just lifting the cap on income subject to Social Security taxes, as some have proposed, would, when combined with the Obama administration's other preferred tax policies, lift the top marginal tax rate above 60 percent. Most economists agree that raising marginal tax rates that high would create a significant drag on economic growth, job creation, productivity and wages.

Social Security's fragile condition poses a serious problem that threatens to break the broader compact in which workers support the generation preceding them, and earn the support of those who follow.

The Committee believes there is a bipartisan path forward on Social Security—one that requires all parties first to acknowledge the fiscal realities of this critical program. The President's Fiscal Commission recently made a positive first step by advancing solutions to ensure the solvency of Social Security. They suggested a more progressive benefit structure, with benefits for higher-income workers growing more slowly than those of workers with lower incomes who are more vulnerable to economic shocks in retirement. The Commission also recommended reforms that take account of increases in longevity, to arrest the demographic problems that are undermining Social Security's finances.

In addition, there is bipartisan consensus that Social Security reform should provide more help to those who fall below the poverty line after retirement. There is no security in a program that is blind to the needs of the Nation's most vulnerable citizens—lower-income seniors should receive more targeted assistance than those who have had ample opportunity to save for retirement.

While certain details of the commission's Social Security proposals, particularly on the tax side, are of debatable merit, the commission undoubtedly made positive steps forward on bipartisan solutions to strengthen Social Security. This budget seeks to build on the commission's work, forcing action to solve this pressing problem by requiring the President to put forward specific ideas on fixing Social Security. The budget also puts the onus on Congress to develop legislation to ensure the sustainable solvency of this critical program.

This budget calls for setting in motion the process of reforming Social Security by altering a current law trigger that in the event that the Social Security program is not sustainable, requires the President, in conjunction with the Board of Trustees, to submit a plan for restoring balance to the fund. This option then would require congressional leaders to put forward their best ideas as well. Although the Committee on Ways and Means would make the final determination, this option would require that:

- If in any year the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, in its annual Trustees' Report, determines that the 75-year actuarial balance of the Social Security Trust Funds is in deficit, and the annual balance of the Social Security Trust Funds in the 75th year is in deficit, the Board of Trustees should, no later than the 30th of September of the same calendar year, submit to the President recommendations for statutory reforms necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75th-year.

- No later than the 1st of December of the same calendar year in which the Board of Trustees submits its recommendations, the President shall promptly submit implementing legislation to both Houses of Congress including recommendations necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75th year;

- Within 60 days of the President submitting legislation, the committees of jurisdiction to which the legislation has been referred shall report the bill which shall be considered by the full House or Senate under expedited procedures.

Again, the aim of this option is to force a recognition of the need to reform Social Security. This procedure offers a first step in that direction.

FUNCTION 700: VETERANS BENEFITS AND SERVICES

Function Summary

This category includes funding for the Department of Veterans Affairs [VA], which provides benefits to veterans who meet various eligibility rules. Benefits include income security for veterans, principally disability compensation and pensions; veterans education, training, and rehabilitation services; hospital and medical care for veterans; and other veterans' benefits and services, such as home loan guarantees.

The past two decades have seen extraordinary growth in the costs of providing benefits and services for the Nation's 23 million veterans. The two largest categories of veterans spending are for income security and medical care. Spending for income security has increased 125 percent since 2001 and medical care spending has increased 141 percent. This growth occurred despite the declining size of the veterans population and reflects the increasingly generous benefits legislated by Congress and the aging of the veterans population.

Summary of Committee-Reported Resolution

The resolution calls for $128.3 billion in budget authority and $127.1 billion in outlays in fiscal year 2012. Discretionary spending, mainly veterans' health care, is $59.0 billion in budget authority and $57.9 billion in outlays in fiscal year 2012. This resolution also provides for up to $52.5 billion in advance appropriations consistent with the Veterans Health Care Budget and Reform Transparency Act of 2009. Mandatory spending in 2012 is $69.4 billion in budget authority and $69.3 billion in outlays. The 10-year totals for budget authority and outlays are $1.45 trillion and $1.44 trillion, respectively. The resolution matches the funding level for veterans' health care and other discretionary services in function 700 that the President requested for each of the fiscal years 2012-2012.

This budget fully funds the Nation's commitment to the services and benefits earned by veterans through their military service. This includes providing benefits for approximately 4 million veterans and eligible dependents and medical care for over 6 million unique patients. Those who have served in harm's way have earned the gratitude of their countrymen and are the highest priority within this budget.

FUNCTION 750: ADMINISTRATION OF JUSTICE

Function Summary

The Administration of Justice function consists of Federal law enforcement programs, litigation and judicial activities, correctional operations, and State and local justice assistance. Agencies within this function include: the Federal Bureau of Investigation; the Drug Enforcement Administration; Border and Transportation Security; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the United States Attorneys; legal divisions within the Department of Justice; the Legal Services Corporation; the Federal Judiciary; and the Federal Bureau of Prisons. This function also includes several components of the Department of Homeland Security.

Summary of Committee-Reported Resolution

The resolution calls for $56.9 billion in budget authority and $53.9 billion in outlays in fiscal year 2012. Discretionary spending is $47.7 billion in budget authority and $50.6 billion in outlays in fiscal year 2012. Mandatory spending in 2012 is $9.3 billion in budget authority and $3.3 billion in outlays. The 10-year totals for budget authority and outlays are $483.2 billion and $493.0 billion, respectively.

From fiscal years 2000 through 2010, spending in this function climbed 87.5 percent, from $28.5 billion to $53.4 billion. As noted by the Fiscal Commission, by 2015, the Department of Justice [DOJ] budget is projected to reach $30 billion, nearly 50 percent greater than it was in 2005—one of the sharpest increases of any Federal agency. Since fiscal year 2006, well more than 100 DOJ grants have been authorized through three sources: Community Oriented Policing Services [COPS], the Office of Justice Programs [OJP], and the Office on Violence Against Women [OVW]. GAO has determined that many of these grants—several which have been used to fund recreational activities, fashion shows, pool parties, and even doughnut eating contests—could be viewed as wasteful, overlapping and duplicative.

With the Nation facing dangerous terrorist threats as well as a tidal wave of debt, Federal taxpayer money for the Department of Justice should be focused on administering justice, arresting and prosecuting terrorists, investigating crimes, and seeking punishment for those guilty of unlawful behavior. The Federal Government can set guidelines on how to address criminal issues, but it is the job of the States and communities to determine the best course of action in deterring crime. The budget resolution focuses on restoring core government responsibilities, building on the savings included in H.R. 1 by reducing duplication, excess, and unnecessary spending.

Discretionary Spending Policies

Consolidate Justice Grants. Funding for grant programs totaled about $2.5 billion annually over the 2006-2008 period; nearly $7 billion in 2009, including $4.0 billion provided in the stimulus bill; and $3.3 billion in 2010. The Congressional Research Service [CRS] and Government Accountability Office [GAO] identified overlap and duplication within many of these grants programs. CRS suggested "possible policy options could include altering the current grant programs to target funding for specific activities in each grant program or consolidating the different grant programs into one large program." In addition, these grant programs address law enforcement issues that are primarily State and local issues, therefore a more efficient allocation of resources can be made at the local level. One option would be to streamline grants into three categories—first responder, law enforcement and victims—while eliminating waste, inefficiency and bureaucracy.

Accept Administration Savings Proposals. This proposal supports the President's funding reduction in such programs as the Drug Enforcement Administration's Mobile Enforcement Team, DOJ's Integrated Wireless Network, administrative efficiencies across DOJ, reducing ATF and FBI's relocation programs, limiting existing physical and IT infrastructure projects to a slower rate of growth. It also adopts management offsets and rescissions totaling $2.0 billion which include: administrative efficiencies and savings, task force and space consolidations, a reduction of DOJ's physical footprint, component-unique program savings, IT project management efficiencies, relocation, efficiencies, reductions to less effective grant programs, and rescissions of prior year balances.

Adopt H.R. 1 Reductions. The Mark incorporates policies adopted by the House in H.R. 1, the Full-Year Continuing Appropriations Act of 2011, with reductions in programs such as DOJ General Legal Activities, ATF construction and law enforcement wireless communications.

Adopt 'YouCut' Proposals. The Mark also supports several of the House Republican "YouCut" proposals introduced during the 111th and 112th Congresses. One proposal in Function 750 is the elimination of the duplicative National Drug Intelligence Center, which saves more than $400 million over 10 years.

FUNCTION 800: GENERAL GOVERNMENT

Function Summary

General Government consists of the activities of the Legislative Branch; the Executive Office of the President; general tax collection and fiscal operations of the Department of Treasury (including the Internal Revenue Service [IRS]); the Office of Personnel Management, and the real property and personnel costs of the General Services Administration; general purpose fiscal assistance to States, localities, the District of Columbia, and U.S. territories; and other general Government activities.

Several programs in General Government have seen steady growth since 2008. The American Recovery and Reinvestment Act increased the General Services Administration's budget by $5.8 billion, for example. The President's 2012 budget requests significant spending increases for this function, boosting discretionary spending by 27 percent and mandatory spending by 50 percent compared to 2008 levels.

Summary of Committee-Reported Resolution

The resolution calls for $22.8 billion in budget authority and $27.2 billion in outlays in fiscal year 2012. Discretionary spending is $16 billion in budget authority and $18.9 billion in outlays in fiscal year 2012. Mandatory spending in 2012 is $6.7 billion in budget authority and $8.3 billion in outlays. The 10-year totals for budget authority and outlays are $228.8 billion and $228.6 billion, respectively.

Illustrative Policy Options

Reduce the House of Representatives' Budget. Funding levels in the resolution reflect the House leadership's promise to trim salaries and expenses of the House of Representatives by 6 percent in fiscal year 2012, and applies this discipline to other non-essential departments.

Prohibit New Construction. This budget also replicates the policy of the fiscal year 2011 continuing resolution, H.R. 1, to prohibit new construction for 1 year of government buildings managed by the General Services Administration.

Adopt 'YouCut' Proposals. The budget also supports several of the House Republican "YouCut" proposals introduced during the 111th and 112th Congresses. One example in Function 800 is the elimination of the Presidential Election Campaign Fund, which saves over $500 million over 10 years.

Require Data Center Consolidation. The budget adopts a recent Government Accountability Office's recommendation to require consolidation of Federal data centers. Since 1998, the number of Federal data processing and storage facilities has grown from about 432 in 1998 to more than 2,000 in 2010. Data centers consume huge amounts of energy and space while having relatively low utilization rates. There is great potential for savings through consolidation. The Office of Management and Budget has launched an initiative to address this issue. This budget would direct the committees of jurisdiction to codify these efforts.

Reduce Student Loan Repayment for Government Jobs. As the Nation struggles with high unemployment and uncertainty in the private sector, taxpayer dollars go to fund Federal jobs that are not only insulated from market forces, but enjoy above average pay and benefits, one of which is repayments for student loans. The budget calls for reducing this extra benefit that is not generally available in the private sector.

Terminate the Election Assistance Commission [EAC]. This independent agency was created in 2002 as part of the Help America Vote Act to provide grants to States to modernize voting equipment. Its mission has been fulfilled. Even the National Association of Secretaries of State has passed resolutions stating that the EAC has served its purpose and funding is no longer necessary. EAC should be eliminated and any valuable functions can be transferred to the Federal Elections Commission.

FUNCTION 900: NET INTEREST

Function Summary

One of the worst effects of large, chronic budget deficits is the high interest cost it produces. Interest payments yield no government services or benefits; they are simply excess costs resulting from constant spending beyond the government's means. These costs are reflected in Function 900, which presents the interest paid for the Federal Government's borrowing less the interest received by the Federal Government from trust fund investments and loans to the public. It is a mandatory payment, with no discretionary components.

The profligate spending of the past 2 years have driven deficits record peacetime levels, well above the trillion-dollar mark. Because so much of this spending is so deeply entrenched, reducing the associated interest costs will require sustained spending restraint.

Summary of Committee-Reported Resolution

The reported resolution calls for $255.7 billion in mandatory budget authority and outlays in fiscal year 2012. The 10-year totals for budget authority and outlays are $5.06 trillion.

On-budget mandatory budget authority and outlays are $372.4 billion in fiscal year 2012, and $6.41 trillion over 10 years. The on-budget figures are larger than the function totals because the former are offset by off-budget interest payments to the Social Security Trust Fund, which are reflected as negative numbers.

FUNCTION 920: ALLOWANCES

Function Summary

Function 920, Allowances, is used for planning purposes to address the budgetary effects of proposals or assumptions that cross various other budget functions. Once such changes are enacted, the budgetary effects are distributed to the appropriate budget functions in past years. The function includes off-budget amounts associated with program integrity activities.

Summary of Committee-Reported Resolution

The function contains fiscal year 2012 spending reductions of $6.2 billion budget authority and $2.5 billion in outlays. Part of the savings come from repeal of unobligated discretionary stimulus funds, and consolidation of Federal job training programs. Over 10 years, the savings total −$61.5 billion in budget authority and −$60.6 billion in outlays.

Excluding the off-budget program integrity activities, the on-budget totals in the function are reductions of $6.2 billion in budget authority and $2.5 billion in outlays in fiscal year 2012; and $53.5 billion in budget authority and $52.6 billion in outlays over 10 years.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

Function Summary

This function consists of receipts to the Treasury. Receipts recorded in this function are either intrabudgetary (a payment from one Federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some kind of business transaction with the government). The main types of receipts recorded in this function are: the payments Federal employees and agencies make to employee retirement trust funds; payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf, and payments by those who bid for the right to buy or use public property or resources, such as the electromagnetic spectrum. These receipts are treated as *negative spending.*

The function also contains an off-budget component that reflects mainly the employer share of Social Security contributions.

Summary of Committee-Reported Resolution

The resolution calls for −$99.7 billion in budget authority and outlays in fiscal year 2012 (with the minus signs again indicating receipts into the Treasury.) Over 10 years, budget authority and outlays total −$1.11 trillion.

On-budget amounts are −$84.5 billion in budget authority and outlays in fiscal year 2012, and −$925.3 billion in budget authority and outlays over 10 years.

Illustrative Policy Options

Federal Fleet Sales. The President's Fiscal Commission recommended several ways to achieve discretionary savings. This resolution adopts many of their proposals, such as reducing the Federal auto fleet by 20 percent, excluding the Department of Defense and the U.S. Postal Service. In 2010, the Federal Government reported a worldwide inventory of more than 662,000 vehicles and spent $4.6 billion on its fleet. In addition, the 2009 stimulus bill provided $300 million to "green the Federal fleet" by purchasing 17,205 vehicles—most of which became another back-door bailout for General Motors and Chrysler.

This resolution builds on the Fiscal Commission's recommendation by proposing to sell a portion of the Federal fleet to reduce the deficit and to get rid of unneeded vehicles, saving hundreds of millions of dollars.

Federal Real Property Sales. The Fiscal Commission highlighted potential budget savings from another area where the mismanagement of taxpayer-owned assets and sheer amount of waste is staggering: Federal real estate and other property. Simply put, there is very little incentive for agencies to dispose of unneeded properties and very few repercussions from holding onto these properties indefinitely. The Federal Government owns, leases, or manages about 1 million properties nationwide. Of those, non-defense buildings accounted for at least 400,000 of the total. Yet the government's track record for real estate asset sales has been poor.

In 2009, Federal agencies received only about $50 million in proceeds from the sale of 2,228 assets—an average of $22,500 per property. Many buildings were simply given away as below-market-value bargains or even for free. On top of that, agencies reported spending $150 million in 2009 on the operating costs alone of properties that were already deemed to be unneeded and were waiting to either be sold or disposed.

The Office of Management and Budget put forth a proposal in the President's fiscal year 2012 budget that would achieve $15 billion in asset sales over three years. This resolution supports streamlining the asset sale process and loosening regulations for the disposal and sale of Federal property to eliminate red tape and waste, setting enforceable targets for asset sales, and holding government agencies accountable for the buildings they oversee. If done correctly, taxpayers can recoup billions of dollars from selling unused government property.

Federal Land. In addition to Federal fleet and real property sales, this resolution supports examining Federalland to see where cost savings can be achieved by selling unneeded acreage in the open market—while protecting land considered a national treasure such as the 84 million acres managed by the National Park Service. Currently, the Federal Government owns 650 million acres of land, almost 30 percent of the land area of the United States.

FUNCTION 970: GLOBAL WAR ON TERRORISM AND RELATED ACTIVITIES

Function Summary

This function includes funding for prosecution of the global war on terrorism and other closely related activities.

Summary of Committee-Reported Resolution

The resolution calls for $126.5 billion in budget authority and $117.8 billion in outlays in fiscal year 2012. This includes amounts equal to the President's budget request to account for any future House consideration of appropriations for the global war on terrorism and other activities. This function includes all of the funding requested by the Department of Defense for military operations and by the Department of State for the incremental, non-enduring civilian activities in Afghanistan, Pakistan, and Iraq.

