The Federal Budget
Politics – Process - Proposals

G. William Hoagland
September 26, 2011
Political Setting
Party Polarization 1879-2006
Distance Between the Parties First Dimension

Votes Dividing the Parties

Charting votes on which a majority of one party opposes a majority of the other shows that partisanship has been rising for decades; Senate agreements this year have kept it at bay.

Source: CQ Weekly, April 18, 2011. All rights reserved.
# U.S. Congress: 112th

September 2011

<table>
<thead>
<tr>
<th>U.S. Congress</th>
<th>House</th>
<th>Senate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>D</td>
<td>R</td>
</tr>
<tr>
<td><strong>112th (2011-2012)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>191</td>
<td>243</td>
</tr>
</tbody>
</table>
### Political Environment 2012 Elections:
33 U.S. Senate Elections – 23 D and 10 R

**Ratings Based on Polls as of May 13:**  
S = Solid  
P = Probable  
L = Lean  
TU = Toss Up

<table>
<thead>
<tr>
<th>Incumbent Republicans (7)</th>
<th>Incumbent Democrats (17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barrasso (WY) S</td>
<td>Brown (OH) L</td>
</tr>
<tr>
<td>Brown (MA) TU</td>
<td>Cantwell (WA) P</td>
</tr>
<tr>
<td>Corker (TN) S</td>
<td>Cardin (MD) S</td>
</tr>
<tr>
<td>Hatch* (UT) S</td>
<td>Carper (DE) S</td>
</tr>
<tr>
<td>Lugar (IN) P</td>
<td>Casey (PA) P</td>
</tr>
<tr>
<td>Snowe* (ME) P</td>
<td>Feinstein (CA) S</td>
</tr>
<tr>
<td>Wicker (MS) S</td>
<td>Gillibrand (NY) S</td>
</tr>
<tr>
<td></td>
<td>Klobuchar (MN) S</td>
</tr>
<tr>
<td></td>
<td>Manchin (WV) TU</td>
</tr>
<tr>
<td></td>
<td>Menendez (NJ) S</td>
</tr>
<tr>
<td></td>
<td>McCaskill (MO) TU</td>
</tr>
<tr>
<td></td>
<td>Nelson (FL) L</td>
</tr>
<tr>
<td></td>
<td>Nelson (NE) TU</td>
</tr>
<tr>
<td></td>
<td>Sanders (VT) S</td>
</tr>
<tr>
<td></td>
<td>Stabenow (MI) P</td>
</tr>
<tr>
<td></td>
<td>Tester (MT) TU</td>
</tr>
<tr>
<td></td>
<td>Whitehouse (RI) S</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retiring Republicans (3)</th>
<th>Retiring Democrats (6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heller/Ensign (NV) TU</td>
<td>Akaka (HI) S</td>
</tr>
<tr>
<td>Hutchison (TX) P</td>
<td>Bingaman (MN) TU</td>
</tr>
<tr>
<td>Kyl (AZ) P</td>
<td>Conrad (ND) Likely R</td>
</tr>
<tr>
<td></td>
<td>Kohl (WI) TU</td>
</tr>
<tr>
<td></td>
<td>Lieberman (CT) P</td>
</tr>
<tr>
<td></td>
<td>Webb (VA) TU</td>
</tr>
</tbody>
</table>

- **7 Republican Incumbents**
- **3 Retiring Republicans**
- **17 Democratic Incumbents**
- **6 Retiring Democrats**
- **No election**

Cook Political Report  
September 8, 2011
President Obama vs. Republican Candidates
Real Clear Politics Poll
General Election

Date

8/4-9/4
8/16-9/1
8/16-9/1
8/16-9/1
8/5-9/1
7/14-8/18
7/17-8/28
6/2-6/12
5/31-9/1

Republican
Perry
Romney
Bachman
Palin
Paul
Cain
Gingrich
Huntsman

RCP Average

0
10
20
30
40
50
60

Huntsman
Gingrich
Cain
Paul
Palin
Bachman
Romney
Perry
Republican

RCP Average

Obama

Spread

+0.2*
+1.6
+0.2*
+7.0
+13.0
+4.3
+10.0
+14.7
+12.3

* Lead over Obama
Budget Outlook
The Appropriations & Budget Process

House Authorizing Committees:
- Agriculture
- Education and Labor
- Energy and Commerce
- Financial Services
- Foreign Affairs
- Government Reform
- Homeland Security
- House Administration
- Natural Resources
- Science & Technology
- Select Intelligence
- Small Business
- Transportation & Infrastructure
- Veterans' Affairs
- Ways & Means
- Select Energy Ind. & Global Warming

