



# LETTER FROM THE CHAIRMEN

---

Fundamentally, budgets are more than just spending outlines. They are reflections of the principles and values that we believe should guide our nation. The Republican Study Committee's (RSC) Fiscal Year 2017 *Blueprint for a Balanced Budget 2.0* firmly prioritizes and protects the liberty, opportunity, and security of the American people.

President Ronald Reagan once said, "Freedom is never more than one generation away from extinction. We didn't pass it to our children in the bloodstream. It must be fought for, protected, and handed on for them to do the same."

Unfortunately, after seven years, the Obama administration is handing the next generation trillions of dollars of new debt, unconstitutional executive actions, and an underperforming economy.

When President Obama took office in 2009, the gross federal debt stood at \$10.6 trillion. Under his final budget submission to Congress, delivered this year, the federal debt would double by 2026, leaving an enormous \$27.4 trillion national debt. It is unconscionable to leave this legacy to our children and grandchildren. This is not how a nation preserves freedom and prosperity.

President Obama has also fostered a legacy of blatant disregard for the law. By implementing much of his liberal agenda through "pen and phone" executive fiats, he has caused more harm to our nation's future than he seems to understand. The U.S. Constitution is clear about the role and limits of government. The President has stretched, bent, and broken these limits. Despite the Obama Administration's best efforts to undermine our nation's founding principles, however, the strength of our system of checks and balances has been upheld by the courts and continuing congressional oversight.

Unfortunately, nowhere else can President Obama's failures be felt more than in our stagnant economy. Middle class families and young workers continue to ask the painful question "*Where are the jobs?*" Given the current trajectory, the answer is not likely to be a happy one anytime soon. The Congressional Budget Office's (CBO) January 2016 *Budget and Economic Outlook* predictions for economic growth over the next ten years were once again revised downward. In addition, labor force participation rates remain at historically low levels and incomes continue to stagnate. It is clear that as long as the current, overly burdensome regulatory regime is in place, a strong recovery is impossible.

In contrast, the Republican Study Committee budget will enable a brighter future for America. The RSC's *Blueprint for a Balanced Budget 2.0* fulfills the charge of President Reagan: to protect freedom and securely hand it down to the next generation.

By balancing the budget in just 8 years, creating a flatter and fairer tax code, increasing access to capital, unleashing America's energy potential, providing certainty for job creators, freeing up education for innovation, and repealing and replacing Obamacare, this budget provides liberty, opportunity, and security for the American people.

This budget makes the necessary reforms to our nation's health and retirement programs to save them and ensure they remain strong for current seniors and future generations. For those stuck on the lower rungs of the economic ladder, this budget reforms important safety-net programs to empower families and pave the way for future success. Finally, this budget provides the necessary funding for our national defense and makes certain our men and women in uniform have the resources they need to meet the challenges posed by America's enemies around the world. Together, these changes reduce overall federal spending by \$8.6 trillion over the next decade.

As Members of Congress, it is our responsibility to preserve our country's liberty, opportunity, and security. We ask that you help us securely hand down the blessings of freedom to the next generation and join us in supporting the RSC's Fiscal Year 2017 *Blueprint for a Balanced Budget 2.0*.



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



Rep. Bill Flores  
Chairman  
The Republican Study Committee

# TABLE OF CONTENTS

---

LETTER FROM THE CHAIRMAN	<a href="#">1</a>
THE HOUSE'S CONSERVATIVE CAUCUS	<a href="#">4</a>
EXECUTIVE SUMMARY	<a href="#">13</a>
STRENGTHENING NATIONAL SECURITY	<a href="#">16</a>
FIXING THE TAX CODE	<a href="#">23</a>
CREATING AN ENVIRONMENT FOR JOBS AND ECONOMIC GROWTH	<a href="#">31</a>
STRENGTHENING OUR SAFETY NET TO EMPOWER PEOPLE	<a href="#">40</a>
REAL HEALTH CARE REFORM	<a href="#">55</a>
SAVING MEDICARE	<a href="#">60</a>
PROTECTING SOCIAL SECURITY	<a href="#">64</a>
SAVING DISABILITY INSURANCE	<a href="#">69</a>
BALANCING THE FEDERAL BUDGET ( <i>MANDATORY SPENDING</i> )	<a href="#">79</a>
BUDGETING SMARTER ( <i>DISCRETIONARY SPENDING</i> )	<a href="#">91</a>
LIMITING GOVERNMENT AND RECLAIMING THE CONSTITUTION	<a href="#">105</a>
CONSTITUTIONAL AUTHORITY STATEMENT	<a href="#">124</a>
SUPPLEMENTAL TABLES	<a href="#">125</a>

# THE REPUBLICAN STUDY COMMITTEE: THE HOUSE'S CONSERVATIVE CAUCUS

---

The Republican Study Committee (RSC) is the original caucus of conservatives in the House of Representatives, dedicated to preserving the values that America was founded upon: a constitutionally limited role for the federal government, a strong national defense, the protection of individual and property rights, economic opportunity, and the preservation of traditional family values. Founded in 1973 by a small group of Members of Congress, the RSC has grown to include more than 170 members in the 114th Congress.

We believe that the appropriate role of a limited government is to protect liberty, opportunity, and security, and that it is the responsibility of this generation to preserve them for the next. We believe that increasing the power of government is the problem, not the solution, for the toughest issues facing our nation. We believe that there is no limit to the ingenuity, innovation, and prosperity Americans can create when allowed to live their lives freely, according to their beliefs. We believe that with conservative commitment today, America's brightest days lie ahead. These principles have guided our nation over the last 240 years and made our country prosperous and a force for good.

Sometimes called the conservative think tank within Congress, the RSC provides the tools and research that Members of Congress need to craft and advance policies that will benefit the American people. It also provides a forum for like-minded members to join together to support common causes and challenge the status quo. By doing so, the RSC ensures that conservatives have a powerful voice on each issue coming before the House and in setting the agenda for the future. Believing that it is not enough to simply oppose bad policies, the RSC puts forward bold solutions to positively shape the direction of our country.

## THE PURPOSE OF THE RSC BUDGET

---

The RSC budget, drafted by the RSC's Budget and Spending Task Force, is offered as a substitute amendment to the budget resolution which is produced by the House Budget Committee on behalf of the Republican Conference. By offering this alternative and complimentary vision, the RSC budget serves a number of purposes.

The RSC budget puts pen to paper to detail the bold solutions that conservatives champion. Government today has grown far beyond its Constitutional scope and authority. Unfortunately, some Republicans have contributed to the expansion of the federal government. We cannot reverse course if Republicans are content to play it safe, avoiding necessary and difficult decisions or confrontation at all costs. The members of the RSC, understanding our responsibility to preserve and protect the Constitution, have a variety of

creative solutions to fight back against the growth of government. Our purpose is to demonstrate leadership and better ideas, laying the groundwork to restore government to its proper role and allow American families to flourish freely.

The RSC budget pulls the rest of the Republican Conference towards conservative solutions. Over time, the ideas first espoused in RSC budgets are incorporated into the House budgets and into law. The RSC budget reflects the American people's desire to see a more responsible and accountable Congress. In the words of one former Congressman who opposed our solutions, "You'll get attacked in your district for not supporting the RSC budget... In order to blunt some of those attacks, the Budget Committee has moved in the direction of their budget."<sup>1</sup>

For example, last year's RSC budget called for reconciliation instructions that would allow Congress to send an Obamacare repeal bill to President Obama without the obstacle of a filibuster in the Senate. The initial House budget did not include this policy, but the RSC stood firm with our conservative colleagues in the Senate and our position was ultimately carried in the final FY 2016 budget resolution. As a result, the Restoring Americans' Healthcare Freedom Reconciliation Act was sent to the president on January 6, 2016, proving to the American people that it is possible to repeal Obamacare.

Other instances of RSC ideas being adopted by the larger conference include:

- Balancing the federal budget within the ten-year budget window.
- Moving up the adoption of policies to ensure solvency of entitlement programs such as Medicare.
- Establishing realistic dynamic scoring as the official standard to judge tax reform plans.

While not every RSC budgetary policy will be instantly adopted, RSC will continue fighting for the solutions needed to change the status quo and improve Americans' lives.

## **PROVIDING THE POLICY AGENDA**

---

In November, voters across the country will have the opportunity to make their voice heard and vote for a new direction for their government. The policies elected officials advocate are as important as the officials themselves. In addition to outlining a responsible fiscal policy, this year's RSC budget serves another important purpose: establishing a robust agenda of conservative policies to show the American people our vision for this nation

---

<sup>1</sup> Kristina Peterson and Janet Hook, Wall Street Journal, "House Whip Race Reflects Republican Study Committee's Competing Factions", June 17, 2014. <http://www.wsj.com/articles/house-whip-race-reflects-republican-study-committees-widening-factions-1403032172>

After President Reagan's historic election in 1980, the Heritage Foundation's *Mandate for Leadership* provided a policy blueprint that the new administration followed. By focusing on free enterprise and responsible governing, the plan ignited economic growth, reduced the burden of government, defeated communism, and restored hope for the country.

The challenges we face today are no less daunting than those President Reagan faced. America is now navigating renewed and growing threats abroad, discord at home, and an unsustainable and crushing national debt pushing us ever closer to a fiscal crisis. To govern effectively, the next president and congressional majority must earn a mandate from the American people to enact a conservative policy agenda equal to the task at hand. RSC member and Speaker of the House Paul Ryan understands this need, and established several task forces charged with developing such a platform. This RSC budget can and should provide the backbone of that agenda and guide the work of these task forces.

The FY 2017 RSC budget provides a blueprint not only for our next president, but also for Congress. We will face many challenges in the coming years, but this document provides a comprehensive platform to ensure a strong national security, robust economic growth, equal opportunity for all, a sustainable social safety net, and a return to constitutionally limited government.

## **NATIONAL SECURITY**

America faces a multitude of complex challenges all around the world. The Islamic State and radical Islamic terrorism are on the march in the Middle East. North Korea is unpredictable and armed with nuclear weapons. Iran funds terror groups and is on the path towards acquiring a nuclear bomb. China and Russia are asserting themselves in destabilizing ways. All the while, the Obama Administration has led a feckless foreign policy devoid of strategic guidance, disappointing our allies and emboldening those who wish to do us harm. The RSC budget would set forward a real national security strategy and rebuild our Department of Defense, providing the men and women in uniform the tools they need to keep us safe.

## **RESTORING ECONOMIC GROWTH**

The U.S. economy still has not fully recovered from the Great Recession. Wages are stagnant, more and more people are abandoning hope and leaving the labor force, and total economic growth has been painfully anemic. The Obama Administration's response has been predictable – more spending, more taxes, and more regulations. The failures of these policies have been just as predictable.

The effects of the poor economy are expected to continue as long as the current policies stay in place. In its January Budget and Economic Outlook, the Congressional Budget Office

(CBO) projected that real Gross Domestic Product (GDP) will only grow at an average of two percent over the next decade, well below the historical norm. CBO has revised its economic projections downward since its recent projections in August, estimating that total GDP will be \$4.5 trillion less over the 10 year window. In 2025 alone, GDP is now projected to be \$758 billion less than previously estimated.<sup>2</sup> Downward revisions of economic growth have been a fixture of the Obama Administration, with nearly a decade of potential growth lost over his two terms in office.

Much of the cause of the recently projected mediocre growth is tied to the slow growth in the nation's supply of labor. Some of this is due to demographics, as more Baby Boomers reach retirement, but the CBO specifically cites the Obama Administration's policies as contributing factors, stating that "some aspects of fiscal policy under current law, particularly the Affordable Care Act and real bracket creep, are projected to dampen the supply of labor and therefore the growth of output through 2020."<sup>3</sup> Researchers at the Federal Reserve Bank of Chicago and Peterson Institute for International Economics have estimated that at least half of the decline in labor force participation is driven by policy factors, not demographics. Here, government truly has proven to be the problem.

This budget includes a variety of recommendations to get the economy back on track. Moving Americans back into the labor force and rewarding work is a primary goal of the RSC budget. It includes pro-growth tax reform. It would impose a freeze on regulations for the rest of President Obama's term and implement a regulatory budget to reduce the burden of Washington bureaucrats on the economy. The RSC budget would free our domestic energy production, encourage investment in our local businesses, and lift the burden of unfair labor regulations. The budget would also eliminate unfair cronyism-supporting government programs that pick winners and losers while taxpayers foot the bill for political misadventures in investing.

### *FIGHTING POVERTY AND ENSURING OPPORTUNITY*

Too many Americans are stuck in a cycle of poverty and economic stagnation. The Left focuses on an unequal distribution of incomes in America, but ignores the real problem: unequal opportunities. Instead of fighting over pieces of a smaller economic pie, we should grow it so everyone has the ability to share in economic prosperity. The big-government programs created by the War on Poverty have only made this problem worse by trapping generations of Americans in a crushing dependence on government. Our measure of compassion must not be how many people need to be on government assistance programs, but how many people are afforded opportunity and hope. The RSC budget would

---

<sup>2</sup> Congressional Budget Office, "The Budget and Economic Outlook: 2016 to 2026", January 25, 2016. <https://www.cbo.gov/publication/51129>

<sup>3</sup> Congressional Budget Office, "The Budget and Economic Outlook: 2016 to 2026", January 25, 2016. <https://www.cbo.gov/publication/51129>



fundamentally transform the federal government's welfare programs in a way that would empower individuals, families, and communities, promoting opportunity and the dignity of earned success for the most vulnerable among us.

### **REFORMING ENTITLEMENT PROGRAMS**

The current fiscal trajectory is unsustainable. Large, automatic spending entitlement programs make up two-thirds of the federal budget. The RSC budget addresses this problem head on. The budget would repeal Obamacare and replace it with the RSC's American Health Care Reform Act. It includes reforms to save and improve Medicare. It also recommends policies that would put Social Security on a path to solvency. Finally, this budget would bring the myriad spending programs that are currently on automatic pilot, which are sending the nation toward bankruptcy, back under control.

### **REINSTATING THE CONSTITUTION**

The Founding Fathers intended for Congress to be the lawmaking branch of a limited federal government. As Madison wrote in Federalist 45, "The powers delegated by the proposed Constitution to the federal government are few and defined."<sup>4</sup> Over the years, however, the Congress has abandoned these important principles.

Too often, the House and Senate have willingly delegated their Article I lawmaking authority. Sensing weakness, the Article II Executive Branch and the Article III Judiciary have seized even more lawmaking authority by force from the legislature. At the same time, both the size and scope of government have grown exponentially. The federal government now is involved in almost every aspect of our daily lives, often acting through unilateral regulations that were not approved by Congress.

The RSC budget would reverse these trends, reclaiming the Article I powers of the purse by limiting spending and reforming the budget process. It also would rein in the Executive and Judicial Branches, restoring power to the Legislative branch that is closest to the people.

### **THE DANGERS OF HIGH SPENDING AND DEBT**

---

Our national debt now tops \$19 trillion, larger than the annual gross domestic product (GDP), which measures the entire output of the U.S. economy. Our debt is accumulating even while federal revenues have grown to record levels. This leads to a single, undeniable conclusion: The federal government has a spending problem.

---

<sup>4</sup> James Madison, Federalist No. 45.

<https://www.congress.gov/resources/display/content/The+Federalist+Papers#TheFederalistPapers-45>

Government spending has grown to consume 21.2 percent of the economy this year, well above the historical average of 20.2 percent, a difference of almost \$200 billion in higher spending. Under current law, the federal government will grow to 23.1 percent of GDP by 2026 and more than \$9 trillion will be added to the national debt.

The problem is only getting worse. According to CBO, “Growth in spending—particularly for Social Security, health care, and interest payments on federal debt—outpaces growth in revenues over the coming 10 years.” Compared to projections of the budget baseline made in August of last year, CBO’s most recent projections from January show that spending and deficits are going up. Over the FY 2016 – 2025 period (overlapping last year’s projections), the cumulative deficit is projected to be \$1.5 trillion larger, 22% higher. Spending is now projected to be \$323 billion higher.<sup>5</sup> This presents a significant challenge for those who aim to craft a responsible budget.

The growing federal government has significant negative consequences for the country and its people. The United States has fallen to 11<sup>th</sup> in the Index of Economic Freedom, from 6<sup>th</sup> place in 2009.<sup>6</sup> The large federal debt reduces investment, productivity, and wages, and federal interventions in the economy reduce the incentive to work, reducing the size of the labor market.<sup>7</sup> When the federal government is too big and too intrusive, it interferes with our unalienable rights to life, liberty, and the pursuit of happiness.

As Arthur Brooks, President of the American Enterprise Institute, puts it, “when conservatives complain about ‘big government’ ... they are really angry about the intrusion of the state into people’s lives and the soul-crushing dependency it often creates – both of which are incompatible with the pursuit of happiness.”<sup>8</sup>

Uncontrolled spending has very real consequences. On August 5, 2011, for the first time, our nation’s long-term credit rating was downgraded from the gold-standard AAA rating. The rating agency, Standard & Poor’s, justified the downgrade by the fact that the U.S. had not taken credible steps to address our nation’s overspending.<sup>9</sup> As our nation continues to accumulate debt and run up the balance on our national credit card, our credit rating will be in danger of another downgrade. This could lead to a financial catastrophe that would impact every single American.

---

<sup>5</sup> Congressional Budget Office, “The Budget and Economic Outlook: 2016 to 2026”, January 25, 2016. <https://www.cbo.gov/publication/51129>

<sup>6</sup> Heritage Foundation, 2016 Index of Economic Freedom. <http://www.heritage.org/index/country/unitedstates>

<sup>7</sup> Congressional Budget Office, “The Budget and Economic Outlook: 2016 to 2026”, January 25, 2016. <https://www.cbo.gov/publication/51129>

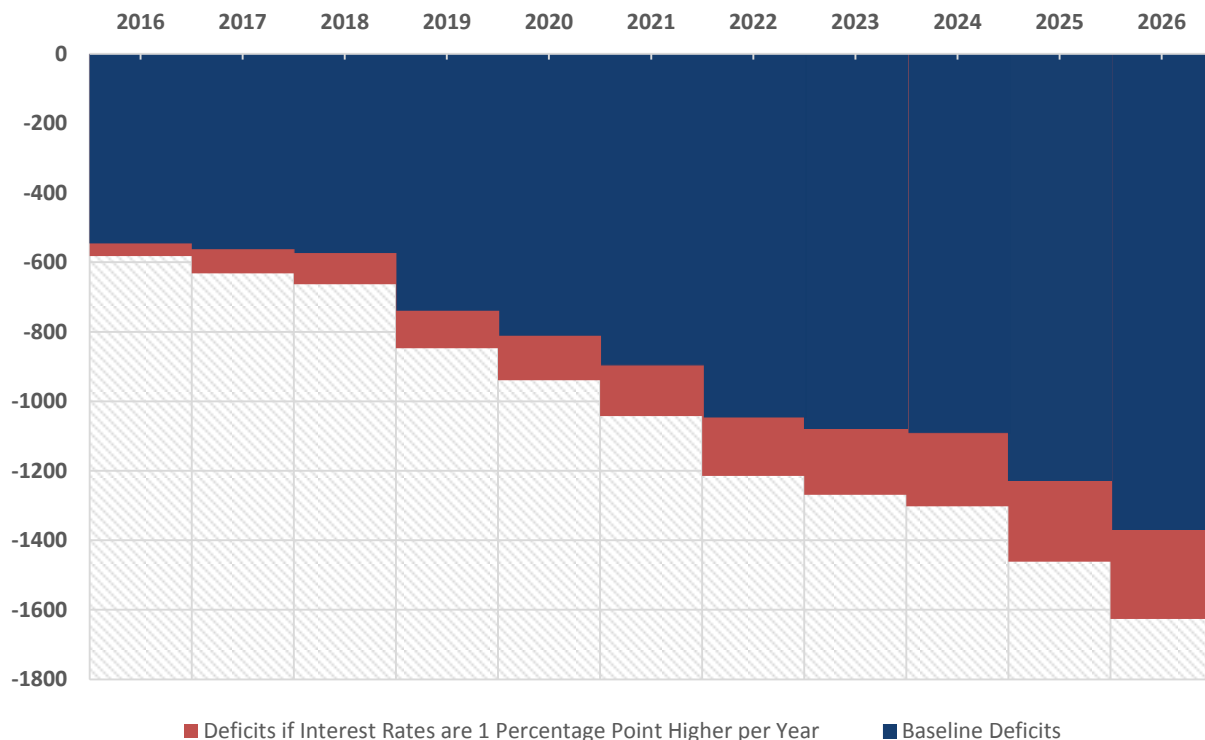
<sup>8</sup> Arthur Brooks, *The Conservative Heart*, page 26.

<sup>9</sup> Standard & Poor’s Ratings Services, “Research Update: United States of America Long-Term Rating Lowered To ‘AA+’ On Political Risks And Rising Debt Burden; Outlook Negative”, August 5, 2011. [http://www.standardandpoors.com/en\\_US/web/guest/article/-/view/sourceId/6802837](http://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/6802837)

The danger we face is a result of our excessive spending and the associated interest payments incurred. When the U.S. makes large interest payments on its debt, there is less to spend on other priorities such as national security. As the interest payments on our national credit card take up an increasingly large share of our tax revenues, our already damaged credit rating risks another downgrade.

If we see higher interest rates because of a credit downgrade driven by increased risk that we cannot afford to pay our debts, economic pressures such as inflation, or some unforeseen event, our national credit card bill could skyrocket.

### Increase in the Deficit if Interest Rates Are 1 Percentage Point Higher per Year



Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026*, January 25, 2015. <https://www.cbo.gov/publication/51129>

### THE PRESIDENT’S MISGUIDED BUDGET

The president offered his Fiscal Year 2017 Budget request on February 9, 2016, one week after the statutory deadline. It marked the sixth time in eight years he has failed to meet the requirements of the law. Instead of offering real solutions to help families who are struggling under his failed economic policies, the president offered more of the same, and called for \$2.5 trillion in new spending and \$3.4 trillion in new taxes on American families

and employers. Over the next decade, spending would increase by 64 percent and interest costs would triple. The president would bust the discretionary spending caps imposed by the Budget Control Act he signed into law in 2011. In the first year of his budget, President Obama would grow federal government spending to over \$4 trillion for the first time. Spending only continues to grow every year thereafter. Under these misguided policies, the federal budget would never balance, debt would continue to accumulate, and future generations of Americans would be left with diminished opportunities and staggering burdens.

Upon seeing the president's liberal wish list, Chairmen Flores and Stutzman, along with most Americans, deemed it "dead on arrival."

## A RIGGED SYSTEM

---

The American people are understandably angry at a government made up of the establishment of both parties that looks out for its own entrenched interests, rather than the interests of the country. Perhaps it should be no surprise that the powerful in Washington believe that Washington knows best and that every perceived problem in society, big or small, demands a paternalistic government solution.

In reality, most people are not strongly partisan. They just want government to do its basic job and interrupt their lives as little as possible.

