THE REPUBLICAN STUDY COMMITTEE

BACK to BASICS

A BUDGET FOR FISCAL YEAR 2014

#RSCBudget
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Foreword.

When President Obama took office in 2009 and Democrats retained control of both chambers of Congress, Washington spending that was already too high exploded to dangerous levels that resulted in trillion dollar deficits never seen before in our nation's history. Suddenly, the solution to every problem was even higher taxes and spending combined with radical regulations of every segment of our lives. Under this President, taxes are up, and small business start ups are down. The national debt is up, and consumer confidence is down. Healthcare costs are up and access to medical care is down. The price of gas is up and energy production on federal lands is down. Federal spending is up and household income is down.

And what can we say for the president's leadership? It's nonexistent. Every hard-working taxpayer knows you can't keep spending money you don't have if you want to grow the economy and preserve the American Dream. You have to create and innovate, you have to engage and fight, and most importantly, you have to lead. That is exactly what the Republican Study Committee (RSC) is doing with our budget - we are leading with a budget proposal that offers true leadership. The RSC Budget proposes targeted reforms to protect the solvency of Medicare and Social Security, adopting pro-growth tax reform centered around giving hard-working taxpayers the freedom to choose, we're reducing non-defense discretionary spending and most importantly, our budget actually achieves balance within the budget window.

Each year, our budget proposals have been met with criticism by this President and his liberal lieutenants in the Senate despite their obvious budgetary ineptitude -- the Senate hasn't passed a budget in four years, and while bragging that it is not his priority that the federal budget ever achieve balance, this year marks the fourth year that President Obama has failed to submit his budget by the legal deadline.

Enough is enough. The games need to stop. The time for belt tightening was years ago. Our budget proposes real reform, not the usual gimmicks, higher spending and economy-destroying tax increases. This budget is an honest proposal, it's a conversation starter, and it will be offered before the entire House of Representatives for consideration. Its success doesn't come with votes, its success comes when Members read the text and realize yesterday's solutions are no longer viable. Out of control spending has created an environment that requires more aggressive resolution, and our budget rises to our nation's challenges.

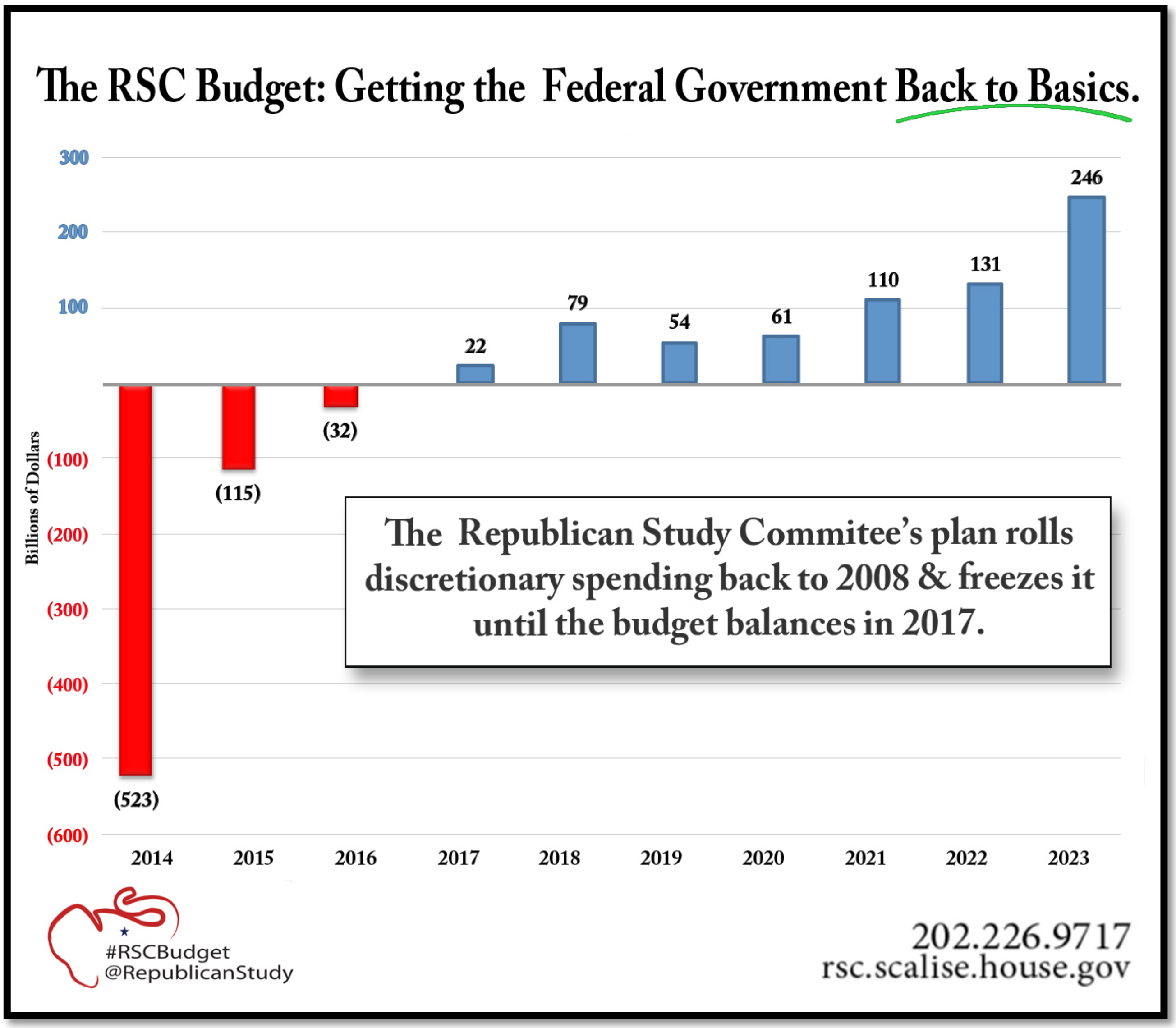
Steve Scalise

Steve Scalise
The Republican Study Committee
Chairman

Rob Woodall

Rob Woodall
The Budget & Spending Task Force
Chairman

Path to Balance.



The Need For Limited Government.

From Washington to Jefferson, Lincoln to Reagan, America's statesmen have all recognized that the secret to American dynamism lies with its people, secure in their rights, free to pursue happiness for themselves and their families. Americans still hold fast to these principles and believe that individual choices – and the freedom to make them – are the only recipe for success. A recent poll conducted by Rasmussen Reports found that an overwhelming 86 percent of Americans believe that individuals make their own success through the choices they make.

> **86%** OF **AMERICANS** BELIEVE THAT **SUCCESS** IN **LIFE** IS **DETERMINED PRIMARILY** BY CHOICES AND **DECISIONS INDIVIDUALS** MAKE **THEMSELVES**
>
> SOURCE: RASMUSSEN REPORTS.

It is true that there are other significant factors too: family, faith, and local community are pillars of a free society and help make earned individual success possible. Government has an important role to play as well – but to be effective, our Founding Fathers understood that government must be *limited* and *representative* of the people it serves. Unfortunately, our government has strayed from these principles.

It is an unassailable economic fact that *unlimited* government – with its runaway spending, deficits, and debt – is hampering today's already struggling economic recovery and mortgaging the prosperity of generations to come. Though the challenges are clear, the answers are polarizing. One side argues that government has grown unaffordable and unaccountable, spending more than Americans can or should be asked to pay. The other proposes to make government even larger, and to pay the hefty price tag for big government by extracting more taxes from America's citizens, families, and economy.

Yet for all the appropriate attention on deficits and debt, they are only a symptom of a deeper problem: the federal government has grown beyond the limitations envisioned by our Founders and ensconced in the text of the Constitution. The solution then is not simply to cut spending, but to cut spending by scaling back the federal government's expansive scope.

The threat is clear: our government has amassed near-monopolistic power as an education lender, a mortgage bank, and a healthcare provider. It has dabbled as an automotive and green energy hedge fund and as an investment bank – badly distorting markets in the name of saving them, sowing the seeds of moral hazard along the way by institutionalizing "too big to fail," and diverting taxpayer dollars away from the core responsibilities of the federal government.