Afghanistan. The current strategy for victory in Afghanistan envisions a significant troop presence in the country through 2014. For 2012, the military's force level assumption is for a troop presence of 98,250 troops. Simultaneously, the State Department is increasing its level of activity as part of an integrated civil-military strategy. It is unclear whether the Government of Afghanistan will sustain the extensive security forces and infrastructure that the international coalition is building. Considerations of long-term sustainability should be critically examined during consideration of the administration's request in this area.

Pakistan. The U.S. Government's activities in Pakistan are civilian-led and focused on working with Pakistan to disrupt violent groups that destabilize the region and bolstering the Government of Pakistan's resolve in combating these elements. As the Commander of U.S. forces in Afghanistan has concluded, success in Pakistan is vital to the success of our efforts in Afghanistan: "Afghanistan and Pakistan have, in many ways, merged into a single problem set, and the way forward in Afghanistan is incomplete without a strategy that includes and assists Pakistan."

Iraq. With the conclusion of major combat operations and the scheduled withdrawal of all U.S. military forces by the end of 2011, the State Department will assume the lead role in executing the U.S. Government's mission in Iraq. The incremental and transitory costs associated with the assumption of this role are appropriately included in this function, while those that will be of an enduring nature continue to be funded in the State Department's base budget in Function 150. The Committee intends to exercise close scrutiny of the State Department's request to ensure that costs are appropriately categorized.

REVENUE

Pro-Growth Tax Reform

A pro-growth tax system should be simple, efficient, and fair. The U.S. tax code fails on all three counts.

The system is notoriously complex, as individuals, families, and employers spend more than 6 billion hours and more than $160 billion a year trying to negotiate a labyrinth of deductions. The code is also patently unfair, as many of the deductions and preferences in the system—which serve to narrow the tax base—are mainly used by a relatively small class of mostly higher-income individuals. Washington should not be in the business of picking winners and losers.

Finally, the U.S. tax structure is highly inefficient, as tax considerations rather than economic fundamentals often distort individual decisions to work, save, and invest, which leads to a misallocation of resources and slower economic growth.

This budget attacks all three of these problems with a set of fundamental reforms drawn from a broad consensus of economic experts and based on the principle that government should never take a dollar from one of its citizens unless that dollar is needed for a vital national purpose.

It draws on the commonly held view that the key to pro-growth tax reform is lowering tax rates while broadening the tax base—that is, letting individuals keep more of the money they earn, while getting rid of distortions, loopholes, and preferences that divert economic resources from their most efficient uses.

The recommendations of the President's Fiscal Commission were clear on this point: lower tax rates are critical to economic growth. The commission's proposal offered a growth-oriented, simplified code, with individual tax brackets as low as 8 percent, 14 percent, and 23 percent—and reduced the corporate tax rate to as low as 26 percent. This budget builds upon the clear bipartisan consensus that lower rates and a broader base are key guideposts for pro-growth tax reform.

In addition, this budget starts by asking not what is the "right mix" of tax increases and spending cuts to balance the budget, but what is the purpose of government—and then raising only as much revenue as the Federal Government needs to efficiently fund those missions that rightly belong in its domain, while maximizing economic growth and job creation.

Simplifying the Tax Code for Individuals

Major proposals in this area are:

• Reject the President's call to raise taxes. Instead, keep overall revenue as a share of the economy at historical averages between 18 percent and 19 percent, a level compatible with growth, and—if the spending restraints in this budget are enacted—sufficient to fund government operations over time.

• Reform the tax code by consolidating the current six brackets and cutting the top individual rate from 35 percent to 25 percent.

• Broaden the tax base to keep revenue as a share of the economy at levels sufficient to fund critical missions that rightly belong in the domain of the Federal Government (as outlined elsewhere in this budget).

In 1981, President Reagan inherited a stagnant economy and a tax code that featured 16 brackets, with a top rate of 70 percent. When he left office in 1989, the tax code had been simplified down to just three brackets, with a top rate of 28 percent. Reagan's tax reforms proved to be a cornerstone of the unprecedented economic boom that occurred in the decade during his presidency and continued in the decade that followed.

Over time, additional brackets, credits and carve-outs have grown on the tax code like weeds. In the past 10 years alone, there have been nearly 4,500 changes made to the tax code. The current version for individuals has six brackets, with a top rate of 35 percent (which is set to climb to nearly 40 percent after the end of 2012). Individuals react negatively toward the tax code partly because it is complex and attempts to steer them toward certain activities and away from others. In addition, there are always a few "surprises" that end up raising their tax bills. One such surprise—the alternative minimum tax [AMT]—was initially designed to hit very high-income taxpayers, but instead ensnares a growing number of middle-class households because of a flawed design.

Creating new brackets and raising top rates is an idea that is often touted as a way to raise revenue by making only wealthy Americans bear a greater share of the burden. Most economists disagree. Economic theory suggests, and most empirical studies prove, that marginal tax-rate hikes—tax increases that reduce incentives to work, save and invest for additional income above a certain cutoff—reduce economic output, while marginal rate reductions increase output, mainly by letting people keep more of each dollar they earn and thereby strengthening incentives to work, produce, and invest in the future.

Lower economic output mutes the revenue effect of top-rate tax increases. Top rates have risen and fallen dramatically in the past, with little overall effect on tax revenue as a share of the economy. The United States has set the top individual rate as high as 90 percent and as low as 28 percent, but income tax revenue has remained fairly steady despite these sharp rate swings.

The biggest driver of revenue to the Federal Government is not higher rates—it is economic growth. Growth is the key to fiscal sustainability—and low rates are the key to growth.

Nor are the effects of marginal tax-rate increases confined to wealthy households. Three quarters of the Nation's small businesses file as individuals, meaning that higher individual rates make it harder for these vital enterprises to compete. Small businesses are responsible for almost two-thirds of the jobs created in the United States in the past 15 years, and almost 50 percent of small-business profits are taxed at the top two rates. Hence raising these rates means increasing taxes on the most successful job creators in America.

Raising taxes on capital is another idea that purports to affect the wealthy but actually hurts all participants in the economy. Mainstream economics, not to mention common sense, teaches that raising taxes on any activity generally results in less of it. Economics and common sense also teach that the size of a Nation's Capital stock—the pool of saved money available for investment and job creation—has an effect on employment, productivity, and wages. Tax reform should promote savings and investment because more savings and more investment mean a larger stock of capital available for job creation. That means more jobs, more productivity, and higher wages for all American workers.

The negative effects of high rates and punitive taxes on savings are compounded when a large mix of exemptions, deductions, and credits are added in. These distortions, sometimes referred to as "tax expenditures," are similar to government spending: instead of markets directing economic resources to their most efficient uses, the government directs resources to politically favored uses, creating a drag on growth.

The key difference is that, with spending, the government collects the money first in the form of taxes from those who earned it, and reallocates it elsewhere. With tax expenditures, government agrees not to collect the money as long as it is put to a government-approved use. Other tax expenditures literally do take the form of spending through the tax code, because they "return" more money than the taxes owed.

Tax expenditures have a huge impact on the Federal budget, resulting in more than $1 trillion in forgone revenue each year (although the exact definition of "tax expenditure" is subject to debate). To put that number in perspective, $1 trillion is roughly the total amount the government collects each year in Federal income taxes.

Eliminating large tax expenditures would not be for the purpose of increasing total tax revenues. Instead, when offset by lower rates, it would have a doubly positive impact on the economy—it would stop diverting economic resources to less productive uses, while making possible the lower tax rates that provide greater incentives for economic growth.

President Reagan's tax reforms inaugurated an era of great prosperity. It is time to reclaim his legacy and once again enact a fundamental reform of the tax code as the final step in rebuilding the foundations for economic growth: spending restraint, reasonable and predictable regulations, sound money, and a simple tax code with low rates.

Stopping Job-Destroying Tax Hikes by Repealing the Health Care Law

The health-care law enacted last year contained roughly $800 billion in new taxes and tax increases—the result of dozens of changes to tax law that added complexity and unfairness to the code.

• New taxes on employers make American businesses less competitive. The new law hits all businesses that do not purchase a one-size-fits-all, federally approved health insurance plan for their workers to pay a large tax penalty as a consequence. Employers and labor groups pointed out that this new tax would result in mass layoffs or in millions of workers losing their coverage. As a result, the administration has granted hundreds waivers to exempt certain businesses and unions from the new law, according to the Department of Health and Human Services. But government should not be granting waivers based on political connections—it should repeal this harmful tax before it does any more damage.

• Higher taxes on wages and investment income will discourage hiring and eat into America's capital stock. The new law imposes a 0.9-percent surtax on wages and a 3.8-percent surtax on interest, dividends, and capital gains. Both taxes apply only to filers in the top two income brackets, but as discussed elsewhere in this section, those filers include small businesses employing millions of Americans, and the new taxes on capital will reduce the pool of capital available for investment and job creation.

• The new "Cadillac Tax" on high-cost employer-provided health plans does not resolve the inequitable treatment of health care costs in the tax code. The new health care law would, starting in 2018, impose a new tax on high-cost, employer-provided health plans. The tax was meant to encourage employers to offer a greater percentage of compensation in the form of wages rather than health benefits. Instead of dealing with the inequitable tax treatment of health-care costs in a straightforward way, by simplifying the code, this tax would add an additional layer of complexity, while being used to fund a new open-ended health-care entitlement.

The U.S. economy needs more jobs, not more job-destroying taxes. The U.S. health-care sector needs more new treatments and cures, not fewer. And U.S. citizens deserve a tax code that does not discriminate between, for example, the self-employed and those employed by large companies. Repealing the new health-care law is the first step toward fulfilling all three of these goals and implementing true patient-centered health care in America.

This budget starts with the proposition that first, Congress must do no harm. It assumes that Congress will not allow huge, across-the-board tax increases to hit the economy in 2013, when current law calls for the tax cuts that were enacted in 2001 and 2003 to expire. And it assumes that Congress will not let the AMT ensnare growing numbers of middle-class taxpayers.

The new, simplified code outlined in this budget will continue to raise sufficient revenue to fund the government by broadening the tax base, eliminating or limiting as necessary nearly all existing tax deductions, exclusions, and other special provisions. These carve-outs have distorted economic activity and necessitated high tax rates that hurt growth. Broadening the tax base will make the tax code simpler, fairer and more conducive to economic growth and job creation.

Taken together, these reforms will promote prosperity and help put government back onto a sustainable fiscal path.

Making the Corporate Code More Competitive

Major proposals in this area include the following.

• Encourage economic growth and job creation by lowering the corporate tax rate from 35 percent, which is the highest in the developed world, to a much more competitive 25 percent.

• Remove distortions from the code by eliminating or modifying deductions, credits and special carve-outs that leave many companies paying no tax at all.

The United States currently labors under the highest corporate income tax rate in the developed world. Corporate income taxes create large distortions in economic activity, changing corporate behavior in ways that reduce efficiency and create a drag on growth.

The perverse incentives created by the tax do a lot of damage, yet the tax itself raises relatively little revenue: only 10 percent of the total Federal tax take comes from taxing corporate income. A 2005 report from the non-partisan Congressional Budget Office reinforced this conclusion, stating that "distortions that the corporate income tax induces are large compared with the revenues that the tax generates."

The problem with the corporate income tax is that corporations are not taxpayers—they are tax collectors. Taxes on corporate income are borne by shareholders, employees, and customers. Investors pay the cost in diminished returns. Workers pay the cost in lower wages. And consumers pay the cost in higher prices.

Workers in particular could benefit from a reduction in the corporate tax rate. Another recent study from the CBO concluded that "domestic labor bears slightly more than 70 percent of the burden" of the corporate income tax.

Instead of making the corporate tax code more competitive by reducing rates across the board, Congress has responded to corporate complaints about this high tax burden by filling the code with loopholes and special carve-outs. The biggest corporations that can afford the best lawyers have figured out how to use the code to avoid paying taxes altogether. It is the smaller companies that suffer disproportionately from an unfair and complex corporate tax code and high corporate rates.

Lowering corporate rates is a reform that is long overdue. This simple policy change would provide an immediate boost to a lagging economy by increasing wages, lowering costs, and providing greater returns on investments in U.S. companies. It would bring the U.S. corporate tax rate closer the rates of other developed nations, helping American businesses compete in the international marketplace on a level playing field.

This reform would also boost investment flows in the United States and encourage more foreign companies to do business and create jobs in the U.S. economy. It would lessen incentives for U.S.-based multinational corporations to avoid high U.S. taxes by keeping their profits offshore. That would encourage these companies to reinvest their profits and capital in the United States.

This budget would offset lower rates with a broader base, scaling back or eliminating entirely the deductions and credits that have skewed corporate behavior and benefitted the largest corporations disproportionately. Government should not be in the business of picking winners and losers in the market. A single low, fair and simple rate is as good for American businesses as it is for the individual Americans they employ.

This budget, by lowering tax rates and broadening the tax base, follows the same principles that guided the tax proposals recommended by the President's Fiscal Commission. But rather than allowing government's share of the economy to rise to 21 percent, as the commission's proposals would allow, this budget includes real spending restraint that enables government's share of the economy to remain below its historical average of 19 percent.

This is important, not because 19 percent is a magic number, but because Washington should not solve its spending problems by taking even more money from taxpayers. American families have had to cut their own budgets in the past few years, and it is time for Washington to do the same. By returning government to its proper roles, this budget brings spending in line with taxes—not the other way around.

In addition to reorienting the tax code with pro-growth incentives, this budget fixes a major problem that has distorted economic activity in the United States. Its reforms are meant to be permanent changes in law, not temporary booster shots or short-term cuts with built-in expiration dates. American families and businesses need—and deserve—certainty and predictability when it comes to taxes, so they can plan for their economic futures.

Keeping families and businesses in a state of uncertainty about taxes is unfair, and it hurts the economy. This budget ends the gimmickry and gives citizens a fair and simple tax code that they can count on.

This budget is a principled beginning, a solid first step along a long-term path to prosperity for America. Economists have shown that lowering overall rates and broadening the tax base will promote economic growth and support job creation by the private sector. There are many good ideas on that front—growth-oriented tax plans that could strengthen the economy and support the Nation's funding priorities. Congressman Woodall, for instance, has submitted a fundamental tax reform plan for consideration by the Ways and Means Committee that would eliminate taxes on wages, corporations, self-employment, capital gains, and gift and death taxes in favor of a personal consumption tax that would provide the economic certainty that American businesses, entrepreneurs, and taxpayers desire. Congress should consider this and the full myriad of pro-growth plans as it moves toward tax reform.

The Long-Term Budget Outlook

As noted previously, the Federal budget trends of the next 10 years, daunting as they are, reflect only the first surge of spending and debt that threaten the government's fiscal stability, and the economy's potential for growth. Beyond that budget window, conditions continue to worsen, driven by unsustainable rates of spending growth and promises of government benefits that cannot be kept. Therefore, Congress must examine the longer-term effects of its fiscal policy choices.

The Congressional Budget Office [CBO] has conducted such an analysis of the policies in this budget.[9] It shows that the reforms outlined in this proposal would put the Federal budget on the path to balance and the American economy on the path to prosperity. The discussion below describes these long-term effects, and compares them to those likely to result from the President's budget.

Government Spending

Under the President's budget, as re-estimated by CBO, the Federal Government will spend $46 trillion over the next decade. Government spending runs at record post-World War II levels, never falling below 23 percent of the economy in this decade, and rises to more than 24 percent by 2021.