Senate Authorizing Committees:
- Agriculture, Nutrition & Forestry
- Armed Services
- Banking, Housing & Urban Affairs
- Commerce, Science & Transportation
- Energy & Natural Resources
- Environment & Public Works
- Finance
- Foreign Relations
- Health, Education, Labor & Pensions
- Homeland Security & Government Affairs
- Indian Affairs
- Judiciary
- Rules & Administration
- Select Intelligence
- Small Business
- Special Aging
- Veterans' Affairs

Authorization Bill Conference Report
- House and Senate vote to adopt conference report and send to President for signature

Reconciliation Bill Conference Report
- House & Senate vote to adopt reconciliation bill and send to President for signature

House & Senate Floors
- Consider amendments
- Votes to pass each authorization bill and send to conference

House & Senate Budget Committees
- Each Committee holds a markup and reports out the concurrent resolution on the budget

House & Senate Budget Committees
- Package Reconciliation language from Authorizing Committees
- Report Out reconciliation bill

Budget Resolution Conference Report
- House & Senate vote to pass conference report
- Conference report includes: 302 (a) spending allocations; reconciliation instructions

House & Senate Appropriations Committees (12)
- Agriculture and Rural Development
- Food and Drug Administration
- Commerce, Justice and Science
- Defense
- Energy & Water Development
- Financial Services
- Homeland Security
- Interior and Environment
- Labor, HHS and Education
- Legislative Branch
- Military Construction and Veterans Affairs
- State and Foreign Operations
- Transportation, Treasury and Housing & Urban Development

12 House & Senate Appropriations Subcommittees
- Hold hearings

12 House & Senate Appropriations Committees
- Each holds a markup & reports out appropriations legislation

Appropriations Bill Conference Reports
- Adopt 12 conference reports and send to President for signature

White House
- Signed by President or allowed to become law without signature
- Vetoed by President Bill Returned to House of origin

Executive Branch
- Congressional Budget Office
- Authorizing Committees
- Budget Committees
- Appropriations Committees

Continuing Resolution (CR) Needed if:
- Failure to pass 12 appropriations bills
- Failure to overturn a veto

CR Conference Committee
- House & Senate vote to adopt conference report and send to President for signature

House & Senate Floors
- Consider amendments
- Vote to pass the Budget Resolution

House & Senate
- Requires 2/3 vote to override veto in each chamber

White House
- Vetoed by President Bill Returned to House of origin

White House
- Requires 2/3 vote to override veto in each chamber
## Economic Forecasts

Calendar Years 2011 – 2012

(GDP Fourth Qt to Fourth Qt % Δ GDP; CPI Year-over-Year % Δ)