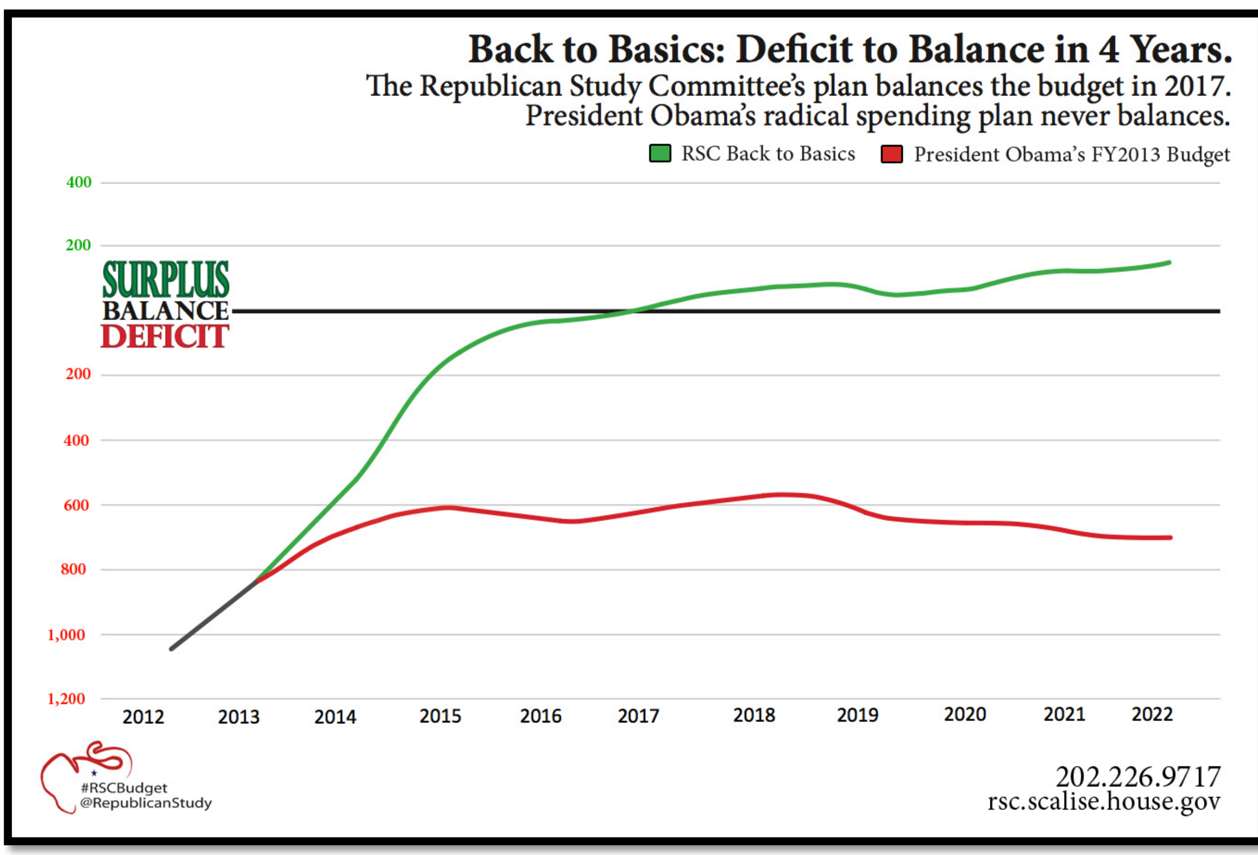
The federal government has run roughshod over state governments, imposing mandates and locking up natural resources, bullying, threatening, and bribing any state that stands in its way. It has stymied both energy production and the American entrepreneurial spirit with thousands of regulations. It is the designer and caretaker of the nation's largest pension plan, Social Security, and healthcare insurance programs, Medicare and Medicaid – all three of which are teetering on the verge of insolvency with tens of trillions of dollars in unfunded liabilities.

In short, the Federal Government does too much, too poorly, with too little accountability. Although the President has not yet submitted a FY 2014 budget to Congress, as required by law, the President's FY 2013 budget reflects extreme imbalance – deficits remain high and the federal government's books *never balance*.

This activist government bears increasingly less resemblance to the original American experiment than to the European social democratic experiment, the end stages of which are currently playing out from Spain to Greece. It is a path that leads to diminished stature in the world, chronically unbalanced finances, lower standards of living, less individual liberty, and ultimately, collapse.

Unless the size and scope of government is checked, our nation's prosperity and the happiness and freedom of its people will continue to be at risk.

This budget provides a path toward a freer, more prosperous future. One in which the federal government gets **Back to Basics:** providing for the common defense, protecting the inalienable rights of its citizens, keeping its promises and ensuring that actors in free and fair markets do the same.



The Principles.

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

- The budget should strengthen Medicare, Medicaid, and Social Security to ensure their long-term sustainability.
  - ✓ Our proposal makes common-sense reforms to strengthen Medicare and Medicaid by offering increased choices and improved services, and protects Social Security by strengthening the program's trust fund.

- The budget should balance in ten years or less without raising any taxes.
  - ✓ Our proposal balances in four years while limiting baseline average revenue to 18.5 percent of GDP, near its historical average.

- The budget should reduce spending and make the federal government more effective and efficient.
  - ✓ Our proposal cuts agency spending below FY 2008 levels, freezes it there for four years, and gets government out of the way so America's businesses have the ability to grow and create jobs.

- The budget should terminate federal programs that are unconstitutional, duplicative, or harmful.
  - ✓ Our proposal forces the federal government to prioritize, something American families across the country have been required to do in these tough economic times.

- The budget should implement reforms to Washington's broken budget process.
  - ✓ Our proposal prohibits earmarks and forces tough choices to give hard-working taxpayers the accountability and transparency they deserve from their federal government.

- The budget should keep taxes low and include pro-growth tax reform.
  - ✓ Our proposal rejects President Obama's $600 billion-plus tax hike on families and small businesses and institutes pro-growth tax reform that will create jobs.

- The budget should repeal President Obama's job-killing healthcare law.
  - ✓ Our proposal repeals the entirety of ObamaCare (including all ObamaCare tax provisions), eliminating the government intrusion into healthcare, stopping the law's conscience-infringing mandates, restoring choice to patients and families, and returning flexibility to the states.

Specifically, this proposal sets the following common-sense policies.

REDUCE SPENDING.

- Repeal ObamaCare to eliminate $1.2 trillion in additional spending over ten years.
- Set discretionary spending at $950 billion in FY 2014 (rolling spending back below FY 2008 levels).
- Ensure our nation's security by funding defense at the same level as the House Republican budget, growing from $552 billion in FY2014 to $678 billion in FY2023.
- Reduce non-defense discretionary spending from $398 billion in 2014 to $392 billion in 2023.

SAVE MEDICARE.

- The RSC believes that Medicare should transition to a solvent premium-support system, as proposed by the House Republican Budget, which saves Medicare from bankruptcy and provides competition, choice, and quality care for seniors. The RSC implements this reform in 2019. This reform would have no impact on individuals 60 and older.
- In order to shore up Medicare's solvency and to keep pace with increases in longevity, the RSC proposal slowly phases in an increase in the Medicare eligibility age for those born in 1959 and after. This reform would have no impact on individuals 55 and older.

REFORM MEDICAID.

- This budget empowers the states with maximum flexibility to determine the Medicaid eligibility and benefits, thereby improving the quality of care and access to vital services for the neediest and most vulnerable Americans. Based on the model set by the successful welfare reforms of 1996, federal funding for Medicaid and the Children's Health Insurance Program (CHIP) will be guaranteed at current levels for the next ten years. This proposal is modeled on the RSC's State Health Flexibility Act of 2013 (H.R. 567).

SAFEGUARD SOCIAL SECURITY.

- This budget would slowly phase in an increase in the Social Security full-retirement age for individuals born in 1962 (currently 51) and after to an eventual full-retirement age of 70.
- To further strengthen Social Security's long-term finances, this budget would change the formula for cost of living adjustments (COLA) by adopting a more accurate measure of inflation (chained CPI-U) that takes into account real-world choices consumers make.

ENACT PRO-GROWTH TAX REFORM.

- This budget proposes a smarter tax code that is simpler, flatter, and fairer in line with the RSC's Jobs Through Growth Act of 2012.