When people look to Washington, they see a government that lavishes taxpayer money on benefits for the wealthy and well connected. That same government has created a trillion dollar a year welfare system that alleviates some of the symptoms of poverty, but traps people at the bottom of the economic ladder without providing hope or opportunity. They believe their interests have been ignored, and a rising level of anger has come to permeate our political discourse.

Some on the campaign trail have attempted to exploit this anger. They will only serve to divide us as a nation and people, focusing on the things that separate us instead of uniting us. Americans do not believe in class warfare, socialism, or dehumanizing those who seek a better life for themselves and their family. We reject the ugly politics of envy and division.

The media sometimes tries to push the narrative that Washington is broken, that it is plagued with gridlock due to excess partisanship and special interest access, but these are symptoms of deeper problems. The truth is, Washington is broken because we have too long departed from the foundational norms and values that were the bedrock of our nation's founding. The expansion of government into every aspect of life has propelled whole classes of vested interests to seek political favor or to use the regulatory power as an axe against competitors. Too many officials are held captive by these forces. Meanwhile, Congress has delegated so much power to the executive branch that even when its

members aim to restore constitutional government, they are stymied by an executive leviathan.

The result is that too many politicians say one thing on the campaign trail, but do another once in power. The same rules and laws don't seem to apply to the ruling class. Government becomes increasingly focused on helping those who have immediate access to the halls of Congress and the Executive Branch, and fails to meet even its basic obligations to everyday Americans.

However, we can put an end to this vicious and detrimental cycle. Doing so requires a political mandate from the voters and courage from Congress. After eight years of empty promises of hope and change, only to see the progressive vision of government run by elites in Washington result in failure, America has the opportunity to direct real change this year.

### **A BETTER WAY**

---

Real and positive change would return us to the governing vision that made us the most prosperous and free people in the history of the world. Instead of a future of high debt and low growth, the RSC budget proposes a positive blueprint for success and opportunity. Our budget focuses on pro-growth, pro-family policies that will boost America's economy and provide a strong fiscal foundation for generations to come. This opportunity agenda makes the hard choices necessary to put America back on track to be the "Shining City on the Hill" once again.

As President Reagan said, "We can and will resolve the problems which now confront us... We are Americans."<sup>10</sup>

---

<sup>10</sup> President Ronald Reagan, "Reagan's First Inaugural", January 20, 1981.  
<http://www.heritage.org/initiatives/first-principles/primary-sources/reagans-first-inaugural-government-is-not-the-solution-to-our-problem-government-is-the-problem>

# ***BLUEPRINT FOR A BALANCED BUDGET 2.0:***

## **EXECUTIVE SUMMARY**

---

The Republican Study Committee's *Blueprint for a Balanced Budget 2.0* for Fiscal Year 2017 would:

### **RESPONSIBLE FISCAL PATH**

- Reduce spending by \$8.6 trillion over the next decade, putting the federal government on a sustainable fiscal path and restoring government to its proper size. Over the Fiscal Year (FY) 2017 – 2026 period, spending as a share of the economy would be below the historical average.
- Achieve balance in 2024 – eight years – without relying on revenue increases.
- FY2017 base discretionary spending would total \$974 billion, including reducing non-defense discretionary to \$400 billion. The arbitrary “firewall” between discretionary categories would be removed, allowing Congress to fund national priorities. Over the next decade, non-defense discretionary spending would be reduced by \$1.4 trillion.
- Includes over 200 specific cuts and reforms.

### **NATIONAL SECURITY**

- Provide full funding for national security, including \$574 billion for base defense discretionary in FY 2017, along with \$59 billion to carry out the Global War on Terror.
- Defense spending would grow every year, maintaining sufficient resources to address an increasingly dangerous world.

### **GROWING THE ECONOMY: TAX REFORM**

- Provide principles for pro-growth comprehensive tax reform that would have top rates at 25 percent, eliminate special interest tax breaks, reduce capital gains and dividend rates and is a territorial international system of taxation.
- Target revenue neutrality based on a dynamic score that takes into account the macroeconomic effects of reform.
- Eliminate the IRS and moves tax collection duties to a new entity at the Treasury Department.

## **GROWING THE ECONOMY: CREATING A CLIMATE FOR JOB CREATION**

- Rein in Washington bureaucrats by imposing a regulatory freeze for the remainder of President Obama's term, establishing a regulatory budget, and enacting the REINS Act.
- Unleash North American energy production, block the Clean Power Plan, and repeal the Renewable Fuel Standard.
- Get unions off the backs of job creators and employees, repeal Davis Bacon prevailing wage requirements and the Jones Act.
- Spur investment in local business by repealing Dodd-Frank and anti-competitive regulations.
- Embrace free markets by eliminating crony capitalist programs such as the Export-Import Bank.

## **REFORM THE SOCIAL SAFETY NET TO EMPOWER INDIVIDUALS, FAMILIES AND COMMUNITIES**

- Promote earned success rather than a culture of dependence by reforming programs like Food Stamps (SNAP) and housing assistance, requiring work for those who are able.
- Recognize the importance of marriage and families by reducing marriage penalties.
- Reform and simplify the Earned Income Tax Credit, reducing fraud and improving the program.
- Promote saving with universal tax-free savings accounts and make it easier for employers to establish retirement accounts for workers.

## **REAL HEALTH CARE REFORM**

- Fully repeal Obamacare, including its spending, mandates, and all of its associated taxes.
- Implement the RSC's American Health Care Reform Act to provide a standard deduction for individuals to purchase health insurance, improve access to Health Savings Accounts (HSAs), protect those with pre-existing conditions and the uninsured, and reduces the costs of coverage.
- Provide states with flexible Medicaid block grants, coupled with work requirements for able-bodied adults and anti-fraud reforms to focus the program on achieving better results for those who truly need it.

## SAVE MEDICARE

- Transform the current, unsustainable program into a solvent Medicare Plus system that, beginning in 2020, will provide seniors a choice of insurance plans – including a traditional fee for service option – that would reduce costs and increase access to care.
- Simplify Medicare by combining Parts A and B and reform Medigap plans.
- Phase in an increase for basic premiums and increase means testing for high income retirees.
- Adjust the eligibility age so that it aligns with Social Security.

## SAFEGUARD SOCIAL SECURITY AND DISABILITY INSURANCE

- Continue the current-law increase to the normal retirement age until it eventually reaches 70, reflecting increases in longevity.
- Adopt the more-accurate measure of inflation Chained CPI for all government programs.
- Increase the means testing of the initial benefits for new wealthy retirees, returning Social Security to its original intent as a guarantee against poverty in old age.
- Exempt workers over the retirement age from payroll taxes.
- Include specific policies to ensure the survival of the Disability Insurance program, including encouraging work, adopting a needs based period of benefits, updating the eligibility rules, fighting fraud, end the “double dipping” that allows individuals to collect DI and unemployment benefits, and reform the appeals process.

## RECLAIM THE CONSTITUTION

- Stop overreach by the Executive and Judicial Branches, including blocking executive amnesty, protecting life, defending the Second Amendment.
- Reform the budget process to force Congress to live up to its promises and make it easier to cut spending.



# STRENGTHENING NATIONAL SECURITY

---

Article I Section 8 of the United States Constitution provides for Congress to “raise and support armies” and “provide and maintain a navy.” Since our nation’s founding, these enumerated powers have served as the tools to carry out what has remained the federal government’s most important responsibility: “to provide for the common defense” of our interests at home and abroad.

Inept foreign policy and clear lack of strategic vision during the last seven years of the Obama Administration have contributed to the ever-more dangerous world in which we live. In order to redress the now long-running failure to fulfill the federal government’s most basic function, the Republican Study Committee budget aims to meet the need for responsible national security funding to ensure our men and women in uniform have the tools they need to accomplish their mission and return home safely. As President Reagan said, “Defense is not a budget issue. You spend what you need.” The national security budget should never be set at an arbitrary level or dictated by political favoritism or expediency. Rather it is properly determined by evaluating the threats we face as a nation, and ascertaining what resources are required to carry forth our interests abroad, and to deter and defeat our enemies.

To provide for the nation’s continued security, the RSC budget proposes \$574 billion in discretionary budget authority for national defense and \$59 billion for the Global War on Terror (GWOT)—otherwise known as Overseas Contingency Operations (OCO)—in Fiscal Year 2017. This year’s RSC budget’s corresponds to the level called for base requirements by House Armed Services Committee, last year’s RSC Blueprint for a Balanced Budget, and the House-passed budget for FY 2016. Over the next decade, the RSC budget would provide over \$6 trillion for national security; by FY 2026, base defense appropriations would rise to over \$700 billion.

The indiscriminate cuts to defense under sequestration harm our national defense. The Heritage Foundation’s 2016 Index of U.S. Military Strength stipulates that:

The consequences of the current sharp reductions in funding mandated by sequestration have caused military service officials, senior DOD officials, and even Members of Congress to warn of the dangers of recreating the “hollow force” of the 1970s when units existed on paper but were staffed at reduced levels, minimally trained, and woefully equipped. To avoid this, the services have traded quantity/capacity and modernization to ensure that what they do have is “ready” for employment.<sup>11</sup>

---

<sup>11</sup> Heritage Foundation, 2016 Index of Military Strength, U.S. Military Power.  
<http://index.heritage.org/military/2016/assessments/us-military-power/>

The RSC believes defense spending should address the threats we face in a dangerous world. That is why the RSC's budget strongly advocates ending the arbitrary "firewall" between defense and non-defense discretionary spending imposed by the Budget Control Act.

Further, the RSC budget attains fiscal discipline and prevents trillions from being added to the National Debt, which defense experts have said is the greatest threat to our national security.<sup>12</sup> The National Debt must be controlled in order to continue to fully fund important national security programs and personnel and the RSC Budget does this by making commonsense, free market reforms.

## A DANGEROUS WORLD

---

While long-term real national defense spending trends have continued to decline since 2011, the U.S. faces an increasingly complex and tumultuous world. As former Secretary of State Dr. Henry Kissinger testified last year before the Senate Armed Services Committee, "The United States has not faced a more diverse and complex array of crises since the end of the Second World War."<sup>13</sup> Freedom of navigation, the sovereignty of nations, and human rights are now on the decline. Put simply, the world is becoming an ever increasingly unstable place.

In the Asia Pacific region, where by some estimates 28 percent of U.S. goods and 27 percent of U.S. services are exported, a consistently more aggressive China has emerged.<sup>14</sup> While tensions between China and Taiwan have persisted since the 1950's, China has now mounted an aggressive and expansionist policy towards other nations in their region in order to enlarge their "sphere of influence". They have done so at the expense of already agreed upon borders and the sovereignty of other countries, many of which are key U.S. allies. Small and remote islands like the Senkaku island chain, as well as the Spratly and Paracel islands, are now being threatened by China's navy. China has also unilaterally declared an Air Identification Zone (ADIZ) over the East China Sea encompassing parts of Japanese and South Korean airspace. This measure has forced international civilian airliners traversing this zone to report to China's Air Force.

China's military has also continued to modernize and enlarge, eroding the superiority of U.S. forces and capabilities in the region. In 2015 alone, the Chinese government increased its

---

<sup>12</sup> Tim Mak, Washington Examiner, "Former top military officer sees national debt as biggest threat to country", January 21, 2014. <http://www.washingtonexaminer.com/former-top-military-officer-sees-national-debt-as-biggest-threat-to-country/article/2542594>

<sup>13</sup> Written testimony of Dr. Henry Kissinger before the Senate Armed Services Committee, "Global Challenges and the U.S. National Security Strategy," January 29, 2015.

<sup>14</sup> United States Census Bureau, Trade in Goods with Asia. <https://www.census.gov/foreign-trade/balance/c0016.html>

defense budget by more than 10 percent.<sup>15</sup> Its development of “carrier-killing” anti-ship ballistic missiles has caused many in Washington to reevaluate our naval strategy in Asia. These new weapons are key components of China’s anti-access/area denial (A2/AD) strategy, which seeks to prevent the U.S. and its allies from operating in the region if a crisis or conflict were to arise. This strategy also threatens the basic freedom of navigation on the high seas that has been a bedrock security, diplomatic, and commercial principle of the United States from the moment of its birth in the Declaration of Independence. Many of our allies, including Australia, Japan, the Philippines, South Korea, and even our former foe Vietnam have become increasingly concerned over China’s posturing, and have all clamored for a more robust U.S. security commitment in this vital and strategic region. In response, the White House and the State Department announced an American strategic “pivot to Asia”, the results of which have yet to be seen. To deter China, the RSC budget would fully support an increase in our shipbuilding account, in order to reestablish our Navy’s global reach and capabilities.

While on occasion trivialized in the West because of its leader’s eccentricities, North Korea remains a mortal danger in the Asia Pacific region and beyond. Its recent ICBM and purported hydrogen bomb tests periodically are a potent reminder of the danger posed by the Kim regime, not only to South Korea, the 12th largest economy, but to the entire world.

Europe, which experienced 20 years of relative peace and prosperity, now faces an increasingly belligerent Russia led by an undemocratic former KGB agent, Vladimir Putin, who has effectively consolidated all of Russia’s levers of political power. In 2014, the world woke up to Russian armed forces in unmarked military uniforms seizing Eastern Ukraine and the Crimean peninsula. In the Baltics, Russian forces have amassed on the border of three key NATO allies, threatening the United States’ most enduring and vital military alliance. Through its state-funded media outlets, Russia has also engaged in a potent propaganda war in Eastern Europe, further destabilizing the region and undermining the progress made by democratic and free-market forces since the end of the Cold War. Vladimir Putin’s regime has repeatedly used Russia’s energy resources as a weapon against dependent European nations. Russia’s state-owned gas company Gazprom has periodically turned its taps off to countries that have angered the Kremlin, leaving them without affordable natural gas in the dead of winter.

America faces the most complex of challenges in the rise of radical Islamic terrorism in the Middle East, North Africa, and South Asia. This danger differs from other more geographically constrained threats by its potential threat to our homeland, made clear on September 11th, 2001, and recently as seen in the streets of Paris and San Bernardino. The rise of the Islamic State of Iraq and Syria (ISIS) in 2014 has presented itself as one of the gravest security challenges the international community has faced in recent memory.

---

<sup>15</sup> “China’s Military Budget Increasing 10% for 2015, Official Says” The New York Times, March 4, 2015.

This non-state actor has taken advantage of a weak and fragmented Iraqi government, and the utter chaos of the Syrian civil war to take root in the Middle East and spread its terror network in places like Libya, Nigeria, Yemen, and even Afghanistan. ISIS has demonstrated its global reach by sending its cells to commit atrocities all over the world, including the November 2015 attacks in Paris, as well as recent attacks in Turkey and Indonesia, while inspiring others in places like San Bernardino, California, Ottawa, Canada, and Dallas, Texas.

The United States also continues to face threats from other radical Salafist terrorist groups like al Qaeda and its franchises. While some in Washington have prematurely declared victory against al Qaeda after the elimination of Osama bin Laden, the group remains just as much of a threat to the homeland as ISIS. In Syria, al Qaeda's affiliate Jabhat al-Nusra has become an incredibly powerful and seasoned fighting force. In Yemen, al Qaeda in the Arabian Peninsula continues to threaten our interests in the area and at home. In Afghanistan and in Pakistan, al Qaeda and the Taliban, once thought to be decimated, have remained persistent threats. To manage this complex threat, the RSC budget fully supports funding GWOT accounts related to Operation Inherent Resolve, and Operation Resolute support in Afghanistan.

While the threat of Sunni Salafist terrorism remains, the United States must also counter the threat posed by radical Shiite terrorism supported by the Islamic Republic of Iran. Prior to 9/11, Iranian-backed terrorism was responsible for killing more Americans than any other ideological group. Iran's proxies in Lebanon, including Hezbollah, continue to threaten U.S. interests and allies, especially Israel, our most vital partner and the lone democracy in the region.

Iran's pursuit of a nuclear arsenal has also further heightened tensions in the region. While the shortsighted 2015 nuclear deal has somewhat paused the program, Iran continues to develop the means to deliver such a weapon, by illegally testing long-range ballistic missiles and by constructing covert research and testing facilities, flaunting most of the international agreements it has committed to. The Islamic Republic's inclination to cheat seems almost assured given its posturing and behavior on the international stage. While shutting down some centrifuges for the sake of sanctions relief, the regime in Tehran seems unlikely to change its aggression and belligerence towards its neighbors. In fact, the mullahs now seem emboldened. Iran continues its material support for the murderous Assad regime in Syria. Iran's Revolutionary Guard Corps is on the ground, assisting Assad's forces, fomenting the worst human rights crisis of the 21st century. As a result, the ongoing Syrian conflict has now led to the displacement of almost half the population of the country, allowing Syria to become a haven for terror groups while flooding Europe with refugees. With the recent, brief capture of U.S. Navy personnel in the Persian Gulf, the world is reminded that Iran's navy perpetually threatens to close the Strait of Hormuz, through which

around 30 percent of the world's petroleum traded by sea travels.<sup>16</sup> To aid our allies in the region while deterring the Islamic Republic, the RSC budget fully supports U.S. military assistance to Israel, including the Iron Dome air defense system.

Since the Allied victory in World War II, the forward deployment of U.S. armed forces has been a key instrument in maintaining global order, and in securing freedom of navigation to promote trade and prosperity around the world. A key component of this force structure has been a robust effort to maintain and sustain the most capable and agile Navy in the world as a "global force for good," to quote the U.S. Navy's unofficial motto. Our Navy currently has a fleet of 272 deployable ships.<sup>17</sup> This fleet is nearly half the size of what it was under the Reagan Administration (592 ships), and 13 ships smaller than what our fleet was in 2009.<sup>18</sup> By most estimates and requirements, the Navy currently needs a fleet of around 350 ships to respond to global threats and ensure vital U.S. interests all around the world. As a recent Wall Street Journal op-ed indicated:

Defense Secretary Ash Carter told the Navy to cut the number of ships it plans to build in favor of placing more-advanced technology aboard the existing fleet. Secretary Carter's plan implies that the deterrent effect of a constant U.S. presence in the world is less important than the Navy's ability to fight and win wars with the advanced weapons he favors. That assumption is mistaken. We need both the ability to be present, which demands more ships than we have, and the related power to win a war if deterrence doesn't work.<sup>19</sup>

Across the service branches, Operations and Maintenance accounts have continued to shrink dramatically over the past five years. The Army has been forced to reduce its force size from 566,000 in 2011, to 490,000 active soldiers in 2015, a 13 percent decrease.<sup>20</sup> The Army has also experienced shortfalls in overall readiness by postponing the restoration and reset of large amounts of equipment returning from the battlefields of Afghanistan, and by reducing training hours for units not engaged in current combat operations. According to the Heritage Foundation's 2016 Index of U.S. Military Strength, "[the] ongoing debate between the White House and Congress (and within Congress) over funding levels as constrained by the [Budget Control Act] will determine whether the Army is able to sustain a projected end strength of 450,000", the minimum force level required to fulfil the national defense strategy.<sup>21</sup>

The Air Force also faces challenges related to aging aircraft fleets and shrinking numbers of available and deployable squadrons. The backbone of the Air Force's tanker fleet, the KC-

---

<sup>16</sup> "Strait of Hormuz" World Oil Transit Chokepoints. U.S. Energy Information Administration. November 10, 2014.

<sup>17</sup> Status of the U.S. Navy. [http://www.navy.mil/navydata/nav\\_legacy.asp?id=146](http://www.navy.mil/navydata/nav_legacy.asp?id=146)

<sup>18</sup> "Obama Navy Now Half The Size Of Reagan Navy", Daily Caller, Harold Hutchison, October 18, 2015.

<sup>19</sup> Seth Cropsey, Wall Street Journal, "S.O.S. for a Declining American Navy", January 6, 2016.

<http://www.wsj.com/articles/s-o-s-for-a-declining-american-navy-1452124971>

<sup>20</sup> 2016 Index of U.S. Military Strength, The Heritage Foundation, page 229

<sup>21</sup> Ibid.

135 first flew in 1956. The venerable B-52, comprising the majority of the Air Force's bomber fleet, first arrived on the flight line in 1955. Aging assets must be replenished, lest they be inadequate when called upon in emergencies, resulting not only in high costs for new, rapid procurement, but in potentially devastating damage to our security interests.

## **ENSURING AN EFFICIENT NATIONAL DEFENSE**

---

The RSC remains committed to a strong national defense, but recognizes that fiscal discipline is essential to ensuring a sustainable and capable military. Congress and the Department of Defense should commit to comprehensive acquisition reform, not only to prevent wasteful spending, but also to ensure that America's warfighters have the best and most affordable equipment available. Simply put, the department needs to improve the way it buys weapons and services. This budget calls for a comprehensive audit of the Department of Defense to verify its financial reporting system, and supports the findings and recommendations of the 2012 Panel on Defense Financial Management and Auditability Reform.<sup>22</sup>

The cost of health care for service members, their families, and retirees has grown significantly as a share of the defense budget over the last decade. Between 2000 and 2012, the cost of military health care increased 130 percent, even after adjusting for inflation. According to CBO, the medical costs of recent wars "had a comparatively small effect" on this increased spending, but new and expanded TRICARE benefits for retirees and their families, and the increased utilization induced by those expanded benefits, explain most of the growth.<sup>23</sup> While it is imperative that our soldiers and veterans receive the best possible care available, these increases can crowd out funding for readiness. Congress and the Department of Defense should also consider the recommendations of the congressionally established Military Compensation and Retirement Modernization Commission to ensure that our men and women in uniform and their families are taken care of, to achieve fiscal sustainability, and to ensure "the long term viability of the All-Volunteer Force."<sup>24</sup>

According to the Congressional Research Service, "Members of Congress are frequently lobbied to support adding funding to the annual defense appropriation for medical research on a wide variety of diseases and topics."<sup>25</sup> Each year, the defense budget includes over half billion for the Congressionally Directed Medical Research Program (CDMRP). While medical research is a laudable activity, many of the programs funded within the CDMRP are not for military-specific conditions and are duplicative of the type of research done at the

---

<sup>22</sup> Panel on Defense Financial Management and Auditability Reform, House Armed Services Committee, January 24, 2012.

<sup>23</sup> Congressional Budget Office, Approaches to Reducing Federal Spending on Military Health Care

<sup>24</sup> MCRMC Recommendations Overview, Military Compensation and Retirement Modernization Commission

<sup>25</sup> Don J. Jansen, Congressional Research Service, "Congressionally Directed Medical Research Program Funding for FY2015 and FY2016", February 2, 2016.

National Institutes of health (NIH).<sup>26</sup> According to the Taxpayers for Common Sense, “These programs are clearly earmarks and therefore take money away from other necessary Defense Department functions.”<sup>27</sup> The RSC budget proposes transitioning the non-defense related medical research out of the defense budget.