Beyond that point, the President's budget not only fails to curb the unsustainable spending trajectory—it makes matters worse. Even with more favorable economic assumptions, the administration's own Office of Management and Budget projects that spending under the President's budget will continually grow faster than the economy in 2022 and beyond.[10]

CBO has not directly estimated the long-term impact of the President's budget. But the "alternative fiscal scenario" presented in CBO's *The Long-Term Budget Outlook* (June 2010) is similar, but not identical to the President's policy.[11] The alternative fiscal scenario differs from CBO's standard "current-law baseline" projection. The baseline estimate assumes that everything scheduled to occur in law—including significant changes in spending or tax laws, such as a lapse of the 2001 and 2003 tax rates—will occur as expected. The alternative fiscal scenario, by contrast, assumes Congress will continue various spending and tax policies that it has generally extended in the past. Under this projection, CBO esti-

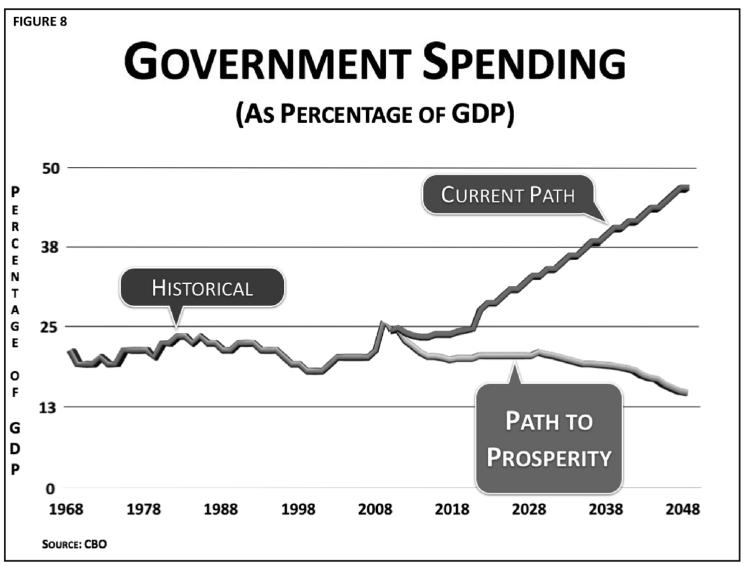
[9] See CBO's Long-Term Analysis of a Budget Proposal by Chairman Ryan at *http://www.cbo.gov/doc.cfm?index=12128.*

[10] See Long Range Budget Projections for the FY 2012 Budget at *http://www.whitehouse.gov/omb/budget/Supplemental.*

[11] See the CBO June 2010 Long-Term Budget Outlook at *http://www.cbo.gov/doc.cfm?index=11579* for a description of the Alternative Fiscal Scenario.

mates mandatory spending will soon crowd out all other priorities in the Federal budget, with spending on Medicare, Medicaid, health insurance exchange subsidies, Social Security, and interest on the national debt eclipsing all anticipated revenue by 2025. Borrowing and spending by the public sector will crowd out investment and growth in the private sector. In the years ahead, government spending will skyrocket to record levels that a free economy simply cannot sustain.

This budget, *The Path to Prosperity,* charts a brighter future. With responsible spending cuts now and structural reforms of government spending programs going forward, the budget ensures government spending remains on a sustainable path. Under that budget, Federal spending will fall below 20 percent of the economy by 2018. Through reforms, it holds spending close to 20 percent of GDP through 2030, when it begins to fall, reaching 14.75 percent of GDP by 2050. (CBO's analysis does not extend past 2050.) Within this fiscal restraint, the budget nevertheless continues to increase funding levels for government's core responsibilities and advance national priorities—albeit at a more sustainable rate. As the economy grows, government spending as a share of the economy will steadily recede over the decades ahead.



Deficits

According to the CBO, the President's budget will result in a record fourth straight deficit in excess of $1 trillion, and climb above that mark in the last 3 years of the 10-year budget window (through 2021). His budget never reaches "primary balance"—balancing the budget excluding interest payments—meaning it fails to clear even the low bar the administration set for itself in justifying its claims of sustainability. The deficit path ahead commits America to economic decline and a diminished future.

This budget charts a sustainable path going forward, ultimately erasing the entire budget deficit. It brings the deficit below $1 trillion in fiscal year 2012, whereas the President's budget produces a record fourth-straight trillion-dollar budget next year. Over the next decade, this budget results in $4.4 trillion of deficit reduction compared to President Obama's budget. This surpasses the President's low benchmark of sustainability by reaching primary balance in 2015.

According to the CBO, this budget charts a path to complete balance. By 2040, the CBO estimates that this budget will produce annual surpluses and begin paying down the national debt. By contrast, under the status quo, as measured by the alternative fiscal scenario, the annual deficit would grow to consume nearly one-fifth of the entire U.S. economy by 2040.

TABLE 11.—COMMITTEE–REPORTED BUDGET VS. THE CBO ALTERNATIVE FISCAL SCENARIO

[CBO long term analysis; as a percentage of GDP]

	2022	2030	2040	2050
Committee Reported FY 2012 Budget				
Total Revenues	18½	19	19	19
Total Spending	20¼	20¾	18¾	14¾
Deficit (−) or Surplus	−2	−1¾	¼	4¼
Debt Held by the Public	70	64	48	10
Alternative Fiscal Scenario				
Total Revenues	19¼	19¼	19¼	19¼
Total Spending	26¾	32¼	38½	45¼
Deficit (−) or Surplus	−7½	−13	−19¼	−26
Debt Held by the Public	95	146	233	344

Debt

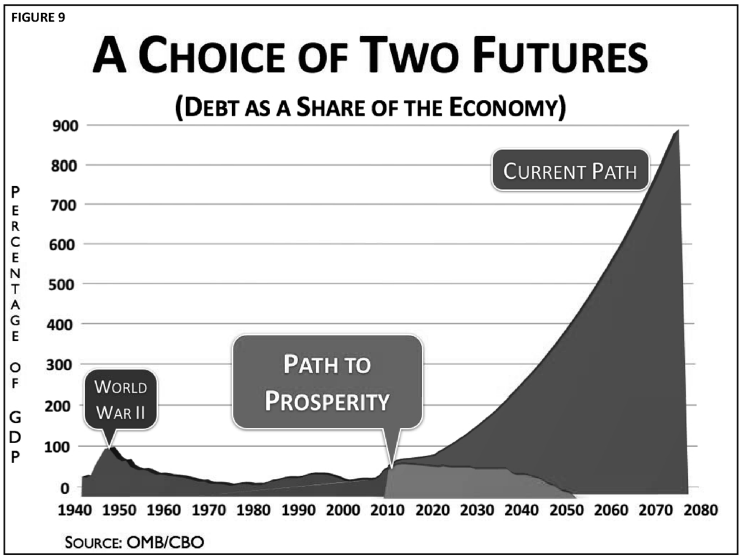
By continuing Washington's spending spree, the President's budget adds $10.4 trillion to the debt over the next decade. Under his budget, debt held by the public would double by 2016 compared with the President's first year in office, and triple by the end of the budget window. By failing to address the unsustainable growth of mandatory spending programs, the President's budget commits the Nation to a crushing burden of debt. The CBO estimates that under the President's budget, debt held by the public will approach 90 percent of the entire economy by 2021. The explosive growth of debt will continue in the years beyond. Under the alternative fiscal scenario, CBO projects debt as a share of the economy to grow to 146 percent in 2030, 233 percent in 2040, and an unfathomable 344 percent in 2050. In analyzing the economic impact of the debt levels in the alternative fiscal scenario, CBO was unable to model the economic effects because debt levels were so large that CBO could not calculate their effects.

The CBO has warned that "persistent deficits and continually mounting debt would have several negative economic consequences for the United States * * * a growing level of Federal debt would also increase the probability of a sudden fiscal crisis." [12]

[12] Congressional Budget Office. Federal Debt and the Risk of a Fiscal Crisis. July 27, 2010. *http://www.cbo.gov/ftpdocs/116xx/doc11659/07-27—Debt—FiscalCrisis—Brief.pdf.*

The Path to Prosperity lifts the crushing burden of debt, making it possible for the economy to grow and for Americans to prosper. This budget would cut trillions of dollars from the debt relative to the current path in every year of their long-term analysis. In 2022, the debt would be more than 25 percent lower than would be the case under the status quo; 56 percent less in 2030; and 79 percent less in 2040. By 2050, this budget would reduce debt relative to the size of the economy to only 10 percent.

FIGURE 9



Section-by-Section Description

The Concurrent Resolution on the Budget establishes an overall budgetary framework, which includes: aggregate levels of total new budget authority and outlays; total Federal revenues and the amount by which revenues should be changed; the surplus or deficit; new budget authority and outlays for each major functional category; the debt held by the public; and the debt subject to the statutory limit.

The Congressional Budget Act of 1974 allows a procedure by which the Concurrent Resolution on the Budget may include directives to authorizing committees to submit legislation achieving specified changes in revenue and mandatory spending levels. The House reported Concurrent Resolution on the Budget for fiscal year 2012 does not include such "reconciliation" directives. The House has the ability to initiate fast-track procedures through its Rules Committee. The Senate can only generate these fast-track procedures through the incorporation of reconciliation directives that are adopted as part of a conference report on the Concurrent Resolution on the Budget. At the time of the reporting of this resolution, the Senate Committee on the Budget had not scheduled a markup of the Concurrent Resolution on the Budget. It is unclear whether the Senate will take up, much less pass, a Concurrent Resolution on the Budget this year. The House Committee on the Budget decided to meet its responsibility to report a budget. If the Senate passes a Concurrent Resolution on the Budget, then the two houses will have the opportunity to resolve a number of issues, including the budget levels, the enforcement language, and the question of whether reconciliation is included.

SECTION 1. CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2012

Subsection (a), in accordance with section 301(a) of the Congressional Budget Act of 1974, establishes the levels for fiscal year 2012, and each of the nine years following the budget year, fiscal years 2012 through 2021.

For fiscal year 2012, the concurrent resolution establishes a binding ceiling on spending and a floor on revenue. The accompanying report provides a lump sum allocation of discretionary spending authority to the Committee on Appropriations of the House that in turn distributes to its twelve subcommittees for spending on the various programs, projects and activities that need to be funded on an annual basis through appropriations measures. Allocations are also given to committees other than appropriations, though in addition to the fiscal year 2012, these committees may not exceed the

10-year period covered by the Concurrent Resolution on the Budget.

This 10-year period of fiscal years 2012 through 2021 is important because bills or amendments that increase direct spending above this 10-year level, in addition to the fiscal year 2012 level, will be subject to a point of order on the floor of the House and prevent their consideration. This is the case with measures reducing revenue below the level provided for in the resolution for the same time periods.

Subsection (b) sets out the table of contents of the resolution.

Title I—Recommended Levels and Amounts

SECTION 101. RECOMMENDED LEVELS AND AMOUNTS

Consistent with section 301 of the Congressional Budget Act of 1974, this section establishes the recommended levels for revenue, reduction in revenue, total new budget authority, total budget outlays, surpluses or deficits, debt held by the public, and the debt subject to the statutory limit. The recommended level of revenue operates as a floor against which all revenue bills are measured pursuant to section 311 of the Budget Act. Similarly, the recommended levels of new budget authority and budget outlays serve as a ceiling on the consideration of subsequent spending. The surplus or deficit levels reflect only on-budget outlays and revenue and hence do not reflect most outlays and receipts related to the Social Security Program and certain Postal Service operations. The debt subject to statutory limit aggregates refers to the portion of gross Federal debt issued by the Treasury to the public or another government fund or account, whereas the debt held by the public is the amount of debt issued and held by entities or individuals other than the U.S. Government.

SECTION 102. MAJOR FUNCTIONAL CATEGORIES

As further required by section 301(a) of the Budget Act, section 102 establishes the appropriate budgetary levels for the functional categories for the current fiscal year, 2011, the budget year, fiscal year 2012, and fiscal years 2012 through 2021.

The functions are as follows:

050 National Defense
150 International Affairs
250 General Science, Space, and Technology
270 Energy
300 Natural Resources and Environment
350 Agriculture
370 Commerce and Housing Credit
400 Transportation
450 Community and Regional Development
500 Education, Training, Employment, and Social Services
550 Health
570 Medicare
600 Income Security
650 Social Security
700 Veterans Benefits and Services
750 Administration of Justice

800 General Government
900 Net Interest
920 Allowances
950 Undistributed Offsetting Receipts
970 Global War on Terrorism and Related Activities

The functional levels included in section 102 of the Concurrent Resolution on the Budget for Fiscal Year 2012 are expected to change through the adoption of a Manager's Amendment to be offered by the Chairman of the House Committee on the Budget. This amendment will be offered to correct technical aspects and certain functional totals and aggregates included in the concurrent resolution as reported.

Specifically, the Manager's Amendment makes a correction to the reported resolution to fully reflect debt service costs and the savings associated with an assumed Federal civilian pay freeze and a reduction in the Federal civilian workforce. Both policies were assumed in the Concurrent Resolution on the Budget but were not reflected in the reported resolution's budget levels. The correction has no impact on budget levels for fiscal year 2012, but leads to a gradual increase in interest outlays that rises to $48 billion by 2021. It is entirely offset by savings from the pay freeze and workforce reduction. The Manager's Amendment is expected to change the appropriate function levels and limits to incorporate those assumptions and make other technical changes.

Title II—Long-Term Budgeting

SECTION 201. LONG-TERM BUDGETING

This section sets out the recommended budget levels for certain budget areas for each of fiscal years 2030, 2040, and 2050 as a percent of the gross domestic product of the United States as follows:

Federal Revenues

FY2030: 19 percent
FY2040: 19 percent
FY2050: 19 percent

Budget Outlays

FY2030: 20.75 percent
FY2040: 18.75 percent
FY2050: 14.75 percent

Deficit (−) or Surplus

FY2030: −1.75 percent
FY2040: 0.25 percent
FY2050: 4.25 percent

Debt Held by the Public

FY2030: 64 percent
FY2040: 48 percent
FY2050: 10 percent

Title III—Reserves and Contingencies

SECTION 301. COSTS OF THE GLOBAL WAR ON TERRORISM

Under the Congressional Budget Act of 1974, a measure causing direct or discretionary spending over the level provided by the Concurrent Resolution on the Budget is subject to a point of order. This section allows the Chairman of the Committee on the Budget to raise the level in the resolution for measures increasing such spending for fiscal year 2012 if it is for the global war on terrorism and related activities. The amount by which the Chairman is authorized to raise that level is capped, however, by the amount assumed in the resolution for that purpose—the level of the cap for those adjustments is the amount set in Function 970 (section 102(21) of this resolution). That level is $126.5 billion, an amount equal to the President's request for fiscal year 2012.

SECTION 302. EFFECTIVE DATE

At the beginning of the 112th Congress, House Resolution 5 was adopted to set the rules for that Congress. One section of that resolution allowed a provision of legislation to be declared an emergency, and hence the budgetary effects of the provision would not be counted for budget enforcement purposes. The provision in House Resolution 5 as adopted, however, expires on the adoption of the Concurrent Resolution on the Budget. This section extends that date through 31 May 2011 with the expectation that the Concurrent Resolution on the Budget would be adopted before that date.

SECTION 303. RESERVE FUND FOR HEALTH CARE REFORM

This section allows the Chairman of the Committee on the Budget to revise the allocations of spending authority provided to committees and adjust other budgetary enforcement amounts in this resolution for a measure that repeals the Patient Protection and Affordable Care Act (Public Law 111-148) or the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152). Those measures are the health care reform bills enacted into law in 2010.

SECTION 304. RESERVE FUND FOR THE SUSTAINABLE GROWTH RATE OF THE MEDICARE PROGRAM

This section allows the Chairman of the Committee on the Budget to revise the allocations of spending authority provided to committees and adjust other budgetary enforcement amounts in this resolution for a measure amending or superseding the system for updating payments under section 1848 of the Social Security Act, as long as such measure is deficit-neutral for the period of fiscal years 2012 through 2021.

SECTION 305. RESERVE FUND FOR DEFICIT-NEUTRAL REVENUE MEASURES

This section allows the Chairman of the Committee on the Budget to revise the allocations of spending authority provided to the Committee on Ways and Means for legislation that decreases revenue. The Chairman of the Committee on the Budget may adjust the allocations and aggregates of this concurrent resolution if such measure would not increase the deficit over fiscal years 2012 through 2021.

SECTION 306. DEFICIT-NEUTRAL RESERVE FUND FOR RURAL COUNTIES AND SCHOOLS

The reserve fund accommodates any legislation that reauthorizes the Secure Rural Schools and Community Self-Determination Act (Public Law 106-393), to the extent that such legislation does not increase the deficit or direct spending in fiscal year 2012, fiscal years 2012 through 2016, or fiscal years 2012 through 2021. That law provides economic assistance to States and counties containing National Forest System lands and public domain lands managed by the Bureau of Land Management for the benefit of public schools, roads, and other purposes.

Title IV—Budget Enforcement

SECTION 401. DISCRETIONARY SPENDING LIMITS

Subsection (a) sets out spending limits for each of the fiscal years 2012 through 2021. In the resolution as reported, these amounts have not been identified. They will, however, be set prior to a vote on final passage of the concurrent resolution through a Manager's Amendment on the floor of the House.

Subsection (b) sets out an enforcement mechanism for the spending limits. A bill that causes the spending limit to be exceeded would trigger a point of order against the consideration of that bill (or amendment or conference report).

SECTION 402: ADVANCE APPROPRIATIONS

Subsection (a) sets out spending limits for each of the fiscal years 2012 through 2021. It is anticipated that a Manager's Amendment will be adopted to conform the reported resolution limits to the assumptions in the resolution.

Subsection (b) sets out the programs that may receive advance appropriations. Those are either referred to in this report in the section as "Accounts Identified for Advance Appropriations" or for certain veterans health programs set in subsection (c).