The United Sates government is addicted to spending. Without sufficient revenue to feed the addiction, the federal government has turned to borrowing on an unprecedented scale. Relatively small deficits in the early 2000's gave way to yearly deficits of over $1 trillion. This explosion of debt-fueled big government coincided with the election of President Obama in 2008, on whose watch the total debt owed by the United States has grown by over $6 trillion. At the same time, entitlement spending hit an all-time high as a percentage of the overall budget at 62 percent. Spending on entitlements is driving the long-term deficits, and has been growing substantially faster than the economy for decades. Unfortunately, President Obama's solution to this problem was ObamaCare, a $1.2 trillion new entitlement.

$212,000.00

SHARE OF FEDERAL **DEBT** OWED BY A FAMILY OF **FOUR**

While it is hard to put spending on that scale in perspective, consider that since President Obama came into office, a family of four has seen their share of the federal debt increase by more than $77,000. The total federal debt for which that family is responsible stands at $212,000 – more than the cost of a new home in many parts of the country.

It is no wonder that poll after poll shows that Americans are increasingly worried about big government, runaway debt, our nation's economic outlook, and their children's future. These concerns are inextricably linked.

Freeze Discretionary Spending. This budget proposes to lift the heavy drag of government overspending from the economy and to lift the crushing burden of debt from future generations. In FY 2014, the RSC budget proposes that non-emergency discretionary spending be capped $950 billion, bringing agency funding to slightly below FY 2008 levels.

Until the budget is balanced in 2017, the RSC budget caps total discretionary spending at current year levels. After the budget is balanced, total discretionary spending is allowed to grow with inflation.

Defense Spending. Within the discretionary spending total, the RSC budget funds defense at the same level as the House Republican budget, growing from $552 billion in FY 2014 to $678 billion in FY 2023.

It is the position of the RSC that to "provide for the common defense," as called for both in the preamble to the Constitution, as well as Article I, Section 8, is the first duty of government. President Reagan was right that budgetary decisions should be based on a sound defense strategy, not the other way around. It is both unwise and unreasonable to expect that America's defense should be constrained in order to provide funding for programs that are constitutionally questionable or under-performing.

This budget reprioritizes defense spending while at the same time shielding future generations from crushing debt. Funding for defense is not a one-way street, however. To that end, this budget calls for the Pentagon to renew its commitment to open its books to a full audit and reform of the Pentagon's broken procurement process.

CUTTING SPENDING.

The RSC budget proposes non-defense discretionary spending at levels that will require the federal government to rethink the way it does business, streamlining and possibly consolidating agencies. These spending constraints will require the federal government to tighten its belt and get serious about eliminating unconstitutional, duplicative, and wasteful programs. This budget recommends the following cuts and spending prohibitions:

Eliminate funding for the **Corporation for Public Broadcasting**. A free society, by definition, should not have government-supported media outlets, especially ones that so often convey political news and opinion. Furthermore, the Corporation's mission of ensuring universal access has been fulfilled by telecommunication advances, and government-funded broadcasting is therefore completely unnecessary.

Eliminate the **National Endowment for the Arts**. Funding the arts is an inappropriate function of the federal government and is nowhere justified in the Constitution. Support for the arts can easily and more properly be found from private, voluntary sources.

Eliminate the **National Labor Relations Board**. The Department of Justice (DOJ) already oversees a wide variety of civil, criminal, and administrative issues, including anti-trust, voting rights, and major mergers and acquisitions. DOJ is certainly capable of handling claims of unfair labor practices, and could do so without the pro-big-labor bias and partisanship endemic to the NLRB.

Prohibit federal employees from conducting union business on official time. Ending the federal government's sanction of union activity *at federal expense* will make the federal workforce more effective and efficient (as proposed by the Federal Employee Accountability Act of 2013).

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

<u>The following cuts illustrate a number of savings options supported by a majority of House Republicans during the FY 2013 appropriations process:</u>

Reduce funding for the **International Trade Administration**. These funds are corporate welfare, pure and simple. By the ITA's own account, their activities provide "counseling to American companies in order to develop the most profitable and sustainable plans for pricing, export, and the full range of public and private trade promotion assistance, as well as market intelligence, and industry and market-specific research." U.S. companies produce outstanding products that can compete with those produced anywhere in the world. These successful companies do not need Uncle Sam pitching in to do market research (funded by taxpayer dollars and debt).

Eliminate the **Economic Development Administration**. The EDA is a duplicative program and accomplishes many of the same goals as the Neighborhood Reinvestment Corporation.

Eliminate **AmTech**, an unnecessary public-private partnership that amounts to the Federal Government intruding into private sector manufacturing research and development.

Reduce funding for the **National Science Foundation**. Many of the functions of the NSF simply aid and augment the activities of public and private universities. These universities are capable of carrying out these functions independently.

Eliminate the **Legal Services Corporation**. Though created with the intent to provide free, legal assistance to those not capable of providing it for themselves in non-criminal cases, the LSC has evolved into an organization that also takes part in the advocacy of political causes and lobbying. Coupling the misuse of taxpayer funds with the redundancy in free legal services provided by states and other organizations eliminates the need for this federally funded entity.

Eliminate the **Energy Efficiency and Renewable Energy** (EERE) program, which invests in high-risk research and development in the fields of energy efficiency and renewable energy technologies. Not only does this program allow the federal government to pick winners and losers, but it also limits research to a small sector of the energy economy – renewables. Instead of wasting taxpayer dollars on risky renewable energy schemes, the United States should be pursuing a market-based, all-of-the-above energy policy.

Eliminate the **US-China Clean Energy Research Center**. With our nation deep in debt, it makes little sense to use taxpayer dollars to aid other countries in creating new energy technologies.

Eliminate regional commissions including the **Denali Commission, Appalachian Regional Commission, and the Delta Regional Authority**. The economic development programs are duplicative of other programs in the federal government and provide federal funding for *local* projects. The Federal Government is not only out of money, but it is also ill-equipped to prioritize local infrastructure and development projects. These activities are more appropriately carried out by state and local governments.

Reduce funding for **Community Development Block Grants** (CDBG). This program has been unauthorized (yet still funded) for 19 years and is a prime example of the federal government's difficulty prioritizing local programs. CDBG has paid for programs as diverse as doggie daycare, a local circus, and decorative sidewalks in an affluent suburb. This illustrative cut would only eliminate a fraction of the program, although a more thorough audit of the program's waste and duplication would likely lead to significantly deeper cuts.

Eliminate the **Essential Air Service** program. This program heavily subsidizes flights to and from rural areas – sometimes to the tune of several hundred dollars *per passenger*. The federal government should not be borrowing money from China and elsewhere to provide air service to areas of the country where the market will not support it.

Eliminate funding for the **Washington Metropolitan Transit Authority**. The federal government should not be directly subsidizing the public transit system of one of the most affluent cities in the United States.

Digging Deeper. The RSC budget proposes institutionalizing efficiency by creating a new commission, styled after the post-World War II "Byrd Committee," tasked with acting on the annual GAO Report on duplication, overlap, and fragmentation, as well as Oversight and Government Reform Inspector General reports. The GAO released two annual reviews in 2011 and 2012 that list as duplicative or overlapping more than 1,500 programs. This represents the potential for tens of billions in savings every year. One example of this overlap is the area of housing assistance, where GAO found that 20 different entities administer 160 different programs all aimed at providing assistance for buying, selling or financing a home. A majority of House Republicans agreed during the FY 2013 appropriations process that the waste and overlap in these programs provides an opportunity for savings, including the **Office of Housing, Office of Fair Housing and Equal Opportunity, Public Housing Capital Fund, Public Housing Operating Fund, and Neighborhood Reinvestment Corporation.** The savings and policies listed here are just the tip of the iceberg. The RSC has identified a plethora of additional cuts and reforms through the RSC Sunset Caucus, the RSC Repeal Task Force, and in the RSC's Spending Reduction Act. If the federal government is going to balance its books, duplication, waste, and unconstitutional programs will need to be reduced and eliminated. The best spur to efficiency is a smaller, more realistic budget that will necessitate prioritization among activities.

Medicare.

Repeal ObamaCare. The RSC budget repeals ObamaCare and provides $0 for it over the next ten years. This reduces spending by $1.2 trillion over ten years (on top of savings from repealing the Medicaid expansion), while reinforcing the principle that Congress shall prevent the implementation of an unconstitutional federal government takeover of the nation's health care system.