Inefficiencies and waste in the defense budget are not always byproducts of poor management, at least not from the DOD. Ideologically driven congressional mandates and administration priorities result in unforced errors and self-inflicted wounds. For example, in March of 2013, the Defense Logistics Agency (DLA) entered into a contract to purchase 3,650 gallons of renewable jet fuel for \$59 per gallon, while the price of conventional jet fuel was roughly \$3.73 per gallon. The Department of Defense should not waste valuable taxpayer dollars on inefficient forms of energy. Rather, energy needs should be met through the most cost-effective and tactically sound methods possible. Beginning in FY 2017, the Department of Defense should be prohibited from entering into any contract for the procurement or production of any non-petroleum based fuel for use as the same purpose or as a drop-in substitute for petroleum. Further, the Armed Forces should be exempt from procurement requirements for clean-energy vehicles and renewable energy portfolio standards for DOD facilities.

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

---

<sup>26</sup> National Institutes of Health, “Estimates of Funding for Various Research, Condition, and Disease Categories (RCDC)”, February 10, 2016. [https://report.nih.gov/categorical\\_spending.aspx](https://report.nih.gov/categorical_spending.aspx)

<sup>27</sup> John M. Donnelly, CQ, “Funding Medical Research With Defense Dollars”, July 28, 2012. <http://public.cq.com/docs/weeklyreport/weeklyreport-000004132596.html>

# FIXING THE TAX CODE

---

The U.S. tax code is broken. It is too complex, too unfair, and too burdensome. Most importantly, the current tax code stifles economic growth, which hurts families, communities, and individuals.

As House Ways and Means Committee Chairman Kevin Brady stated last November, “America needs a simpler, fairer, flatter tax code that’s built for growth – the growth of our family’s paychecks, the growth of our local businesses, and the economic growth of our nation.”<sup>28</sup>

Real, comprehensive tax reform will be good for the economy and good for the federal budget. Taxes have “significant negative effects... on economic growth,” according to a review of the academic literature on the subject conducted by the Tax Foundation. Slow growth can, in turn, have profound effects on the federal budget outlook. According to the CBO, if the actual annual growth rate of real GDP is just 0.1 percentage point lower than its recent projections, budget deficits would increase \$327 billion over the next decade.<sup>29</sup> At a time when GDP growth is about equal to inflation, we know we can and must do better and create an economic environment that unleashes a new generation of prosperity and self-sufficiency. In his 1982 State of the Union Address, President Reagan perfectly articulated this economic reality: “Raising taxes won’t balance the budget; it will encourage more government spending and less private investment. Raising taxes will slow economic growth, reduce production, and destroy future jobs, making it more difficult for those without jobs to find them and more likely that those who now have jobs could lose them.”<sup>30</sup>

While some attack tax reform proposals as “costing” the government money, this erroneously assumes the government is more entitled to your paycheck than you are. This is utter nonsense. Ensuring that people keep more of their hard-earned money is not wrong. Those who believe government should take more out of each paycheck seek only to advance their own interests at the expense of the taxpayer, without regard or concern for the good of the country. A reformed tax code should only extract money from Americans to fund legitimate, constitutional, and essential programs. It should do so without the wasteful inefficiency created by the current code’s infinite special-interest carve outs.

---

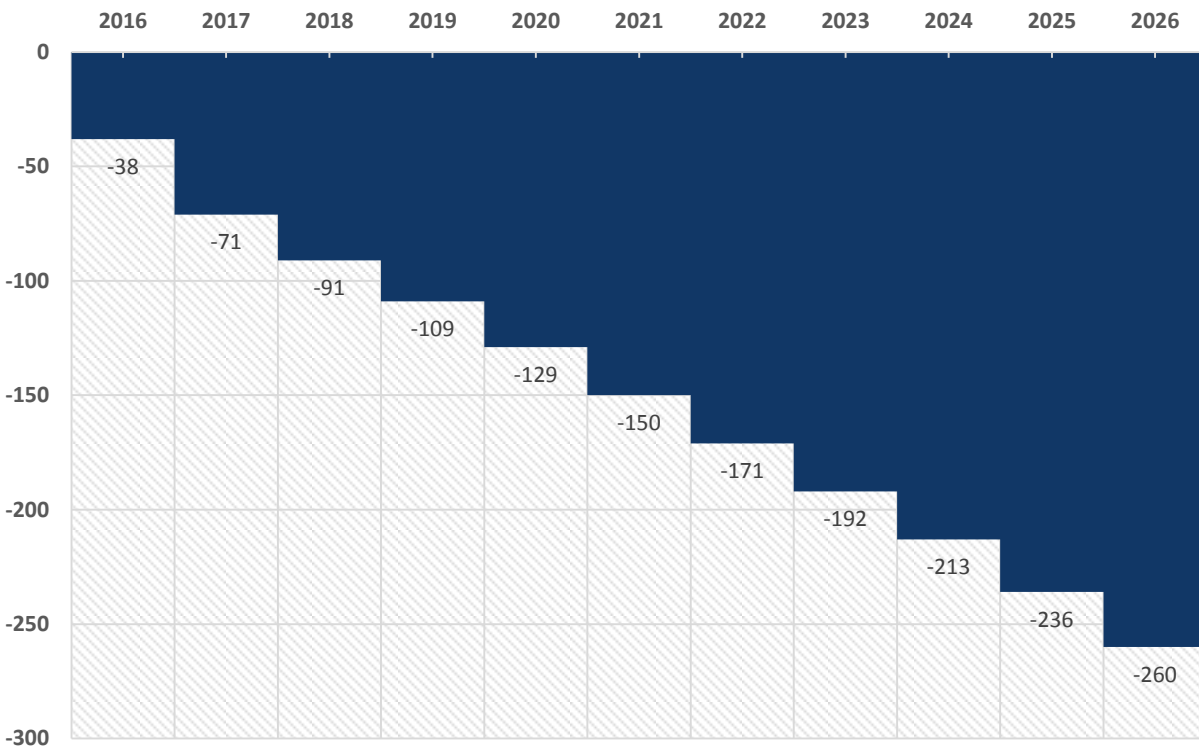
<sup>28</sup> Representative Kevin Brady, “Chairman Brady Lays out Vision for Ways and Means Committee”, November 18, 2015. <http://waysandmeans.house.gov/chairman-brady-lays-out-vision-for-ways-and-means-committee/>

<sup>29</sup> Congressional Budget Office, The Budget and Economic Outlook: 2016 to 2026, January 25, 2016. <https://www.cbo.gov/publication/51129>

<sup>30</sup> President Ronald Reagan, Address Before a Joint Session of the Congress Reporting on the State of the Union, January 26, 1982. <http://www.presidency.ucsb.edu/ws/?pid=42687>



## Increase in the Deficit if Interest Rates Are 1 Percentage Point Higher per Year



Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026*, January 25, 2015.

<https://www.cbo.gov/publication/51129>

The RSC budget lays out principles for comprehensive tax reform that would start from scratch and write a new tax code for individuals and families that broadens the economic tax base and significantly lowers marginal rates. The new tax code should not punish saving and investment. The new tax code should recognize the importance of families, children, and marriage. The new code should accommodate healthcare costs and incentivize charitable giving, while doing away with the Death Tax. Most importantly, the new code should be simple, pro-growth, and fair for all Americans.

### PERMANENCY AND A PATH FOR REFORM

In recent years, Congress and the president have repeatedly scrambled at the last minute to pass so-called “tax extenders:” bills that keep “temporary” parts of the tax code alive. Occasionally, lawmakers have even strained to pass tax extenders *retroactively*. Encouraging Americans to budget through tax incentives one year at a time is ineffective and imprudent. Only in Washington could this lack of stability pass for sound economic policy.

Fortunately, Congress recently took a step to stop this erratic cycle of tax extenders by enacting the Protecting Americans from Tax Hikes (PATH) Act of 2015. This law made positive tax extenders provisions – such as those benefiting charitable giving – permanent law. At the same time, the bill only provided short term extensions of many of the previously perpetually renewed provisions that benefit wasteful special interests. No longer will good policies be held hostage by demands to also extend the bad. Unwarranted tax breaks, like special treatment for Hollywood film and television production costs, will finally expire. This budget assumes they stay that way.

The PATH Act set us on a better path for completely overhauling the tax code. However, we still have much work ahead of us.

## **FAIRNESS**

---

The tax code is not fair for most taxpayers. There are still more than 150 so-called tax expenditures that provide more than \$1 trillion worth of credits, deductions, exclusions, and exemptions for government-chosen tax-winners each year. These loopholes and carve-outs favor special interests and those with the means to curry political favor in Washington. Special exemptions and social engineering create economic distortions and cause people to make choices that would not make economic sense otherwise.

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

At the same time, tax code compliance drains an astounding amount of resources from businesses, families, and individuals. A recent IRS study reported that American families spent more than three billion hours a year computing and complying with individual deductions. Add to that the three billion hours businesses spend complying with the code and it takes a full-time equivalent work force of 3.4 million people just for the nation to file its taxes.<sup>31</sup> This is an economic inefficiency and needs to be addressed during tax reform.

In a 1979 speech, Representative Jack Kemp said that “in a stagnant or contracting economy, politics becomes the art of pitting class against class, rich against poor, white against black, capital against labor...”<sup>32</sup> This indictment of the wanton political sophistry of the years of President Carter's stagnant economy rings true for today's liberal politics under President Obama's stagnant economy. Those who practice the politics of division will attack

---

<sup>31</sup> Jason J. Fichtner, Jacob Feldman, Mercatus Center, “The Hidden Costs of Tax Compliance”, May 20, 2013. <http://mercatus.org/publication/hidden-costs-tax-compliance>

<sup>32</sup> Morton Kondracke and Fred Barnes, Jack Kemp: The Bleeding-Heart Conservative Who Changed America, page 8.

this and other tax proposals in attempts to set one group of Americans against another. We reject the idea that tax policy is a zero sum exercise and that for some to benefit, others must suffer.

Tax policy should make sense for all individuals and the health of the economy on the whole, not just those who run special interests. At a more basic level, it is imperative that government policies treat all of us equally.

The business tax code should be agnostic as to the type of business activity being taxed, not playing favorites, whether the company is involved in energy, agriculture, health care, technology, manufacturing, is a small business, or a retail firm. Further, the code should treat businesses equally by taxing corporations and pass-through businesses at the same rates, instead of the unequal treatment provided by the current system. The individual tax code should not be used for social engineering, as a weapon of class warfare, or as an instrument to dole out taxpayer-funded favors to the well-connected.

## PRO-FAMILY

---

Tax reform should eliminate disincentives to form families found in the current tax code. The tax code has brackets that are not twice as large for married couples than for individual filers, creating a marriage penalty. Certain tax credits, such as the Earned Income Tax Credit (EITC), can also contribute to a marriage penalty. These penalties can be up to 12 percent of the family's income.<sup>33</sup> The marriage penalty is another case where Democrats have successfully obtained a distortion in the tax code in order to extract more revenue from the American people. It is unfair, and the marriage penalty needs to be fully eliminated. The RSC budget calls for eliminating these penalties as a part of comprehensive tax reform.

## COMPETITIVENESS

---

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

---

<sup>33</sup> Kyle Pomerleau, Tax Foundation, "Understanding the Marriage Penalty and Marriage Bonus", April 23, 2015. <http://taxfoundation.org/article/understanding-marriage-penalty-and-marriage-bonus>

<sup>34</sup> Price Waterhouse Coopers for the Technology CEO Council, "Evolution of Territorial Tax Systems in the OECD," April 2, 2013. [http://www.techceocouncil.org/clientuploads/reports/Report%20on%20Territorial%20Tax%20Systems\\_20130402b.pdf](http://www.techceocouncil.org/clientuploads/reports/Report%20on%20Territorial%20Tax%20Systems_20130402b.pdf)

locked away instead of being used to put more Americans back to work or to reinvest in our economy.<sup>35</sup>

The damage inflicted by our uncompetitive tax code is readily evident in the increasing trend of inversions, in which U.S. companies are acquired by foreign companies and lower their tax burden by choosing a new national home. The need to reform the international tax system has been further underscored by the OCED's Base Erosion and Profits Shifting (BEPS) project, which could have adverse impacts on U.S.-based multinational corporations. Moving to a true territorial system where income is only taxed in the country where it is earned is an important piece of business tax reform. However, this change should take place in the context of comprehensive tax reform, not as part of dangerous proposals that would use international tax reform to "pay" for higher spending.

Businesses should also be permitted to fully expense all capital expenditures before calculating any tax liability. This pro-growth reform will allow businesses to take on more risk-taking by investing in a business or expanding a current business. It will increase productivity, which will increase wages and the number of jobs available to the American people. Full-expensing will also increase international competitiveness.

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

## REAL-WORLD SCORING

---

For too long, tax reform proposals have been evaluated by CBO and JCT by a method that fails to account for the way people change their behaviors in response to changes in the tax code.

For several years, RSC budgets have proposed that real-world dynamic scoring be the measure by which tax reform proposals are measured. At the beginning of the 114th Congress, the House adopted a new rule that requires CBO and JCT to incorporate the macroeconomic effects of major legislation into the budgetary analysis of that legislation. Several bills have been subject to dynamic analysis in the past year, showing the positive effects on the budget of pro-growth policies, such as repealing Obamacare, lowering taxes,

---

<sup>35</sup> Richard Rubin, Bloomberg Business, "U.S. Companies Are Stashing \$2.1 Trillion Overseas to Avoid Taxes", March 4, 2015. <http://www.bloomberg.com/news/articles/2015-03-04/u-s-companies-are-stashing-2-1-trillion-overseas-to-avoid-taxes>

and lowering spending. The models used could be improved. Specifically models should take into account the fact that before the federal government can spend any money it must first take that money out of the economy.<sup>36</sup> Adopting dynamic scoring is an important step that ensures policymakers understand the true impact of tax reform on the economy, businesses, families, and individuals.

As Washington moves to scrap the outdated tax code, policymakers should factor in what economists have known for decades: the right tax reforms will trigger a positive chain reaction of investment, economic growth, and job creation. Dynamically-scored, revenue-neutral tax reform—as called for by this budget—ensures the dollars freed by pro-growth tax reform stay in the pockets of American families and generate economic prosperity, not federal spending boondoggles.

## ABOLISH THE IRS

---

In its current form, the Internal Revenue Service (IRS) is at best an inefficient behemoth weighing down our economy. At its worst, the IRS has shown a capacity for outright corruption and political targeting. Under the Obama Administration, the IRS has illegally targeted conservatives.<sup>37</sup> It has channeled millions of taxpayer dollars away from taxpayer assistance for employee bonuses.<sup>38</sup> It has allowed taxpayer information to be compromised in a data breach.<sup>39</sup> The IRS has even intentionally leaked confidential taxpayer information.<sup>40</sup> Despite these facts, the president's budget actually calls for increasing spending on the IRS by \$1 billion.

This budget takes the bold step of calling for the complete elimination of the IRS. Tax collection and enforcement activities would be moved to a new, smaller, and more accountable department at the Treasury. Applicants to the new department would need to undergo a rigorous evaluation of their work performance before being hired to positions of trust, and would be subject to discipline and termination if they failed to honor that trust. This fresh start is necessary to reassure Americans that the agency with access to every paycheck is trustworthy and honest.

---

<sup>36</sup> Curtis Dubay, Heritage Foundation, "CBO Should Update Its Methodology Before Dynamically Scoring Spending Bills", March 5, 2015. <http://www.heritage.org/research/reports/2015/03/cbo-should-update-its-methodology-before-dynamically-scoring-spending-bills>

<sup>37</sup> Zachary A. Goldfarb and Karen Tumulty, Washington Post, "IRS admits targeting conservatives for tax scrutiny in 2012 election", May 10, 2013. [https://www.washingtonpost.com/business/economy/irs-admits-targeting-conservatives-for-tax-scrutiny-in-2012-election/2013/05/10/3b6a0ada-b987-11e2-92f3-f291801936b8\\_story.html](https://www.washingtonpost.com/business/economy/irs-admits-targeting-conservatives-for-tax-scrutiny-in-2012-election/2013/05/10/3b6a0ada-b987-11e2-92f3-f291801936b8_story.html)

<sup>38</sup> Sarah Westwood, Washington Examiner, "IRS diverted millions from taxpayer assistance to pay for employee bonuses", April 22, 2015. <http://www.washingtonexaminer.com/irs-diverted-millions-from-taxpayer-assistance-to-pay-for-employee-bonuses/article/2563430>

<sup>39</sup> Bernie Becker, The Hill, "IRS: Taxpayer breach larger than first reported", August 17, 2015. <http://thehill.com/policy/finance/251292-irs-taxpayer-breach-larger-than-first-reported>

<sup>40</sup> Jonathan H. Adler, Washington Post, "IRS agrees to pay non-profit group \$50,000 for unauthorized release of tax return", June 24, 2014. <https://www.washingtonpost.com/news/volokh-conspiracy/wp/2014/06/24/irs-agrees-to-pay-non-profit-group-50000-for-unauthorized-release-of-tax-return/>

## **PRO-GROWTH, PRO-TAXPAYER REFORM**

---

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

- Targets revenue neutrality (relative to CBO's baseline revenue projection) based on a dynamic score that takes into account the macroeconomic effects of reform.
- Collapses the current seven brackets for individuals into just two, with a top rate of 25 percent.
- Simplifies the tax code to ensure that fewer Americans will be required to itemize deductions.
- Gives equal tax treatment to individual and employer healthcare expenditures modeled on the American Health Care Reform Act.
- Encourages charitable giving.
- Repeals the Death Tax.
- Eliminates marriage penalties.
- Provides tax-free universal savings accounts to reward saving.
- Exempts workers above the normal retirement age from the employee side payroll taxes.
- Eliminates marriage penalties and encourages families.
- Repeals the alternative minimum tax.
- Reduces double taxation by lowering the top corporate rate to 25 percent.
- Sets a maximum rate for capital gains and dividends at 15 percent.
- Encourages net investment, savings, and entrepreneurial activity, including full expensing.
- Moves to a competitive territorial system of international taxation.
- Ends distortionary special interest giveaways, such as the Wind Production Tax Credit.

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

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

Growth-oriented tax plans would strengthen the economy and support the nation's funding needs. There are several good ideas on how to best accomplish that.

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

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

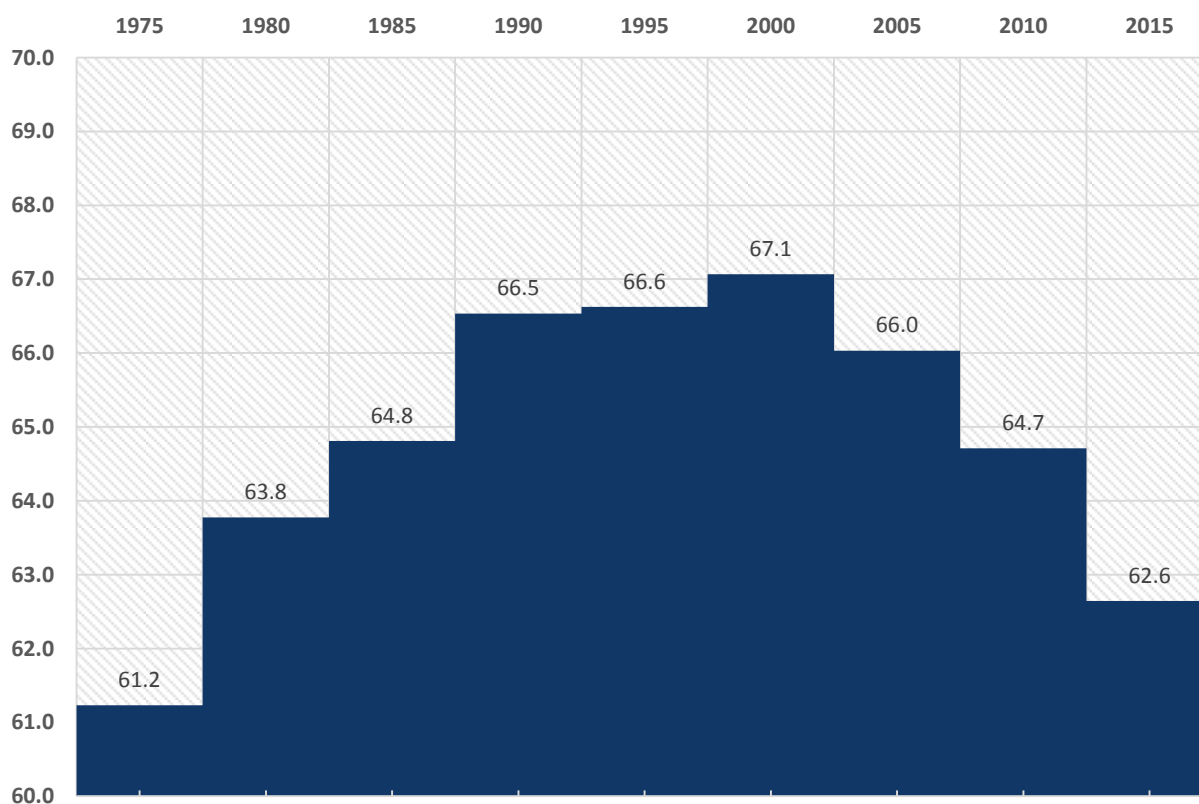
Leading conservative reformers have put forth tax reform plans that pair strong pro-growth corporate tax reform with individual tax reform that emphasizes families, marriage, and the cost of raising children.

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

# CREATING AN ENVIROMENT FOR JOBS AND ECONOMIC GROWTH

Across the nation, too many Americans are struggling to make ends meet. The slowly falling unemployment rate has masked an underlying crisis as millions of Americans have abandoned the work force and wages have stagnated. The labor force participation rate has plummeted to levels not seen since the Carter presidency.<sup>41</sup> Since the beginning of President Obama’s first term, 13.5 million more people have decided that they are no longer a part of the workforce – the equivalent of everyone in New York City, Chicago, and Houston all deciding they are better off if they stop working or searching for a job.<sup>42</sup>

## Civilian Labor Force Participation Rate



Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, Civilian labor force participation rate. <http://data.bls.gov/timeseries/LNS1130000>

<sup>41</sup> Bureau of Labor Statistics, Labor Force Participation Rate (Seasonally Adjusted), retrieved February 19, 2016.

<sup>42</sup> Bureau of labor Statistics, Not in Labor Force (Seasonally Adjusted), comparing January 2016 to January 2009, retrieved February 19, 2016. And U.S. Census Bureau, “Ten U.S. Cities Now Have 1 Million People or More; California and Texas Each Have Three of These Places”, May 21, 2015.



All of this comes after the president's failed "stimulus" spending spree, bailouts, and unprecedented experiments of government interference in the economy. People have seen many high-profile, large-scale government programs – Obamacare, TARP, Dodd-Frank, the Clean Power Plan, the Stimulus, and tax increases on the rich. Despite the administration's repeated promises, these monolithic Washington edifices have not been pillars of economic growth, nor have American families seen them usher in higher incomes or more prosperity. Instead, government policies redistribute the people's money to the politically well-connected. This is not fair. In truth, these policies have made it harder for the average person to get ahead. And people are rightly angry.