Subsection (c) specifically sets a limit on the amount of total allowable advance appropriations for fiscal year 2013. It allows advance appropriations of up to $52.5 billion for fiscal year 2013 for Veterans Medical Services, Veterans Medical Support and Compliance, and Veterans Medical Facilities. It also allows up to $28.852 billion for other programs named in this report and referred to in subsection (b). This total is the same as the limit included in the fiscal year Concurrent Resolution on the Budget for 2010, the last year in which Congress adopted conference report on the Concurrent Resolution on the Budget.

Subsection (d) defines advance appropriations as any new discretionary budget authority provided in a bill or joint resolution making general or continuing appropriations for fiscal year 2013.

Subsection (e) provides the Chairman of the Committee on the Budget with certain adjustment authority. At the time this report is filed, it is unclear what the final discretionary appropriations level will be. The adjustment authority allows the list and the amount to be changed to take into account the final appropriations measure for fiscal year 2011.

SECTION 403. CONCEPTS AND DEFICITIONS

Section 403 requires the chairman of the Committee on the Budget to adjust levels and allocations in this budget resolution upon enactment of legislation that changes concepts or definitions.

SECTION 404. ADJUSTMENTS OF AGGREGATES AND ALLOCATIONS

Section 404 sets out a special enforcement procedure for measures reducing revenue. The Concurrent Resolution on the Budget allows a certain amount of revenue loss before it normally would cause a measure to be subject to a point of order. This section restricts the measures that may cause the revenue loss provided for in the concurrent resolution.

Subsection (a) sets out the rule for this resolution that the enforceable revenue levels are the March 2011 Congressional Budget Office baseline. Hence any measure that decreases revenue relative to that baseline would be in violation of the Concurrent Resolution on the Budget unless it is specifically provided for in this section. The enforceable baseline level provided for in this subsection can be adjusted downward as the specific bills are enacted, but the adjustments must stop once the revenue floor is set in the resolution. It allows an amount of revenue adjustments to be made, but that is limited to the amount between the revenue in the March 2011 baseline and the revenue floor in the Concurrent Resolution on the Budget.

Subsection (b) specifies the revenue measures that can be adjusted for the budgetary effects of measures:

- Extending the Economic Growth and Tax Relief Reconciliation Act of 2001;
- Extending the Jobs and Growth Tax Relief Reconciliation Act of 2003;
- Adjusting the Alternative Minimum Tax exemption amounts to prevent a larger number of taxpayers as compared with tax year 2008 from being subject to the Alternative Minimum Tax or of allowing the use of nonrefundable personal credits against the Alternative Minimum Tax, or both as applicable;
- Extending the estate, gift, and generation-skipping transfer tax provisions of title III of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010;
- 20 percent deduction in income to small businesses;
- trade agreements;
- The repeal of the tax increases set forth in the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010;
- Measures reforming the tax code and lowering tax rates.

Measures reforming the Patient Protection and Affordable Care Act and the Health Care [PPACA] and Education Affordability Reconciliation Act of 2010 [HERA] are also allowed a revenue adjustment, but only to the extent they are deficit neutral in the fiscal years 2012 through 2021. To the extent revenue increases are used to achieve deficit neutrality during this period, those revenue raisers may only be either (or both):

1. repealing the individual mandate included in PPACA/HERA;
2. modifying the subsidies to purchase health insurance as set in PPACA/HERA.

Subsection (c) sets out a procedure to facilitate legislation to subject mandatory spending to annual appropriations. Under current law, there are impediments to reassessing mandatory spending since if such spending is eliminated, the purpose for which that spending is intended is no longer served on the mandatory side of the budget. Even if it were to authorize the spending, the Committee on Appropriations would have to find additional resources within its allocation.

Under this procedure, should an authorizing committee want to retain the purpose, but determines it more appropriately should be subject to annual appropriations, it can, at the same time it eliminates the direct spending, authorize appropriations for the program. If that direct spending legislation is enacted, the Chairman of the Committee on the Budget may increase the allocation to the Committee on Appropriations by a corresponding amount for discretionary spending for the same purpose in fiscal year 2012.

This effectively holds the Committee on Appropriations harmless if it appropriates money under the terms of that authorization—both the discretionary caps set out in section 401 of this resolution and the allocation under 302(a) set out under the terms of the Congressional Budget Act of 1974 are adjusted.

SECTION 405. LIMITATION ON LONG-TERM SPENDING

Section 405 prohibits the consideration of measures increasing mandatory spending above $5 billion for any 10-year window within a 40-year period.

SECTION 406. BUDGETARY TREATMENT OF CERTAIN TRANSACTIONS

Subsection (a) provides that administrative expenses related to Social Security and the United States Post Office in the allocation to the Committee on Appropriations. This language is necessary to ensure that the Committee on Appropriations retains control of administrative expenses through the congressional budget process.

Subsection (b) clarifies that the allocation to the Committee on Appropriations of the House, which is enforceable through points of order under the Congressional Budget Act of 1974, would be enforced using estimates of the budgetary effects of a measure that include any off-budget discretionary amounts.

Subsection (c) allows the Chairman of the Committee on the Budget to adjust the spending or revenue levels of the Concurrent Resolution on the Budget for legislation, if reported by the Committee on Oversight and Government Reform, that reforms the Federal retirement system. The Chairman may make the adjustments only if they do not cause a net increase in the deficit in fiscal year 2012 and fiscal years 2012 through 2021.

SECTION 407. APPLICATION AND EFFECT OF CHANGES IN ALLOCATIONS AND AGGREGATES

Subsection (a) details the allocation and aggregate adjustment procedures required to accommodate legislation for the reserve funds in this resolution. It provides that the adjustments shall apply while the legislation is under consideration and take effect upon enactment of the legislation. In addition, the subsection requires the adjustments to be printed in the Congressional Record.

Subsection (b) notes, for purposes of enforcement, aggregate and allocation levels resulting from adjustments made pursuant to this resolution will have the same effect as if adopted in the original levels of Title I of this Concurrent Resolution on the Budget.

Subsection (c) explains that the Committee on the Budget determines the budgetary levels and estimates which are required to enforce points of order under the Congressional Budget Act. This can be read in conjunction with clause 4 of Rule XXIX of the Rules of the House of Representatives which adds additional authority for the Chairman of the Committee on the Budget to act on the behest of the Committee in advising about the budgetary consequences of legislation.

Subsection (d) provides an exemption for legislation for which the Chairman of the Committee on the Budget has made adjustments in the allocations or aggregates of the resolution and that complies with this Concurrent Resolution on the Budget. By such an exemption, such legislation is subject to neither the Cut-As-You-Go point of order (clause 10 of rule XXI of the Rules of the House of Representatives) nor section 405 of this resolution (the long-term spending point of order).

SECTION 408. FAIR VALUE ESTIMATES

Subsection (a) provides specific authority for the Chairman or Ranking Member of the Committee on the Budget to request a supplemental estimate for any program affecting or establishing Federal loans or loan guarantees. Normally such a measure would be scored on a "net present value" basis under the terms of the Federal Credit Reform Act found Title V of the Congressional Budget Act of 1974. The supplemental estimate would be scored using "fair value" which generally incorporates market risk.

Subsection (b) allows the Chairman of the Committee on the Budget to use the supplemental estimate referred to in subsection (a) to be used for enforcing compliance with the resolution.

SECTION 409. EXERCISE OF RULEMAKING POWERS

Subsection (a) provides for general technical application of the legislative text of the resolution.

Subsection (b) deletes redundant or extraneous provisions from House Resolution 5.

Title V—Policy

SECTION 501. POLICY STATEMENT ON MEDICARE REFORM

Subsection (a) sets out a number of findings.

Subsection (b) states that the policy of the Concurrent Resolution on the Budget is "to protect those in and near retirement from any disruptions to their Medicare benefits and offer future beneficiaries the same health care options available to Members of Congress."

Subsection (c) sets out the assumptions of the Concurrent Resolution on the Budget for the parameters of future Medicare reforms.

SECTION 502. POLICY STATEMENT ON SOCIAL SECURITY

Subsection (a) sets out a number of findings.

Subsection (b) states the Concurrent Resolution on the Budget's policy on Social Security.

SECTION 503. POLICY STATEMENT ON BUDGET ENFORCEMENT

Subsection (a) sets out a number of findings.

Subsection (b) states that in order to control spending and debt under control, certain statutory reforms are necessary: statutory spending limits for 2012 through 2021; increases in the debt limit be accompanied by enforcement mechanisms that provide for across-the-board spending cuts and expedited consideration for legislation that would reduce spending that would avoid such an across-the-board spending reductions.

Title VI—Senses of the House

SECTION 601. SENSE OF THE HOUSE THAT A RESPONSIBLE DEFICIT REDUCTION PLAN MUST CONSIDER ALL PROGRAMS, INCLUDING THOSE AT THE PENTAGON AND THE OTHER NATIONAL SECURITY AGENCIES

This sense of the House expressed the view that all programs should be reviewed when considering deficit reduction.

SECTION 602. SENSE OF THE HOUSE REGARDING THE IMPORTANCE OF CHILD SUPPORT ENFORCEMENT

This sense of the House expresses the sense that the authorizing committees are encouraged to ensure that States have the resources to collect child support owed to families and then to pass 100 percent of support on to families without financial penalty.

The Congressional Budget Process

The spending and revenue levels established in the budget resolution are executed through two parallel, but separate, mechanisms: allocations to the appropriations and authorizing committees; and, when necessary, reconciliation directives to the authorizing committees.

As required under section 302(a) of the Congressional Budget Act of 1974, the discretionary spending levels established in the budget resolution are allocated to the Appropriations Committee and the mandatory spending levels are allocated to each of the authorizing committees with mandatory spending authority. These allocations appear in the report accompanying the budget resolution, and they are enforced through points of order (see the section of this report titled: "Enforcing the Budget Resolution".) Amounts provided under "current law" encompass programs that affect direct spending—entitlements and other programs that have spending authority or offsetting receipts. Amounts subject to discretionary action refer to programs that require subsequent legislation to provide the necessary spending authority. Amounts provided under "reauthorizations" reflect amounts assumed to be provided in subsequent legislation reauthorizing expiring mandatory programs.

Allocations of budget authority and outlays are provided for each of the authorizing committees for the current year (fiscal year 2011), the budget year (fiscal year 2012), and the 10-year period (fiscal years 2012 through 2021). Section 302 of the Congressional Budget Act (as modified by the Balanced Budget Act of 1997) requires that allocations of budget authority be provided in the report accompanying the budget resolution for the 1st fiscal year and at least the 4 ensuing fiscal years (except for the Committee on Appropriations, which receives an allocation only for the budget year).

Appropriations Committee

The report accompanying the budget resolution allocates to the Committee on Appropriations a lump sum of discretionary budget authority assumed in the resolution and corresponding outlays.

TERM OF THE 302(A) ALLOCATION

The allocation to the Appropriations Committee is for the fiscal year commencing on 1 October 2012. Unlike the authorizing committees, the Appropriations Committee does not receive a 5-year allocation of budget authority and outlays.

302(B) ALLOCATION

Upon receiving its 302(a) allocation, the Appropriations Committee is required to divide the allocation among its 12 subcommittees. The amount each subcommittee receives constitutes its allocation pursuant to section 302(b) of the Congressional Budget Act.

Authorizing Committees

The authorizing committees are allocated a lump sum of new budget authority along with the corresponding outlays. The committees may be allocated additional budget authority categorized as subject to discretionary action. This occurs when the budget resolution assumes a new or expanded mandatory program or a reduction in an existing program. Such spending authority must be provided through subsequent legislation and is not controlled through the annual appropriations process.

TERM OF THE 302(A) ALLOCATION

Because the spending authority for the authorizing committees is multi-year or permanent, the allocations are for the forthcoming budget year commencing on 1 October, and a 10-year total for fiscal years 2012 through 2021.

Unlike the Appropriations Committee, each of the authorizing committees is provided a single allocation of new budget authority (divided between current law and discretionary action) that is not provided through annual appropriations. These committees are not required to file 302(b) allocations. Bills first effective in fiscal year 2011 will be measured against the revised level for that year included in the fiscal year 2012 budget resolution and also the 10-year period of fiscal year 2012 through 2021. Bills first effective in fiscal year 2012 will be measured against the level of the budget year, fiscal year 2012 of the budget resolution, and also the 10-year period of fiscal year 2012-21.

Adjustments

In addition to the adjustments made under the Congressional Budget Act, the budget resolution also provides the Chairman of the House Budget Committee with the authority to make certain adjustments in the aggregates and allocations, in certain circumstances.

In section 301, the authority of Chairman of the Committee on the Budget may adjust the aggregates and allocations of this resolution if it is designated as a related to the Global War on Terrorism but only through 31 May 2011. This adjustment is capped at the level found in function 970. Spending above that level must be offset.

In section 302, the authority of Chairman of the Committee on the Budget is extended to omit the budget costs of a provision of a bill or amendment if it is designated as an emergency or related to the Global War on Terrorism [GWOT]. While not adjustments, the designations act in the same fashion. Specifically, this designation was included in H. Res. 5, the organizing resolution for the 112th Congress but under the terms of that resolution, it expires upon the adoption of this concurrent resolution on the budget. This budget resolution extends that time to 31 May 2011. After that, emergency and GWOT spending in fiscal year 2011 must be offset.

Enforcement

To enforce the allocations, any Member may raise a point of order against spending legislation that exceeds a committee's allocation (see the section titled "Enforcing the Budget Resolution" in this report). The enforcement periods for spending under section 302(f) of the Congressional Budget Act are for the first year the legislation is effective, and the 10-year period commencing with that year.

Reconciliation

Section 310 of the Congressional Budget Act (2 U.S.C. 641) permits the budget resolution to provide for a budget "reconciliation" process.

As originally conceived in the Congressional Budget Act of 1974, reconciliation was to be an optional process stemming from the second of two budget resolutions adopted during a session of Congress. The first resolution, taken up in the spring, was a nonbinding blueprint intended to guide committees in their spending and revenue decisions. The second resolution, to be passed after Labor Day, would take into account any significant changes in economic or fiscal conditions, and then either reconfirm the first resolution levels, or make adjustments the Budget Committees found necessary. The second resolution was to be binding, and if one or more committees were found to have breached its limits, they could be required to adopt legislation that would "reconcile" their spending or revenue totals to those in the budget.

By the end of the 1970s, the second resolution had fallen into disuse. But the reconciliation procedure remained, and has come to be used as a means of making changes in entitlement or tax laws.

Under reconciliation as used today, one or more committees are directed to make changes in the laws in their jurisdictions to achieve specified increases or decreases in budget authority or revenue. Although reconciliation directives do not prescribe specific policies changes—those decisions lie with the committees of jurisdiction—the procedure is useful in the House as a means of driving policy changes. Even more important, procedurally, is the mechanism's special protection in the Senate: a reconciliation bill has an automatic time limit for debate, and it cannot be filibustered—hence it can pass with just 51 votes.

On the other hand, reconciliation in the Senate has significant constraints. Section 313 of the Budget Act—created by the late Senator Robert C. Byrd—prohibits the consideration of provisions in a reconciliation bill that are deemed "extraneous." There are several categories of these, but the most fundamental is that a reconciliation provision is extraneous if it does not increase or decrease spending or revenue. Any such provision would give rise to a point of order, and the provision could be stricken unless 60 Senators vote to waive the point of order.

Since the early 1980s, reconciliation was employed chiefly to slow the growth of entitlement spending, alter tax laws, and reduce deficits. In the fiscal year 2010 budget resolution, however, Congress employed the leverage of reconciliation to vastly expand government. Specifically, the resolution instructed each of three committees—Ways and Means, Energy and Commerce, and Education and Labor—to report legislation achieving net deficit reduction of a token $1 billion over 6 years. This transparently encouraged the committees to adopt major net spending increases, as long as they were offset by other spending reductions or, more to the point, were chased by higher taxes. Thus the budget offered reconciliation protection for the congressional majority's health care and student loan legislation, which contained trillions of dollars worth of increased spending.

To prevent further such abuses, the House majority in the 112th Congress included in its House rules (H. Res. 5) a provision prohibiting consideration of a budget resolution containing reconciliation directives that would result in a net increase in direct spending.

Reconciliation does not apply to discretionary spending, which is controlled by the Committee on Appropriations.