Reinforce Medicare's Commitment to Seniors. The RSC budget adopts the Republican House budget's Medicare reform plan to ensure that the promises made to current beneficiaries and younger Americans will be kept. This budget makes no changes for individuals in or near retirement and applies common-sense reforms for individuals born in 1954 or later.

The RSC also recognizes that the United States is facing unprecedented demographic challenges. Medicare currently covers more than 50 million seniors, and every day for the next 16 years, 10,000 baby boomers will reach retirement age. As such, the number of working age individuals is not keeping up with the number of individuals reaching retirement age.

Unfortunately, as currently structured, Medicare will be unable to meet the additional demands placed on the system. Since 2008, Medicare's Hospital Insurance Trust Fund expenditures have exceeded income every year, a trend that is expected to continue indefinitely. For FY 2013, revenues from the general fund will account for more than 50 percent of all Medicare expenditures, and the trust fund will spend $35 billion more than it takes in. According to the Congressional Budget Office, over the next decade the trust fund will move $175 billion closer to exhaustion, and the Medicare trustees predict it will be completely exhausted by 2024, making Medicare bankrupt. However, if ObamaCare's Medicare spending cuts are used to fund new entitlement spending – as proposed by the President – the true bankruptcy date of the trust fund is 2016. By repealing ObamaCare, this budget shores up the trust fund through 2024, although much more needs to be done to ensure Medicare is capable of meeting its ever-growing demand.

Indeed, saving Medicare presents policymakers, healthcare professionals, and all Americans with a daunting challenge. Unless we take steps to strengthen Medicare's financial footing and improve the program's quality of care, Medicare will not be in a position to help current or future beneficiaries.

To address these challenges, beginning in 2019, our budget gradually transforms Medicare into a health insurance program similar both to the system that Members of Congress and their staffs enjoy, and to the current Medicare Part D program, both of which allow participants to choose among health and prescription drug plans provided on a regulated exchange. These changes would only apply to individuals born in 1954 or later.

By introducing the powerful forces of consumer choice and competition in Medicare, health care plans and providers will be incentivized to deliver value for taxpayer and beneficiary dollars. The similar approaches used by the Federal Employee Health Benefits Program (FEHB) and the Medicare Part D program have demonstrated success in controlling the growth of healthcare costs while increasing patient satisfaction and quality of care.

Beginning in 2019, enrollees in the newly created private insurance market would receive premium subsidies to offset the cost of their health insurance policies. Seniors can direct this premium support payment to the plan of their choice offered on a regulated exchange. This includes private plans as well as Medicare's traditional fee-for-service option. To guarantee that health insurance remains accessible and affordable, the premium subsidies would be adjusted for an individual's current health, the cost of medical care in the area where they live, and the individual's wealth and income. In addition, under this plan, Medicare beneficiaries would receive several cost protections, including those from catastrophic healthcare costs.

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

Experts on both sides of the political aisle agree that providing Medicare enrollees a greater menu of choices, harnessing the power of competition among private insurance plans, and improving the quality of care would substantially improve Medicare's long-term fiscal outlook. This reform will render Medicare solvent in the long term; however the RSC budget allows time for phase in and does not assume savings during that period.

Adjust the Medicare Eligibility Age to Reflect Life Expectancy. Since Medicare's creation in 1965, independent advances in science and medical technology have increased average life expectancy. As a result, the average length of time individuals are covered by the program has increased as well. According to the U.S. Centers for Disease Control and Prevention, the average life expectancy in the U.S. was 78.7 years in 2011. In 1965, it was 70.2 years. We have every reason to believe this trend will continue.

To address the increased demands on Medicare, this budget proposes raising the age of Medicare eligibility, beginning in 2024, by two months every year beginning with those born in 1959 until the eligibility age reaches 70, bringing Medicare eligibility in parity with Social Security. Bringing Medicare's eligibility age in line with longevity will help strengthen its foundation for future retirees.

Address Medicare Waste, Fraud, and Abuse. Medicare fraud impacts all of us. Waste, fraud, and abuse take critical resources out of our health care system, contribute to the rising costs of health care, and take more tax dollars out of the hands of hard-working Americans. The independent Government Accountability Office estimates that in 2012 alone, Medicare made more than $44 billion in improper payments, defined as fraudulent or erroneous overpayments to healthcare providers. Malcolm Sparrow of Harvard University, a top specialist in health care fraud, argues that estimates by federal auditors do not accurately measure all types of improper payments. Sparrow believes improper payments account for as much as 20 percent of federal health spending, or nearly $120 billion.

While this budget does not assume explicit savings from reductions in Medicare waste, fraud, and abuse, the RSC believes that it must be addressed.

Strengthen Social Security. Social Security is the nation's largest single program and an essential part of retirement for millions of Americans. Unfortunately, this program is built on an unsound foundation. Social Security's own trustees report that the program has $20 trillion in long term funding shortfalls.

In 2010, for the first time in the program's history, Social Security began operating at a cash deficit and spending more on benefits than it collects in payroll taxes. Over time, this growing cash deficit will drain the Social Security trust fund, and by 2033, Social Security will be bankrupt. Under current law, this will lead to a dramatic and immediate cut to *all seniors* in order to bring spending in line with revenue.

Fortunately, there is a better path. The RSC proposal would begin phasing in reforms that protect seniors and preserve Social Security for future generations. Specifically, we propose adopting a more accurate formula for determining cost of living adjustments (COLAs) and gradually increasing the full retirement age.

More Accurate Cost of Living Adjustments. As time passes, inflation decreases the real value, or purchasing power, of a dollar. To ensure that the purchasing power of benefits seniors rely on stays constant, the Social Security cost of living adjustment increases the dollar amount of benefits by a formula tied to inflation. Unfortunately, the formula uses an index, CPI-W (the Consumer Price Index for Urban Wage Earners and Clerical Workers), that overstates the effects of inflation. This overpayment contributes to the path to bankruptcy that Social Security is currently on.

This budget recommends switching to a more accurate index, chained CPI-U, which economists across the political spectrum agree tracks the effects of inflation more accurately. Chained CPI-U also better achieves the goal of the COLA: ensuring that retirees who depend on Social Security do not see their benefits eroded by inflation. This proposal saves $127 billion over ten years, and more importantly, according to the Social Security Trustees 2012 report, this would solve 20 percent of Social Security's long-range actuarial balance.

Adjusting the Retirement Age to Reflect Longevity. As a result of the Social Security Amendments of 1983 (P.L. 98-21), the Social Security full retirement age has been slowly increasing over time – beginning at 65 and coming to rest at 67 by 2022.

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

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

This common-sense, incremental approach protects individuals near retirement and makes changes for younger workers commensurate with the time they have remaining in the work force. According to the non-partisan Congressional Budget Office and Social Security Trustee reports on similar proposals, this proposal would close nearly half the Social Security funding gap over the next 75 years.

Medicaid and the Children's Health Insurance Program. As a "voluntary" federal-state partnership, the Medicaid program subsidizes healthcare services for the most vulnerable Americans, including the poor, chronically ill and disabled, children, the elderly and pregnant women. Medicaid is the largest federal means-tested welfare program, and it accounts for 40 percent of all federal means-tested spending. Besides often failing to provide quality care or even access to care, it grows more unaffordable each year while hampering states with more red tape from Washington.

The fact is, Medicaid is growing much faster than the nation can afford: Estimates predict an 8 percent average annual rate of growth over the next ten years, which is more than triple the 2.7 percent average GDP growth our nation has enjoyed over the last 40 years. Medicaid's open-ended entitlement structure encourages states to spend more in exchange for receiving between 50 and 74 percent of federal matching funds. With ObamaCare's planned enrollment of millions of new beneficiaries for able-bodied adults, spending will bankrupt state budgets. Even now, states are spending more on Medicaid than anything else.

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

When granted flexibility, states have created reforms ensuring those in need receive quality health care services while taxpayer funds are used wisely. Rhode Island is a model example for this approach. In 2009, it earned a waiver called the Global Consumer Choice Compact that provided budgetary certainty for the state in the form of a $12.075 billion allotment through 2013. To date, Rhode Island's reforms have cut the projected growth of Medicaid expenditures in half and will spend approximately three billion dollars under its planned cap. Rhode Island's example illustrates that when given budget certainty and flexibility to innovate, states can both save money and deliver higher quality service.