<table>
<thead>
<tr>
<th></th>
<th>Forecast 2011</th>
<th>Forecast 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP Growth</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Administration</td>
<td>+ 2.4%</td>
<td>+ 3.2%</td>
</tr>
<tr>
<td>– CBO</td>
<td>+ 2.3%</td>
<td>+ 2.7%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td>+ 1.6%</td>
<td>+ 2.7%</td>
</tr>
<tr>
<td><strong>Inflation (CPI)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Administration</td>
<td>+ 2.8%</td>
<td>+ 1.8%</td>
</tr>
<tr>
<td>– CBO</td>
<td>+ 2.9%</td>
<td>+ 1.5%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td>+ 3.0%</td>
<td>+ 2.2%</td>
</tr>
<tr>
<td><strong>Unemployment Rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Administration</td>
<td>8.8%</td>
<td>8.3%</td>
</tr>
<tr>
<td>– CBO</td>
<td>9.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td>9.0%</td>
<td>8.7%</td>
</tr>
<tr>
<td><strong>10 Year Note</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Administration</td>
<td>3.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>– CBO</td>
<td>3.3%</td>
<td>3.2%</td>
</tr>
<tr>
<td>– Blue Chip</td>
<td>3.2%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Sources: Congressional Budget Office, August 2011; Blue Chip Economics Forecasts, August 2011; Administration FY2012 Mid-Session Update, September 2011.
### Budget Outlook
**FY 2010 – 2015**
(In Billions of Dollars – % of GDP)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Receipts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,163</td>
<td>2,314</td>
<td>2,635</td>
<td>3,069</td>
<td>3,423</td>
<td>3,665</td>
<td>3,847</td>
<td>+ 10.7%</td>
</tr>
<tr>
<td><strong>Spending</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,456</td>
<td>3,597</td>
<td>3,609</td>
<td>3,692</td>
<td>3,803</td>
<td>3,988</td>
<td>4,249</td>
<td>+ 4.2%</td>
</tr>
<tr>
<td><strong>Deficits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of GDP</td>
<td>1,294</td>
<td>1,284</td>
<td>973</td>
<td>623</td>
<td>380</td>
<td>322</td>
<td>402</td>
<td>NA, NA</td>
</tr>
<tr>
<td>% of GDP</td>
<td>8.9%</td>
<td>8.5%</td>
<td>6.2%</td>
<td>3.9%</td>
<td>2.2%</td>
<td>1.8%</td>
<td>2.1%</td>
<td></td>
</tr>
<tr>
<td><strong>Public Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% GDP</td>
<td>9,019</td>
<td>10,164</td>
<td>11,153</td>
<td>11,773</td>
<td>12,148</td>
<td>12,463</td>
<td>12,840</td>
<td>+ 4.8%</td>
</tr>
<tr>
<td>% GDP</td>
<td>62%</td>
<td>67%</td>
<td>71%</td>
<td>73%</td>
<td>72%</td>
<td>69%</td>
<td>67%</td>
<td></td>
</tr>
<tr>
<td><strong>Debt Subject Limit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% GDP</td>
<td>13,511</td>
<td>14,779</td>
<td>15,910</td>
<td>16,646</td>
<td>17,162</td>
<td>17,664</td>
<td>18,261</td>
<td>+ 4.39%</td>
</tr>
<tr>
<td>% GDP</td>
<td>93%</td>
<td>98%</td>
<td>102%</td>
<td>103%</td>
<td>101%</td>
<td>97%</td>
<td>96%</td>
<td></td>
</tr>
</tbody>
</table>

Under CBO's baseline assumptions, deficits would drop from 8.5% of GDP this year to 1.2% of GDP in 2021. However, deficits would not fall as far if certain policies were continued. CBO estimates that the deficit would be 4.7% of GDP if those policies remained in place.

Percentage of GDP

Source: Congressional Budget Office
Note: “Extend Tax Policies” reflects the following policy assumptions: Most of the provisions in the 2010 tax act that were originally enacted in 2001, 2003, 2009, and 2010 are extended (instead of being allowed to expire on December 31, 2012, as scheduled), and the alternative minimum tax is indexed for inflation. “Maintain Medicare’s payment Rates for Physicians” involves preventing the nearly 30 percent reduction in Medicare’s payment rates for physicians’ services that is scheduled to take effect at the end of 2011. “Additional Debt Service” is the amount of interest payments on the additional debt issued to the public that would result from the continuation of the specified policies.
If some of the changes specified in current law did not occur and certain current policies were continued instead, then annual deficits from 2012 through 2021 would be much higher—averaging 4.3% of GDP, compared with 1.8% in CBO’s baseline projections.

Source: Congressional Budget Office.
Note: The projected deficit with the continuation of certain policies is based on several assumptions: First, that most of the provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 that originally were enacted in 2001, 2003, 2009, and 2010 do not expire on December 31, 2012, but instead continue; second, that the alternative minimum tax is indexed for inflation after 2011; and third, that Medicare’s payment rates for physicians are held constant at their 2011 level.
Federal Spending Projected for 2021
CBO -- August 2011 Est.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>(15%)</td>
</tr>
<tr>
<td>Medicaid</td>
<td>(10%)</td>
</tr>
<tr>
<td>Social Security</td>
<td>(24%)</td>
</tr>
<tr>
<td>Defense</td>
<td>(16%)</td>
</tr>
<tr>
<td>Net Interest</td>
<td>(12%)</td>
</tr>
<tr>
<td>Other Mandatory Spending</td>
<td>(11%)</td>
</tr>
<tr>
<td>Domestic Discretionary</td>
<td>(12%)</td>
</tr>
<tr>
<td>Other Health Programs</td>
<td>(3%)</td>
</tr>
</tbody>
</table>