Conservatives recognize that as faith in the promise of the American dream declines, government is the problem, not the solution. What we need is not more bailouts for more people, but a return to the very principles that made America the most prosperous, dynamic nation in the history of the world.

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

### **REIN IN REGULATIONS TO SPUR ECONOMIC GROWTH**

---

First and foremost, this budget proposes a regulatory freeze for the rest of President Obama's term. This proposal would prohibit any new, significant regulatory action that would cost the economy more than \$50 million to implement through January 21, 2017. This freeze would permit presidential waivers for national security, emergencies, and health and safety, subject to congressional disapproval.

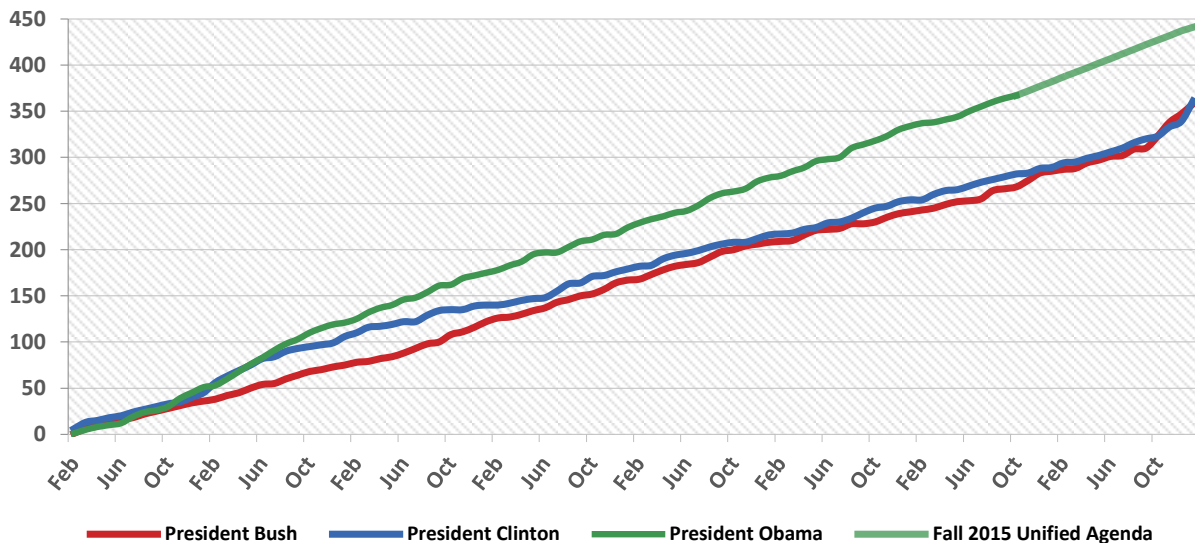
Additionally, a midnight rule relief would prohibit any administration from implementing a new significant regulatory action that would cost the economy more than \$50 million to implement, or any regulation that would cause significant harm to any sector of the economy, during the so-called "lame duck" period between a presidential election and the pursuant inauguration. This would also permit presidential waivers for national security, emergencies, and health and safety, subject to congressional disapproval.

This relief would give Americans the chance for a recovery from nearly eight years of damaging rules handed down by Obama Administration bureaucrats.

While a temporary regulatory freeze will stem the tide of government induced economic damage, it alone is insufficient to ensure the hope of prosperity for the future. This budget includes a new proposal, regulatory budgeting, to prevent economic folly and damage by

future administrations that might otherwise reopen the flood gates of the Washington bureaucracy. A regulatory budget works similar to a fiscal budget. Under this proposal, Congress would establish annual caps on the costs Executive Branch agencies could impose on the economy through new regulations. Over time, as agencies seek to impose new regulations, they will be forced to repeal existing outdated and unnecessary rules, reducing the overall burden on the country. A regulatory budget could be tied to Legislative Impact Accounting, which would account for the regulatory costs of proposed legislation.<sup>43</sup> Reviews of regulatory budgeting proposals show that it could save up to \$100 billion in costs imposed on the economy each year.<sup>44</sup>

### Cumulative Number of Economically Significant Regulations Published During Equivalent Periods in Office

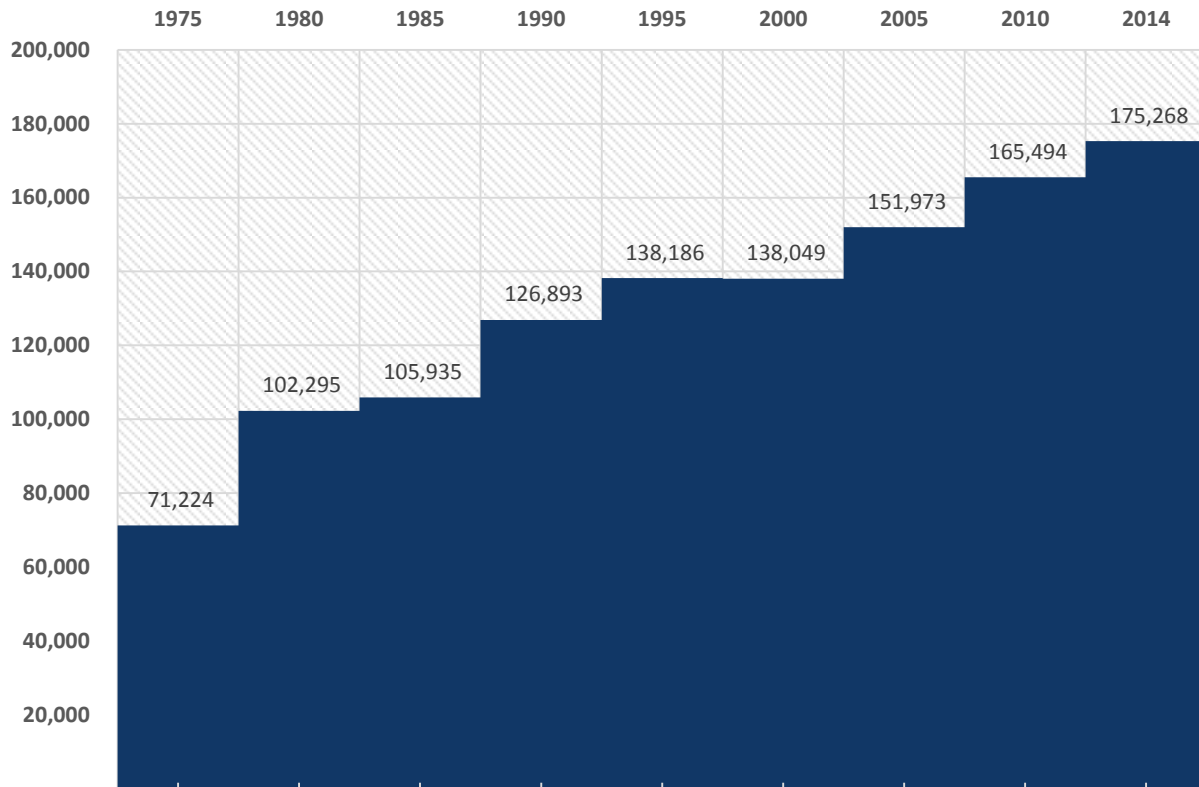


The George Washington University Regulatory Studies Center, Reg Stats. <https://regulatorystudies.columbian.gwu.edu/reg-stats>

<sup>43</sup> Jason J. Fichtner, Patrick McLaughlin, Mercatus Center, “Legislative Impact Accounting: Rethinking How to Account for Policies’ Economic Costs in the Federal Budget Process”, June 2, 2015. <http://mercatus.org/publication/legislative-impact-accounting-rethinking-how-account-policies-economic-costs-federal>

<sup>44</sup> Sam Batkins, American Action Forum, “What Would a Regulatory Budget Save? About \$100 Billion”, September 1, 2015. <http://americanactionforum.org/insights/what-would-a-regulatory-budget-save-about-100-billion>

### Pages in the Code of Federal Regulations



The George Washington University Regulatory Studies Center, Reg Stats.  
<https://regulatorystudies.columbian.gwu.edu/reg-stats>

The RSC regulatory reform plan would also incorporate H.R. 427, the REINS Act, introduced by Representative Todd Young, to require that Congress approve of any regulations that have an annual economic impact of \$50 million or more.

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

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

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

people affected by burdensome regulations to petition for sunset review of particular regulations, regardless of their economic impact.

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

This budget requires the Small Business Administration Office of Advocacy to conduct an annual study of the total costs to small businesses of federal regulations and provide small businesses with a six-month grace period for regulatory violations, and allow the agency to waive sanctions if the small business corrects the violation within the six-month window, similar to a proposal put forward by Representative Vicky Hartzler in H.R. 1932.

All too often, pro-regulatory litigants, unable to enforce their will on the public through legislation, will sue federal agencies with the intention of obtaining a settlement that forces the government to take regulatory action. Unfortunately, regulatory agencies have become more than happy to cooperate with these litigants, entering into legally binding consent decrees that require a regulatory action. These settlements are negotiated behind closed doors, without the public participation required by the normal regulatory process governed by the Administrative Procedure Act, the Regulatory Flexibility Act, and the Unfunded Mandates Reform Act. In President Obama's first term, the EPA sought at least 60 settlements with advocacy groups, which resulted in more than 100 new regulations.<sup>45</sup> This budget brings transparency to this sue-and-settle cabal by requiring public disclosure of the complaints against agencies, the terms of consent decrees, and attorneys' fees. Consent decrees should also be made available for public comment in the Federal Register prior to being filed with the courts. This proposal is based on H.R. 712, the Sunshine for Regulatory Decrees and Settlements Act, introduced by Representative Doug Collins.

Rather than being constantly surprised by new schemes of government control, the public should be able to know what regulations the Executive Branch plans to issue. Currently, the administration is statutorily required to publish the Unified Agenda of Federal Regulatory and Regulatory Actions twice per year. Unfortunately, this is another issue where President Obama has failed to provide transparency, with some reports being filed late and others not at all. Instead, to provide real transparency and regulatory certainty, federal agencies should publish monthly information about their proposed regulations.

---

<sup>45</sup> U.S. Chamber of Commerce, Sue and Settle: Regulating Behind Closed Doors, August 5, 2015. <https://www.uschamber.com/report/sue-and-settle-regulating-behind-closed-doors>

## UNLEASHING NORTH AMERICAN ENERGY PRODUCTION

---

America should be exploring and unleashing our vast reserves of energy and mineral resources on public lands. Tapping our domestic energy resources would promote job creation and decrease dependence on foreign oil, both at home and for our allies around the world.

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

This budget approves the Keystone XL pipeline, something that the president has vetoed despite a State Department environmental impact statement that found construction of the pipeline would support more than 40,000 jobs.<sup>46</sup> It is past time to green light this “shovel-ready,” job-creating project.

The RSC budget would block the Obama Administration’s so-called Clean Power Plan. Despite the fact the American people rejected the president’s cap-and-trade proposal, the EPA had been moving ahead with job-killing climate change regulations on new and existing power plants until a stay was recently granted by the Supreme Court. This regulation could cost the economy between \$41 and \$73 billion per year, hitting consumers in the wallet.<sup>47</sup> The budget would block other anti-energy EPA regulations, such as the Ozone rule, which has been called “the most expensive regulation of all time”.<sup>48</sup>

Our plan also accelerates approval for liquefied natural gas (LNG) exports. Congress recently took the positive step of lifting the ban on the export of crude petroleum, as proposed by the FY 2016 RSC budget.

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

---

<sup>46</sup> United States Department of State Bureau of Oceans and International Environmental and Scientific Affairs, “Final Supplemental Environmental Impact Statement for the Keystone XL Project Executive Summary”, January 2014. <http://keystonepipeline-xl.state.gov/documents/organization/221135.pdf>

<sup>47</sup> William Yeatman, U.S. News and World Report, “The Clean Power Plan’s Dirty Secret”, January 26, 2015. <http://www.usnews.com/opinion/articles/2015/01/26/obamas-epa-clean-power-plan-has-a-dirty-secret>

<sup>48</sup> Lydia Wheeler, The Hill, “Manufacturers: Even with costs halved, ozone reg could still be most expensive”, February 26, 2015. <http://thehill.com/regulation/233940-manufacturers-ozone-standard-could-still-be-the-nations-most-expensive-regulation>

## GET UNIONS OFF THE BACKS OF JOB CREATORS AND EMPLOYEES

The RSC budget fully repeals Davis-Bacon, which requires prevailing wages to be paid for all government contracting jobs. Removing this job-killing requirement would increase job creation and allow taxpayer dollars to go further for infrastructure projects. This commonsense policy would save taxpayers billions of dollars, according to CBO.

The budget also prohibits federal employees from using official, taxpayer-paid time for union activity. The OPM estimated that in FY 2012, taxpayers paid more than \$157 million in official time for employees to conduct union activities.<sup>49</sup>

In addition, this budget allows employers of workers operating under a union contract to award bonuses and pay raises to employees without having to get permission from union bosses. This proposal is based on Representative Todd Rokita's Rewarding Achievement and Incentivizing Successful Employees (RAISE) Act.

The National Labor Relations Board's (NLRB) Joint Employer ruling would pull companies into collective bargaining negotiations with employees of companies they have a contract with. This could have an adverse effect on franchisees by increasing their liability for workers they do not actually employ. This budget would undo the NLRB's ruling, replacing it with the effective standard that had been in place for decades.

The Jones Act requires that cargo shipped between U.S. ports be carried on a U.S. built, U.S. flagged vessel that is staffed by a crew that is at least 75 percent American. It is a purely protectionist policy meant to subsidize the domestic shipping industry and union bosses by outlawing competition.<sup>50</sup> This stifles innovation and competition, keeps prices high, and ultimately hurts consumers.<sup>51</sup> The Jones Act has a disproportionately negative impact on American citizens in the states and territories outside the contiguous United States. For instance, in Puerto Rico, the law "raises the cost of gasoline by 15 cents per gallon and Puerto Rico's state-run power authority pays 30 percent more than it needs to for liquefied natural gas."<sup>52</sup> This budget would end this policy and return shipping policy to the free market.

---

<sup>49</sup> United States Office of Personnel Management, "Labor-Management Relations in the Executive Branch", October 2014. <https://www.opm.gov/policy-data-oversight/labor-management-relations/reports/labor-management-relations-in-the-executive-branch-2014.pdf>

<sup>50</sup> Andrew Langer, The Daily Caller, "Obama, the Jones Act and Big Labor", June 17, 2010. <http://dailycaller.com/2010/06/17/obama-the-jones-act-and-big-labor/>

<sup>51</sup> Brian Slattery, Bryan Riley and Nicolas Loris, Heritage Foundation, "Sink the Jones Act: Restoring America's Competitive Advantage in Maritime-Related Industries", May 22, 2014. <http://www.heritage.org/research/reports/2014/05/sink-the-jones-act-restoring-americas-competitive-advantage-in-maritime-related-industries>

<sup>52</sup> Patrick Holland, e21 at the Manhattan Institute, "Help Puerto Rico by Repealing the Jones Act", July 15, 2015. <http://economics21.org/commentary/jones-act-puerto-rico-debt-crisis-anne-krueger-07-15-2015>

## SPUR INVESTMENT IN LOCAL BUSINESSES

---

The RSC budget allows more capital to flow to Main Street to spur investment. It does this by providing regulatory relief to community banks and credit unions, so local financial institutions can more effectively lend to small businesses and invest in their own communities. This budget would repeal the Dodd-Frank financial regulation law and eliminate the \$29.3 billion in burdensome economic costs along with the 75 million paperwork hours it has imposed on the country. These costs are ultimately born by consumers in the form of higher fees, diminished access to capital, and a slower economic recovery.<sup>53</sup> This proposal also removes unnecessary regulations that inhibit investment in businesses. American businesses must have the ability to obtain loans to expand. It is time to get the government off the backs of our job creators so we can rebuild an America that works.

This budget embraces those who participate in the innovative sharing and gig economy. The old, entrenched special interests have done their best to squash the competition using government regulations. The widespread popularity of companies like Uber, Lyft, and AirBnB – with consumers and service providers alike – have shown that the market is hungry for new, innovative solutions. Good ideas will rise to supply that demand. Government should remove barriers to entry for these services and allow the best concepts to thrive.

In a similar vein, government should reduce the burden of outrageous occupational licensing requirements. For instance, barbers and interior designers face stricter licensing requirements than emergency medical technicians.<sup>54</sup> Thirty percent of jobs now face government-imposed licensing requirements, up from five percent in the 1950's.<sup>55</sup> Removing barriers to entry into the labor force will allow more people to get to work, improving their lives and our nation's economy.

The federal government should not force online retailers to collect sales taxes from customers located in other states. According to the Supreme Court, retailers must only collect and remit sales taxes in locations where they have a physical presence. States with sales taxes already have ways to require citizens to remit the sales taxes legally owed due to out of state purchases. These states should not use the power of the federal government to

---

<sup>53</sup> Sam Atkins, Meghan Milloy, American Action Forum, “The Most Expensive Dodd-Frank Rule Adds to Law’s Burden”, November 10, 2015. <http://americanactionforum.org/research/the-most-expensive-dodd-frank-rule-adds-to-laws-burden>

<sup>54</sup> James Pethokoukis, American Enterprise Institute, “The terrible economic burden of occupational licensing”, April 21, 2014. <https://www.aei.org/publication/the-terrible-economic-burden-of-occupational-licensing/>

<sup>55</sup> Melissa S. Kearney, Brad Hershbein and David Boddy, Brookings Institution, “Nearly 30 Percent of Workers in the U.S. Need a License to Perform Their Job: It Is Time to Examine Occupational Licensing Practices”, January 27, 2015. <http://www.brookings.edu/blogs/up-front/posts/2015/01/26-time-to-examine-occupational-licensing-practices-kearney-hershbein-boddy>

impose burdens on business located outside their jurisdiction. This type of intervention would only reduce competition between business models and between state tax policies.

### **EMBRACE FREE MARKETS, SHOW FAVORITISM TO NONE**

---

Conservatives believe in free markets and free citizens. We want to end government intervention into the economy that picks winners and losers, distorts markets, and makes us less free and less prosperous. We oppose programs that only serve to help already powerful special interests.

That is why this budget would eliminate the Export-Import Bank. The Bank is charged with subsidizing certain American exports. In reality, those subsidies come from the U.S. taxpayers – including taxes paid by companies in direct competition with the beneficiaries of the subsidies. They go to foreign countries and foreign companies to purchase goods from specific corporations approved by the Ex-Im bureaucrats. Many of those favored firms are predominately the biggest and most politically connected in the country, all with well paid lobbyists.

Ex-Im boasts a disturbing culture of corruption and misconduct that has led to numerous criminal indictments in the last six years. Their lending standards often lack transparency and consistency. The Bank is the ‘Enron’ of the federal government, a poster child for the worst of Washington’s corruption and mismanagement. Federal bureaucrats should not be picking business’ winners and losers. Instead, we know American businesses are capable of competing in a free and open market as called for in this budget, without government interference.

Eliminating Ex-Im will save the taxpayers hundreds of millions of dollars, according to CBO. More importantly, the bank’s demise will mark a return to the principles of free enterprise and competition so essential to the American miracle of unprecedented prosperity.



# STRENGTHENING OUR SAFETY NET TO EMPOWER PEOPLE

---

## TRANSFORM SAFETY NET PROGRAMS TO ENCOURAGE EARNED SUCCESS

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

The Republican Study Committee continues to lead the way toward turning this positive vision into action. The RSC Empowerment Initiative, led by Representatives Andy Barr and Todd Young, is a task force of RSC members focused on combating poverty and reforming the welfare system to empower individuals, families, and communities. The reforms recommended by this budget would restore the opportunity to pursue prosperity for millions of Americans.

## WE KNOW WHAT DOESN'T WORK

In his 1964 State of the Union address, President Johnson declared the War on Poverty and launched the modern welfare system. He stated his agenda's "aim is not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it."<sup>56</sup> This is a laudable goal, and its accomplishment should be the focus of our safety-net programs.

But by any measure, Johnson's big-government welfare state has been a failure. The programs created by the federal government decades ago did little to address the root causes of poverty and the lack of upward mobility. The many augmentations and redundant iterations of this Washington-centric model have delivered equally bad results. Instead, these programs focus on alleviating the material symptoms of poverty, rather than fostering the conditions that allow individuals to escape it.

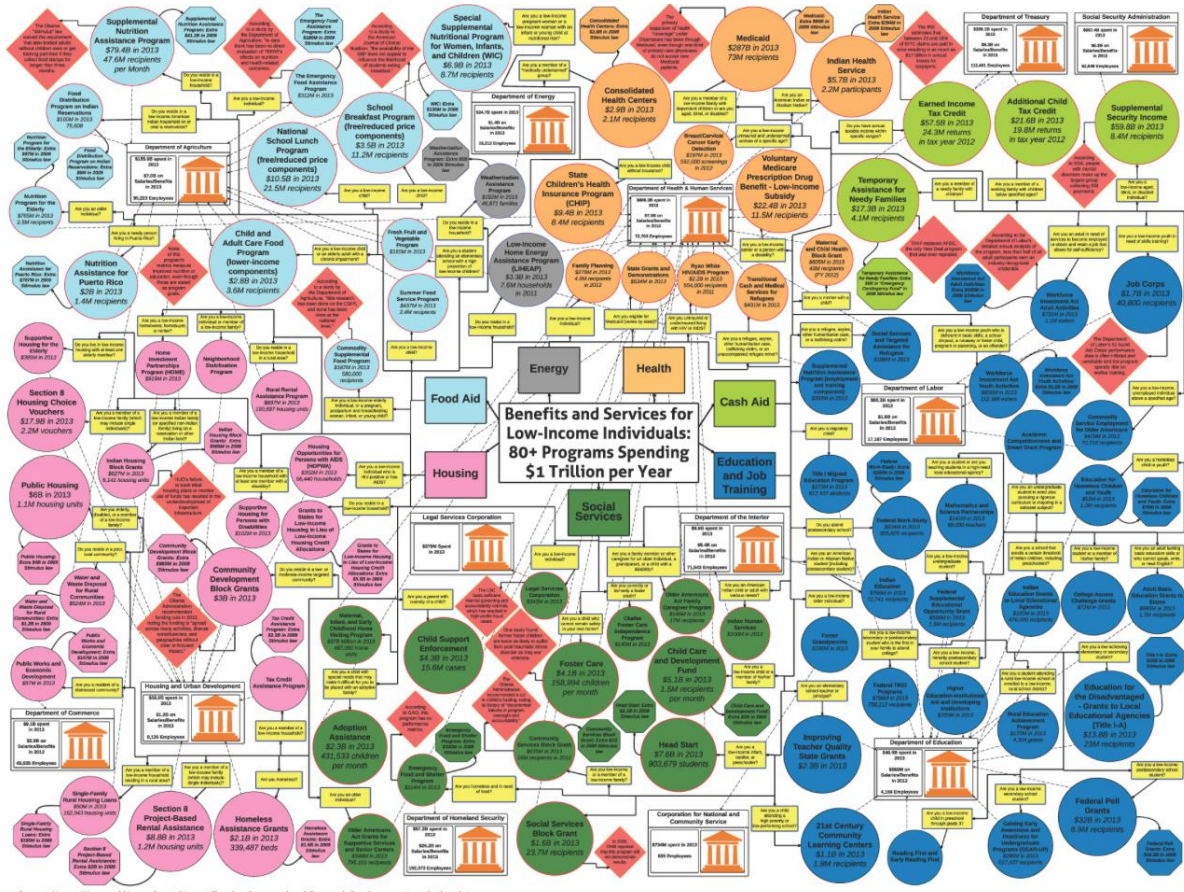
Since the War on Poverty was declared in 1965, the federal government and the states have spent over \$16 trillion on welfare programs.<sup>57</sup> Welfare spending in real terms has

---

<sup>56</sup> President Lyndon Johnson, "Annual Message to the Congress on the State of the Union", January 8, 1964. <http://www.presidency.ucsb.edu/ws/?pid=26787>

<sup>57</sup> Scott Winship, "Safety-Net Reform to Protect the Vulnerable and Expand the Middle Class", Conservative Reform Network, Room to Grow. <http://conservativereform.com/roomtogrow/>

increased 16- fold since the War on Poverty was declared and by one-third in President Obama’s first four years in office alone.<sup>58</sup> The House Budget Committee has identified 92 federal programs designed to assist low-income Americans. In 2012, taxpayers spent \$799 billion on these programs.<sup>59</sup> This amount could have been used to provide the 46 million Americans living below the poverty line over \$17,000 each.<sup>60</sup>



Source: House Ways and Means Committee staff, using Congressional Research Service reports and other data.