The RSC proposes combining Medicaid and CHIP funding into a single, streamlined block grant at FY 2014 levels and giving states maximum flexibility to address the unique health care needs of their vulnerable citizens. Modeled after the RSC's State Health Flexibility Act (H.R. 567), it would create a Medicaid and CHIP block grant that answers governors' calls for more independence to use federal funding in a way that works for their state since states know best how to determine the health care needs of their vulnerable populations. Freezing spending at the FY 2014 level saves $1.3 trillion over ten years compared to the projected increases under current law.

Supplemental Nutrition Assistance (SNAP). This budget embraces the Republican House budget's reform of SNAP – also known as food stamps – which empowers the states to become laboratories of democracy, tailoring assistance for their neediest residents instead of following one-size-fits all Washington mandates. As with Medicaid reform, more local control provides a powerful incentive to eliminate waste, fraud and abuse. In a block grant system, a dollar of fraud saved by a state can go directly to help those in need, while the current funding structure only allows states to keep a fraction of every dollar of waste they find. Continuing these welfare programs without such reforms is immoral and leaves states' most vulnerable citizens with empty promises.

Temporary Assistance for Needy Families. This budget also calls for preservation of the work requirement that is the lynchpin of the successful 1996 reform of the TANF program. The President's proposed waiver of these work requirements would be a dramatic step backward – for the program and for the individuals who participate in it – and is prohibited by this budget.

Other Mandatory Savings Options.

Balancing our budget is not possible if Congress does not address mandatory spending. Once Congress creates them, mandatory programs automatically spend taxpayer dollars each year. This autopilot spending accounts for nearly two-thirds of federal outlays, and that proportion grows in coming years.

While Social Security, Medicare, and Medicaid are among the most well-known mandatory programs, the federal budget contains many other mandatory programs that redistribute taxpayer dollars for other purposes. For example, other mandatory spending includes providing benefits for welfare recipients, federal employees, farmers, and students, to name a few. In fact, these programs spend roughly 20 percent of our nation's taxpayer dollars.

Unfortunately, these programs do not receive regular oversight through Congress' annual spending process. As a result, poorly performing programs can continue wasting money indefinitely. The Government Accountability Office released two annual reviews in 2011 and 2012 that list as duplicative or overlapping more than 1,500 programs. Indeed, Congress has not eliminated one significant program in more than a decade. While these reports include annually funded programs as well as those on autopilot, they illustrate the scope of the challenge confronting Congress to fulfill its responsibility that your taxpayer dollars be used wisely. The savings options outlined below illustrate some of the necessary steps toward a limited, constitutional government that lives within its means.

AGRICULTURE.

The federal government provides between $10 billion and $30 billion in assistance to farmers and farmland owners *each year*. This includes both monetary and non-monetary government support. The majority of this money flows to producers of five crops: wheat, cotton, corn, soybeans, and rice.

Some believe our agriculture industry cannot function without government subsidies, but fruit, vegetable, livestock, and poultry operations, receive relatively little assistance. Government-wide spending reforms are necessary to balance the budget, and taxpayer funded support for agriculture programs should not be exempt.

Reduce the Premium Subsidy in the Crop Insurance Program. Farmers use the Federal Crop Insurance Program to protect their crops from perils by purchasing policies that are sold and serviced by private vendors. The federal government subsidizes about 60 percent of the premiums paid for this program. Beginning in FY 2014, the federal government's subsidy would be reduced to 50 percent of the crop insurance premium. This would result in a savings of $13 billion over ten years. Reductions of this magnitude in the subsidy rate are unlikely to substantially affect the level of program participation.

Support Market-Based Programs by Eliminating the Direct Payment Program. Direct payments are currently the largest commodity program in the Farm Bill, and are capped at close to $5 billion annually. The payments are based on a historical measure of a farm's production acreage, and they do not vary based on actual production or commodity prices. Direct payments were originally established in 1996 as a transitional program. However, the subsidies have not been reduced over time.

These payments do not vary according to current market prices or yields. Direct payments can also be paired with either Counter Cyclical Payments or Average Crop Revenue Election payments when the prices or revenue of a crop fall below certain levels. The direct payment limit for one farmer is $40,000, but having a spouse can double that number to $80,000. Corporations, partnerships, and trusts are all eligible for payments. Although this non-market based program would be terminated, growers could still receive support payments from other support programs such as the Average Crop Revenue Election (ACRE) and Marketing Loan Assistance programs. The RSC budget assumes that savings from the elimination of this program will be used for deficit reduction and not for the creation of any new agricultural entitlement program. Elimination of this program saves $31 billion over ten years.

Prohibit New Enrollment in the Conservation Reserve Program (CRP). The CRP provides payments to farmers to take certain cropland out of production for 10 years or more. While CRP was established for soil conservation and commodity reduction, it is a perfect example of a government program reaching for new ways to justify its existence. The program is now also promoted for increasing native wildlife populations. This budget would prohibit new enrollments in the CRP, significantly reducing the acres that farmers are paid to not farm. This would save $5.6 billion over ten years.

Prohibit New Enrollment in the Conservation Stewardship Program. The Conservation Stewardship Program (CSP) encourages agricultural producers to adopt more environmentally sustainable practices on their working land. The program subsidizes agricultural producers to use conservation techniques that many have already adopted. Agricultural producers already have an existing incentive to conserve their resources and practice sustainable farming. Therefore, paying agricultural producers to use techniques they have already adopted does not enhance conservation efforts. This budget would prohibit new enrollments in the CSP. Land that is currently enrolled in the CSP would continue to be eligible to receive payments until the contract expired. This would save $10.5 billion over ten years.

Eliminate the Foreign Market Development Program (FMDP). The FMDP is used by agricultural trade associations and commodity groups to help promote exports and provide nutritional and technical assistance to other countries. This program would be terminated beginning in FY 2014, resulting in savings of $350 million over ten years. The private sector should be responsible for promoting its own products as it receives the profits from the sales of these products.

Eliminate the Market Access Program (MAP). The MAP is intended to promote overseas marketing of U.S. agricultural products. MAP funds consumer promotions, market research, trade shows, advertising campaigns, and other programs designed to subsidize the sale of brand-name products in foreign markets by private cooperatives, trade associations, and businesses.

Taxpayers should not be forced to pick up the tab for this kind of corporate welfare. The National Commission on Fiscal Responsibility and Reform targeted this program as one in need of change. This program would be terminated in FY 2014, resulting in $2 billion in savings over ten years.

Eliminate Wool and Mohair Subsidies. The federal government first enacted price support for wool and mohair in 1947, and the National Wool Act of 1954 established direct payments for wool and mohair producers for the purpose of encouraging production of wool as an essential and strategic commodity. This support was last re-authorized in 2008 despite a complete lack of a compelling need for government support of mohair.

Beginning in FY2014, wool and mohair subsidies would be eliminated, saving taxpayers $40 million over ten years.

HIGHER EDUCATION.

Restore Accountability to the Pell Grant Program. The Federal Pell Grant program was authorized by the Higher Education Act of 1965 to provide federal support to postsecondary education students. Pell Grants are the largest source of federal grant aid for students. The Department of Education estimates that the program spent more than $33 billion in FY 2012 on grants for more than 9 million students. While the program is funded primarily through annual appropriations, a smaller part of the program is funded through mandatory spending.

Recent laws like the stimulus bill have provided mandatory funding for the Pell Grant program to increase the maximum discretionary grant award. This mandatory add-on is a permanent funding item, and the amount of money provided for it each year is unspecified. Higher-education analyst Art Hauptman has stated, "We should worry…that increases in Pell Grants may lead institutions to reduce the amount of discounts they would otherwise have provided to the recipients, who are from poor families, and move the aid these students would have received to others." This budget eliminates the mandatory add-on for Pell Grants, which helps curb concerns that increases in Pell Grants lead to higher tuition and less opportunity for those most in need. This saves $106 billion over ten years.

End In-School Subsidies for Undergraduate Students. Federal student aid costs continue to skyrocket despite evidence that the provision of federal student aid has contributed to the increasing costs of college. In general, when financial aid programs make more money available to schools, these policies result in higher education costs. This has negative implications for access and affordability. In fact, a recent study found undergraduate education to be a highly profitable business for nonprofit colleges and that profits are being spent, not on holding down costs for students, but on some combination of research, graduate education, low-demand majors, low faculty teaching loads, and excess compensation.