“Other Health Programs” includes: Health insurance subsidies, exchanges, and related spending; Department of Defense Medicare-Eligible Retiree Health Care Fund (including TRICARE for Life); Children’s Health Insurance Program, and other programs.
With modest deficits projected for the latter part of the 2012–2021 period under CBO’s current-law baseline, debt held by the public recedes as a percentage of GDP. However, if certain provisions that are part of current law did not expire as scheduled, debt held by the public would rise to 82% of GDP by the end of 2021, which would be the highest level since 1948.

Source: Congressional Budget Office.
Note: The projected debt with the continuation of certain policies is based on several assumptions: First, that most of the provisions of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 that originally were enacted in 2001, 2003, 2009, and 2010 do not expire on December 31, 2012, but instead continue; second, that the alternative minimum tax is indexed for inflation after 2011; and third, that Medicare’s payment rates for physicians are held constant at their 2011 level. Shaded bars indicate periods of recession.
Joint Select Committee on Deficit Reduction
### Joint Select Committee on Deficit Reduction Members

**House of Representatives**

<table>
<thead>
<tr>
<th>Member</th>
<th>Term/Year</th>
<th>Committee/Committee</th>
<th>PPACA</th>
<th>BCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeb Hensarling</td>
<td>5th Term/2002</td>
<td>Conference Chairman, Republican Study Committee, Finance Services</td>
<td>NO - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>James Clyburn</td>
<td>11th Term/1990</td>
<td>Chairman Ways &amp; Means, Republican Steering Committee</td>
<td>NO - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Dave Camp</td>
<td>13th Term/1986</td>
<td>Chairman Energy &amp; Commerce Committee, Republican Steering Committee</td>
<td>NO - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Fred Upton</td>
<td>5th Term/2002</td>
<td>Ranking Budget Committee, Democratic Steering &amp; Policy Committee</td>
<td>YES - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Chris Van Hollen</td>
<td>5th Term/2002</td>
<td>Ranking Budget Committee, Democratic Steering &amp; Policy Committee</td>
<td>YES - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Jon Kyl</td>
<td>10th Term/1992</td>
<td>Asst. Minority Leader, Democratic Steering &amp; Policy Committee</td>
<td>YES - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Pat Toomey</td>
<td>10th Term/1992</td>
<td>Caucus Vice Chairman, Democratic Steering &amp; Policy Committee</td>
<td>YES - PPACA</td>
<td>NO - BCA</td>
</tr>
<tr>
<td>Xavier Becerra</td>
<td>10th Term/1992</td>
<td>Ways &amp; Means</td>
<td>YES - PPACA</td>
<td>NO - BCA</td>
</tr>
<tr>
<td>Patty Murray</td>
<td>3rd Term/1994</td>
<td>Asst. Minority Leader, Finance, Judiciary</td>
<td>NO - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Rob Portman</td>
<td>1st Term/2010</td>
<td>Budget, Appropriations, Banking</td>
<td>NA - PPACA</td>
<td>NO - BCA</td>
</tr>
</tbody>
</table>

**Senate**

<table>
<thead>
<tr>
<th>Member</th>
<th>Term/Year</th>
<th>Committee/Committee</th>
<th>PPACA</th>
<th>BCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Clyburn</td>
<td>10th Term/1992</td>
<td>Asst. Minority Leader, Democratic Steering &amp; Policy Committee</td>
<td>YES - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Dave Camp</td>
<td>11th Term/1990</td>
<td>Chairman Ways &amp; Means, Republican Steering Committee</td>
<td>NO - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Fred Upton</td>
<td>13th Term/1986</td>
<td>Chairman Energy &amp; Commerce Committee, Republican Steering Committee</td>
<td>NO - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Chris Van Hollen</td>
<td>5th Term/2002</td>
<td>Ranking Budget Committee, Democratic Steering &amp; Policy Committee</td>
<td>YES - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Jon Kyl</td>
<td>10th Term/1992</td>
<td>Asst. Minority Leader, Democratic Steering &amp; Policy Committee</td>
<td>YES - PPACA</td>
<td>YES - BCA</td>
</tr>
<tr>
<td>Pat Toomey</td>
<td>11th Term/2010</td>
<td>Budget, Appropriations, Banking</td>
<td>NA - PPACA</td>
<td>NO - BCA</td>
</tr>
<tr>
<td>Xavier Becerra</td>
<td>10th Term/1992</td>
<td>Caucus Vice Chairman, Democratic Steering &amp; Policy Committee</td>
<td>YES - PPACA</td>
<td>NO - BCA</td>
</tr>
<tr>
<td>Patty Murray</td>
<td>3rd Term/1994</td>
<td>Asst. Minority Leader, Finance, Judiciary</td>
<td>NO - PPACA</td>
<td>YES - BCA</td>
</tr>
</tbody>
</table>