House Ways and Means Committee, “Chairman Boustany: Better Coordinating Welfare Programs to Serve Families in Need”, November 3, 2015. <http://waysandmeans.house.gov/chairman-boustany-better-coordinating-welfare-programs-to-serve-families-in-need/>

This system is a mess.<sup>61</sup> The War on Poverty has spawned an enormous federal government bureaucracy. It has absorbed resources that could be better spent helping

<sup>58</sup> Robert Rector and Rachel Sheffield, Heritage Foundation, Opportunity for All, “Welfare reform”. [http://thf\\_media.s3.amazonaws.com/2015/pdf/OpportunityForAll.pdf](http://thf_media.s3.amazonaws.com/2015/pdf/OpportunityForAll.pdf)

<sup>59</sup> House Budget Committee, “The War on Poverty: 50 Years Later,” Mar. 2014. [http://budget.house.gov/uploadedfiles/war\\_on\\_poverty.pdf](http://budget.house.gov/uploadedfiles/war_on_poverty.pdf)

<sup>60</sup> Author calculation. Poverty figure from U.S. Census, People in Poverty by Selected Characteristics: 2012 and 2013. <https://www.census.gov/hhes/www/poverty/data/incpovhlth/2013/table3.pdf>

<sup>61</sup> House Ways and Means Committee, “Chairman Boustany: Better Coordinating Welfare Programs to Serve Families in Need”, November 3, 2015. <http://waysandmeans.house.gov/chairman-boustany-better-coordinating-welfare-programs-to-serve-families-in-need/>

people and prevented reform by enshrining a political class of vested interests. Worst of all, this labyrinth of programs, offices, and paperwork is confusing for those who are forced to navigate it in their time of need.

The current welfare system entices people to become dependent on government and behave in ways that keep them there. The Department of Health and Human Service's Thirteenth Report to Congress on Welfare Indicators and Risk Factors included a study of new welfare recipients that shed light on this pattern. Between 2008 and 2011, the department found that 21.5 percent of Temporary Assistance for Needy Families (TANF) recipients, 47.8 percent of SNAP recipients, and 48.9 percent of Supplemental Security Income (SSI) recipients collected benefits for more than a year at a time.<sup>62</sup> Families are becoming trapped in these programs, limiting their upward mobility. Studies have shown that children whose parents receive welfare benefits are more likely to become dependent themselves when they become adults.<sup>63</sup> This cycle perpetuates a negative feedback loop of economic and social poverty, and deprives our nation of the bright potential these individuals might otherwise pursue.

Part of the reason the system encourages dependence is because of the high marginal costs imposed on beneficiaries when they take steps to become financially independent — sometimes described as the “welfare cliff.” A study conducted by Pennsylvania's Secretary of Public Welfare showed that a single mother could actually end up better off with a job that pays \$29,000 and receiving welfare payments than she would be if she had a job that paid \$69,000.<sup>64</sup>

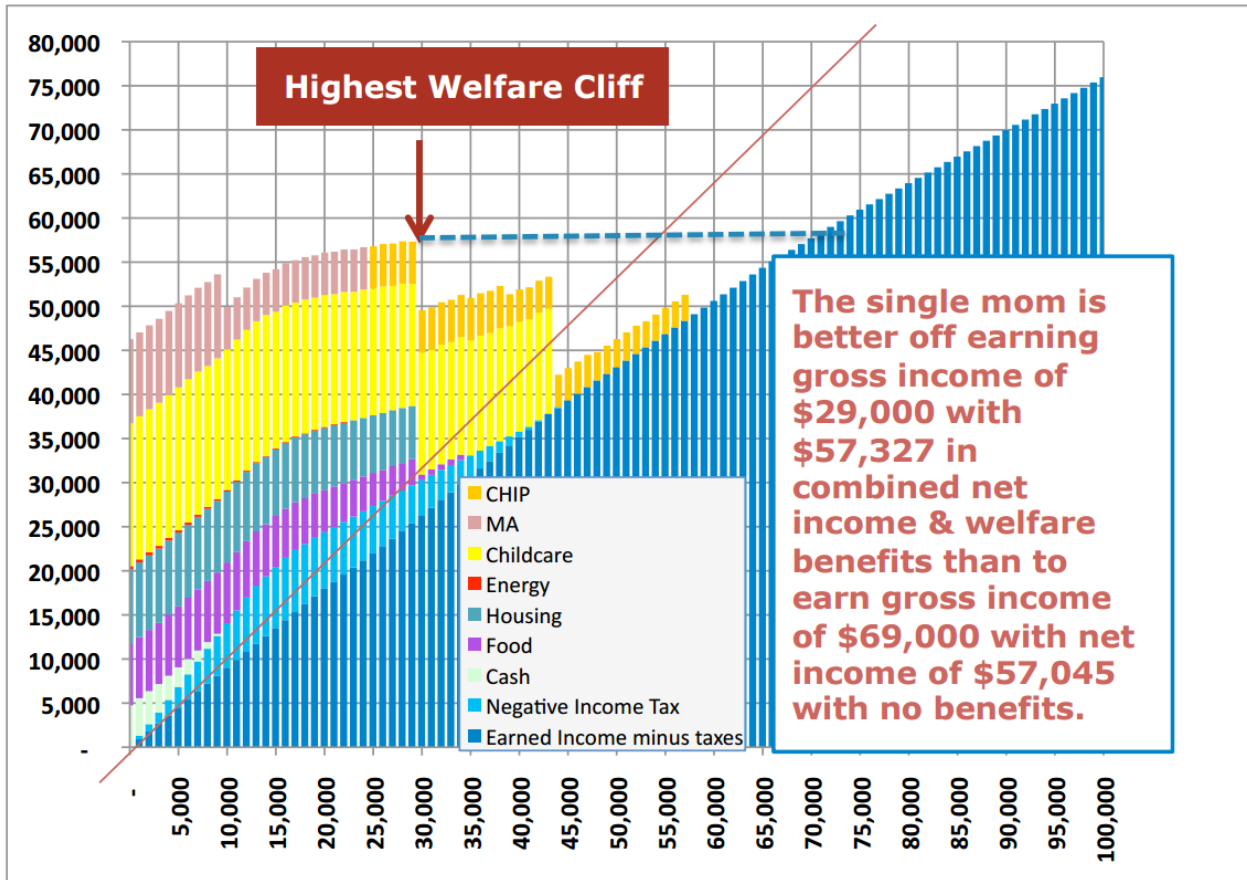
---

<sup>62</sup> Department of Health and Human Services, Welfare Indicators and Risk Factors Thirteenth Report to Congress, Table IND 7a. Percentage of TANF, SNAP and SSI Spells for Persons Entering Programs during the 2008 SIPP Panel by Length of Spell and Selected Characteristics, march 1, 2014.

[https://aspe.hhs.gov/sites/default/files/pdf/76851/rpt\\_indicators.pdf](https://aspe.hhs.gov/sites/default/files/pdf/76851/rpt_indicators.pdf)

<sup>63</sup> FamilyFacts, “Breaking the Cycle of Welfare Dependence. <http://familyfacts.org/briefs/46/breaking-the-cycle-of-welfare-dependence>

<sup>64</sup> Gary Alexander, Secretary of Public Welfare, Commonwealth of Pennsylvania, Testimony before the Senate Budget Committee, February 13, 2013. [http://www.budget.senate.gov/democratic/public/\\_cache/files/920da599-e6a4-4a6c-93ca-e4dec6da40db/gary-alexander.pdf](http://www.budget.senate.gov/democratic/public/_cache/files/920da599-e6a4-4a6c-93ca-e4dec6da40db/gary-alexander.pdf)



Gary Alexander, Secretary of Public Welfare, Commonwealth of Pennsylvania, Testimony before the Senate Budget Committee, February 13, 2013. [http://www.budget.senate.gov/democratic/public/\\_cache/files/920da599-e6a4-4a6c-93ca-e4dec6da40db/gary-alexander.pdf](http://www.budget.senate.gov/democratic/public/_cache/files/920da599-e6a4-4a6c-93ca-e4dec6da40db/gary-alexander.pdf)

This situation is unacceptable. While liberals defend this failed and outdated system, conservatives believe that throwing money at a problem without actually fixing it is not an act of compassion. Compassion means helping individuals escape from poverty and climb the ladder of opportunity. That requires pursuing the reforms we know will work.

**WE KNOW WHAT WORKS**

We know what type of reform actually works to lift Americans out of poverty. In 1996, conservatives in Congress worked to reform the Aid to Families with Dependent Children program, which had created a destructive culture of dependency. These reforms were embodied in the Temporary Assistance to Needy Families (TANF) program, which replaced the failing, dependence-driven status quo and instead focused on work incentives. The results were dramatic: thanks to these reforms, child poverty decreased and employment for single mothers increased.

Individuals respond to incentives. That is why it is important to design a proper system of “carrots and sticks”— policies that reinforce positive behaviors and discourage negative

choices. In the same 1964 speech in which he launched the War on Poverty, President Johnson said that “very often a lack of jobs and money is not the cause of poverty, but the symptom.”<sup>65</sup>

Obtaining work and keeping a job takes effort, perseverance, commitment, sacrifice, prioritization, and personal responsibility. Our assistance programs should encourage these positive values. Earned success is not easy, but we believe that every person has the potential to achieve it. It is demeaning to low-income Americans to believe – as the modern left does – that they do not have the ability to succeed and therefore require perpetual subsidization of their basic needs.

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

## **THE IMPORTANCE OF FAMILIES IN CIVIL SOCIETY**

---

Of course, no amount of government intervention can replace the greatest drivers of American life: our families, friends, neighbors, religious institutions, and charities.

One of the most important predictors of whether a family lives in poverty is whether the mother and father remain married. In 2014, 30.6 percent of families headed by a single mother with no husband present and 15.7 percent of families headed by single fathers without a wife present lived in poverty. In contrast, only 6.2 percent of married-couple families lived in poverty.<sup>66</sup> Single mothers are also much more likely to be trapped in dependence on welfare programs: “In 2012, 78.9% of families headed by a single female received at least one need-tested benefit”.<sup>67</sup>

Unfortunately, more and more children are facing a higher likelihood that they will grow up in poverty as more and more parents decide not to marry. In 2013, 40.6 percent of all babies born in the United States were born out of marriage, 1.6 million in total. In stark contrast,

---

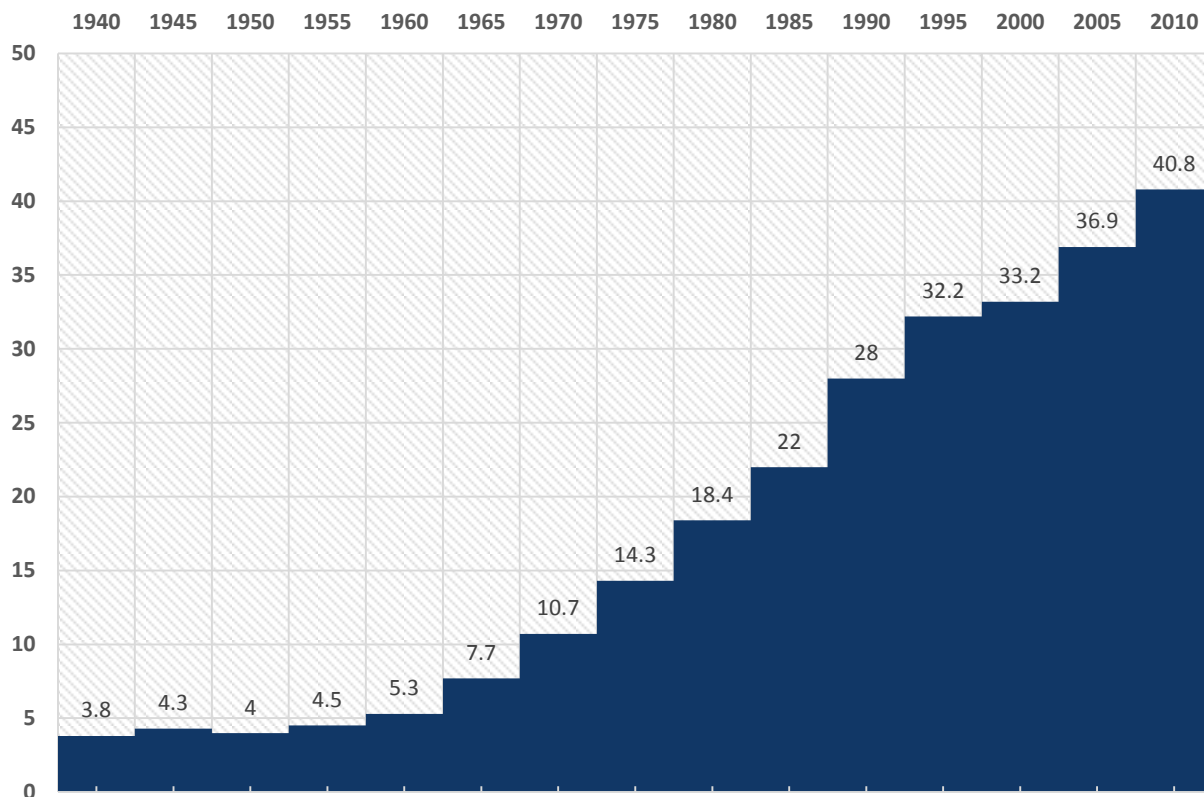
<sup>65</sup> President Lyndon Johnson, “Annual Message to the Congress on the State of the Union”, January 8, 1964. <http://www.presidency.ucsb.edu/ws/?pid=26787>

<sup>66</sup> U.S. Census Bureau, Historical Poverty Tables, Table 4. Poverty Status, by Type of Family, Presence of Related Children, Race and Hispanic Origin. <https://www.census.gov/hhes/www/poverty/data/historical/families.html>

<sup>67</sup> Angela Rachidi, American Enterprise Institute, “New CRS report sheds light on need-tested government programs”, January 21, 2016. <https://www.aei.org/publication/new-crs-report-sheds-light-on-need-tested-government-programs/>

when the War on Poverty began in 1965, only 7.7 percent of children were born outside of marriage.<sup>68</sup>

### Percentage of Births that are Non-Marital



Carmen Solomon-Fears, Congressional Research Service, *Nonmarital Births: An Overview*, July 30, 2014. <http://www.crs.gov/Reports/R43667>

Each community must decide what sort of behaviors and social norms it will encourage. It takes the support of friends, family, and communities to nurture and support individuals in their time of need. If those vital social bonds are broken down, that important safety net disappears. Deepening the ties that hold our families and local communities together is the most effective way to fight poverty.

### ELIMINATE THE MARRIAGE PENALTIES

Unfortunately, the current system of means-tested welfare programs punishes those who marry. The largest welfare programs, including Medicaid, TANF, SNAP, housing assistance, and child care, all contain a marriage penalty.<sup>69</sup> If a low-income person receiving

<sup>68</sup> Carmen Solomon-Fears, Congressional Research Service, “Nonmarital Births: An Overview”, July 30, 2014. <http://www.crs.gov/Reports/R43667>

<sup>69</sup> Adam Carasso and C. Eugene Steuerle, National Institutes of Health, “The Hefty Penalty on Marriage Facing Many Households with Children”, Fall 2005. <http://www.ncbi.nlm.nih.gov/pubmed/16158735>

government assistance marries an employed person, their welfare benefits would be reduced or eliminated, sometimes by an amount larger than income of the employed spouse. It has even been said that “for most couples on welfare, getting married is among the more expensive decisions they will face as newlyweds, saying ‘I do’ will reduce welfare benefits, on average, by 10 percent to 20 percent of their total income.”<sup>70</sup>

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

## **RESTORE AND IMPLEMENT WORK REQUIREMENTS**

---

It has been said that “work gives people something welfare never can.”<sup>71</sup> Work is not a punishment. Work instills a sense of purpose, self-worth, self-sufficiency, and dignity that cannot be duplicated. The happiness that work provides is not due to money earned, but instead from the “value created in our lives and the lives of others – value that is acknowledged and rewarded.”<sup>72</sup>

Today’s massive welfare state has all the wrong incentives. It discourages work and the positive effects of earned success.

We know that reform has worked. In 2013, Kansas, under the leadership of Governor Sam Brownback, instituted work requirements and time limits for able-bodied adults without dependents on food stamps and created a tracking system to monitor the results. These reforms reduced the number of able-bodied adults on food stamps by 75 percent, most of who are now employed and earning more than the benefits they once received.<sup>73</sup> Similarly, Maine, under Governor Paul LePage, required able-bodied adults receiving food stamps to take a job, participate in job training, or perform 6 hours of community service per week. Within three months, the “caseload of able-bodied adults without dependents plummeted by 80 percent.”<sup>74</sup>

Unfortunately, in 2012, President Obama gutted the work promotion reforms for TANF enacted on a bipartisan basis in 1996. In contravention of the law, the Department of Health and Human Services offered to waive the work requirements through executive fiat.

---

<sup>70</sup> Sam Brownback and David Blankenhorn, Wall Street Journal, “End the Welfare Marriage Penalty”, May 13, 2008. <http://www.wsj.com/articles/SB121063787788786833>

<sup>71</sup> Arthur Brooks, The Conservative Heart, page 96, 2015.

<sup>72</sup> Arthur Brooks, The Conservative Heart, page 32, 2015.

<sup>73</sup> Jonathan Ingram, Foundation for Government Accountability, “Report: The Power of Work – How Kansas’ Welfare Reform is Lifting Americans Out of Poverty”, February 16, 2016. <http://thefga.org/research/report-the-power-of-work-how-kansas-welfare-reform-is-lifting-americans-out-of-poverty/>

<sup>74</sup> Robert Rector and Rachel Sheffield, Daily Signal, “Maine Required Childless Adults to Work to Get Food Stamps. Here’s What Happened”, February 8, 2016. <http://dailysignal.com/2016/02/08/maine-required-childless-adults-to-work-to-get-food-stamps-heres-what-happened/>

To restore this important provision, Congress should quickly enact H.R. 1179, the Preserving Work Requirements for Welfare Programs Act introduced by Representative Tom Reed.

Building on the success of the 1996 welfare reforms, all federal programs should be reformed to include work promotion requirements that would help people move away from dependence and toward self-sufficiency. Programs would be strengthened with such incentives. To be eligible for benefits, able-bodied adults without dependents would be required to work or be preparing for work, including participating in educational or job training programs, community service, or a supervised job search.

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

### **REFORM THE EARNED INCOME TAX CREDIT**

---

The Earned Income Tax Credit (EITC) is one of the largest anti-poverty programs and one of the most effective at encouraging low income individuals to move into the workforce. The program provides a refundable tax credit to low wage individuals that is tied to their earned income, meaning it increases their incentives to keep a job. Despite the relative success of the credit in fighting poverty, it could be far more effective and efficient with reform.

The EITC is complicated and wrought with a very high rate of over payments. Fraud in EITC claims could potentially be reduced by requiring the IRS to better verify income, requiring those claiming self-employment income to provide better documentation, allowing the IRS to cross-check TANF, SNAP, and public housing rolls to verify family size and income, and increase penalties for erroneous claims. The EITC should also be prohibited for illegal immigrants issued a Social Security number under President Obama's executive amnesty, as proposed by Representative Patrick McHenry's H.R. 1249, the No Free Rides Act.

The tax credit should be simplified. Allowing the credit to be paid concurrently with a paycheck (rather than once per year under current law), in addition to reducing the difficulty of filing a claim, could help simplify the program and reduce low-income individuals' reliance on paid tax preparers, who often file fraudulent overclaims. Paying the credit over a monthly schedule will also improve monthly budgeting for Americans, rather than embracing the habit of spending an entire tax refund at once on a luxury.