To truly improve postsecondary education, curb college costs, and relieve pressure on the federal budget, the federal government can reduce federal student aid resources without harming those aspiring to attend, or already attending, a four-year college. President Obama's Deficit Reduction Commission noted student loan subsidies are based on family income prior to the student's enrollment in college, rather than on the student's ability to pay after completion.

According to a recent paper by The College Board, the most important consideration in enrollment decisions is how much the student will owe at the completion of studies, and there is no evidence that eliminating in-school interest is critical to that amount or to individual matriculation. The Budget Control Act of 2011 ended in-school subsidies for graduate students, and the RSC budget proposes a policy that would end in-school subsidies for undergraduate students. This would save $54 billion over ten years.

FEDERAL RETIREMENT.

Equalize Contributions to Federal Employees' Pension Plans. A recent CBO report found that, on average, federal civilian employees receive 48 percent more in benefits than the average private-sector employee with similar characteristics. Part of this excessive benefit structure is the retirement benefit system. Federal employees hired since 1984 are entitled to a hybrid pension, which includes a 401(k)-style plan that the government matches up to five percent *in addition to* a defined-benefit plan.

Private workers typically only get a 401(k) with a three percent match. The defined-benefit portion of the federal employee plan allows workers to retire at 62 and draw an annual income equal to 1.1 percent of the average of their three highest-salary years times the number of years they worked. For the average federal worker who earns $80,000 and retires after 30 years, this works out to $26,400 a year in guaranteed pension benefits.

Considering that federal workers contribute only 0.8 percent of their pay to the Federal Employees Retirement System, this is a recipe for a shortfall. Taxpayers now chip in 11.7 percent of employees' salaries to keep the system solvent. The Middle Class Tax Relief and Job Creation Act of 2012 requires new federal employees to contribute more towards their retirement annuity. However, no changes were made for current federal employees. The RSC budget would require all federal employees to pay more towards their retirement. This saves $123 billion over ten years.

Adopt Accurate Inflation Measurement. Federal retirees currently receive inflation protection for their federal pensions based on the CPI-W (the consumer price index for urban wage earners and clerical workers) instead of chained CPI-U (the consumer price index for urban consumers). The CPI-W, according to most analysts, overstates the actual level of inflation in the economy, at a higher cost to taxpayers. The RSC budget would more accurately measure inflation for federal retirees by basing it on the chained CPI-U, resulting in a savings of $9.2 billion over ten years.

Adopt a Defined Contribution Plan and Slow the Growth of Federal Contributions for the Federal Employees Health Benefits Program. The Federal Employees Health Benefits Program (FEHB) provides health insurance coverage to approximately eight million people, including federal workers, Members of Congress, and their dependents. This is a consumer-driven program of competing private health plans. The federal government can pay up to 75 percent of the premiums, and participants pay, on average, 30 percent of the premium payment.

This budget would offer a premium support for the FEHB program that would cover the first $5,000 of an individual premium or the first $11,000 of a family premium beginning January 1, 2015. Since employees who select plans that cost more than the federal contribution would pay the additional cost in full, this policy would incentivize consumers to choose lower-priced plans. As a result, price competition among healthcare plans would be strengthened. This plan achieves $29.6 billion in savings over ten years.

HOUSING & FINANCE.

Privatize Fannie Mae and Freddie Mac. More than nine out of every ten loans issued today are purchased by Fannie Mae or Freddie Mac and guaranteed by the American taxpayer. This guarantee is in addition to the nearly $170 billion tab the taxpayers have already been charged to bail out these entities.

This budget recommends privatizing Fannie Mae and Freddie Mac, winding down their government guarantee, and ending taxpayer subsidies. It also calls for measures that would bring transparency and accountability to these two GSEs. The savings would amount to $39 billion in subsidies expected to flow to Fannie and Freddie over the next ten years.

Eliminate the Consumer Financial Protection Bureau. The Dodd-Frank Act created the Consumer Financial Protection Bureau (CFPB), which is both part of and funded by the Federal Reserve. The structure of the CFPB effectively eliminates any opportunity for Congress to conduct any oversight whatsoever of the CFPB and its actions. This new bureaucracy will increase costs to consumers through the creation of new burdensome regulations. Its authority to write far-reaching rules on financial products is likely to restrict credit for the very customers it seeks to protect. The RSC budget proposes eliminating the CFPB, saving taxpayers approximately $5.7 billion over ten years.

End Too Big to Fail. While the authors of Dodd-Frank went to great lengths to denounce bailouts, this law actually institutionalizes them. It give the Federal Deposit Insurance Corporation (FDIC) the authority to access taxpayer dollars in order to bail out the creditors of large, "systemically significant" financial institutions. The CBO projects the cost for this new authority at $31.3 billion, although CBO Director Douglas Elmendorf has 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 significantly more.

Instead of rewarding corporate failure with taxpayer dollars, this budget calls for an alternative to the FDIC's too-big-to-fail bailout authority by supporting a policy that places responsibility of large, failing firms in the hands of shareholders who own them, the managers who run them, and the creditors who finance them. This would save $32.3 billion over ten years.

MISCELLANEOUS.

Transfer the Tennessee Valley Authority's (TVA) Electric Utility Functions. The TVA currently exists as a federal corporation operating as one of the largest electric utilities in the country in competition with private electric providers. Continued operation of TVA's electric utility functions will require substantial capital investments in the future. The cost of electricity sold by TVA includes federal subsidies, which operate as a hidden tax on all citizens and encourage over-utilization contrary to conservation policies. This budget would sell TVA's electric utility functions and associated assets and liabilities to a non-federal owner and operator. TVA would retain its hydropower assets and liabilities because they serve other functions, such as flood control and recreation. This would result in a savings of $4.3 billion over ten years.

Eliminate the Presidential Election Campaign Fund. The Presidential Election

Campaign Fund provides matching funds to candidates during the presidential primaries, funds for political conventions, and funds for third-party candidates who qualify. Individual taxpayers are allowed to designate $3 of their federal income tax to the fund. In short, the fund provides taxpayer subsidies to political candidates. The program was created in 1971 to reduce the influence of money in campaigns and to reduce the time required of candidates to raise money. Critics of the program argue it has failed to meet these goals. This budget eliminates the Presidential Election Campaign Fund, saving taxpayers $295 million over ten years.

Tax Reform.

In 2010, IRS Commissioner Douglas Shulman told a C-SPAN audience, *"I find the tax code complex, so I use a preparer."* He joins an overwhelming majority of the American people who believe our tax code is too complex to navigate without professional assistance.

It should come as no surprise that a majority of taxpayers are too intimidated to tackle their taxes alone: The tax code is a staggering 4 million words long. When printed, the guidance of the tax code alone stands more than one foot tall. Since 2001, there have been well over 4500 changes to the tax code – roughly one per day. This complexity and uncertainty forces individuals and businesses to spend 6.1 billion hours a year doing their taxes to comply with the code. That equals roughly 3 million employees a year working full time to comply with the United States tax code.

On January 1st, families and small businesses got a brand new tax bill for more than $600 billion when the so-called "fiscal cliff" deal became law. As a result of these and other taxes, the federal government will collect more in taxes in FY 2013 than at any time in our nation's history according to the Congressional Budget Office.

The President's tax increases will hit our job creators hardest of all. Hundreds of thousands of small business owners will pay billions more in taxes rather than hiring additional employees or expanding their infrastructure.

Despite the rhetoric that the President's tax increase simply "levels the playing field" or requires the rich to "pay their fair share", the Tax Foundation rightly notes that the top 1 percent of individual taxpayers already pay as much in federal income taxes as the lowest 95 percent. This is the *most* progressive income tax code among developed nations. Yet, the President's tardy FY 2014 budget will undoubtedly call for taking even more money out of the most productive sector of our economy.

Under this budget, we will unwind the $685 billion tax increase passed as part of the fiscal cliff deal by directing the House Ways and Means Committee to give it back to the American people as a part of comprehensive tax reform. Our tax reform is pro-growth, it ends special interest tax breaks, and it encourages investments here at home rather than providing tax incentives to keep income overseas.

The RSC provides tax reform based on our previously introduced Jobs Through Growth Plan. Under this plan, people can stay with the current income tax code or scrap it and switch to a system with just two rates, generous deductions for families and no marriage penalty. To keep jobs from moving overseas, the plan cuts the corporate tax rate – which at 35 percent, is currently the highest among developed nations – to 25 percent, targets loopholes for elimination, and encourages companies to bring money made overseas back into the U.S. economy. It helps small businesses, family farms, investors, and job creators by eliminating the Death Tax and the investment tax on inflation.