**Additional Information**

- **Retiring end of 2012**: Jon Kyl
- **Former OMB Dir., Budget Committee**: Rob Portman

The Budget Control Act of 2011
Timeline for Debt Increases & Joint Select Committee on Deficit Reduction

The final measure sets in motion a plan to raise the debt ceiling in three steps. A look at what comes next:

RAISING THE DEBT CEILING

IMMEDIATELY  
+$400 billion

The measure immediately grants the Treasury $400 billion in additional borrowing authority.

August 16 members appointed to Special Fiscal Committee

2011

IN COMING MONTHS  
+$500 billion

An additional $500 billion will come in the fall. Congress could vote to disapprove the rise, but the president could veto their resolution and it would require two-thirds of both chambers of Congress to override his veto.

2012

EARLY NEXT YEAR  
+$1.2 trillion

The final increase – also subject to the congressional vote and presidential veto process – provides the Treasury with enough borrowing poser to pay the bills into early 2012.

2013

REDUCING THE DEFICIT

BY OCT. 1
Spending limits begin. About $917 billion over the next decade, starting with a $21 billion reduction in the fiscal year that will begin in October.

2011

BY THANKSGIVING
A second stage of reductions will come later this year, with the special committee finding $1.2 trillion more over the next decade. The committee must recommend a plan by Nov. 23.

2012

BY DEC. 23
House and Senate vote. Each chamber needs to consider the special committee’s proposal on an up-or-down basis without any amendments.

2012

BY DEC. 31
Congress needs to vote by the end of the year on a balanced budget amendment to the Constitution. The measure would need a two-thirds vote in each chamber, and then ratification by 38 states, to succeed.

2012

JAN. 1, 2013
If the special committee does not act – or if Congress does not adopt its recommendations – government spending would be cut across the board by $1.2 trillion over 10 years, with the reductions split 50-50 between domestic programs and defense.

2013
“Super” Committee Procedure

Super Committee Must Submit Legislation Identifying $1.2 Trillion in Deficit Reduction by November 23

Yes

Legislation Fast-Tracker Through Congress
(no amendments or filibusters)

No

Automatic Cuts are “Triggered” for FYs 2013-2021
50% Defense/50% Non-Defense
Excl. Medicaid, Social Security; limits Medicare cuts to 2%

Process Ends
Congress and President Must Approve Legislation by December 23

Yes, saves at least $1.2 trillion → Process Ends

Yes, but does not save all $1.2 trillion → Achieve Balance of Savings via Across-the-Board Cuts FYs 2013-2021

- 50% Defense/50% Non-Defense
- Excl. Medicaid, Social Security; limits Medicare cuts to 2%

→ Process Ends

No Agreement → Automatic Cuts are “Triggered” for FYs 2013-2021

- Excl. Medicaid, Social Security; Medicare cuts to 2% ($123 b)
- 10% atb defense ($492 b)
- 7.8% atb nondefense ($322 b)
- 7.8% atb entitlement ($47 b)

→ Process Ends
Absent agreement on $1.2 trillion deficit reduction by Dec 23: a 10% atb cut to defense and a 8-9% atb cut to nondefense beginning in 2013.
Policy Options
The President’s Plan for Economic Growth and Deficit Reduction
September 19, 2011

### POLICY

#### Fiscal Measures

- In 2020 – 73.4% Debt to GDP
- In 2020 – spending xx GDP
- In 2020 – revenues xx GDP
- In 2020 – deficit 2.4% GDP