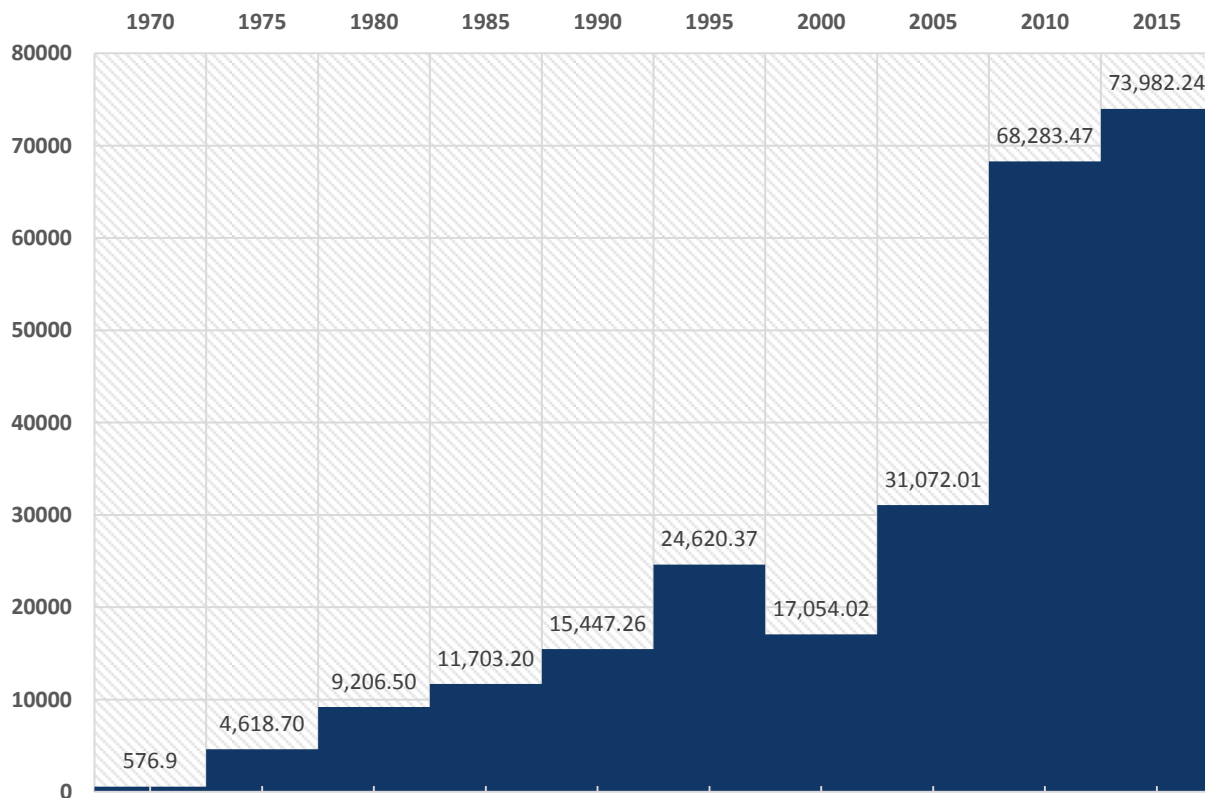


The current EITC structure can impose a significant marriage penalty for low income individuals.<sup>75</sup> A recent study by the American Enterprise Institute concluded that these penalties “send the wrong message and might contribute to a culture that minimizes the importance of marriage.”<sup>76</sup> The RSC budget recommends taking steps to reduce or eliminate these penalties.

### FOOD STAMP REFORM

The Supplemental Nutrition Assistance Program (SNAP, formerly called Food Stamps) rolls have grown 62 percent since 2008, while spending on the program has increased by 91 percent, topping \$75 billion per year. Loopholes in the current program have allowed those who would not normally qualify for benefits to enroll or receive additional benefits.

### Total SNAP Spending, in Millions of Dollars



U.S. Department of Agriculture, Supplemental Nutrition Assistance Program Participation and Costs, Data as of March 4, 2016. <http://www.fns.usda.gov/sites/default/files/pd/SNAPsummary.pdf>

<sup>75</sup> Kyle Pomerleau, Tax Foundation, “Understanding the Marriage Penalty and Marriage Bonus”, April 23, 2015. <http://taxfoundation.org/article/understanding-marriage-penalty-and-marriage-bonus>

<sup>76</sup> Angela Rachidi, American Enterprise Institute, “The EITC should not penalize marriage”, November 16, 2015. <http://www.aei.org/publication/the-eitc-should-not-penalize-marriage/>

GAO found that in 2010, more than 473,000 households received benefits, despite the fact their incomes were over the federal eligibility limit.<sup>77</sup> GAO also found more than \$2 billion in SNAP benefits were paid in error in 2009.<sup>78</sup> Because states administer the program but do not have the ability to reap the full savings from preventing fraud, the SNAP program is fundamentally flawed.

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

Many benefit programs are already funded through the appropriations process and distributed by formula, including the Housing Opportunities for Persons with AIDS program, the Community-Based Child Abuse Prevention program, the Weatherization Assistance program, the HOME Investment Partnerships Program, the Stephanie Tubbs Jones Child Welfare Services Program, and the Native American Housing Block Grants program. Unlike mandatory spending programs that are on budgetary autopilot, the programs are open to congressional analysis, review, and oversight every year through the appropriations process. In 2015, the House Appropriations Committee held more than 100 oversight hearings with federal agencies. Since Congress considers appropriations bills each year, lawmakers are able to respond to the changing needs in funding for nutrition assistance and other types of programs.

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

SNAP should enforce time limits for how long an individual can receive benefits. One of the important aspects of the TANF reforms in the 1990s was the 60 month lifetime limit on federally funded benefits for an individual under the program. The SNAP law also is supposed to limit benefits for able bodied adults without children that refuse to work, search

---

<sup>77</sup> Government Accountability Office, "Supplemental Nutrition Assistance Program: Improved Oversight of State Eligibility Expansions Needed", July 30, 2012. <http://www.gao.gov/products/GAO-12-670>

<sup>78</sup> Government Accountability Office, "Supplemental Nutrition Assistance Program: Payment Errors and Trafficking Have Declined, but Challenges Remain", July 28, 2010. <http://www.gao.gov/products/GAO-10-956T>

for work, or enroll in job training to three months in any three year period. That requirement has been waived in recent years, however. According to Rasmussen Reports, “Voters strongly support limits on food stamp recipients”.<sup>79</sup>

Loopholes in the SNAP program should be closed. For instance, the 2014 Farm Bill allows states to qualify a person for federally funded SNAP benefits if they provide the individual \$20 per year in Low-Income Home Energy Assistance Program (LIHEAP) payments. Known as the “heat-and-eat” loophole, this provision allows states to spend a little and get a lot. It has been reported that “New York will pay \$6 million of LIHEAP to receive \$457 million of extra food stamp dollars from the federal coffers”.<sup>80</sup> Eligibility for welfare programs should be based on the actual needs of a recipient, rather than categorically dumping each recipient into the entire behemoth of federal welfare state.

The budget also includes provisions to help crack down on the estimated \$750 million in SNAP card trafficking fraud that takes place each year. States should also require nutrition assistance beneficiaries to present a photographic identification card when using an electronic benefit card to make a purchase. This proposal is based on H.R. 733, the SNAP Verify Act put forward by Representative Matt Salmon. Additionally, states should limit the number of EBT cards issued to a single beneficiary each year and cancel unused benefits left on inactive accounts after a period of time.

States would also have the option to restrict the types of food that can be purchased to only healthy options, as recommended by H.R. 2383, the Nutritious Options for Meals Act, introduced by Representative Tom Rice.

## FEDERAL HOUSING REFORM

---

The federal government spends over \$50 billion per year on housing assistance and development programs.<sup>81</sup> The two largest programs, Section 8 Housing Choice Vouchers and Project-Based Rental Assistance provide subsidies for tenants to pay rent and for housing units to be subsidized. These programs are in much need of reform, as evidence

---

<sup>79</sup> Rasmussen Reports, “Voters Strongly Support Limits on Food Stamp Recipients”, October 23, 2014. [http://www.rasmussenreports.com/public\\_content/politics/general\\_politics/october\\_2014/voters\\_strongly\\_support\\_limits\\_on\\_food\\_stamp\\_recipients](http://www.rasmussenreports.com/public_content/politics/general_politics/october_2014/voters_strongly_support_limits_on_food_stamp_recipients)

<sup>80</sup> Daren Bakst and Rachel Sheffield, Heritage Foundation, “The “Heat and Eat” Food Stamp Loophole and the Outdated Cost Projections for Farm Programs”, April 7, 2014. <http://www.heritage.org/research/reports/2014/04/the-heat-and-eat-food-stamp-loophole-and-the-outdated-cost-projections-for-farm-programs>

<sup>81</sup> Congressional Budget Office, “Federal Housing Assistance for Low-Income Households”, September 9, 2015. <https://www.cbo.gov/publication/50782>

suggests that beneficiaries “do not experience substantial improvement in education or earnings” while receiving assistance.<sup>82</sup>

It is unclear whether the federal government should play a central role in subsidizing housing, but if these programs are to exist, then they should focus on moving the poor away from dependence on federal subsidies. Under their current form, these programs encourage broken homes, broken communities, and low self-worth among recipients. Surely this is not to be the aim of assistance programs.

According to the CBO, about half of housing assistance beneficiaries are able-bodied adults, but only half of that group “receive[s] the largest portion of their income from work.”<sup>83</sup> Reform of federal public housing programs should include a minimum work activation requirement for able-bodied adults. This would transform these programs from a hand out to a hand up, giving encouragement and support for those who need it.

The current structure of public housing benefits discourages marriage. According to one study, “A single mother receiving benefits from Section 8 or public housing would receive a subsidy worth on average around \$11,000 per year if she was not employed, but if she marries a man earning \$20,000 per year, these benefits would be cut nearly in half.”<sup>84</sup> This marriage penalty should be reduced or eliminated.

According to the Department of Housing and Urban Development Inspector General, over 25,000 families are receiving public housing benefits despite not meeting the income guidelines. To reduce fraud, periodic reviews of beneficiaries’ income should be conducted, as recommended by H.R. 4133, the Public Housing Accountability Act of 2015, introduced by Representative Bradley Byrne.<sup>85</sup>

## **STATE FLEXIBILITY FOR SUPPLEMENTAL SECURITY INCOME (SSI)**

Supplemental Security Income (SSI) is one of the largest federal welfare programs and is projected to cost \$56 billion in FY 2016, with the cost growing to \$74 billion in FY 2026. SSI provides cash payments to aged, blind, or disabled persons. SSI has also been expanded to include payments to the parents of disabled children. Under the current program, states

---

<sup>82</sup> House Budget Committee, “The War on Poverty: 50 Years Later,” Mar. 2014.

[http://budget.house.gov/uploadedfiles/war\\_on\\_poverty.pdf](http://budget.house.gov/uploadedfiles/war_on_poverty.pdf)

<sup>83</sup> Congressional Budget Office, “Federal Housing Assistance for Low-Income Households”, September 9, 2015.

<https://www.cbo.gov/publication/50782>

<sup>84</sup> Robert Rector, Heritage Foundation, “How Welfare Undermines Marriage and What to Do About It”, November 17, 2014. <http://www.heritage.org/research/reports/2014/11/how-welfare-undermines-marriage-and-what-to-do-about-it>

<sup>85</sup> Representative Bradley Byrne, “Byrne Introduces Bill to Cut Down on Public Housing Abuse”, December 1, 2015. <https://byrne.house.gov/media-center/press-releases/byrne-introduces-bill-to-cut-down-on-public-housing-abuse>

have incentives to push families to enroll on SSI.<sup>86</sup> Studies have shown that most children who received SSI payments end up on the program as adults.<sup>87</sup> This budget proposes converting SSI into a state flexibility block grant program that would allow all 50 states to experiment and better serve their citizens.

## **PILOT PROJECTS FOR STREAMLINING PROGRAMS**

---

H.R. 534, the Help Americans in Need Develop Their Ultimate Potential (HAND Up) Act introduced by Representative Tom Reed would allow states to combine several welfare programs, including TANF, SNAP, the Social Services Block Grant, housing programs, and workforce innovation programs together into a single streamlined program. This would give states that want more flexibility to administer assistance programs the ability to do so, but would still require states to encourage work and self-reliance with the goal of moving families and individuals out of poverty.

Under a variation of this proposal, the multitude of programs could be combined and provided to a state in a single trust fund at a funding level based on the historical average funding across a business cycle. Using the trust fund, a state could choose to save funds during good years and draw down more funds when their economy is under performing. This would be paired with appropriate conditions, such as penalties for states that refuse to impose strong work activation requirements.

These proposals would allow states to address local needs without facing arbitrary edicts from the federal government that might make sense in some states, but not in others. They would also allow more funding to reach actual beneficiaries, rather than having so much of it absorbed by the federal bureaucracy.

## **ENCOURAGE SAVINGS**

---

A key aspect of reforms to encourage work and independence is to allow people to keep and save more of their own money that they have earned. Universal tax-free savings accounts would allow individuals to save or invest a certain amount each year in tax-free accounts without restrictions on how these funds can be used and with simple requirements on how long savings must be maintained. While there are already a number of tax advantaged savings accounts, they are limited for specific government-favored purposes and have restrictive and complex rules and regulations. These universal accounts would allow families the flexibility to build up their nest eggs and save for a large purchase, such as a home, car, education, health expenses, or even a “rainy day” emergency fund.

---

<sup>86</sup> Scott Winship, e21 at the Manhattan Institute, “A Response to Michael Hiltzik on Reforming SSI”, May 30, 2014. <http://www.economics21.org/commentary/response-michael-hiltzik-reforming-ssi>

<sup>87</sup> House Budget Committee, “The War on Poverty: 50 Years Later,” Mar. 2014. [http://budget.house.gov/uploadedfiles/war\\_on\\_poverty.pdf](http://budget.house.gov/uploadedfiles/war_on_poverty.pdf)

## **EXPAND ACCESS TO RETIREMENT ACCOUNTS**

---

Allowing several small businesses to pool retirement plans together would expand access to retirement savings to more workers. This proposal would lower management fees and administrative costs, and make it easier for a small business without an HR department to offer this important benefit. President Obama has also endorsed a similar proposal in his budget request, giving this idea bipartisan support. Eliminating the Department of Labor's proposed Fiduciary Rule would allow these smaller pooled accounts to access valuable investment advice and management, further enhancing the ability of small employers to help their employees prepare for retirement successfully.

## **MEASURE SUCCESS AND FAILURE**

---

All too often, those with ulterior motives demand that the government continue to spend more and more on programs that simply do not achieve the results promised. Part of the funding for each welfare program could be set aside to conduct independent evaluations of the program, so policy makers and the public can see what works and what should be reformed and eliminated.

## **END CATEGORICAL ELIGIBILITY**

---

A basic principle for government assistance programs is a person should only receive taxpayer-funded benefits if he meets a program's eligibility requirements. However, that isn't always the case under the current welfare system. A policy called "categorical eligibility" allows a person to claim benefits under one program just by meeting requirements for another. For instance, a person can claim SNAP benefits not because they meet SNAP's income and asset tests, mandated by law, but because they receive benefits under a different welfare program. They could even gain benefits simply because they were given a pamphlet by a recruiter.

The practice of categorical eligibility is wasteful and defeats the purpose of having an anti-poverty system meant to help those truly in need. The RSC budget would end categorical eligibility across all programs.

## **FIGHTING FRAUD**

---

A disappointing consequence of the federal government spending so much on assistance programs is the predictable fraud that occurs. According to GAO, fraud is rampant in the Food Stamp program.<sup>88</sup> The Earned Income Tax Credit (EITC) is plagued with a high error

---

<sup>88</sup> Fox News, "Food stamp fraud rampant: GAO report", August 22, 2014.  
<http://www.foxnews.com/politics/2014/08/22/food-stamp-fraud-rampant-gao-report.html>

rate, according to the Treasury Inspector General for Tax Administration.<sup>89</sup> The IRS “paid out at least \$5.9 billion in improper payments” for the Child Tax Credit in 2013.<sup>90</sup> A report from the House Oversight and Government Reform Committee says that Medicaid waste, fraud, and abuse “may exceed \$100 billion per year.”<sup>91</sup> And the SSI program has reportedly sent benefit checks to Mexico City.<sup>92</sup>

This fraud doesn’t just cost taxpayers money; it diverts resources away from helping those who need it most. With our entitlement programs facing dire financial futures and more Americans receiving welfare benefits than ever before, we can’t afford to waste money simply because the federal bureaucracy writes checks to the wrong people, for the wrong amount.

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

This budget also proposes requiring a legitimate Social Security number in order to be eligible for the Child Tax Credit. Representative Sam Johnson has put forward such a proposal in the Refundable Child Tax Credit Eligibility Verification Reform Act. The recently enacted Protecting Americans from Tax Hikes (PATH) Act Of 2015 took an important step towards this direction by requiring a Social Security number for an individual to claim a retroactive claim for the Child Tax Credit.

States should also be encouraged to withhold benefits from individuals who test positive for illegal drugs, as recommended by Representative David Rouzer’s H.R. 3047, the Drug Testing for Welfare Recipients Act.

## **IMPROVE THE SAFETY NET**

---

This budget advocates crafting a better system to create upward mobility for individuals and families. Justice for those living in poverty is giving them the opportunity to permanently escape it. We should help the poorest among us build the skills they need to prosper, climb the economic ladder, and achieve the American dream.

---

<sup>89</sup> Tax Foundation, “Earned Income Tax Credit Still Faces High Error Rate”, January 12, 2015.

<http://taxfoundation.org/blog/earned-income-tax-credit-still-faces-high-error-rate>

<sup>90</sup> Kim Dixon, Politico, “IG: Billions lost to potential child tax credit fraud”, December 10, 2014.

<http://www.politico.com/story/2014/12/child-tax-credit-fraud-113425>

<sup>91</sup> House Oversight and Government Reform Committee, “Uncovering Waste, Fraud, and Abuse in the Medicaid Program”, April 25, 2012. <https://oversight.house.gov/wp-content/uploads/2012/04/Uncovering-Waste-Fraud-and-Abuse-in-the-Medicaid-Program-Final-3.pdf>

<sup>92</sup> Hebert London, The American Spectator, “The Fraud in Our Entitlement System”, February 2, 2012.

<http://spectator.org/articles/36133/fraud-our-entitlement-system>

# REAL HEALTH CARE REFORM

---

## REPEALING OBAMACARE THROUGH RECONCILIATION – A SUCCESSFUL STEP

---

The Affordable Care Act—better known as Obamacare—fundamentally changed the U.S. health care delivery system, inserting government bureaucrats between patients and their doctors and mandating that all Americans purchase a government-approved health care product or face stiff tax penalties enforced by the Internal Revenue Service (IRS). In addition, Obamacare paralyzed efforts to reform medical safety-net programs by expanding an already overburdened Medicaid and raiding Medicare to pay for the cost of Obamacare.

Obamacare cannot be reformed; it must be fully repealed. The law has destroyed competition in the marketplace, leading to an increase in consolidation in the insurance industry and fewer choices for consumers. It has also narrowed provider networks while increasing out-of-pocket costs that are unaffordable for many families and levied a host of new disruptive taxes, such as the medical device tax, on health care innovators and individuals. In addition, the administration has attempted to use dubious accounting to cover revenue losses by insurance companies by filling the gaps with taxpayer funds.

During the drafting of the FY 2016 House Budget, the Republican Study Committee (RSC) strongly advocated for the full repeal of Obamacare through the reconciliation process.<sup>93</sup> It was essential that the reconciliation instructions were narrowly tailored to ensure conservatives capitalized on the opportunity to send full repeal to the president's desk. Through the RSC's leadership, the FY 2016 House Budget contained reconciliation language to repeal Obamacare, and on January 6, 2016, the House passed the Restoring Americans' Healthcare Freedom Reconciliation Act, which would repeal Obamacare and prohibit federal funding for Planned Parenthood. Although President Obama vetoed the bill, the significance of this achievement indicates the real possibility of repealing Obamacare should a Republican occupy the White House next year.

The RSC FY 2017 budget fully repeals Obamacare and each of its 21 taxes.<sup>94</sup> This reduces spending by \$2 trillion over ten years and follows through on the commitment by House conservatives to reverse the administration's unconstitutional takeover of the nation's health care system. In addition to decentralizing health care at the federal level, the Congressional Budget Office (CBO) notes the repeal of Obamacare would raise economic output by boosting the supply of labor and incentivizing capital investment. Obamacare decreases many people's incentive to work through tax credits and subsidies that decrease

---

<sup>93</sup> Rebecca Shabad, The Hill, "House conservative leader wants budget deal focused on ObamaCare", April 15, 2015. <http://thehill.com/policy/finance/238982-rsc-chairman-to-push-for-narrow-reconciliation-instructions-in-budget-deal>

<sup>94</sup> Americans for Tax Reform, "Full List of Obama Tax Hikes". <https://www.ATR.org/full-list-ACA-tax-hikes-a6996>



as incomes increase and create an implicit tax on additional earnings.<sup>95</sup> Repealing Obamacare will not only benefit the future of health care delivery in America, but will reinvigorate our currently stagnant labor market.

### **THE AMERICAN HEALTH CARE REFORM ACT – THE REPUBLICAN ALTERNATIVE**

Republican opposition to Obamacare goes hand-in-hand with a recognition that challenges have long existed in the health insurance market. Rising costs, limited access to coverage, and a serious need for medical malpractice reform were issues that existed before and continue after Obamacare's enactment. The RSC's American Health Care Reform Act (AHCRA), the most-cosponsored comprehensive Obamacare alternative this Congress, was drafted to address these underlying problems. As we look to a Republican White House in 2017, the AHCRA has laid out the ground work for future health care reform. Not only does our bill fix the fundamental flaws Obamacare created, it also emphasizes innovation in health care which will transform the delivery of treatment and services and truly bend the cost curve down by focusing on long term cures to our costliest and most deadly diseases.

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

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

The AHCRA also expands access to Health Savings Accounts (HSAs) and increases the amount of pre-tax dollars individuals can deposit into portable savings accounts to be used for health care expenses. HSAs are proven to lower health care spending by putting patients in charge of their money and encouraging those who hold these savings accounts to shop

---

<sup>95</sup> Congressional Budget Office, "Budgetary and Economic Effects of Repealing the Affordable Care Act", June 2015. [http://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50252-Effects\\_of\\_ACA\\_Repeal.pdf](http://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/50252-Effects_of_ACA_Repeal.pdf)

for the best prices for medical services.<sup>96</sup> This budget further recommends medical liability reform, addressing runaway costs caused by frivolous lawsuits and defensive medicine. This proposal protects states' rights while improving patient care and lowering the cost of medicine by encouraging doctors to practice evidence-based medicine.

Finally, the AHCRA makes an investment in developing biomedical breakthroughs that could lead to cures and treatments for the deadliest diseases in the United States. In addition, free market principles would be employed to spur private innovation to create the first FDA-approved cure or vaccine for Alzheimer's. In 2015, Alzheimer's and other dementias will cost the federal government \$226 billion. That number will increase to over \$1 trillion by 2050.<sup>97</sup> To prevent unsustainable future federal health care spending, investments must be made now to curtail the costliest of diseases.

### BETTER RESULTS FOR MEDICAID

---

As a quasi-voluntary federal-state partnership, Medicaid subsidizes health care 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 accounts for 40 percent of all federal means-tested spending. Despite programmatic spending that continues to climb at an unsustainable rate, Medicaid continues to fail beneficiaries. Research has shown patients covered by Medicaid, as compared to the uninsured, are more likely to have poor health outcomes, such as an increased instance of death after a major surgery.<sup>98</sup> One reason beneficiaries fare so poorly is because Medicaid pays physicians far below market rates for delivering care. In 2008, Medicaid payment rates for physician services averaged about 58 percent of private rates.<sup>99</sup> The consistently low reimbursement rates adversely affect beneficiaries by limiting access to quality care.