Enact Taxpayer Choice Act. The legislation gives taxpayers the choice of staying with the current tax code, or switching to a simple, flatter, and fairer system. The new optional tax system would have:

- Just two rates -- 15 percent (first $50,000 taxable income for single filers, $100,000 for joint filers) and 25 percent (taxable income above those amounts);
- A standard deduction of $12,500 for single filers, and $25,000 for joint filers;
- An additional deduction of $12,500 for each dependent; and
- No other individual deductions or credits or exclusions.
- Top Rate of 15 percent on investment income for all taxpayers.

Cut the Corporate Rate to 25 Percent and Move to a Territorial Based System. This budget calls for reducing America's top corporate tax rate from 35 percent to 25 percent. This budget directs the House Ways and Means Committee to identify tax deductions and credits that could be eliminated and to report legislation transitioning the U.S. to a territorial tax system.

Index the Capital Gains Tax for Inflation. This budget would eliminate the capital gains tax on inflation.

Encourage Repatriation. To encourage businesses to bring the estimated $1.2 trillion of capital stranded overseas back into the U.S. economy, the legislation lowers the tax on foreign-earned profits repatriated by U.S. corporations to 5.25 percent for one year.

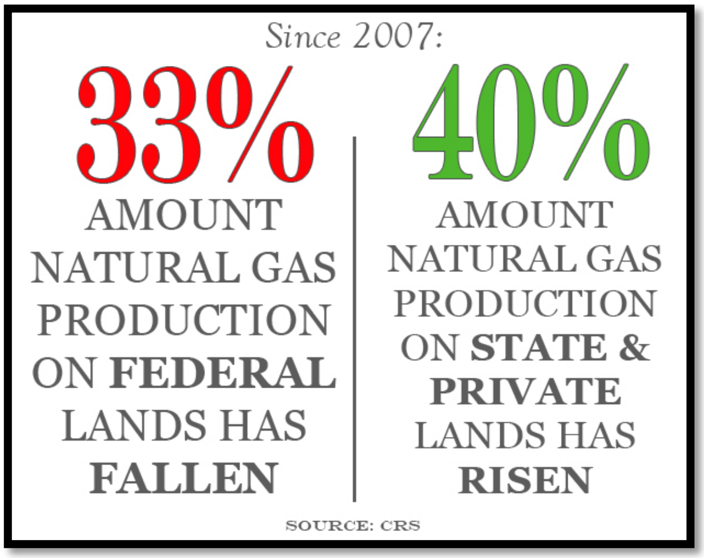
Repeal the Death Tax. This budget calls for the elimination of the death tax, which imposes heavy compliance costs and threatens the survival of small businesses and family farms.

Conclusion. Even beyond providing taxpayers with choice today, we must craft a tax code that ensures American competitiveness and success for the remainder of the twenty-first century. Fundamental reform is never easy. Each of the exceptions and exemptions in the current tax code has a defender, but every economist tells us that fewer exceptions and exemptions create a broader base that paired with lower rates creates faster economic growth than does our convoluted system we have today.

There are many good ideas on that front--growth-oriented tax plans that could strengthen the economy and support the nation's funding priorities. The FairTax, for instance, is a fundamental tax-reform plan for consideration 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 families, businesses, and entrepreneurs desire. The Flat Tax, as proposed in many different forms by individuals in Congress, Nobel Prize-winning economist Milton Friedman, and think tanks such as the Heritage Foundation, also seeks to end the current income tax in favor of one that encourages more economic growth. Congress should consider the full myriad of pro-growth plans and move aggressively toward further fundamental tax reform.

Energy Reform.

The RSC budget recognizes the massive amounts of attainable energy resources that are off-limits because of the federal government's interference. Since 2007, natural gas production on federal lands fell by 33 percent while production on state and private lands grew by 40 percent where the federal government plays little or no role.



Removing federal government roadblocks will unleash the private sector to invest, create jobs, and grow the economy while increasing our domestic energy production. Declines of oil production on federal lands in FY 2011 and FY 2012 have caused production levels to now be below FY 2007 levels.

Exhibit A in the Obama Administration's wrongheaded approach to energy policy is the Keystone Pipeline project, which has been in regulatory limbo for more than four years, despite a recent study from the State Department that there would be no significant damage to the environment. Continuing to postpone this decision may appease President Obama's ultra-liberal base, but it won't help Americans struggling to find jobs and deal with the high cost of gas.

Furthermore, federal law currently prohibits any production activity from taking place in many domestic areas holding reserves of oil and natural gas. The Arctic National Wildlife Refuge (ANWR), Outer Continental Shelf (OCS), and Rocky Mountains represent several areas in the United States that have resources that would help reduce our reliance on the Middle East, lower gas prices, create jobs, and boost our national security by increasing domestic production.

The RSC budget calls for the approval of the Keystone Pipeline, which instantly creates jobs and aids in reducing our dependency on unstable regimes in hostile regions in the world. TransCanada applied for a Presidential Permit to build the Keystone XL pipeline over 1,600 days ago, and they expect to spend $7 billion to build the pipeline.

States should have the ultimate say in what happens within their borders and off their coastlines, not the federal government. Given this principle, the budget permanently opens the Outer Continental Shelf for energy exploration and development. If a state wishes to restrict energy exploration and production within its borders or off its coasts, this budget gives them the ability to opt out.

American ingenuity has led to innovations in energy exploration and development which has increased production of domestic energy resources on private and State owned land. This has fostered significant job growth and private capital investment. The RSC budget encourages this development by approving the export of Liquefied Natural Gas (LNG), thereby creating new markets abroad to fuel the growing demand for domestic LNG.

The RSC budget also recognizes the destructive nature of a proposed tax on carbon, which would hurt American families by increasing the cost of every good manufactured in the United States. A carbon tax would reduce America's global competitiveness and would encourage development abroad in countries that do not impose this exorbitant tax burden.

The budget also prohibits the Environmental Protection Agency from promulgating any regulation concerning, taking action relating to, or taking into consideration the emission of a greenhouse gas to address climate change

Cutting Red Tape.

America's entrepreneurial spirit is the key driver of economic growth and the unrivaled prosperity our nation enjoys. And yet, as the unemployment rate remains high and Washington seeks to spur job creation, small businesses throughout the United States are constrained by the growth of federal regulations.

The Small Business Administration has determined that government regulations cost the American economy $1.75 trillion annually. For small businesses, this amounts to a cost of over $10,000 per employee. And the cost of regulation is rising. According to James Gattuso of the Heritage Foundation, 130 major rules – defined as rules costing $100 million or more each year – were implemented during President Obama's first term at a cost of $70 billion dollars *annually*. For context, only 50 such rules with a total cost of nearly $15 billion were passed during President George W. Bush's first term.

Burdensome and onerous government regulations stand in the way of the resurgence of the American economy. The staggering cost of regulations, in both dollars and hours, often prevents the creation of new businesses and the expansion of existing ones. Perhaps most concerning, unnecessary regulation can result in the closing of businesses that are already struggling in the midst of our uncertain economic times.

The RSC believes that America can no longer afford a regulatory system that puts jobs, family businesses, and the life's work of entrepreneurs at risk. Only by promoting an environment conducive to business expansion and innovation, which allows small businesses to thrive and create jobs without undue government interference, will our economy be able to reach its full potential.

The RSC budget proposes several common-sense solutions drawn from RSC member bills, including the Regulatory Sunset and Review Act, The REINS Act, and the Jobs Through Growth Act, that check regulatory proliferation and unleash the American entrepreneurial spirit:

- Expand small business exemptions to companies with up to 200 employees.
- Require congressional approval for regulatory rules that are projected to have an annual economic impact of $100 million or more.
- Require that major rules ($100 million economic impact or more) be regularly reviewed by agencies. This would include a public comment period, new cost-benefit analysis, new risk assessment analysis, and a report outlining legislative solutions to rules in need of amendment or termination.
- Provide for a petition process that would trigger reevaluation of rules with less than $100 million in economic impact.

Budget Reform

Washington is broke and, not coincidentally, its budgeting processes are broken. The RSC budget proposes a number of reforms to the budget process that would bring greater accountability and transparency to the budget process while also making it more difficult to avoid tough but necessary choices.