#### Economic Recovery

- American Jobs Act – payroll taxes cut in half -- + $68.7 billion
- Teacher and First Responder support and School Modernization -- + $65.0 billion
- Surface Transportation -- + $ 50.0 billion
- Infrastructure Bank /Rehab Vacant Property -- + $ 25.0 billion

#### Tax Expenditures

- Reduce value of itemized deductions and other tax preferences to 28% ( + $ 410 billion)
- Eliminate Oil and Gas Tax Preferences ( + $51 billion)
- Eliminate depreciation for corporate purchases of aircraft ( + $ 5 billion)
- Close Business Loopholes and Broaden the Business Tax Base ( + $ 74 billion)
- U.S. International Tax System ( + $ 112.6 billion)

#### Revenues

- Raise in total + $1.6 trillion over decade
- Allow 2001 and 2003 high-income tax cuts and estate tax cuts to expire ( + $ 866 billion)

#### Domestic Discretionary

- Subsumed in action to date -- $1.349 trillion

#### Defense

- Subsumed in action to date included above.
## Living Within Our Means and Investing in the Future
### The President’s Plan for Economic Growth and Deficit Reduction
#### September 19, 2011

<table>
<thead>
<tr>
<th>POLICY</th>
<th>The President’s Proposal: Select Joint Committee Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health</strong></td>
<td><strong>2012-2021 Estimates</strong></td>
</tr>
<tr>
<td></td>
<td>• Total Health Care ( - $320.0 billion)</td>
</tr>
<tr>
<td></td>
<td>• Drug Rebates ( - $135.0 billion)</td>
</tr>
<tr>
<td></td>
<td>• Pharmaceutical savings ( - $11.3 billion)</td>
</tr>
<tr>
<td></td>
<td>• Medicaid: State provider tax threshold ( - $50.0 billion)</td>
</tr>
<tr>
<td></td>
<td>• Raises Medicare premiums/deductibles/ Increase income-related premiums ( - $24.0 billion)</td>
</tr>
<tr>
<td></td>
<td>• Medicare Providers ( - $75.6 billion)</td>
</tr>
<tr>
<td></td>
<td>• Strengthens IPAB</td>
</tr>
<tr>
<td></td>
<td>• Fraud and Abuse ( - $11.7 billion)</td>
</tr>
<tr>
<td><strong>Social Security</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No changes</td>
</tr>
<tr>
<td><strong>Other Spending</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reforms agriculture ( - $33.0 billion)</td>
</tr>
<tr>
<td></td>
<td>• Reforms military retirement</td>
</tr>
<tr>
<td></td>
<td>• Reforms civilian retirement ( - $41.0 billion)</td>
</tr>
<tr>
<td></td>
<td>• Government liabilities and operations: Fannie and Freddie fees, Aviation fees ( - $93 billion)</td>
</tr>
<tr>
<td></td>
<td>• UI ( - $63.0 billion)</td>
</tr>
</tbody>
</table>
The National Commission on Fiscal Responsibility: Moment of Truth
The Bipartisan Policy Center: Restoring America’s Future