TABLE 12.—ALLOCATION OF SPENDING AUTHORITY TO HOUSE COMMITTEE ON APPROPRIATIONS

[In millions of dollars]

	2012
Discretionary Action:	
BA	1,019,402
OT	1,170,384
Current Law Mandatory:	
BA	745,700
OT	734,871

TABLE 13.—RESOLUTION BY AUTHORIZING COMMITTEE (ON–BUDGET AMOUNTS)

[In millions of dollars]

	2012	2012–2021
Agriculture:		
Current law:		
BA	13,463	763,847
Outlays	14,649	761,094
Resolution change:		
BA	−2,315	−177,866
Outlays	−2,228	−176,005
Total:		
BA	11,148	585,981
Outlays	12,421	585,089
Armed Services:		
Current law:		
BA	143,166	1,658,720
Outlays	139,128	1,653,112
Resolution change:		
BA	0	0
Outlays	0	0
Total:		
BA	143,166	1,658,720
Outlays	139,128	1,653,112
Education and Workforce:		
Current law:		
BA	−8,122	58,384
Outlays	−3,382	66,620

TABLE 13.—RESOLUTION BY AUTHORIZING COMMITTEE (ON–BUDGET AMOUNTS)—Continued

[In millions of dollars]

	2012	2012–2021
Resolution change:		
BA	−5,111	−150,382
Outlays	−2,522	−133,808
Total:		
BA	−13,233	−91,998
Outlays	−5,904	−67,188
Energy and Commerce:		
Current law:		
BA	318,581	4,545,941
Outlays	315,089	4,512,317
Resolution change:		
BA	−1,180	−1,366,323
Outlays	−1,207	−1,366,350
Total:		
BA	317,401	3,179,618
Outlays	313,882	3,145,967
Financial Services:		
Current law:		
BA	28,378	140,008
Outlays	29,475	−26,268
Resolution change:		
BA	−5,986	−66,359
Outlays	−6,485	−67,488
Total:		
BA	22,392	73,649
Outlays	22,990	−93,756
Foreign Affairs:		
Current law:		
BA	33,593	242,023
Outlays	27,088	248,438
Resolution change:		
BA	0	0
Outlays	0	0
Total:		
BA	33,593	242,023
Outlays	27,088	248,438
Homeland Security:		
Current law:		
BA	1,630	18,660
Outlays	1,555	18,512
Resolution change:		
BA	−1,900	−16,600
Outlays	−1,900	−14,100
Total:		
BA	−270	2,060
Outlays	−345	4,412
House Administration:		
Current law:		
BA	47	447
Outlays	220	642
Resolution change:		
BA	0	0
Outlays	0	0
Total:		
BA	47	447
Outlays	220	642
Judiciary:		
Current law:		
BA	14,347	85,614
Outlays	10,090	87,416
Resolution change:		
BA	−387	−48,087
Outlays	−1	−47,701

TABLE 13.—RESOLUTION BY AUTHORIZING COMMITTEE (ON–BUDGET AMOUNTS)—Continued

[In millions of dollars]

	2012	2012–2021
Total:		
BA	13,960	37,527
Outlays	10,089	39,715
Natural Resources:		
Current law:		
BA	5,984	61,750
Outlays	6,360	65,364
Resolution change:		
BA	−239	−10,735
Outlays	−190	−10,472
Total:		
BA	5,745	51,015
Outlays	6,170	54,892
Oversight and Government Reform:		
Current law:		
BA	97,476	1,134,959
Outlays	93,906	1,090,281
Resolution change:		
BA	−8,102	−153,145
Outlays	−8,275	−153,302
Total:		
BA	89,374	981,814
Outlays	85,631	936,979
Science and Technology:		
Current law:		
BA	120	1,254
Outlays	124	1,261
Resolution change:		
BA	0	0
Outlays	0	0
Total:		
BA	120	1,254
Outlays	124	1,261
Small Business:		
Current law:		
BA	0	0
Outlays	0	0
Resolution change:		
BA	0	0
Outlays	0	0
Total:		
BA	0	0
Outlays	0	0
Transportation and Infrastructure:		
Current law:		
BA	71,836	735,046
Outlays	16,234	178,408
Resolution change:		
BA	−15,471	−150,677
Outlays	−122	−4,396
Total:		
BA	56,365	584,369
Outlays	16,112	174,012
Veterans Affairs':		
Current law:		
BA	1,579	56,174
Outlays	1,683	57,739
Resolution change:		
BA	0	0
Outlays	0	0
Total:		
BA	1,579	56,174
Outlays	1,683	57,739

TABLE 13.—RESOLUTION BY AUTHORIZING COMMITTEE (ON–BUDGET AMOUNTS)—Continued

[In millions of dollars]

	2012	2012–2021
Ways and Means:		
Current law:		
BA	1,038,905	14,297,671
Outlays	1,039,300	14,298,563
Resolution change:		
BA	−8,028	−1,313,893
Outlays	−7,891	−1,314,122
Total:		
BA	1,030,877	12,983,778
Outlays	1,031,409	12,984,441

TABLE 14.—FISCAL YEAR 2012 BUDGET RESOLUTION TOTAL SPENDING AND REVENUES: MANAGER'S AMENDMENT

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Summary													
Total Spending:													
BA	3,540.321	3,442.191	3,482.292	3,589.684	3,692.433	3,877.396	4,032.855	4,187.694	4,398.917	4,605.735	4,791.985	18,083.996	40,101.181
OT	3,617.800	3,528.536	3,558.360	3,582.979	3,667.478	3,855.337	3,996.283	4,123.239	4,353.765	4,547.297	4,744.812	18,192.690	39,958.085
On-budget:													
BA	3,040.757	2,858.545	2,835.737	2,905.952	2,970.061	3,114.578	3,224.937	3,330.942	3,490.088	3,639.728	3,767.274	14,684.873	32,137.842
OT	3,120.767	2,947.916	2,915.241	2,902.944	2,949.301	3,097.060	3,193.477	3,271.881	3,450.742	3,587.701	3,726.564	14,812.462	32,042.826
Off-budget:													
BA	499.564	583.646	646.555	683.731	722.372	762.818	807.918	856.752	908.829	966.007	1,024.710	3,399.123	7,963.339
OT	497.033	580.620	643.119	680.035	718.177	758.277	802.806	851.357	903.024	959.596	1,018.248	3,380.228	7,915.259
Revenues:													
Total	2,230.199	2,533.212	2,860.329	3,093.942	3,236.738	3,377.014	3,589.281	3,744.762	3,938.622	4,142.155	4,354.210	15,101.235	34,870.265
On-budget	1,664.563	1,866.454	2,127.981	2,324.503	2,425.363	2,522.695	2,693.493	2,807.893	2,958.678	3,119.794	3,286.942	11,266.996	26,133.796
Off-budget	565.636	666.758	732.348	769.439	811.375	854.319	895.788	936.869	979.944	1,022.361	1,067.268	3,834.239	8,736.469
Surplus/Deficit (−):													
Total	−1,387.601	−995.324	−698.031	−489.037	−430.740	−478.323	−407.002	−378.477	−415.143	−405.141	−390.601	−3,091.455	−5,087.820
On-budget	−1,456.204	−1,081.462	−787.260	−578.441	−523.938	−574.365	−499.984	−463.988	−492.064	−467.907	−439.622	−3,545.466	−5,909.030
Off-budget	68.603	86.138	89.229	89.404	93.198	96.042	92.982	85.512	76.920	62.765	49.020	454.011	821.210
Debt Held by the Public (end of year)	10,351	11,418	12,216	12,797	13,319	13,876	14,351	14,787	15,242	15,673	16,068	na	na
Debt Subject to Limit (end of year)	14,973	16,204	17,177	17,951	18,697	19,503	20,245	20,968	21,699	22,408	23,102	na	na
By Function													
National Defense (050):													
BA	561.172	582.626	600.283	616.451	628.847	641.976	653.695	665.679	677.884	690.273	702.903	3,070.183	6,460.618
OT	640.396	593.580	597.211	606.903	618.837	635.475	643.275	650.246	666.959	679.088	691.494	3,052.006	6,383.068
International Affairs (150):													
BA	51.873	36.575	35.653	31.694	30.316	29.356	30.729	31.978	32.824	33.698	34.572	163.594	327.396
OT	44.138	36.102	34.545	34.178	32.613	32.161	31.926	31.594	30.487	30.123	30.740	169.599	324.469
General Science, Space, and Technology (250):													
BA	28.649	27.452	27.316	27.312	27.312	27.311	27.652	28.341	29.049	29.758	30.472	136.704	281.976
OT	31.037	29.798	28.242	27.763	27.469	27.506	27.646	28.114	28.684	29.344	29.946	140.777	284.511
Energy (270):													
BA	6.535	6.996	3.850	1.215	1.101	1.021	1.010	1.075	1.211	1.179	1.195	14.182	19.852
OT	13.328	16.174	10.053	4.547	1.360	0.340	0.460	0.539	0.497	0.470	0.476	32.474	34.916

Natural Resources and Environment (300):													
BA	31.986	31.921	29.414	25.296	26.893	25.231	26.156	26.618	26.956	27.787	27.756	138.753	274.027
OT	40.431	36.818	33.386	28.943	29.271	26.070	26.307	25.308	25.439	25.990	25.992	154.487	283.523
Agriculture (350):													
BA	26.337	19.819	18.396	16.717	17.355	17.235	16.859	17.025	17.159	17.469	17.755	89.522	175.789
OT	21.703	19.559	21.989	16.469	16.688	16.505	16.069	16.180	16.283	16.579	16.873	91.210	173.193
Commerce and Housing Credit (370):													
BA	−6.720	15.275	3.998	0.666	−2.451	−3.102	−0.232	0.006	0.052	0.153	0.091	14.386	14.458
OT	−6.708	17.235	2.573	−13.823	−19.253	−23.295	−23.525	−25.709	−17.268	−17.707	−19.359	−36.562	−140.129
On-budget:													
BA	−10.478	14.317	4.040	0.508	−2.609	−3.260	−0.293	−0.261	−0.222	−0.128	−0.196	12.996	11.895
OT	−10.466	16.275	2.611	−13.986	−19.417	−23.459	−23.592	−25.981	−17.547	−17.992	−19.650	−37.976	−142.738
Off-budget:													
BA	3.758	0.958	−0.042	0.158	0.158	0.158	0.061	0.268	0.274	0.281	0.288	1.390	2.563
OT	3.758	0.960	−0.038	0.163	0.164	0.165	0.068	0.272	0.278	0.285	0.291	1.414	2.609
Transportation (400):													
BA	84.992	64.316	64.515	64.265	60.377	68.563	65.916	70.578	66.719	67.472	68.936	322.036	661.656
OT	94.664	80.431	71.264	67.722	66.084	65.957	67.036	67.451	69.869	71.551	76.853	351.457	704.218
Community and Regional Development (450):													
BA	15.832	11.572	11.344	11.280	11.206	11.117	11.219	11.497	11.779	12.065	12.354	56.519	115.434
OT	24.306	23.559	20.609	18.127	14.176	12.257	11.231	10.860	11.028	11.294	11.524	88.728	144.664
Education, Training, Employment and Social Services (500):													
BA	57.756	67.122	63.887	66.076	69.446	73.314	75.371	76.798	78.314	79.629	80.952	339.845	730.909
OT	100.278	100.012	73.071	68.044	70.450	73.310	75.665	77.013	78.385	79.806	81.047	384.887	776.803
Health (550):													
BA	376.350	341.873	343.733	338.064	327.012	320.409	339.663	349.840	371.826	395.908	404.674	1,671.091	3,533.001
OT	375.875	346.636	340.608	320.444	315.117	325.200	342.703	347.303	368.558	382.056	400.682	1,648.006	3,489.309
Medicare (570):													
BA	490.879	481.521	519.903	550.105	573.252	618.945	637.938	657.067	711.486	758.271	809.106	2,743.726	6,317.594
OT	490.687	481.816	520.406	550.248	573.333	619.385	638.059	657.111	711.897	758.376	809.201	2,745.188	6,319.832
Income Security (600):													
BA	592.287	501.664	487.498	457.308	431.150	436.659	436.985	441.467	457.183	468.308	480.687	2,314.278	4,598.908
OT	603.073	501.006	487.248	456.072	429.143	438.896	434.795	434.302	454.448	465.565	477.942	2,312.364	4,579.416
Social Security (650):													
BA	735.080	769.060	807.668	850.744	897.641	948.701	1,006.098	1,068.714	1,135.334	1,206.195	1,278.208	4,273.814	9,968.364
OT	732.595	766.217	804.387	847.118	893.490	944.153	1,000.980	1,063.315	1,129.525	1,199.780	1,271.743	4,255.365	9,920.707
On-budget:													
BA	106.523	54.439	29.096	32.701	36.261	40.171	44.263	48.717	53.508	58.552	64.053	192.668	461.761
OT	106.569	54.624	29.256	32.776	36.311	40.171	44.263	48.717	53.508	58.552	64.053	193.138	462.231

TABLE 14.—FISCAL YEAR 2012 BUDGET RESOLUTION TOTAL SPENDING AND REVENUES: MANAGER'S AMENDMENT—Continued

[In billions of dollars]

Fiscal year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Off-budget:													
BA	628.557	714.621	778.572	818.043	861.380	908.530	961.835	1,019.997	1,081.826	1,147.643	1,214.155	4,081.146	9,506.603
OT	626.026	711.593	775.131	814.342	857.179	903.982	956.717	1,014.598	1,076.017	1,141.228	1,207.690	4,062.227	9,458.476
Veterans Benefits and Services (700):													
BA	129.331	128.339	130.024	134.143	138.167	147.410	146.323	145.412	155.091	159.680	164.381	678.083	1,448.970
OT	128.435	127.140	130.025	134.055	137.851	146.868	145.704	144.751	154.407	158.979	163.622	675.939	1,443.401
Administration of Justice (750):													
BA	46.813	56.946	45.326	45.093	44.928	47.009	45.731	46.699	47.768	50.848	52.863	239.302	483.212
OT	55.166	53.931	50.482	48.664	47.337	48.519	46.650	46.957	47.649	50.415	52.407	248.933	493.010
General Government (800):													
BA	26.337	22.762	22.185	22.232	22.183	22.217	22.453	22.979	23.559	23.915	24.356	111.579	228.841
OT	27.003	27.205	23.460	22.619	22.021	21.643	21.718	22.016	22.295	22.606	23.024	116.947	228.606
Net Interest (900):													
BA	212.303	255.855	319.093	390.792	456.768	521.312	578.424	627.205	667.268	706.056	734.784	1,943.820	5,257.556
OT	212.303	255.855	319.093	390.792	456.768	521.312	578.424	627.205	667.268	706.056	734.784	1,943.820	5,257.556
On-budget:													
BA	329.803	372.558	435.109	508.435	578.063	648.083	712.300	769.605	818.115	864.371	899.690	2,542.248	6,606.329
OT	329.803	372.558	435.109	508.435	578.063	648.083	712.300	769.605	818.115	864.371	899.690	2,542.248	6,606.329
Off-budget:													
BA	−117.500	−116.702	−116.016	−117.644	−121.295	−126.772	−133.875	−142.401	−150.847	−158.316	−164.906	−598.428	−1,348.773
OT	−117.500	−116.702	−116.016	−117.644	−121.295	−126.772	−133.875	−142.401	−150.847	−158.316	−164.906	−598.428	−1,348.773
Allowances (920):													
BA	....	−6.324	−4.515	−10.535	−16.814	−22.920	−28.669	−34.159	−39.693	−45.174	−50.752	−61.109	−259.556
OT	....	−2.651	−5.674	−11.551	−17.420	−23.486	−28.520	−34.046	−39.575	−45.084	−50.639	−60.783	−258.646
On-budget:													
BA	....	−6.299	−4.386	−10.247	−16.340	−22.243	−27.786	−33.072	−38.404	−43.684	−49.060	−59.516	−251.522
OT	....	−2.626	−5.545	−11.263	−16.946	−22.809	−27.637	−32.959	−38.286	−43.594	−48.947	−59.190	−250.612
Off-budget:													
BA	....	−0.025	−0.129	−0.288	−0.474	−0.677	−0.883	−1.087	−1.289	−1.490	−1.692	−1.593	−8.034
OT	....	−0.025	−0.129	−0.288	−0.474	−0.677	−0.883	−1.087	−1.289	−1.490	−1.692	−1.593	−8.034
Undistributed Offsetting Receipts (950):													
BA	−86.894	−99.723	−97.279	−99.233	−102.254	−104.367	−110.468	−117.124	−122.853	−127.757	−133.309	−502.856	−1,114.367
OT	−86.894	−99.723	−97.279	−99.233	−102.254	−104.367	−110.468	−117.124	−122.853	−127.757	−133.309	−502.856	−1,114.367
On-budget:													
BA	−71.643	−84.517	−81.449	−82.695	−84.857	−85.946	−91.248	−97.099	−101.718	−105.645	−110.174	−419.464	−925.348

OT	−71.643	−84.517	−81.449	−82.695	−84.857	−85.946	−91.248	−97.099	−101.718	−105.645	−110.174	−419.464	−925.348
Off-budget:													
BA	−15.251	−15.206	−15.830	−16.538	−17.397	−18.421	−19.220	−20.025	−21.135	−22.112	−23.135	−83.392	−189.019
OT	−15.251	−15.206	−15.830	−16.538	−17.397	−18.421	−19.220	−20.025	−21.135	−22.112	−23.135	−83.392	−189.019
Global War on Terrorism (970):													
BA	159.423	126.544	50.000	50.000	50.000	50.000	50.000	50.000	50.000	50.000	50.000	326.544	576.544
OT	75.984	117.835	92.661	64.878	54.401	50.929	50.147	49.851	49.784	49.769	49.769	380.704	630.024

Enforcing the Budget Resolution

The budget resolution is more than a planning document. The allocations of spending authority and the aggregate levels of both spending authority and revenues are binding on the Congress when it considers subsequent spending and tax legislation. Legislation breaching the levels set forth in the budget resolution is subject to points of order on the floor of the House of Representatives.