Define "Emergency Spending." Congress has clearly abused its ability to designate spending as "emergency spending" in order to exceed spending limits set by previous budget resolutions. According to the CBO, net supplemental spending totaled $99 billion in the 1980s and $86 billion in the 1990s. In contrast, in the decade from 2000 to 2009, supplemental appropriations often exceeded $100 billion in a single year, and the cumulative total over these years was over $907 billion – ten times the total in the previous decade.

This budget would adopt in the House rules a clear, six-part definition for an emergency and provide for a point of order against consideration of a bill that includes "emergency spending" if a statement from the Chairman of the House Budget committee was not previously printed in the Congressional Record explicitly explaining why such spending meets each of the six criteria.

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

Implement Cut Resolution. The RSC budget would require the Majority Leader to bring a quarterly rescissions bill before the House under an open rule. Any rescissions approved by the House would be dedicated to deficit reduction via a reduction to the 302(a) allocation for that fiscal year. This is modeled on the Cut Resolution (H.Res. 323 in the 111th Congress).

Strengthen Spending Reduction Accounts. When House Republicans adopted the House rules for the 113th Congress, they renewed a requirement first introduced in the 112th Congress that requires new Spending Reduction Accounts be included in appropriations bills on the floor. This allows Members to lock-in any savings from amendments to an appropriations bill they propose and prevents savings from being used to increase funding for other accounts in the same bill. While an improvement on the status quo, spending cuts protected in Spending Reduction Accounts are not applied against the Appropriations Committee's overall 302(a) allocation, and this allows those savings to be redirected by the Committee to spending in subsequent appropriations bills. This budget would change House rules to establish that any funds cut from an appropriations bill and allocated to a Spending Reduction Account would also be cut from the Appropriations Committee's 302(a) allocation, protecting the cuts from being spent later in the appropriations process.

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

Strengthen Cut-As-You-Go (CUTGO). Similar to the current CUTGO provisions in the House rules approved by House Republicans, this modified CUTGO mechanism would not permit spending increases to be offset by tax increases or user fees and would apply only to new direct spending.

Make it Easier to Amend Appropriations Bills. This budget would amend the rules prohibiting authorizing amendments on appropriations bills on the floor so that funding for a program included in the underlying text can be conditioned or modified by amendment.

Establish Point of Order Against Unauthorized Spending. Since 1835, the Rules of the House (currently clause 2(a)(1) of rule XXI) have required that appropriations may only be for purposes authorized by law. But this rule cannot be enforced, because the rules that bring appropriation bills to the floor routinely prevent a point of order from being raised. As a result, a large and growing portion of the discretionary budget is allocated without oversight or accountability. The eleven appropriations bills reported out of committee for FY 2013 contained over $350 billion in appropriations not authorized by law, constituting fully one-third of the entire discretionary budget. The RSC budget would prohibit the Rules Committee from reporting out a rule that waives the House Rule against unauthorized spending in an appropriations bill.

Disclose Welfare Spending in the President's Budget. In the 113th Congress, House Republicans adopted a new House rule requiring budget submissions in the House to provide a ten-year outlook of means-tested welfare spending. In the interest of transparency, this provision would extend this requirement to presidential budget submissions.

Legislative Transparency. During the legislative battle over ObamaCare, then-Speaker Pelosi famously said that Congress must "pass the bill so you can find out what's in it." That statement is true about far too many bills passed by Congress. One remedy required by this budget is to require bills to provide the legislative context for proposed changes. This has worked at the state level – 48 of the 50 states require bill text to actually show the portion of the law changed by the bill. This gives members of Congress, their staffs, and the public much needed insight into spending bills and other legislation.

Dynamic Scoring. For members of Congress and the public to make informed decisions about tax policy, the scores of tax policy changes should reflect real-world impacts on revenue. Instead, members of Congress and the public are currently provided so-called "static scores" of tax policies that do not take into account behavioral changes – incentives or disincentives to work, for example – that will come about as a result of the policy. This budget rectifies that deficiency and requires dynamic scores to be provided by legislative scorekeepers in addition to static scores.

CONCLUSION.

Americans are by nature optimistic about the future. This optimism is a lesson learned from our nation's 237-year history, as prosperity, technology, and quality of life have steadily increased over time in one of the greatest winning streaks in the history of mankind. Although there have been setbacks along the way, the trend is unmistakable.

However past is not always prologue and Americans are anxious. Our nation finds itself in the midst of a weak economic recovery with persistently high unemployment, and the economic outlook is uncertain for millions of Americans who are still looking for work. At the same time, Washington D.C. faces both a fiscal deficit and a deficit of leadership.

Members of the Republican Study Committee know that the political and economic situations are linked. Until the federal government gets its house in order, the specter of a deficit crisis will loom over the private economy, casting a long shadow of uncertainty and stagnation.

And so it is time for the federal government to get **Back to Basics**, return to its constitutional blueprint, and let freedom and the private economy flourish. Following this path, we believe, with the American people, that our nation's best days still lie ahead.

Appendix.

Constitutional Authority Statement

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

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

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

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

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

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

In accordance with our constitutional duty, adherence to the law of the land, and the intention to preserve the American way of life for this and future generations, this budget resolution is submitted for the consideration of the 113th Congress.

Back to Basics Outlays

(Nominal Dollars in Billions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2023
Revenues	2,960	3,325	3,536	3,703	3,870	4,030	4,204	4,414	4,647	4,866	39,555
Discretionary Spending	1,140	1,065	1,029	1,020	986	1,004	1,022	1,041	1,070	1,088	10,464
Medicaid and CHIP	297	297	297	297	297	297	297	297	297	297	2,970
Medicare	509	528	574	589	613	671	714	762	833	864	6,656
President's Health Care Law	0	0	0	0	0	0	0	0	0	0	0
Social Security	852	898	947	1,000	1,056	1,116	1,183	1,251	1,322	1,398	11,023
Other Mandatory	442	382	411	399	392	394	397	400	420	390	4,028
Net Interest	242	270	309	377	447	494	532	554	573	583	4,381
Total Outlays	3,483	3,440	3,568	3,681	3,791	3,976	4,143	4,304	4,516	4,620	39,522
Deficit/Surplus	-523	-115	-32	22	79	54	61	110	131	246	33

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Back to Basics Discretionary Spending

(Nominal Dollars in Billions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2023
Non-defense	398	384	373	360	366	372	378	384	388	392	3,796
Defense	552	566	577	590	603	616	630	644	661	678	6,117
Overseas Contingency Operations	93	35	35	35	0	0	0	0	0	0	198
Total Budget Authority	1,043	985	985	985	969	988	1,008	1,028	1,049	1,070	10,111
Total Outlays	1,140	1,065	1,029	1,020	986	1,004	1,022	1,041	1,070	1,088	10,464

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Back to Basics v. February 2013 CBO Baseline

(Nominal Dollars in Billions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2023
Outlay Difference	-135	-363	-499	-619	-751	-835	-935	-1,046	-1,175	-1,319	-7,677
Revenue Difference	-43	-48	-55	-62	-67	-71	-75	-82	-87	-95	-685
Deficit/Surplus Improvement	93	315	444	557	684	764	859	964	1,088	1,224	6,991

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Back to Basics Outlays & GDP

(Nominal Dollars in Billions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total 2014-2023
Outlays	3,483	3,440	3,568	3,681	3,791	3,976	4,143	4,304	4,516	4,620	39,522
Revenues	2,960	3,325	3,536	3,703	3,870	4,030	4,204	4,414	4,647	4,866	39,555
Deficit/Surplus	-523	-115	-32	22	79	54	61	110	131	246	33
GDP	**16,646**	**17,632**	**18,792**	**19,959**	**20,943**	**21,890**	**22,854**	**23,842**	**24,858**	**25,910**	
											Average 2014-2022
Outlays	20.9%	19.5%	19.0%	18.4%	18.1%	18.2%	18.1%	18.1%	18.2%	17.8%	18.5%
Revenues	17.8%	18.9%	18.8%	18.6%	18.5%	18.4%	18.4%	18.5%	18.7%	18.8%	18.5%
Deficit	-3.1%	-0.7%	-0.2%	0.1%	0.4%	0.2%	0.3%	0.5%	0.5%	0.9%	0.0%

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