November – December 2010

<table>
<thead>
<tr>
<th>POLICY</th>
<th>The National Commission on Fiscal Responsibility</th>
<th>Bipartisan Policy Center Task Force</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consensus Fiscal Measures</strong></td>
<td>• ~ 11 of the 18-member supported plan</td>
<td>• Consensus plan of a 19-member bipartisan Task Force</td>
</tr>
<tr>
<td></td>
<td>• In 2020 – 65.5% Debt to GDP</td>
<td>• In 2020 -- 60% Debt to GDP</td>
</tr>
<tr>
<td></td>
<td>• In 2020 – spending 21.8% GDP</td>
<td>• In 2020 – spending 23.0% GDP</td>
</tr>
<tr>
<td></td>
<td>• In 2020 – revenues 20.6% GDP</td>
<td>• In 2020 – revenues 21.4% GDP</td>
</tr>
<tr>
<td></td>
<td>• In 2020 – deficit 1.2% GDP</td>
<td>• In 2020 – deficit 1.6% GDP</td>
</tr>
<tr>
<td><strong>Economic Recovery</strong></td>
<td>• Recommends consideration of small payroll tax relief in 2011 – $50 to $60 billion.</td>
<td>• Provides 1-year payroll tax holiday for approximately 125 million workers in 2011. Cost: $640 billion.</td>
</tr>
<tr>
<td></td>
<td>• Starts policies in 2012</td>
<td>• Starts policies in 2012.</td>
</tr>
<tr>
<td><strong>Tax Expenditures</strong></td>
<td>• Retains current law EITC and Child Tax Credit</td>
<td>• Eliminates almost all tax expenditures.</td>
</tr>
<tr>
<td></td>
<td>• Maintains current law standard deduction</td>
<td>• Eliminates most tax deductions, credits and expenditures – turns EITC, child credit, charitable, mortgage, and retirement savings deductions into refundable credits</td>
</tr>
<tr>
<td></td>
<td>• Eliminates all itemized deductions</td>
<td>• Beginning in 2018 phases out employer provided health insurance exclusion by 2028</td>
</tr>
<tr>
<td></td>
<td>• 12% non-refundable tax credit mortgage &amp; charitable contributions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Beginning in 2018 phases out employer provided health insurance exclusion by 2038</td>
<td></td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>• Cuts individual income tax rates; creates 3 brackets 12%, 22% and 28%</td>
<td>• Cuts individual income tax rates; creates just 2 brackets of 15% and 27%</td>
</tr>
<tr>
<td></td>
<td>• Cuts corporate rate to 28%</td>
<td>• Cuts corporate rate to 27% (OECD average)</td>
</tr>
<tr>
<td></td>
<td>• Proposes to cap revenues at 21% of GDP</td>
<td>• Imposes Debt Reduction Sales Tax of 6.5%</td>
</tr>
<tr>
<td></td>
<td>• Raises federal gas tax by 15 cents</td>
<td>• Eliminates the AMT</td>
</tr>
<tr>
<td></td>
<td>• Eliminates AMT, PEP and Pease</td>
<td></td>
</tr>
<tr>
<td><strong>Domestic Discretionary</strong></td>
<td>• Proposes 4 years of cuts, then 5 years held to growth at inflation</td>
<td>• Freezes domestic discretionary spending for 4 years, then limits growth to GDP growth</td>
</tr>
<tr>
<td><strong>Defense</strong></td>
<td>• Proposes 4 years of cuts, then 5 years held to growth at inflation</td>
<td>• Freezes defense discretionary spending for 5 years, then limits growth to GDP growth</td>
</tr>
<tr>
<td></td>
<td>• Reduces weapon systems, reforms compensation, cuts force structure cuts, and applies Gates’ savings</td>
<td>• Reduces weapon systems, reforms compensation, cuts force structure, and applies Gates’ savings</td>
</tr>
</tbody>
</table>
### Health
- Medicaid: Expands managed care for dual eligibles
- Institutes tort reform
- Raises Medicare premiums
- Strengthens IPAB Provides illustrative option of premium support
- Converts FEHB program from defined-benefit to defined-contribution with support growing GDP+1%
- In 2020, global cap on all federal health spending and limit growth GDP+1%
- Reduces provider payments
- In 2018, transforms Medicare to premium-support model, but maintains traditional Medicare as default option. Limits federal support per beneficiary to GDP+1%
- Limit Medicaid growth: end federal matching payments in Medicaid by decoupling the system
- Accommodates a permanent fix to the SGR mechanism
- Excise tax and import tax on manufacture and importation of sweetened beverages

### Social Security
- Raises retirement ages slowly over time
- Switches to Chained CPI
- Includes state and local workers
- Raises the minimum benefit and creates old age bump
- Raises the cap on payroll taxes to the 90% level
- Makes benefit adjustment, protecting the bottom 50% of beneficiaries
- Adjusts benefit formula to account for increases in longevity (but does not raise the retirement age)
- Switches to Chained CPI
- Includes state and local workers
- Raises the minimum benefit and creates old-age bump
- Raises the cap on payroll taxes to the 90% level
- Makes a modest benefit adjustment, protecting the bottom 75% of beneficiaries

### Other Spending
- Reforms farm programs
- Reforms military retirement
- Reforms civilian retirement
- Imposes COLA change across government
- Reforms farm programs
- Reforms military retirement
- Reforms civilian retirement
- Imposes COLA change across government
Comparison: President Obama and Chairman Ryan
FY 2012 Health Policy Proposals

President Obama

• **Medicare**
  -- SGR relief thru 2013, freeze payment rates for next 10 years.
  -- Strengthen IPAB with automatic sequester.
  -- In 2018, strengthen IPAB with target annual Medicare spending growth per beneficiary GDP + 0.5%.
  -- Limit Rx payments via Medicare purchasing power.
  -- Improve patient safety via Partnership for Patients initiative.