Any Member of the House may raise a point of order against any tax or spending bill that breeches the allocations and aggregate spending levels established in the budget resolution. If the point of order is sustained, the House is precluded from further consideration of the measure.

Though these points of order are important for budgetary discipline, in the House they may be waived by the resolutions structuring rules for debate on legislation and appropriations measures that come before it for consideration. The House Budget Committee believes it is important to augment these congressional enforcement tools with statutory controls. Such controls were in place as part of the Budget Enforcement Act of 1997 [BEA], which expired at the end of 2002.

Major Budget Act Requirements

SECTION 302(F)

Section 302 of the Congressional Budget Act prohibits the consideration of legislation that exceeds a committee's allocation of new budget authority. Section 302(f) applies to the budget year and the 10-year total for authorizing committees. For appropriations bills, however, it applies only to the budget year. The budget year is the first fiscal year to which a concurrent resolution on the budget applies. An exception is provided for legislation that is offset by tax increases above and beyond those required by the budget resolution.

SECTION 303(A)

This section prohibits the consideration of spending and tax legislation before the House has passed a budget resolution. Section 303(a) does not apply to budget authority and revenue provisions first effective in a year following the first fiscal year to which a budget resolution applies, or to appropriation bills after 15 May.

SECTIONS 308(B)(2), 311(C), AND 312

Under sections 308(b)(2), 311(c) and 312 of the Budget Act, the Budget Committee advises the presiding officer on the application of points of order against specific legislation pending before the

House. House Budget Committee rules also authorize the chairman to poll the committee on recommendations to the Rules Committee to enforce the Budget Act by not waiving points of order against specific legislation.

SECTION 311(A)(1)

Section 311(a)(1) prohibits the consideration of legislation that exceeds the ceiling on budget authority and outlays, or reduces revenue below the revenue floor. Section 311(a)(1) applies to the budget year and 10-year total for bills increasing spending or reducing revenue, but only to the budget year for appropriations bills. Section 311 does not apply to spending bills that do not breach a committee's 302(a) allocations.

SECTION 401(A)

This section of the Congressional Budget Act prohibits the consideration of legislation providing borrowing authority, new credit authority, or contract authority not subject to discretionary appropriations.

SECTION 401(B)(1)

This section prohibits the consideration of legislation creating new entitlement authority in the year preceding the budget year. It does not apply to trust funds primarily financed by earmarked taxes.

Budget-Related Controls in House Resolution 5, the Rules of the House of Representatives—112th Congress

CLAUSE 4 OF RULE XXIX

This new clause specifies that the Chair of the Committee on the Budget is responsible for providing authoritative guidance concerning the impact of a legislative propositions related to the levels of new budget authority, outlays, direct spending, and new entitlement authority.

CLAUSE 7 OF RULE XXI

This clause prohibits the consideration of a concurrent resolution on the budget containing reconciliation directives (section 310 of the Congressional Budget Act of 1974) that would cause a net increase in direct spending.

CLAUSE 10 OR RULE XXI

House Res. 5 replaced the previous "pay-as-you-go" (pay-go) rule with a "cut-as-you-go" procedure that prevents net increases in spending. Cut-as-you-go prevents spending increases disguised by revenue increases and prohibits the consideration of legislation that increases mandatory spending over 5 years or 10 years, requiring spending increases to be offset by spending reductions rather than revenue increases.

SECTION 3 OF H. RES. 5

H. Res. 5 adopts the rules from the 111th Congress and incorporates additional provisions related to the budget process. This section requires that each general appropriations bill contain a "spending reduction" account, or "lockbox," the contents of which is a recitation of the amount by which, through the amendment process, the House has reduced spending in other portions of the bill and indicated that such savings should be counted toward spending reduction. It provides that any other amendment that propose to increase spending must include an offset of an equal or greater value.

Accounts Identified for Advance Appropriations

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS FOR FISCAL YEAR 2013 (SUBJECT TO $28.852 BILLION LIMIT)

Financial Services and General Government

Payment to Postal Service

Labor, HHS, and Education

Employment and Training Administration
Office of Job Corps
Education for the Disadvantaged
School Improvement Programs
Special Education
Career, Technical and Adult Education

Transportation, Housing and Urban Development

Tenant-based Rental Assistance
Project-based Rental Assistance

ADVANCE APPROPRIATIONS FOR FISCAL YEAR 2013 (SEPARATE LIMIT OF $52.541 BILLION)

Military Construction, Veterans Affairs

VA Medical Services
VA Medical Support and Compliance
VA Medical facilities

Votes of the Committee

Clause 3(b) of House Rule XIII requires each committee report to accompany any bill or resolution of a public character, ordered to include the total number of votes cast for and against on each roll call vote, on a motion to report and any amendments offered to the measure or matter, together with the names of those voting for and against. Listed below are the roll call votes taken in the House Budget Committee on the Concurrent Resolution on the Budget for Fiscal Year 2012.

On April 6, 2011 the Committee met in open session, a quorum being present.

Mr. Garrett asked unanimous consent that the Chairman be authorized, consistent with clause 4 of House Rule XVI, to declare a recess at any time during the Committee meeting.

There was no objection to the unanimous consent request.

Chairman Ryan asked unanimous consent to dispense with the first reading of the budget aggregates, function levels, and other appropriate matter; that the aggregates, function totals, and other appropriate matter be open for amendment; and that amendments be considered as read.

There was no objection to the unanimous consent requests.

The committee adopted and ordered reported the Concurrent Resolution on the Budget for Fiscal Year 2012. The following votes were taken by the committee:

1. An amendment offered by Representatives Yarmuth, Tonko, McCollum, Castor, and Honda to increase the revenues and decrease deficits by increasing taxes on individuals with incomes greater than $1,000,000.

The amendment would increase revenues by the following amounts: $15 billion for fiscal year 2013, $20 billion for fiscal year 2014, $30 billion for fiscal year 2015, $35 billion for fiscal year 2016, $40 billion for fiscal year 2017, $45 billion for fiscal year 2018, $50 billion for fiscal year 2019, $55 billion for fiscal year 2020, $60 billion for fiscal year 2021.

Revenues resulting from this provision would reduce the deficit.

The amendment was not agreed to by a roll call vote of 14 ayes and 23 noes.

ROLLCALL VOTE NO. 1

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		

ROLLCALL VOTE NO. 1—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)			
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)		X	
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

2. An amendment offered by Representatives Schwartz, Moore, Castor, Shuler, and Wasserman Schultz to increase budget authority and outlays for Function 550 to reflect increased assistance to senior citizens' nursing home care offset by increased revenue including eliminating tax deductions for domestic oil production and increased taxes on individuals earning over $250,000 annually.

The budget authority and outlays for Function 550 would increase by: $1 billion for fiscal year 2012, $13 billion for fiscal year 2013, $45 billion for fiscal year 2014, $63 billion for fiscal year 2015, $73 billion for fiscal year 2016, $82 billion for fiscal year 2017, $102 billion for fiscal year 2018, $112 billion for fiscal year 2019, $131 billion for fiscal year 2020, $150 billion for fiscal year 2021.

The amendment was not agreed to by a roll call vote of 14 ayes and 21 noes.

ROLLCALL VOTE NO. 2

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)			
CAMPBELL (CA)		X		DOGGETT (TX)			
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)							

3. An amendment offered by Representative T. Ryan, McCollum, and Castor expressing a sense of the House to prevent tax increases on individuals earning less than $200,000 and couples earning less than $250,000.

The amendment was not agreed to by a roll call vote of 15 ayes and 22 noes.

ROLLCALL VOTE NO. 3

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		

ROLLCALL VOTE NO. 3—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

4. An amendment offered by Representatives Tonko, Pascrell, Moore, Castor, and Schwartz expressing a sense of the House supporting funding for seniors, military service members and veterans' health care and rejecting a policy to replace Medicare with premium support.

The amendment was not agreed to by a roll call vote of 16 ayes and 22 noes.

ROLLCALL VOTE NO. 4

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		

ROLLCALL VOTE NO. 4—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

5. An amendment offered by Representatives Doggett, Castor, Shuler, and T. Ryan to increase funding for Function 500 to expand access to higher education; Function 400 to increase infrastructure funding; and Function 250 to expand scientific research and development, and dedicate the savings to deficit reduction. The funding is offset by increased revenue including eliminating tax deductions for U.S. businesses with international operations.

The amendment would increase revenue levels in the following amounts: $6 billion for fiscal year 2012, $11 billion for fiscal year 2013, $11.5 billion for fiscal year 2014, $12 billion for fiscal year 2015, $12 billion for fiscal year 2016, $13 billion for fiscal year 2017, $14 billion for fiscal year 2018, $14 billion for fiscal year 2019, $15.5 billion for fiscal year 2020, $16 billion for fiscal year 2021.

The amendment would increase budget authority for Function 500 by $50 billion for fiscal year 2012 and increase outlays in the following amounts: $27 billion for fiscal year 2012, $14.25 billion for fiscal year 2013, $4.95 billion for fiscal year 2014, $1.85 billion for fiscal year 2015, $1.25 billion for fiscal year 2016.

The amendment would increase budget authority for Function 400 by $13 billion for fiscal year 2012 and increase outlays in the following amounts: $7.020 billion for fiscal year 2012, $3.705 billion for fiscal year 2013, $1.287 billion for fiscal year 2014, $0.481 billion for fiscal year 2015, $0.325 billion for fiscal year 2016.

The amendment would increase budget authority for Function 250 by $12 billion for fiscal year 2012 and increase outlays in the following amounts: $6.480 billion for fiscal year 2012, $3.420 billion for fiscal year 2013, $1.188 billion for fiscal year 2014, $0.444 billion for fiscal year 2015, $0.300 billion for fiscal year 2016.

Revenues resulting from this provision, above the amounts needed to offset the outlay changes outlined above, would reduce the deficit.

The amendment was not agreed to by a roll call vote of 16 ayes and 22 noes.

ROLLCALL VOTE NO. 5

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

6. An amendment offered by Representatives Honda, McCollum, Pascrell, Moore, Castor, Shuler, and Tonko to increase budget authority and outlays for Function 500 to reflect increased funding for elementary, secondary, and Head Start education programs. The funding is offset by increased revenue including eliminating tax de-

ductions for domestic oil production and U.S. businesses with international operations, as well as raising taxes on individuals with annual income greater than $1,000,000.

The aggregate level of budget authority in Function 500 would increase by $4.329 billion for fiscal year 2012 and outlays would increase by the following amounts: $2.338 billion for fiscal year 2012, $1.234 billion for fiscal year 2013, $0.429 billion for fiscal year 2014, $0.160 billion for fiscal year 2015, $0.108 billion for fiscal year 2016.

The amendment was not agreed to by a roll call vote of 16 ayes and 22 noes.

ROLLCALL VOTE NO. 6

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

7. An amendment offered by Representatives Wasserman Schultz, McCollum, Yarmuth, Castor, Schwartz, Shuler, and Honda to increase funding for Function 550 to reflect investment in the National Institutes of Health. The funding is offset by increased

revenue including eliminating tax deductions for domestic oil production and U.S. businesses with international operations, as well as raising taxes on individuals with annual income greater than $1,000,000.

The amendment would increase budget authority for function 550 by $1.629 in fiscal year 2012 and outlays in the following amounts: $0.880 billion for fiscal year 2012, $0.464 billion for fiscal year 2013, $0.161 billion for fiscal year 2014, $0.060 billion for fiscal year 2015, $0.041 billion for fiscal year 2016.

The amendment was not agreed to by a roll call vote of 15 ayes and 22 noes.

ROLLCALL VOTE NO. 7

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)			
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

8. An amendment offered by Representatives McCollum, Pascrell, Moore, Castor, and Honda to increase budget authority and outlays in Function 550 to reflect increased funding for food safety. The funding is offset by increased revenue including eliminating tax de-

ductions for domestic oil production and U.S. businesses with international operations, as well as raising taxes on individuals with annual income greater than $1,000,000.

The amendment would increase budget authority for Function 550 by $0.628 in fiscal year 2012 and outlays in the following amounts: $0.339 billion for fiscal year 2012, $0.179 billion for fiscal year 2013, $0.062 billion for fiscal year 2014, $0.023 billion for fiscal year 2015, $0.016 billion for fiscal year 2016.

The amendment was not agreed to by a roll call vote of 13 ayes and 23 noes.

ROLLCALL VOTE NO. 8

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)			
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)			
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)		X	
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

9. An amendment offered by Representatives Pascrell, Tonko, McCollum, Castor, Schwartz, Shuler, and Honda to increase budget authority and outlays for Functions 750 and 450 to reflect increased funding for police officers and firefighters. The funding is offset by increased revenue including eliminating tax deductions for

domestic oil production and U.S. businesses with international operations, as well as raising taxes on individuals with annual income greater than $1,000,000.

The amendment would increase budget authority for Function 750 by $0.298 in fiscal year 2012 and outlays in the following amounts: $0.011 billion for fiscal year 2012, $0.068 billion for fiscal year 2013, $0.077 billion for fiscal year 2014, $0.063 billion for fiscal year 2015, $0.046 billion for fiscal year 2016, $0.029 billion for fiscal year 2017.

The amendment would increase budget authority for Function 450 by $0.810 in fiscal year 2012 and outlays in the following amounts: $0.029 billion for fiscal year 2012, $0.185 billion for fiscal year 2013, $0.209 billion for fiscal year 2014, $0.171 billion for fiscal year 2015, $0.125 billion for fiscal year 2016, $0.078 billion for fiscal year 2017.

The amendment was not agreed to by a roll call vote of 15 ayes and 22 noes.

ROLLCALL VOTE NO. 9

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)			
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					

ROLLCALL VOTE NO. 9—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOODALL (GA)		X					

10. An amendment offered by Representatives Bass, McCollum, Castor, and Honda to increase budget authority and outlays for Functions 600 and 700 to reflect increased funding for veterans' healthcare and housing. The funding is offset by increased revenue including eliminating tax deductions for domestic oil production and U.S. businesses with international operations, as well as raising taxes on individuals with annual income greater than $1,000,000.

The amendment would increase budget authority for Function 600 in the amount of $0.075 in fiscal year 2012 and each fiscal year thereafter through fiscal year 2021 in the same amount. The amendment would increase outlays for Function 600 in the amount of $0.067 in fiscal year 2012, $0.075 for fiscal year 2013 and for each fiscal year thereafter through fiscal year 2021 in the same amount.

The amendment would increase budget authority for Function 700 in the following amounts: $0.726 billion for fiscal year 2013, $1.214 billion for fiscal year 2014, $1.676 billion for fiscal year 2015, $2.072 billion for fiscal year 2016, $2.294 billion for fiscal year 2017, $2.418 billion for fiscal year 2018, $2.592 billion for fiscal year 2019, $2.772 billion for fiscal year 2020, $3.083 billion for fiscal year 2021.

The amendment would increase outlays for Function 700 in the following amounts: $0.958 billion for fiscal year 2013, $1.259 billion for fiscal year 2014, $1.615 billion for fiscal year 2015, $1.972 billion for fiscal year 2016, $2.181 billion for fiscal year 2017, $2.341 billion for fiscal year 2018, $2.512 billion for fiscal year 2019, $2.721 billion for fiscal year 2020, $3.009 billion for fiscal year 2021.

The amendment was not agreed to by a roll call vote of 15 ayes and 22 noes.

ROLLCALL VOTE NO. 10

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		

ROLLCALL VOTE NO. 10—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)			
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

11. An amendment offered by Representative Van Hollen, on behalf of the Democratic Members of the Committee, expressing the sense of the House to support the Affordable Care Act and "reject cuts to Medicare benefits for seniors."

The amendment was not agreed to by a roll call vote of 16 ayes and 21 noes.

ROLLCALL VOTE NO. 11

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		

ROLLCALL VOTE NO. 11—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

12. An amendment offered by Representatives Castor, Pascrell, Tonko, Moore, Schwartz, Honda, Wasserman Schultz to add to the resolution a section expressing the sense of the House regarding the risks of Social Security privatization.

The amendment was not agreed to by a roll call vote of 16 ayes and 20 noes.

ROLLCALL VOTE NO. 12

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)				SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)				McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		

ROLLCALL VOTE NO. 12—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

13. An amendment offered by Representatives Blumenauer, McCollum, Castor, and Honda to increase budget authority and outlays for Function 400 to reflect funding for the New Starts Program offset with reduced tax subsidies for alcohol-based fuel.