Even if Medicaid provided care that wasn't substandard, its growing costs are wholly unsustainable. Like other major federal entitlement programs, without reform Medicaid will be unable to pay its obligations in the future. To make matters worse, under Obamacare's Medicaid expansion, the federal government will finance 100 percent of costs for new enrollees, phasing down to 90 percent in 2020. In addition, those who qualify for Medicaid *must* use the program, even if they are able to purchase health insurance elsewhere. Obamacare drastically increased the scope of Medicaid from a program intended to service low-income children, caretaker relatives, the elderly, the blind, and individuals with disabilities to a program that covers all adults with an income below 138% of the federal

---

<sup>96</sup> The RAND Corporation, "Skin in the Game: How Consumer-Directed Plans Affect the Cost and Use of Health Care." [http://www.rand.org/content/dam/rand/pubs/research\\_briefs/2012/RAND\\_RB9672.pdf](http://www.rand.org/content/dam/rand/pubs/research_briefs/2012/RAND_RB9672.pdf)

<sup>97</sup> Alzheimer's Association, 2015 Alzheimer's Disease Facts And Figures. <http://www.alz.org/facts/>

<sup>98</sup> Avik Roy, Manhattan Institute For Policy Research, "The Medicaid Mess: How Obamacare Makes It Worse", March 2012. [http://www.manhattan-institute.org/pdf/ir\\_8.pdf](http://www.manhattan-institute.org/pdf/ir_8.pdf)

<sup>99</sup> Jason J. Fichtner, Mercatus Center, "The Economics of Medicaid". <http://mercatus.org/sites/default/files/EconomicsofMedicaid.pdf>

poverty level (FPL). Nationally, Medicaid accounts for 24.5% of state budgets, and as Obamacare adds millions more to Medicaid enrollment, this increased spending will bankrupt state budgets.<sup>100</sup>

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

The RSC proposes combining Medicaid and CHIP funding into a single, streamlined block grant at the pre-Obamacare levels. This commonsense proposal gives states budgetary certainty as well as maximum flexibility to address the unique health care needs of their vulnerable citizens. Modeled after the State Health Flexibility Act, this proposal would create a Medicaid and CHIP state-flexibility block grant that answers governors' calls for more independence. In addition to flexibility, a block grant would get rid of budgeting gimmicks such as provider taxes that unnecessarily increase federal spending without improving outcomes for patients. Provider taxes allow states to receive revenue from providers and then spend that revenue on those same providers – spending that the federal government is required to match. These taxes do not merely shift costs from the state to the federal government, instead it has been shown to inflate overall Medicaid spending.<sup>101</sup>

When granted flexibility, states can create reforms to ensure that those in need of government assistance receive quality health care services, while taxpayer funds are used wisely. Governors and state legislatures are closer to patients in their states and know better than Washington bureaucrats where there are unmet needs and opportunities to cut down on waste, fraud, and abuse. For example, states could innovate by transitioning able-bodied working adults off traditional Medicaid and into a defined benefit system to access private insurance. States could then show these beneficiaries how to access the marketplace when they do become self-sufficient. This would allow Medicaid to better serve its intended population and streamline services to meet the needs of the elderly and disabled, while providing more choices to working individuals and families. States could also require copays and premiums be paid by beneficiaries so they have “skin in the game” when using medical services.

In addition, this budget proposes work activation for able-bodied, working-age beneficiaries, similar to the successful Temporary Assistance for Needy Families (TANF) reforms established in the 1990s. This proposal would ensure that an able-bodied, working-age adult would only qualify for Medicaid if they are actively seeking employment or participating

---

<sup>100</sup> MACPAC, Medicaid 101 Spending. <https://www.macpac.gov/medicaid-101/spending/>

<sup>101</sup> Brian C. Blase, Mercatus Center, “Medicaid Provider Taxes: The Gimmick That Exposes Flaws with Medicaid's Financing”, February 2016. <http://mercatus.org/sites/default/files/Blase-Medicaid-Provider-Taxes-v2.pdf>

in an education or training program. Expanding work requirements to Medicaid will allow more people to escape poverty while also providing them with a hand up in their time of need.

Finally, this budget would prioritize fighting fraud within the Medicaid program. The Government Accountability Office (GAO) has estimated that in 2014, \$17.5 billion was spent on potentially improper payments.<sup>102</sup> Improper payments went to deceased beneficiaries, as well as providers that were excluded from federal health programs due to fraud, theft, or tax evasion. Federal funds should be prohibited from providing coverage to individuals who have not provided evidence of their eligibility, including proof of their legal immigration status. Additional reforms would be instituted to ensure only the truly needy were able to benefit from the program, not lottery winners who remain covered by Medicaid due to loopholes in income calculation.<sup>103</sup>

Implementing these reforms would save \$1.6 trillion over ten years compared to the projected increases under current law. Most importantly, this proposal would return Medicaid to its focus of helping Americans who truly need it, achieving better results for the poor.

---

<sup>102</sup> Government Accountability Office, “Medicaid: Additional Actions Needed to Help Improve Provider and Beneficiary Fraud Controls”, May 2015. <http://www.gao.gov/assets/680/670208.pdf>

<sup>103</sup> H.R. 2339, A bill to amend title XIX of the Social Security Act to clarify the treatment of lottery winnings and other lump sum income for purposes of income eligibility under the Medicaid program, and for other purposes. <https://www.gpo.gov/fdsys/pkg/BILLS-114hr2339ih/pdf/BILLS-114hr2339ih.pdf>

# SAVING MEDICARE

---

## REINFORCE MEDICARE'S COMMITMENT TO SENIORS

---

The RSC budget proposes a Medicare reform plan that modernizes and strengthens health care coverage for America's seniors. The current one-size-fits-all approach no longer provides seniors a high standard of care leaving them without access and choice. Current and future beneficiaries will gain from a redesigned Medicare system structured to accommodate their changing needs.

This budget recognizes that the U.S. is facing unprecedented demographic challenges. Medicare currently covers more than 55 million people - 46 million seniors and 9 million disabled Americans at a cost of \$632 billion per year.<sup>104</sup> With 10,000 baby boomers reaching retirement age every day for the next 16 years, the program is only expected to grow. By 2024, 60 percent of baby boomers will be receiving Medicare benefits. As such, the number of working-age individuals paying into Medicare lags behind the number of individuals reaching retirement age.

According to the Medicare Trustees, expenditures from the Hospital insurance (HI) Trust Fund have exceeded income each year since 2008, with the fund deficit amounting to \$8.1 billion in 2014. Unless we reform the program, Medicare's Trust Fund will be depleted by 2030. This estimate is a best case scenario, and the actual day of reckoning could arrive much sooner.<sup>105</sup> That means that for many current and future beneficiaries, the Medicare system as we know it today does not exist in reality.

Saving Medicare presents policymakers, healthcare professionals, and the nation with a daunting challenge. Unless we take steps to strengthen Medicare's financial footing and improve the program's quality of care, Medicare will not be in a position to help current or future beneficiaries and will default on our promises to an entire generation of Americans.

## MEDICARE PLUS

---

Beginning in 2020, this budget transforms Medicare into a health insurance program similar to both the system that federal employees enjoy and to the current Medicare Part D. The new Medicare Plus program would allow participants to choose among health and prescription drug plans provided on a regulated exchange.

---

<sup>104</sup> Congressional Research Service, Medicare Primer, March 13, 2015. . <http://www.crs.gov/reports/pdf/R40425>

<sup>105</sup> 2015 Annual Report Of The Boards Of Trustees Of The Federal Hospital Insurance And Federal Supplementary Medical Insurance Trust Funds, July 22, 2015. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2015.pdf>

Unlike traditional Medicare and its maze of bureaucracy, Medicare Plus would incentivize healthcare plans and providers to deliver high quality services at a better value. The standard federal contribution towards beneficiary premiums would be based upon a competitive bidding process for health insurance companies. CBO estimates that a similar approach would lower beneficiary premiums by six percent as compared to the current Part B premiums.<sup>106</sup>

Beginning in 2020, enrollees in Medicare Plus would receive assistance to offset the cost of their health insurance policies. Seniors can direct this 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 assistance would be adjusted for an individual's current state of 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 more in annual premiums than those with fewer financial resources. Conversely, low-income seniors would receive higher health insurance subsidies. This budget would require high-wealth seniors, such as those earning in excess of one million dollars a year, to pay one hundred percent of their Medicare costs.

Even today, in Medicare, wealthier seniors pay higher premiums in the Medicare Part B fee-for-service program and Medicare Part D Prescription Drug benefit plan than those who are less well off. This reasonable proposal would help put Medicare as a whole on more sound financial footing.

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

## **SIMPLIFY MEDICARE BY COMBINING PARTS A AND B**

---

While Medicare Plus will transform Medicare into a more competitive marketplace, this budget also modernizes Medicare's traditional structure by combining Part A, which primarily covers services furnished in a hospital, and Part B, which traditionally covers physician payment. The current system causes beneficiaries confusion, as each part of Medicare has a separate deductible, copayments, and cost-sharing structure. Our budget would merge

---

<sup>106</sup> Congressional Budget Office, "A Premium Support System for Medicare: Analysis of Illustrative Options", September 18, 2013.

Part A and Part B so seniors would have a single annual deductible of \$700 and a coinsurance rate of 20 percent for amounts above the deductible.

The current structure of Medicare Part A and B often results in wasted dollars for enrolled seniors and taxpayers. These reforms will streamline Medicare for seniors and help shore up the program's finances.

## **MEDIGAP REFORM**

---

The complex payment arrangement for Medicare Parts A and B, coupled with Medicare's lack of a catastrophic cap, means that many seniors purchase additional insurance coverage. These plans, known as Medigap plans, reduce or eliminate beneficiary cost-sharing obligations. Currently, more than 60 percent of beneficiaries choose plans that offer first-dollar coverage. The Medicare Payment Advisory Commission found that Medicare spends 33 percent more on a person who enrolls in supplemental coverage. According to GAO, Medicare enrollees who are subject to lower cost-sharing requirements spend more on medical care than those without supplemental coverage<sup>107</sup>. This arrangement drives up the cost of health care and leaves taxpayers on the hook for increased Medicare spending.

This budget establishes an annual cap of \$7,000 for each Medicare enrollee's cost share, while also reforming Medigap. New Medigap plans would be prohibited from covering the first \$700 for Part A and Part B services. This proposal would set a uniform coinsurance rate of 10 percent after meeting the \$700 deductible for Medigap enrollees.

## **PHASE IN AN INCREASE FOR BASIC PREMIUMS AND MEANS TESTING**

---

Under current law, beneficiaries pay a basic premium for Part B physician services that is equal to about 25 percent of the program's costs and a premium for Part D prescription drug coverage that is equal to about 25.5 percent of the program's costs. Both of these premiums are adjusted for income, so that higher income enrollees pay higher premiums.

This budget would slowly phase in an increase to the basic premium, so that over time beneficiaries would pay for more of the coverage they receive. It would also increase the use of means testing, so subsidies for wealthy beneficiaries are reduced, while maintaining support for those who need it. These commonsense reforms would help preserve the Medicare system for seniors over the long-term.

---

<sup>107</sup> Government Accountability Office, "MEDICARE SUPPLEMENTAL COVERAGE Medigap and Other Factors Are Associated with Higher Estimated Health Care Expenditures", September 2013. <http://www.gao.gov/assets/660/657956.pdf>

## **ADJUST MEDICARE ELIGIBILITY AGE TO REFLECT LIFE EXPECTANCY**

Since Medicare's creation in 1965, advances in science and medical technology have increased average life expectancy. As a result, the average length of time individuals are covered by the program has increased by 163 percent, from 5.2 years to 13.7 years.

We have every reason to believe this trend will continue. As beneficiaries continue to live longer, the ratio of workers to retirees shrinks. In 1965 there were 4.5 workers per Medicare beneficiary. That number shrunk to 3.3 workers in 2011, and is expected to continue to decrease to 2.3 workers per beneficiary by 2030.<sup>108</sup> This trend threatens Medicare as a whole, since current workers' contributions to Medicare are not set aside for their own use, but instead are paying for current beneficiaries. As baby boomers enter Medicare, the increased beneficiary population will put significant financial strain on Medicare and will continue to threaten the solvency of the program.

To address the increased demands on Medicare, this budget proposes raising the age of Medicare so that it is aligned with the normal retirement age for Social Security and will ensure Medicare remains available for future generations.

## **ADDRESS WASTE, FRAUD, AND ABUSE**

Since 1990, Medicare has been flagged as one of the government programs most vulnerable to waste, fraud, and abuse due to its size, complexity, and historical mismanagement. The Government Accountability Office (GAO) estimates out of the \$554 billion in claims paid in FY2014, \$60 billion – or more than ten percent – was made in error.<sup>109</sup> In 2015, for the first time spending on federal health programs outpaced spending in Social Security. To preserve the longevity of these programs, steps must be taken to root out fraud and increase the integrity of federal health programs. While this budget does not assume explicit savings in Medicare waste, fraud, and abuse, the RSC believes that it must be addressed.

---

<sup>108</sup> Heritage Foundation, The number of workers per Medicare beneficiary is falling, May 13, 2012. <http://www.heritage.org/multimedia/infographic/2012/05/medicare-at-risk/the-number-of-workers-per-medicare-beneficiary-is-falling>

<sup>109</sup> Government Accountability Office, Medicare Program: Additional Actions Needed to Improve Eligibility Verification of Providers and Suppliers, June 25, 2015. <http://www.gao.gov/products/GAO-15-448>

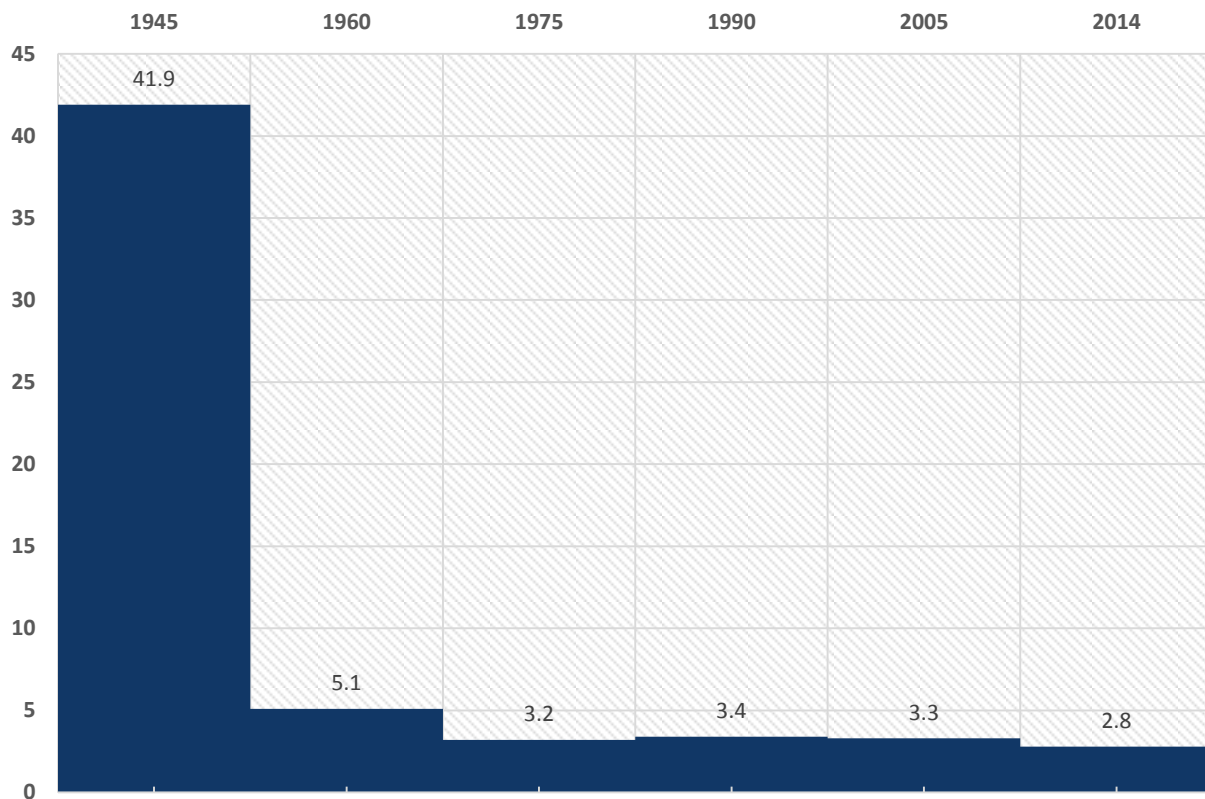


# PROTECTING SOCIAL SECURITY

## STRENGTHEN SOCIAL SECURITY

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

### Social Security Workers per Beneficiary



Social Security Administration, Table IV.B3.- Covered Workers and Beneficiaries, Calendar Years 1945-2090. <https://www.ssa.gov/oact/tr/2015/lr4b3.html>

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

In 1945, there were 41.9 workers to cover each Social Security beneficiary. By 1960, there were only 5.1 workers per beneficiary. Today, there are only 2.8 workers paying taxes to cover a growing number of beneficiaries.<sup>110</sup> This trend continues to put financial pressure on Social Security.

In 2010, Social Security began running a cash flow deficit, spending more on benefits than the program collects in payroll taxes. It ran a \$39 billion deficit in 2014, and the long-term unfunded obligation of the trust fund is almost \$12.2 trillion.<sup>111</sup> As retirees increase as a share of the workforce and the labor force participation rate falls, the Social Security Trustees predict that the shortfall will grow larger each year.

This growing deficit will deplete the Social Security Trust Funds, which will become bankrupt by 2034.<sup>112</sup> Unless meaningful Social Security reforms are enacted, a dramatic and immediate benefit cut will hit all seniors to bring spending in line with revenue. This reality means that for the next generation of seniors and for today's seniors that live beyond 2034, Social Security as we know it will not exist. Put simply, currently scheduled benefits cannot be paid under the current law.

Fortunately, it is not too late and there is a better way forward. This budget lays out the specific proposals that should be implemented to help put Social Security on a path towards solvency for the long term, protecting seniors and preserving the program for generations.

## **MORE ACCURATE COST OF LIVING ADJUSTMENTS**

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

---

<sup>110</sup> Social Security Administration 2015 OASDI Trustees Report, Table IV.B3.—Covered Workers and Beneficiaries, Calendar Years 1945-2090. <https://www.ssa.gov/oact/tr/2015/lr4b3.html>

<sup>111</sup> Romina Boccia, Heritage Foundation, “Social Security: \$39 Billion Deficit in 2014, Insolvent by 2035”, July 29, 2015. <http://www.heritage.org/research/reports/2015/07/social-security-39-billion-deficit-in-2014-insolvent-by-2035>

<sup>112</sup> Social Security Chief Actuary Stephen Goss letter to Speaker John Boehner, October 27, 2015. [https://ssa.gov/oact/solvency/JBoehner\\_20151027.pdf](https://ssa.gov/oact/solvency/JBoehner_20151027.pdf)

economists and the CBO.<sup>113</sup> This outdated formula contributes to the current program's impending bankruptcy.

This budget recommends switching to a more accurate index for all government programs called chained CPI-U, which economists across the political spectrum agree tracks the effects of inflation more accurately. This proposal would both put the program on sounder financial footing and ensure that Social Security beneficiaries do not see their benefits eroded by inflation. According to CBO, this proposal would save \$142 billion over 10 years. More importantly, according to the Social Security Trustees 2015 report, this proposal would close about 21 percent of Social Security's long-term funding shortfall.

### **ADJUST THE RETIREMENT AGE TO REFLECT LONGEVITY**

---

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

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

This adjustment would realign the Social Security full retirement age to account for increases in life expectancy since the program's creation. As noted by the Social Security Administration, since the program first began paying monthly Social Security benefits in 1940, the average life expectancy for men reaching the normal eligibility age has increased to age 88 from 77. For women, the average life expectancy has increased to age 90 from 79.<sup>114</sup>

This reasonable, incremental approach protects individuals in and near retirement and makes changes for younger workers commensurate with the time they have remaining in the work force. According to the Social Security Trustees' reports on similar proposals, raising the retirement age could solve between 38 percent and 52 percent of Social Security's long-term actuarial deficit balance.

### **INCREASE THE MEANS TESTING OF SOCIAL SECURITY**

---

The RSC budget proposes returning Social Security to its original intent: a guarantee against poverty in old age. To accomplish this, the formula determining the level of benefits for

---

<sup>113</sup> Rob McClelland, Congressional Budget Office, "Differences Between the Traditional CPI and the Chained CPI", April 19, 2013. <https://www.cbo.gov/publication/44088>

<sup>114</sup> Social Security Administration, Life Expectancy Calculator accessed February 20, 2016. <https://www.ssa.gov/cgi-bin/longevity.cgi>

wealthy lifetime earners should be gradually reduced over time, while maintaining benefits for those who earned the least over their working years. Slowing the growth of benefits for higher-income earners would protect and preserve the program as a safety net for those most in need. These changes would only apply to new beneficiaries who retire after 2020, guaranteeing that all beneficiaries see their initial benefits at least keep up with inflation.

The Social Security Actuary has analyzed various versions of this proposal, showing they would solve between 36 percent and 55 percent of Social Security's long-term actuarial deficit balance.

### **EXEMPT WORKERS OVER THE RETIREMENT AGE FROM PAYROLL TAXES**

To reward work and encourage more participation in the labor force, this budget proposes exempting workers from the employee side of the payroll tax if they are older than the normal retirement age. This relief would benefit the more than 4 million seniors who currently chose to work, and would provide an additional incentive to those who are considering it.<sup>115</sup> Representative Ron DeSantis has introduced legislation, the Let Seniors Work Act, which would implement this policy.

### **WE CANNOT TAX OUR WAY OUT**

The Left's solution for our looming Social Security crisis is the same as it is for every other fiscal problem: raise taxes. We cannot tax our way out of the looming bankruptcy of SSA's Old Age program. Social Security payroll taxes have increased 20 times since the program's inception, significantly increasing the payroll tax rate from its original two percent to the current 12.4 percent.<sup>116</sup> These tax increases have not kept Social Security solvent in the face of overwhelming demographic and economic forces.

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

Instead of the same old stale ideas, the RSC budget puts forward real solutions to save the program for today's seniors and maintain it for future generations.

---

<sup>115</sup> Conservative Reform Network, "Helping Seniors And Our Nation", October 19, 2015.  
<http://conservativereform.com/helping-seniors-and-our-nation/>

<sup>116</sup> Social Security Administration, Social Security and Medicare Tax Rates.  
<https://www.ssa.gov/oact/progdata/taxRates.html>

## **THE NEED TO ACT NOW**

---

Unless we take action, the Social Security Trust Funds will be depleted by 2034. If that occurs, all current beneficiaries, whether they are wealthy or poor, face a 29 percent benefit cut.<sup>117</sup> The depletion date is only 18 years away, meaning most retirees that turn 65 today face a benefit cut unless reforms are made. The fact remains that promised Social Security benefits cannot actually be paid under current law, since the program will not have enough cash to make good on its obligations.

Implementing the reforms in this budget would allow future retirees who have the ability to save for their own retirement to do so. Importantly, these reforms would still protect those who need the program as a safety net.