• **Medicaid**
  -- Alter Federal matching rate with a single formula
  -- Close State loopholes that allow states to increase matching rates.

• **Estimated Budget Impact:**
  -- 2012-2021, Cost + $250 billion (CBO)

Chairman Ryan

• **Health Care General (2012)**
  -- Repeal most provisions of PPACA
  -- Repeal individual mandate
  -- Repeal CLASS program
  -- Repeal IPAB
  -- No SGR relief specified
  -- Retain Medicare Advantage savings
  -- Medical liability reform

• **Medicare (Post 2022)**
  -- Raise age of eligibility; 67 in 2033
  -- Persons turning 65 in 2022 not enroll in current Medicare program but be entitled to a premium support payment (~$8,000) indexed for CPI-U, purchase private health insurance.

• **Medicaid (2013)**
  -- Block grant allocated to states, indexed for population growth and CPI-U.

• **Estimated Budget Impact:**
  -- 2012-2021, Savings $2,204 billion (CBO)
Comparison: FY 2012 Health Policy Proposals

**Bowles-Simpson**

- **Health Care General (2012)**
  - SGR permanent fix.
  - Repeal CLASS Act.
  - Reform Medicare cost-sharing rules.
  - Limit Rx payments via Medicare purchasing power.
  - Medical liability reform.
  - Convert FEHB defined-benefit to defined contribution with support growing GDP +1 percentage pt. Determine if FEHB premium support should be expanded to Medicare.

- **Medicare (Post 2020)**
  - Strengthen IPAB.
  - Cap and phase out tax exclusion of employer-provided health insurance.
  - Global cap on all federal health care spending in 2020 to limit growth to GDP+1 percentage pt. (No policies.)

- **Medicaid**
  - Expand managed care for dual eligible.

- **Estimated Budget Impact:**
  - 2012-2021, Savings $341 billion (NCFRR)

**Domenici-Rivlin**

- **Health Care General (2012)**
  - SGR permanent fix.
  - Medical liability reform.
  - Raise Part B Premiums 25 to 35%.
  - Reform Medicare benefit package, e.g. annual one deductible $560, 20% coinsurance to a max.
  - Bundle Medicare payments for Post-acute Care.
  - Excise tax 1 cent per ounce sweetened beverages.

- **Medicare (Post 2022)**
  - Transition to premium support, limit growth in per-beneficiary federal support to GDP+1 percent. -- Maintain traditional Medicare as default.
  - Cap and phase out tax exclusion of employer-provided health insurance.

- **Medicaid (2013)**
  - Expand managed care for dual eligible.
  - Restructure Medicaid responsibilities federal and state and limit growth to GDP + 1 percentage point.

- **Estimated Budget Impact:**
  - 2012-2021, Savings -$250 billion (BPC)
Vice President Biden Framework
(As released by House Majority Leader Cantor, July 12)
10-year Budget Savings Estimates

- **Discretionary Spending** $1.1 Trillion
- **Mandatory Spending** $598-685 Billion
  - Medicaid $100 b
  - Medicaid DME $5 b
  - SNF/Home Health $50 b
  - Medigap $53 b
  - Medical Education $14 b
  - Hospital Bad Debt $14-26 b
  - Income Means Testing $38 b
  - Clinical Labs $9-16 b
  - Miscellaneous Health $41 b
  - Civilian and Military Retirement $47 b
  - Fannie and Freddie Fees $30 b
  - Spectrum Auction $20-25 b
  - Ag Subsidies $33 b
  - SNAP (Food Stamps) $20 b
  - Other (TriCare Drugs, FAA fees, etc.) $100 b

- **Interest Savings** $300 Billion
- **Total** $1.9 - 2.1 Trillion