The amendment would increase budget authority for Function 400 by $1 billion in fiscal year 2012 and increase outlays in the following amounts: $0.54 billion for fiscal year 2012, $0.285 billion for fiscal year 2013, $0.099 billion for fiscal year 2014, $0.037 billion for fiscal year 2015, $0.025 billion for fiscal year 2016.

The amendment was not agreed to by a roll call vote of 15 ayes and 22 noes.

ROLLCALL VOTE NO. 13

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)			
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		

ROLLCALL VOTE NO. 13—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

14. An amendment offered by Representatives Moore, Schwartz, Honda, and Castor to increase budget authority and outlays for Function 370 to reflect funding for new and current Federalagencies tasked with consumer protection as a result of the Dodd Frank Wall Street Reform and Consumer Protection Act. The funding is offset by increased revenue including eliminating tax deductions for domestic oil production and U.S. businesses with international operations, as well as raising taxes on individuals with annual income greater than $1,000,000.

The amendment would increase budget authority for Function 370 by $0.112 billion in fiscal year 2012 and increase outlays in the following amounts: $0.060 billion for fiscal year 2012, $0.032 billion for fiscal year 2013, $0.011 billion for fiscal year 2014, $0.004 billion for fiscal year 2015, $0.003 billion for fiscal year 2016.

The amendment was not agreed to by a roll call vote of 15 ayes and 23 noes.

ROLLCALL VOTE NO. 14

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		

ROLLCALL VOTE NO. 14—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)		X	
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

15. An amendment offered by Representatives Kaptur, Doggett, and Honda to increase budget authority and outlays for Function 750 to reflect funding for the Federal Bureau of Investigation to investigate financial crimes. The funding is offset by increased revenue including eliminating tax deductions for domestic oil production and U.S. businesses with international operations, as well as raising taxes on individuals with annual income greater than $1,000,000.

The amendment would increase budget authority for Function 750 by $0.250 billion in fiscal year 2012 and increase outlays in the following amounts: $0.2 billion for fiscal year 2012, $0.033 billion for fiscal year 2013, $0.012 billion for fiscal year 2014, $0.005 billion for fiscal year 2015.

The amendment was not agreed to by a roll call vote of 15 ayes and 23 noes.

ROLLCALL VOTE NO. 15

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		

ROLLCALL VOTE NO. 15—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)		X	
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

16. An amendment offered by Representative Shuler expressing the sense of the House calling on budget resolutions to achieve deficit reductions through a combination of two-thirds of spending cuts and one-third of tax reform.

The amendment was not agreed to by a roll call vote of 2 ayes, 23 noes, and 13 present.

ROLLCALL VOTE NO. 16

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)			X
GARRETT (NJ)		X		SCHWARTZ (PA)			X
SIMPSON (ID)		X		KAPTUR (OH)			X
CAMPBELL (CA)		X		DOGGETT (TX)			X
CALVERT (CA)		X		BLUMENAUER (OR)			X
AKIN (MO)		X		McCOLLUM (MN)			X
COLE (OK)		X		YARMUTH (KY)			X
PRICE (GA)		X		PASCRELL (NJ)			X
McCLINTOCK (CA)		X		HONDA (CA)			X
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)			X

ROLLCALL VOTE NO. 16—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
LANKFORD (OK)		X		MOORE (WI)		X	
BLACK (TN)		X		CASTOR (FL)			X
RIBBLE (WI)		X		SHULER (NC)	X		
FLORES (TX)		X		TONKO (NY)			X
MULVANEY (SC)		X		BASS (CA)			X
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

17. An amendment offered by Representative Van Hollen on behalf of the Democratic members of the Committee creating a point of order against budget resolutions without a "Congressional Budget Office certification" that job losses will not result.

The amendment was not agreed to by a roll call vote of 16 ayes and 22 noes.

ROLLCALL VOTE NO. 17

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)		X		KAPTUR (OH)	X		
CAMPBELL (CA)		X		DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)	X		
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)	X		

ROLLCALL VOTE NO. 17—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
FLORES (TX)		X		TONKO (NY)	X		
MULVANEY (SC)		X		BASS (CA)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

18. An amendment offered by Representative Van Hollen expressing the sense of the House to include consideration of national security spending for the purpose of reducing the deficit.

The amendment was agreed to by a roll call vote of 33 ayes and 5 noes.

ROLLCALL VOTE NO. 18

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)	X			VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)	X			SCHWARTZ (PA)	X		
SIMPSON (ID)	X			KAPTUR (OH)	X		
CAMPBELL (CA)	X			DOGGETT (TX)	X		
CALVERT (CA)		X		BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)	X		
COLE (OK)		X		YARMUTH (KY)	X		
PRICE (GA)	X			PASCRELL (NJ)	X		
McCLINTOCK (CA)	X			HONDA (CA)	X		
CHAFFETZ (UT)	X			RYAN (OH)	X		
STUTZMAN (IN)	X			WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)	X		
BLACK (TN)	X			CASTOR (FL)	X		
RIBBLE (WI)	X			SHULER (NC)	X		
FLORES (TX)	X			TONKO (NY)	X		
MULVANEY (SC)	X			BASS (CA)	X		
HUELSKAMP (KS)	X						
YOUNG (IN)		X					

ROLLCALL VOTE NO. 18—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
AMASH (MI)	X						
ROKITA (IN)	X						
GUINTA (NH)	X						
WOODALL (GA)	X						

19. An amendment offered by Representative Moore and Chairman Ryan expressing the sense of the House regarding the importance of child support enforcement and ensuring 100 percent of the payments submitted go to the children rather than to administrative costs.

The amendment was agreed to by a voice vote.

20. An amendment offered by Representative Bass to increase budget authority and outlays for Function 700 to match the President's budget for funding for veterans and to change budget authority and outlays for Function 920.

The amendment would increase budget authority for Function 700 in the following amounts: $0.726 billion for fiscal year 2013, $1.214 billion for fiscal year 2014, $1.676 billion for fiscal year 2015, $2.072 billion for fiscal year 2016, $2.294 billion for fiscal year 2017, $2.418 billion for fiscal year 2018, $2.592 billion for fiscal year 2019, $2.772 billion for fiscal year 2020, $3.083 billion for fiscal year 2021.

The amendment would increase outlays for Function 700 in the following amounts: $0.958 billion for fiscal year 2013, $1.259 billion for fiscal year 2014, $1.615 billion for fiscal year 2015, $1.972 billion for fiscal year 2016, $2.181 billion for fiscal year 2017, $2.341 billion for fiscal year 2018, $2.512 billion for fiscal year 2019, $2.721 billion for fiscal year 2020, $3.009 billion for fiscal year 2021.

The amendment would decrease budget authority for Function 920 in the following amounts: −$0.726 billion for fiscal year 2013, −$1.214 billion for fiscal year 2014, −$1.676 billion for fiscal year 2015, −$2.072 billion for fiscal year 2016, −$2.294 billion for fiscal year 2017, −$2.418 billion for fiscal year 2018, −$2.592 billion for fiscal year 2019, −$2.772 billion for fiscal year 2020, −$3.083 billion for fiscal year 2021.

The amendment would decrease outlays for Function 920 in the following amounts: −$0.958 billion for fiscal year 2013, −$1.259 billion for fiscal year 2014, −$1.615 billion for fiscal year 2015, −$1.972 billion for fiscal year 2016, −$2.181 billion for fiscal year 2017, −$2.341 billion for fiscal year 2018, −$2.512 billion for fiscal year 2019, −$2.721 billion for fiscal year 2020, −$3.009 billion for fiscal year 2021.

The amendment was agreed to by a voice vote.

21. An amendment offered by Chairman Ryan to make technical and conforming amendments to the Chairman's Mark.

The amendment was agreed to by a voice vote.

22. Mr. Garrett made a motion that the Committee adopt the aggregates, function totals, and other appropriate matter, with any amendments.

The motion offered by Mr. Garrett was agreed to by voice vote.

Chairman Ryan called up the Concurrent Resolution on the Budget for Fiscal year 2012 incorporating the aggregates, function totals, and other appropriate matter as previously agreed.

23. Mr. Garrett made a motion that the Committee order the Concurrent Resolution reported with a favorable recommendation and that the Concurrent Resolution do pass.

The motion offered by Mr. Garrett was agreed to by a roll call vote of 22 ayes and 16 noes.

ROLLCALL VOTE NO. 19

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)	X			VAN HOLLEN (MD) (Ranking)		X	
GARRETT (NJ)	X			SCHWARTZ (PA)		X	
SIMPSON (ID)	X			KAPTUR (OH)		X	
CAMPBELL (CA)	X			DOGGETT (TX)		X	
CALVERT (CA)	X			BLUMENAUER (OR)		X	
AKIN (MO)	X			McCOLLUM (MN)		X	
COLE (OK)	X			YARMUTH (KY)		X	
PRICE (GA)	X			PASCRELL (NJ)		X	
McCLINTOCK (CA)	X			HONDA (CA)		X	
CHAFFETZ (UT)	X			RYAN (OH)		X	
STUTZMAN (IN)	X			WASSERMAN SCHULTZ (FL)		X	
LANKFORD (OK)	X			MOORE (WI)		X	
BLACK (TN)	X			CASTOR (FL)		X	
RIBBLE (WI)	X			SHULER (NC)		X	
FLORES (TX)	X			TONKO (NY)		X	
MULVANEY (SC)	X			BASS (CA)		X	
HUELSKAMP (KS)	X						
YOUNG (IN)	X						
AMASH (MI)	X						
ROKITA (IN)	X						
GUINTA (NH)	X						
WOODALL (GA)	X						

Mr.Garrett asked for unanimous consent that the Chairman be authorized to make a motion to go to conference pursuant to clause 1 of House Rule XXII, the staff be authorized to make any necessary technical and conforming corrections in the resolution, and any committee amendments, and calculate any remaining elements required in the resolution, prior to filing the resolution.

There was no objection to the unanimous consent requests.

Other Matters to be Discussed Under the Rules of the House

Committee on the Budget Oversight Findings and Recommendations

Clause 3(c)(1) of rule XIII requires each committee report to contain oversight findings and recommendations pursuant to clause 2(b)(1) of rule X. The Budget Committee has no findings to report at the present time.

New Budget Authority, Entitlement Authority, and Tax Expenditures

Clause 3(c)(2) of rule XIII of the Rules of the House of Representatives provides that committee reports shall contain the statement required by Section 308(a)(1) of the Congressional Budget Act of 1974. This report does not contain such a statement because as a concurrent resolution setting forth a blueprint for the Congressional budget, the budget resolution does not provide new budget authority or new entitlement authority or change revenues.

General Performance Goals and Objectives

Clause 3(c)(4) of rule XIII requires each committee report to contain a statement of general performance goals and objectives, including outcome-related goals and objectives, for which the measure authorizes funding. The Budget Committee has no such goals and objectives to report at this time.

Views of Committee Members

Clause 2(l) of rule XI requires each committee to afford a 2-day opportunity for members of the committee to file additional, minority, or dissenting views and to include the views in its report. The following views were submitted:

Minority Views

The Challenge

We consider this long-term budget plan at an especially consequential moment for our country. As a result of the extraordinary actions taken over the last few years, America avoided a second Great Depression and is slowly emerging from the ravages of a financial meltdown and near economic collapse. While the economy is improving, millions of Americans remain out of work through no fault of their own and thousands more are facing home foreclosures because they have lost their jobs. Our top priority must be to support a robust recovery and put America back to work. At the same time, we must act now to lay the foundation for sustained long-term economic growth. Even before the economic meltdown, real wages for most Americans had been frozen for over a decade as families faced rising costs. Middle class families have been squeezed. We must implement a plan to support small businesses, grow the economy, and ensure shared prosperity. That will require making strategic national investments to out-educate, out-innovate, and out-compete the rest of the world. It will also require developing and implementing a disciplined plan to steadily and predictably reduce our deficits and debt so that we establish a strong foundation for long-term growth.

Our Vision

We all love America. We all believe America is a unique and special place, and believe in American exceptionalism.

The question is: How do we keep America strong, dynamic, and exceptional? On that we clearly have different views from the Republican majority and would make different choices.

We believe our strength springs not only from the undisputed benefits of a free people pursuing their ambitions and dreams, but also from sometimes harnessing those talents for important national purposes. We believe that America's greatness has resulted not only from a collection of individuals acting alone, but from our capacity to work together for the common good. We do not see the government as the enemy, but as the imperfect instrument by which we can accomplish together as a people what no individual or corporation can do alone.

The Choice

We all agree that we must act now to put in place a plan to reduce our deficits in a steady, responsible, and predictable manner. The question is how we do that. As the Bipartisan Fiscal Commission has indicated, any responsible effort to reduce the deficit requires a balanced approach that addresses both spending and revenue. This Republican plan fails that simple test. Erskine Bowles and Alan Simpson, the Co-Chairs of the President's Bipartisan Fiscal Commission, stated that the Republican Budget "falls short of the balanced, comprehensive approach needed to achieve the broad bipartisan agreement necessary to enact a responsible plan."

Indeed, the Republican Budget is the same tired formula of extending tax breaks to the rich and powerful at the expense of the rest of America—except this time on steroids and dressed up with nice-sounding sweet talk of "reform" that masks the damage it will do. To govern is to choose, and the choices made in the Republican Budget are wrong for America. It is not courageous to protect tax giveaways to big oil companies and other special interests while slashing investments in our kids' education, scientific research, and critical infrastructure. It is not bold to provide tax breaks to millionaires while ending the Medicare guarantee for seniors and sticking seniors with the bill for rising health care costs. It is not visionary to reward corporations that ship American jobs overseas while terminating affordable health care for tens of millions of Americans. It is not brave to give governors a blank check for their pet initiatives and a license to cut support for seniors in nursing homes, individuals with disabilities, and low income kids. And it is not fair to raise taxes on middle-income Americans to pay for big additional tax breaks for Wall Street executives and the very wealthy. Yet those are the choices made in the Republican Budget. Where is the shared sacrifice? We have American men and women putting their lives on the line in Iraq and Afghanistan while others hide their income in the Cayman Islands and Switzerland and refuse to pay their fair share to support our nation.

The Bipartisan Fiscal Commission called upon all Americans to pay their fair share. Its budget blueprint calls for the top 2 percent income earners to pay the same tax rates they paid during the booming economy of the Clinton Administration. Their plan also generates another $1 trillion in revenue over ten years by closing special interest tax loopholes and limiting tax expenditures.

The Fiscal Commission also warned that very deep, immediate cuts would threaten the fragile economic recovery and slow job growth. They also recognized that America must make strategic investments to win in the global marketplace. The Republican Budget fails both these tests.

Make no mistake, significant and sustained spending cuts must be part of any balanced plan to reduce the deficit. But America became an economic powerhouse in part because of targeted strategic national investments made by earlier generations—including huge investments in science and technology, the interstate highway system, and educational opportunities. Now, at the very moment that our global economic competitors are copying our successful model, this budget would take America back. It is a recipe for national decline.

Don't Violate Our Commitment to Seniors, Children, and the Most Vulnerable

Every member of this Committee knows that rising health care costs represent a huge challenge for the federal budget. But every member of this Committee should also know what every expert has told us—that those rising costs are not unique to Medicare or Medicaid. Those costs are endemic to the entire health care system. In fact, for 30 years, the per-beneficiary spending in Medicare and Medicaid has grown at virtually the same rate as those for the overall health system. And over the last decade, the per-beneficiary costs in Medicaid grew much more slowly that the rest of the health care system. By contrast, in the private market for individual coverage, premiums more than doubled between the years 2000 and 2008, as insurance industry profits quadrupled.

Those facts make one thing clear—if we are going to slow the rising costs in Medicare and Medicaid without rationing care, we must slow the rising costs of health care throughout the health care system. That is exactly what the Affordable Health Care reform bill signed by President Obama about a year ago will do when fully implemented.

The Affordable Care Act will begin to bring down the per capita costs of health care throughout the system—including Medicare. It includes virtually every cost containment provision recommended by health care experts. In her testimony before this Committee, Dr. Rivlin has said the Affordable Care Act would bend the health care cost curve and that repeal would set back efforts to create a more disciplined and effective health care system. Yet this Republican Budget will kill many of those system-wide reforms that will reduce costs throughout the system, including in Medicare.

Interestingly, this Republican Budget does preserve many of the specific Medicare reforms made in the Affordable Care Act, including some of the mechanisms to slow the growth of system costs and eliminate excessive taxpayer subsidies to managed care insurance companies. In fact, the bulk of the Medicare savings in this ten-year budget come from the reasonable reforms made in the Affordable Care Act. This is especially startling because during the last campaign, Democrats faced a barrage of campaign attack ads telling seniors that we had slashed Medicare.

What is new in the Republican Budget Plan is the termination of the Medicare guarantee for seniors. It doesn't reform Medicare; it deforms and dismantles it. It forces seniors off of Medicare and into the private insurance market. It does nothing to rein in the rising costs of health care, but transfers the bill for those rising costs to seniors. Seniors will pay more while insurances companies stand to reap a bonanza by getting all the Medicare payroll taxes and premiums. If your voucher amount is not sufficient to pay for the benefits you need, tough luck. If your doctor is not on the private plan, too bad. This Republican Plan simply rations health care and choice of doctor by income. It is very different from the Federal Employees Health Benefit Plan, which equally shares the risk of rising medical costs with beneficiaries.

This Republican Budget also rips apart the safety net for seniors in nursing homes and assisted living facilities, as well as low-income kids and individuals with disabilities who rely on Medicaid. There is nothing courageous about targeting the most vulnerable in our society. Yet that is the biggest area of Republican cuts. "Block granting" Medicaid is simply code for deep, arbitrary cuts in support to the most vulnerable seniors, individuals with disabilities, and low income kids. Giving governors so-called "flexibility" is just a nice sounding way of giving them license to use federal taxpayer dollars to use to pay for their pet initiatives without oversight and accountability. That is not reform. Medicaid is already underfunded. Block granting it and cutting it further in the name of reform is like saving a drowning person by throwing them an anchor.

The claim that dismantling the Medicare guarantee and block granting Medicaid is necessary to save them is simply Orwellian. It reminds us of the twisted statement that "you have to destroy the village in order to save it."

Democrats welcome an honest debate about how we can build upon the reforms in the Affordable Care Act to strengthen and sustain Medicare and Medicaid. But we will vigorously oppose any effort to undermine the integrity of these essential supports for seniors and vulnerable individuals. You don't have to be a history buff to know that Republicans in earlier Congresses fought the establishment of Medicare and Social Security as ferociously as they are fighting the Affordable Care Act today.

Values

This Republican Budget is the wrong choice for America because it does not reflect our values and priorities, which is why Democrats intend to offer our own budget next week that will stand in stark contrast to this budget's principles. Our budget will reduce the deficit and remain true to our values. The Republican Budget does not reflect the best of the American experience. It recognizes the importance of individual self-reliance that is part of the American character, but it fails to recognize the truth emblazoned on the Great Seal of the United States—that out of many, we unite as one behind shared values and principles to advance the common good and make America strong and exceptional.

CHRIS VAN HOLLEN.
KATHY CASTOR.
JOHN YARMUTH.
PAUL TONKO.
TIM RYAN.
BILL PASCRELL, Jr.
MARCY KAPTUR.
HEATH SHULER.
DEBBIE WASSERMAN SCHULTZ.
KAREN BASS.
LLOYD DOGGETT.
BETTY MCCOLLUM.
ALLYSON Y. SCHWARTZ.
EARL BLUMENAUER.
GWEN MOORE.

Additional Views of Mr. Cole, Mr. Akin, Mr. Calvert, Mr. Lankford, and Mr. Young

During consideration of the Budget Resolution, Van Hollen Amendment #21 was considered and accepted by the majority for inclusion in the Budget Resolution. The rationale for its inclusion was that the amendment did not oppose what we already had accomplished as a Committee by reducing the President's Budget and accepting the $178 billion in efficiencies and cuts which the President found across the life of the Future Years Defense Plan (FYDP) (FY12–FY17).

Unfortunately, the Democrats requested a recorded vote in an attempt to show a divide on the Republican side of the aisle. The result was a divided vote, not because we disagree with the Chairman, but because we are deeply skeptical of the Van Hollen Amendment #21.

Like the Chairman, we agree that we have accomplished the stated intention of the Van Hollen Amendment, putting the Defense Budget on the table for real cuts over the life of the FYDP. However, we are concerned that this amendment will be taken as a sign that the Defense budget should be opened to larger, more robust cuts.

Let us be clear, we are a nation at war. We have hundreds of thousands of forces employed in fighting or supporting the fight in Afghanistan and Iraq. And now the President has committed this country to a conflict in Libya. This is not the time for further cuts which would fundamentally destabilize and increase the risk to our forces in the field.

Let there be no mistake. Our current FY11 budget is already causing serious discontinuities in the ability of DOD to budget for the wars and our military families. Currently, because of the Democrats' absolute inability to pass a Budget Resolution for FY11, we are stuck in a situation where the Department of the Navy cannot fund the planned second Virginia-class SSN, a DDG–51 destroyer, and a Mobile Landing Platform. The Marine Corps will lose one-third of its procurement budget, which will have real operational consequences for our deployed Marines. Our Army has had to issue partial stop-work orders on the Stryker Mobile Gun system, abandon planned HMMWV recapitalization, and delay procurement of critically needed CH–47s. The Air Force will have to reduce planned acquisition of operationally critical MQ–9 Reaper UAVs, and will have to delay the C–130 Avionics Modernization Program causing significant cost increases.

These are only some of the consequences of the current budget situation. We must also not forget the military families. As a result of our current budget situation, the services are being forced to redirect dollars to the Operations & Maintenance Accounts, adversely impacting the bases at home. We already ask too much of our military families, but now they are being asked to live with even less while their fathers and mothers are deployed in combat.

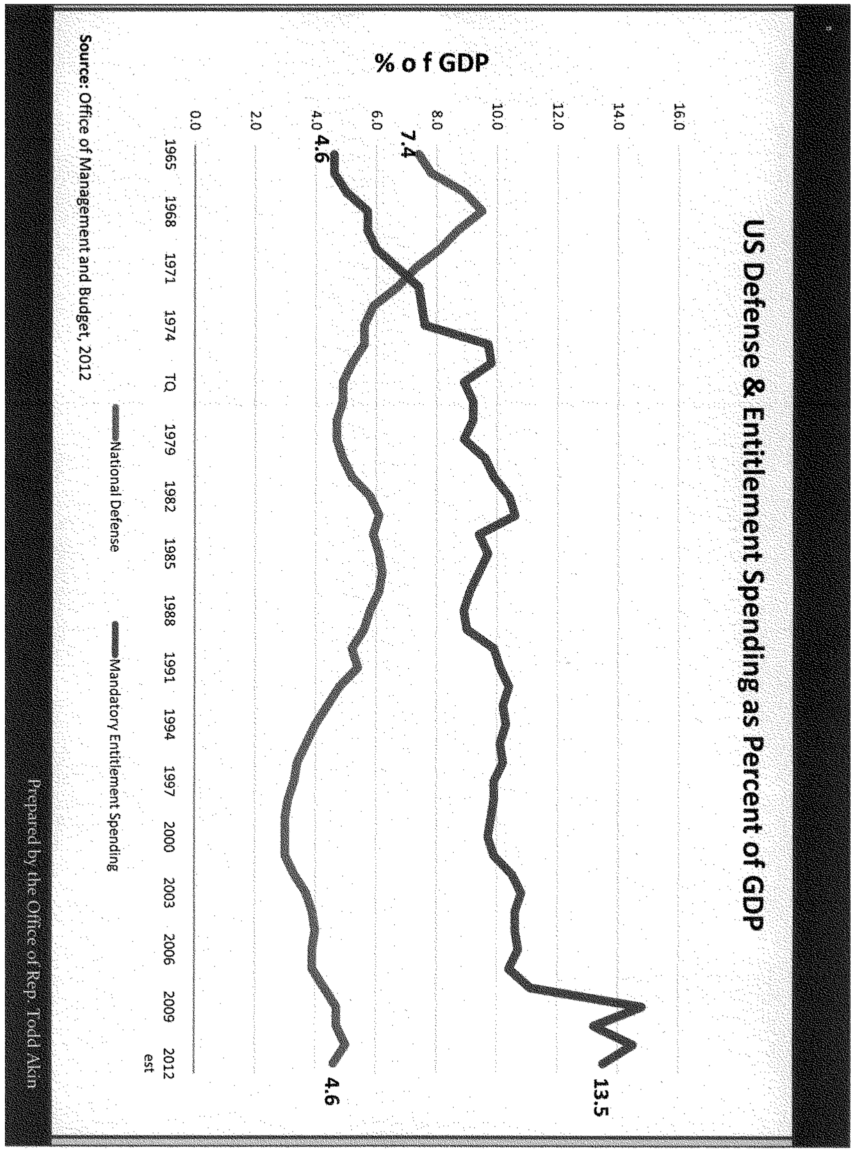
Additionally, we believe that the consequences of the Van Hollen Amendment are to fundamentally open DOD for even larger cuts, adversely impacting the size and structure of our forces.

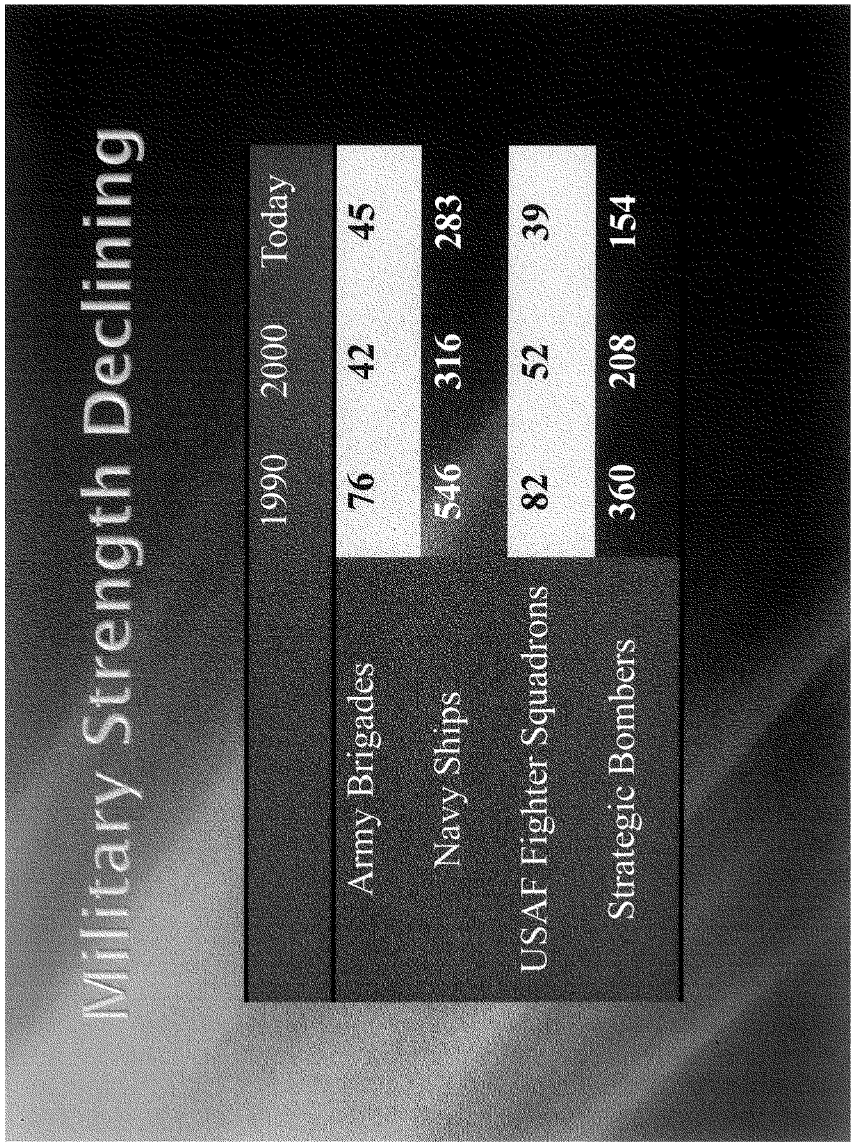
Admiral Mullen, Chairman of the Joint Chiefs of Staff, has stated that our deficit is a primary national security concern. We agree. But to cut our defense budget without due deliberation during this time of war is irresponsible and does not conform with our constitutional responsibilities.

To engage in further cuts to the department will require a serious discussion about real, substantive force structure cuts. We support having that debate, but it is a debate that cannot be surreptitiously rolled into a budget resolution. It is one which must be brought to the floor of the House and considered by all of our members as a stand-alone issue, or in the context of the National Defense Authorization Act or related appropriations. We fully agree that inefficiencies exist in Pentagon spending and we must incentivize the DOD to root out such inefficiencies. Rather than simply stating that DOD should be "on the table" for cuts, Congress should conduct its constitutional responsibility of oversight and identify areas in which waste exists.

We respectfully submit to the American people, Congress, and our party Conference that we have responsibly achieved the proposed DOD efficiencies within the budget resolution and it merits no further amendment. Any further action should be taken by the Authorizing and Appropriating Committees.

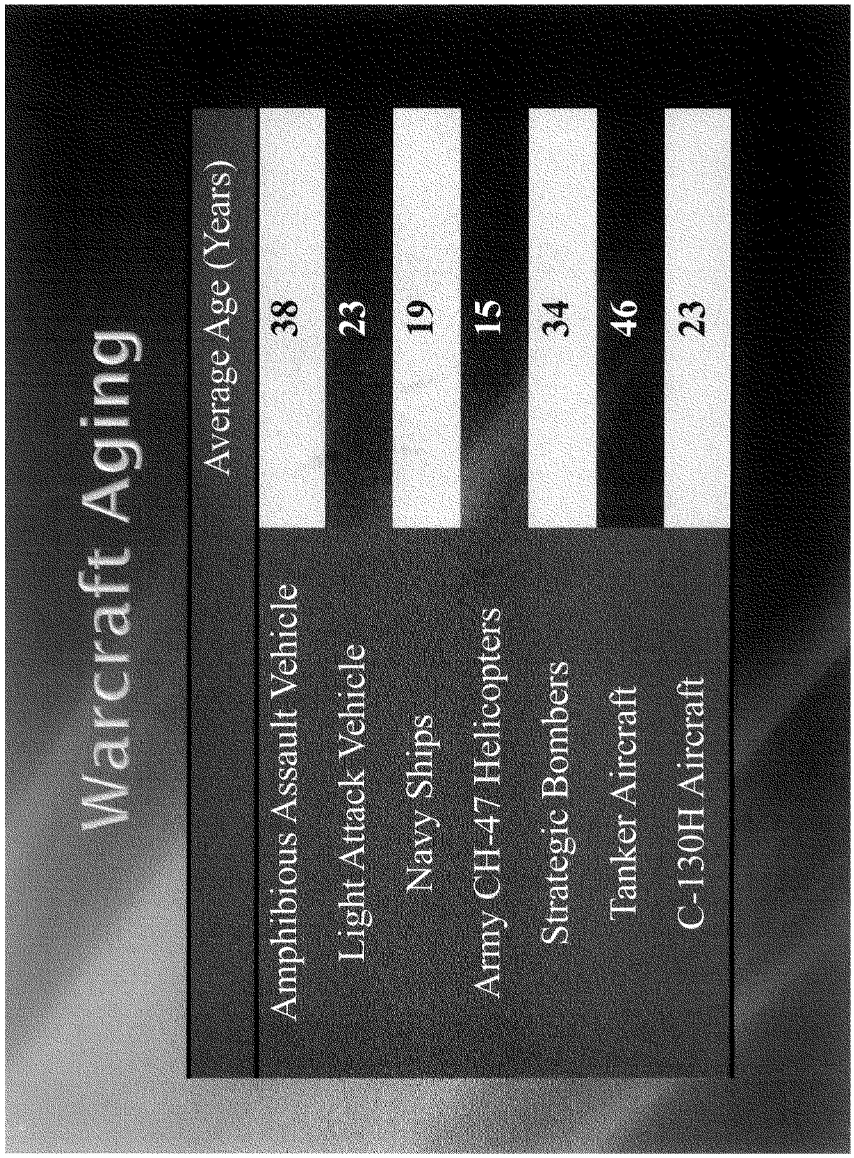
TOM COLE.
KEN CALVERT.
TODD AKIN.
JAMES LANKFORD.
TODD YOUNG.


US Defense & Entitlement Spending as Percent of GDP
% o f GDP
16.0
14.0
12.0
10.0
8.0
6.0
4.0
2.0
0.0
7.4
4.6
13.5
4.6
1965
1968
1971
1974
TQ
1979
1982
1985
1988
1991
1994
1997
2000
2003
2006
2009
2012 est
National Defense
Mandatory Entitlement Spending
Source: Office of Management and Budget, 2012
Prepared by the Office of Rep. Todd Akin



Military Strength Declining

	1990	2000	Today
Army Brigades	76	42	45
Navy Ships	546	316	283
USAF Fighter Squadrons	82	52	39
Strategic Bombers	360	208	154


Warcraft Aging
Average Age (Years)
Amphibious Assault Vehicle 38
Light Attack Vehicle 23
Navy Ships 19
Army CH-47 Helicopters 15
Strategic Bombers 34
Tanker Aircraft 46
C-130H Aircraft 23