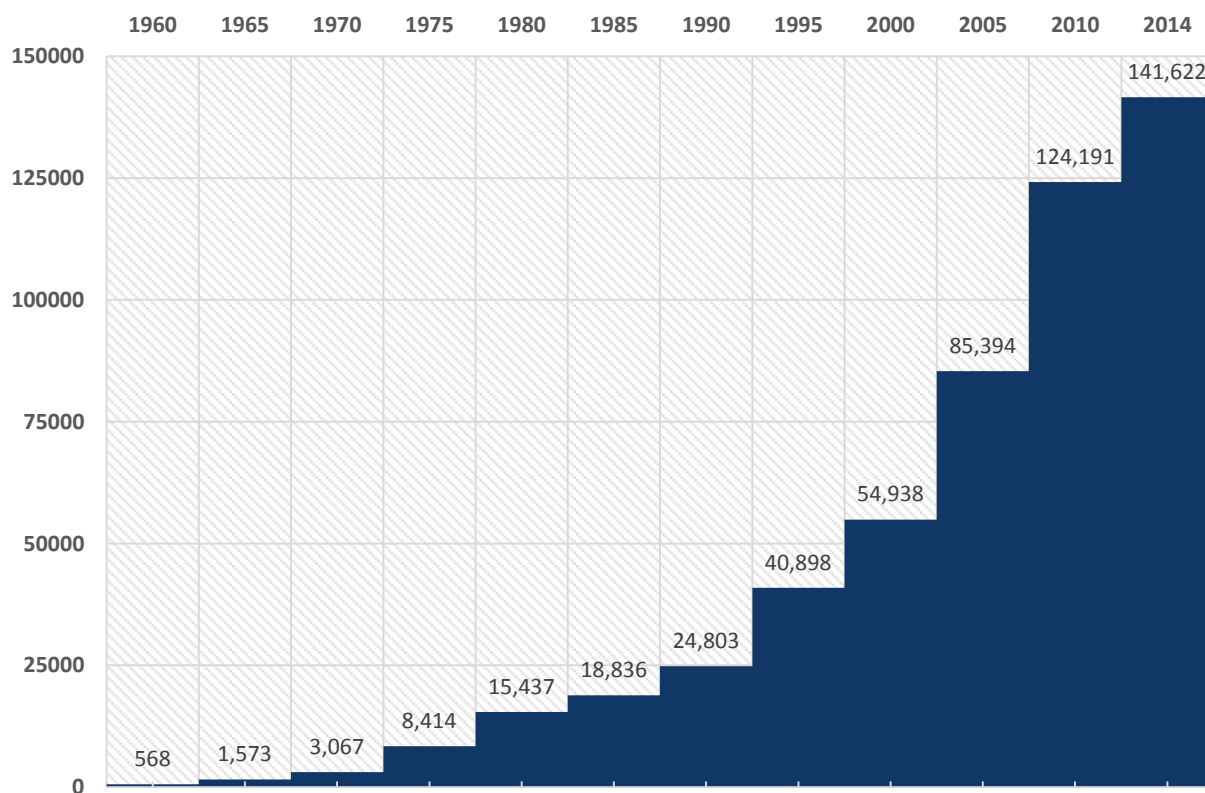
---

<sup>117</sup> Congressional Budget Office, “CBO’s 2015 Long-Term Projections for Social Security: Additional Information”, December 16, 2015. <https://www.cbo.gov/publication/51047>

# SAVING SOCIAL SECURITY DISABILITY INSURANCE

The Social Security Disability Insurance (DI) program is in serious trouble. Social Security DI costs have exceeded revenue since 2005, resulting in ever-larger drawdowns from the trust fund created to ensure the programs stability. The Social Security Trustees Actuary now projects that the Disability Insurance Trust Fund will be depleted in 2022.<sup>118</sup> In just a few short years, disabled beneficiaries will face a 20 percent across-the-board cut in benefits unless a permanent solution can be enacted. DI’s insolvency will become a crisis unless the president and Congress take decisive action soon - and the longer we wait, the more it will cost to fix the problem. This challenge is apparent in the chart below: annual benefit payments from the DI Trust Fund have skyrocketed over time.

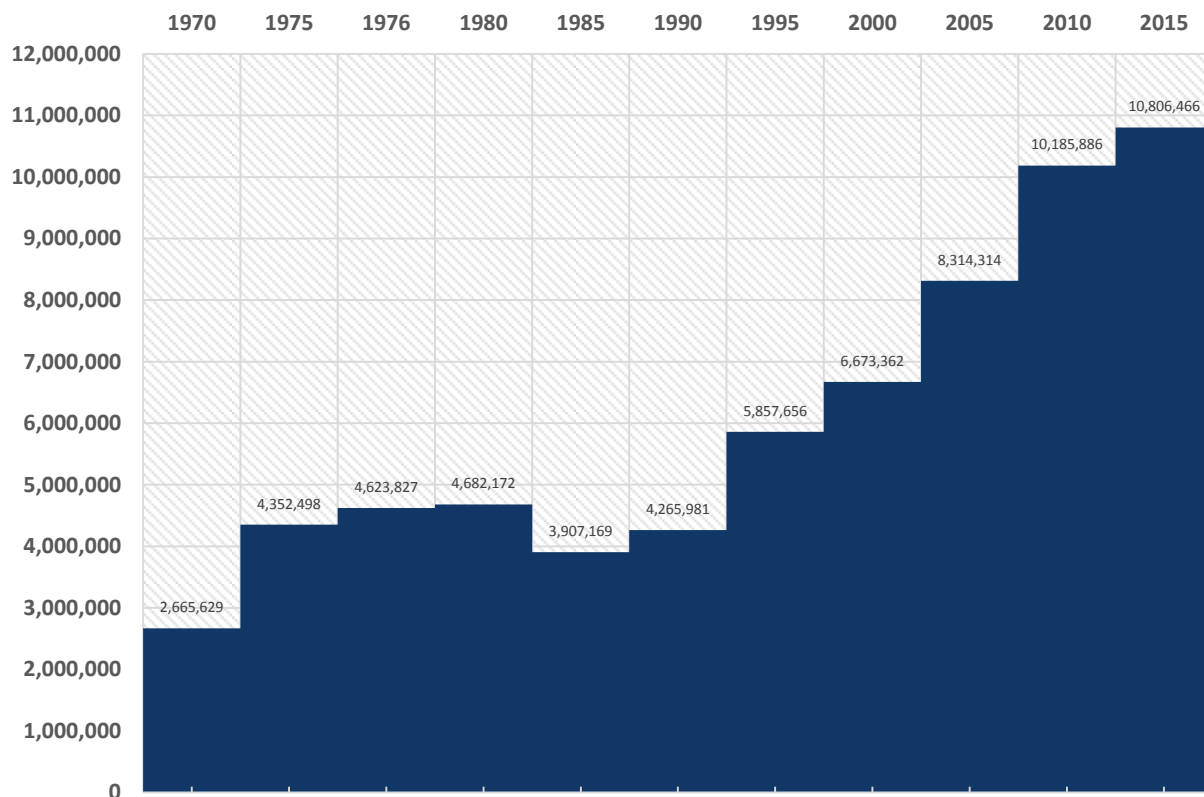
**Disability Insurance Payments, in Millions of Dollars**



*Social Security Administration, Annual benefits paid from the DI Trust Fund, by type of benefit, Calendar years 1957-2014. <https://www.ssa.gov/oact/STATS/table4a6.html>*

<sup>118</sup> Social Security Chief Actuary Stephen Goss letter to Speaker John Boehner, October 27, 2015. [https://ssa.gov/oact/solvency/JBoehner\\_20151027.pdf](https://ssa.gov/oact/solvency/JBoehner_20151027.pdf)

## Disability Insurance Beneficiaries



Social Security Administration, Number of beneficiaries receiving benefits on December 31, 1970-2015. <https://www.ssa.gov/oact/STATS/OASDIbenies.html>

Over the past 20 years, enrollment in DI has almost doubled. Just since 2008, enrollment has increased by 17 percent. At the same time, the labor force participation rate has fallen to the lowest levels since the 1970’s. This means that there are fewer tax-paying workers supporting a growing non-working population – a recipe for disaster.

Facing projections that the DI Trust Fund would be depleted in 2016, Congress passed a temporary patch as part of the Bipartisan Budget Act of 2015 (BBA15). While the BBA15 did include some much-needed reforms, the most important provision of the law implemented President Obama’s plan to temporarily reallocate a portion of the payroll tax originally meant for the Social Security Old Age and Survivors Insurance (OASI) Trust Fund to the DI Trust Fund. This provision effectively bailed out the DI program temporarily, staving off the imminent insolvency of the program, but leaving the Old Age fund vulnerable to its own impending bankruptcy in 2034.

### AN OPPORTUNITY FOR REFORM

The last year has proved there are many good ideas available to tackle the looming insolvency of the DI Trust Fund head on. Reputable think tanks, such as the Mercatus

Center and the Heritage Foundation, published proposals with innovative solutions and brought Members of Congress, staff, and experts together to discuss the problem. The McCrery-Pomeroy SSDI Solutions Initiative was formed, and several papers detailing how to improve the DI program were presented at its conference. Congress and the new administration should use the short reprieve provided by the BBA15 to put forward permanent reforms to ensure the survival and success of this program for the long term.

At the beginning of the 114th Congress, the House adopted a rules change put forward by Representative Sam Johnson to protect Social Security by requiring any DI reform proposal to not harm the DI and OASI funds on a combined basis. This crucial condition for reform will ensure that Congress cannot simply take the easy way out, forestalling the current crises by accelerating a larger entitlement bankruptcy.

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

## **ENCOURAGE WORK**

---

The Americans with Disabilities Act requires employers to make reasonable accommodations for disabled employees. Despite these required accommodations, the employment rate among those with disabilities has fallen by about half in the last 25 years.<sup>119</sup>

Because of the DI program's current design, beneficiaries can become trapped in the program, unable to earn a living even if they get healthier and want to return to work. Surveys of DI beneficiaries have shown that 40 percent of those receiving benefits are interested in working. However, only 0.5 percent of beneficiaries actually leave the rolls each year because they begin earning from work.<sup>120</sup> Beneficiaries face a "cash cliff" because they will be removed from the rolls if they earn above a set amount, creating a powerful incentive for beneficiaries to ignore employment opportunities.

The BBA15 required the Social Security Administration (SSA) to establish a new demonstration project that would allow beneficiaries to work while avoiding this cash cliff. Under this demonstration project, participating beneficiaries would see their benefits reduced by \$1 for every \$2 earned from work above a threshold. The DI program should build on these reforms to encourage the program's beneficiaries to find work as they are able, and allow them the opportunity to return to self-sufficiency.

---

<sup>119</sup> Congressional Budget Office, Policy Options for the Social Security Disability Insurance Program, July 2012. [https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/43421-DisabilityInsurance\\_print.pdf](https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/43421-DisabilityInsurance_print.pdf)

<sup>120</sup> Representative Sam Johnson, "Johnson Statement: Hearing on Encouraging Work Through SSDI," Jun. 19, 2013. <http://waysandmeans.house.gov/johnson-statement-hearing-on-encouraging-work-through-the-social-security-disability-insurance-program/>



## WORKPLACE INCENTIVES

---

It is better for employers and their employees when individuals can stay in the workforce in some capacity. One possibility is a demonstration project to incentivize workplace accommodations is to allow the SSA to vary the employer-side DI payroll tax for companies based on how many of their employees go onto the program in a way that is revenue neutral in the aggregate. This reform would be similar to what is now done under the Unemployment Insurance system.

## REQUIRE SOCIAL SECURITY DISABILITY INSURANCE APPLICANTS TO HAVE WORKED IN RECENT YEARS

---

In general, applicants for DI must have worked in five of the last ten years to be eligible for benefits. That means that someone who has not worked in the last five years could be eligible for DI benefits. To focus the program on people who leave the workforce because of a new disability, applicants could be required to have worked in four of the past six years. This reform should be paired with others that make it easier for disabled Americans to stay in the work force, like those outlined above.

## NEEDS BASED PERIOD OF BENEFITS

---

Six percent of those who undergo a full medical review under a Continuing Disability Review (CDR) are deemed medically recovered enough to stop receiving benefits.<sup>121</sup>

When SSA is planning its CDRs, it identifies those beneficiaries who are expected to medically recover, such as those who have conditions that could be overcome with medical and rehabilitative treatment.<sup>122</sup> About five percent of beneficiaries are listed as “medical improvement expected” and 60 percent are listed as “medical improvement possible.”<sup>123</sup>

However, once a person with such a condition has been awarded DI benefits, they have less of an incentive to seek possible treatments and recovery options. As a result, fewer individuals are able to recover their full mobility and work capacity, a goal antithetical to the approach our government should take for the temporarily disabled. The temporarily disabled risk spiraling into a state of permanent disability, and will continue on the program indefinitely, receiving an average of \$300,000 in benefits over their lifetime.

---

<sup>121</sup> Kim Hildred, Pam Mazerski, Harold Krent, Jennifer Christian, “Transitional Benefits for a Subset of the Social Security Disability Insurance Population”, McCrery-Pomeroy SSDI Solutions Initiative.

<http://ssdisolutions.org/sites/default/files/hildredmazerskikrentchristian.pdf>

<sup>122</sup> Carolyn Colvin, Acting Commissioner of the Social Security Administration, “Letter to The Honorable Joseph R. Biden”, October 23, 2014. <https://www.ssa.gov/legislation/FY%202012%20CDR%20Report.pdf>

<sup>123</sup> Alexandra Constantin, Julia Porcino, John Collins and Chunxiao Zhou, “Data-Driven Solutions for Improving the Continuing Disability Review Process”, McCrery-Pomeroy SSDI Solutions Initiative.

<http://ssdisolutions.org/sites/default/files/constantinporcinocollinszhou.pdf>

To help encourage individuals to seek the most effective treatments, SSA should be able to award DI benefits for a limited, need-based time period for this population of applicants where medical recovery is anticipated. The period of the award could be varied by the likelihood of recovery. At the end of the initial award period, the beneficiary could reapply for benefits under an expedited reinstatement process if he feels he is still unable to conduct gainful employment.

By encouraging recovery and return to work, this reform seeks to improve conditions and create new opportunities for DI beneficiaries.

### **UPDATE THE ELIGIBILITY RULES**

---

If we want the DI program to still be available for those it was created to help, we must ensure that only the truly disabled are eligible to receive benefits. Unfortunately, the criteria to determine eligibility has not been amended to reflect advances in medicine, technology, and the labor market, leading GAO to designate federal disability programs, including the DI program, as “high risk.” Many of the medical criteria have not been updated since the 1980s, when the qualification standards were expanded. A large percentage of applicants suffer from mental or musculoskeletal problems, which can be difficult to diagnose. Making a diagnoses and ability-to-work determination can be subjective and can vary from one adjudicator to the next.

Many DI beneficiaries are now awarded benefits based on the “Medical-Vocational Grid” rather than meeting a specific condition on the “Listing of Impairments”.<sup>124</sup> The grid uses various factors (including age, education, skills levels, and English language proficiency) to determine if a person is disabled instead of focusing on whether a person can perform work in the modern or local economy. This has led to egregious oversights, including an instance where the SSA awarded benefits to individuals in Puerto Rico because they only spoke Spanish, despite the fact that “Spanish is the predominant language spoken in the local economy.”<sup>125</sup>

This budget recommends that eligibility standards be updated to reflect the advances in science and medicine that have taken place in the last 30 years and these updated standards to be more uniformly applied, as recommended by Representative Sam Johnson’s H.R. 1800, the GRIDD Act.

---

<sup>124</sup> Mark J. Warshawsky and Ross Marchand, Mercatus Center, Modernizing the SSDI Eligibility Criteria: A Reform Proposal That Eliminates the Outdated Medical-Vocational Grid, April 28, 2015.

<http://mercatus.org/publication/modernizing-ssdi-eligibility-criteria-eliminates-medical-vocational-grid>

<sup>125</sup> Elizabeth Harrington, Washington Free Beacon, “Feds Consider Puerto Ricans Disabled Because They Speak Spanish,” April 6, 2015. <http://freebeacon.com/issues/feds-consider-puerto-ricans-disabled-because-they-speak-spanish/>

## FIGHT FRAUD

---

Fraud and abuse in the DI program has been widely reported. Under the leadership of Chairman Sam Johnson, the Ways and Means Subcommittee on Social Security has held more than a dozen hearings on the DI program over the last several years. Many of these hearings have focused on large-scale fraud found in DI, including the case of more than 100 retired New York police officers and firefighters who were accused of collecting \$22 million in fraudulent benefits. Another scheme in Puerto Rico involved doctors providing fraudulent medical evidence, with more than 70 claimants submitting false claims aided by a non-attorney representative.<sup>126</sup>

Other examples of fraud and abuse include:

- A 2013 report from GAO identified \$1.29 billion in improper DI payments made to 36,000 individuals.<sup>127</sup>
- A report by the Senate Homeland Security and Governmental Affairs Committee chronicled improper collusion between a law firm that represented DI claimants, doctors who made questionable medical determinations, and a judge who approved a large number of these cases.<sup>128</sup>
- Another report released by former Senator Tom Coburn in 2012 found that 25 percent of disability cases contained significant errors.<sup>129</sup>

Each instance of fraud that goes undetected can cost the taxpayers more than \$300,000, an amount equal to the average lifetime benefit for a DI recipient.<sup>130</sup> It is imperative that the SSA do a better job of preventing fraud and abuse of DI, so that this program can exist for those who truly need the benefits.

The BBA15 prohibits the consideration of medical evidence from unlicensed individuals or doctors convicted of fraud when a determination about a disability claim is made.

---

<sup>126</sup> Representative Sam Johnson “Johnson Opening Statement: Hearing on Preventing Disability Scams,” Feb. 26, 2014. <http://waysandmeans.house.gov/johnson-opening-statement-hearing-on-preventing-disability-scams/>

<sup>127</sup> Government Accountability Office “Disability Insurance: Work Activity Indicates Certain Social Security Disability Insurance Payments Were Potentially Improper”, Sep. 13, 2013. <http://www.gao.gov/products/GAO-13-635>

<sup>128</sup> Sen. Tom Coburn, Sen. Tom Carper, Sen. Carl Levin, Sen. John McCain, “HSGAC Senators Release Social Security Disability Fraud Report”, Oct. 7, 2013. <https://www.hsgac.senate.gov/media/minority-media/hsgac-senators-release-social-security-disability-fraud-report>

<sup>129</sup> “Senate Republican Policy Committee, Social Security Disability Insurance Is Failing, March 12, 2015. <http://www.rpc.senate.gov/policy-papers/social-security-disability-insurance-is-failing>

<sup>130</sup> Office of the Inspector General, Social Security Administration “Disability Fraud Probe Leads to Arrests in Puerto Rico,” Aug. 21, 2013. <http://oig.ssa.gov/audits-and-investigations/investigations/disability-fraud-probe-leads-arrests-puerto-rico>

This budget recommends building on that reform through the passage of Representative Sam Johnson's H.R. 2359, the Disability Fraud Reduction and Unethical Deception (FRAUD) Prevention Act. The Act would expand criminal penalties for fraud, require reviews of the highest earning DI claimant representatives, and ban payment of benefits for those found to have concealed work activity.

## **FUND AND COMPLETE ANTI-FRAUD REVIEWS**

---

The SSA has the authority to conduct periodic reevaluations called continuing disability reviews (CDR) to determine whether beneficiaries continue to meet the definition of disability. To preserve the DI program for those who truly need it, only those who actually qualify should be allowed to draw benefits. The SSA should amend its award letter to clearly specify that DI benefits are contingent upon continued medical impairment. This is a commonsense reform which has also been proposed by the Bipartisan Policy Center Disability Insurance Working Group.<sup>131</sup> The reform will provide clarity to beneficiaries that the award will be discontinued dependent upon a CDR indicating the individual is no longer disabled.

According to the SSA, these reviews are one of the most cost-effective tools for improving program integrity. Every dollar spent on reviews between 1996 and 2011 generated \$10 in future program savings. Unfortunately, the SSA faces a backlog of more than one million pending CDRs.<sup>132</sup>

An earlier report released by the inspector general estimates that if SSA had been able to eliminate the backlog it faced in 2010, up to \$2.6 billion in improper payments could have been avoided.<sup>133</sup>

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

Better use of technology should be implemented across the entire SSA. For instance, CDR mailers should be replaced with online questionnaires SSA should also take advantage of advances in "big data" for data analytics and prioritizing backlogged CDR cases.<sup>134</sup>

---

<sup>131</sup> Bipartisan Policy Center, "Improve the SSDI Program and Address the Impending Trust Fund Depletion", August 25, 2015. <http://bipartisanpolicy.org/library/ssdi-program/>

<sup>132</sup> William Morton, Congressional Research Service, "Social Security Disability Insurance (SSDI) Reform: An Overview of Proposals to Manage the Growth in the SSDI Rolls", January 9, 2015. <http://www.crs.gov/Reports/R43054>

<sup>133</sup> Social Security Administration Office of the Inspector General, Full Medical Continuing Disability Reviews, March 30, 2010. <http://oig.ssa.gov/full-medical-continuing-disability-reviews>

## PROHIBIT DOUBLE DIPPING

---

In 2010, 117,000 individuals received more than \$850 million in payments from both the DI program and Unemployment Insurance benefits.<sup>135</sup> These two programs are meant to serve different populations: DI is for individuals who are unable to work and UI is for individuals temporarily unemployed. Individuals should not be allowed to draw benefits from both programs at the same time. GAO identified this issue as one where program improvements can be made, and President Obama has endorsed a similar approach in his budgets.

This proposal is based upon H.R. 918, the Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act, an RSC Initiative put forward by Representative Sam Johnson.

## CRACK DOWN ON UNSCRUPULOUS LAWYERS

---

The vast majority of claimants who appeal their denied applications are currently represented throughout the process by an attorney. While representation helps many individuals navigate their way through what can be a complicated process, the way DI attorneys are paid and the associated incentives is highly problematic. An audit from the SSA Office of the Inspector General on attorney representation at the initial application stage found that only 37 percent of representatives assisted the client throughout the claim, while 22 percent provided no assistance.<sup>136</sup>

Unlike other legal cases, the clients in DI cases do not directly pay their attorneys. Instead, the SSA will withhold the attorney's fees from the successful claimant's award and transmit the fees to the lawyer. The SSA also provides reimbursement for attorney travel fees.<sup>137</sup> After a claimant wins an appeal, SSA awards the individual the benefits back-dated to when he originally would have been awarded them and pays out a lump sum. If the beneficiary had attorney representation, SSA deducts 25 percent of that amount (up to the maximum allowable fee of \$6,000) for the attorney's fee.<sup>138</sup>

---

<sup>134</sup> Alex Constantin, Julia Porcino, John Collins, and Chunxiao Zhou, "Data-Driven Solutions for Improving the Continuing Disability Review Process", McCrery-Pomeroy SSDI Solutions Initiative. <http://ssdisolutions.org/sites/default/files/constantinporcinocollinszhou.pdf>

<sup>135</sup> Government Accountability Office, "Income Security: Overlapping Disability and Unemployment Benefits Should be Evaluated for Potential Savings", Aug. 30 2012. <http://www.gao.gov/products/GAO-12-764>

<sup>136</sup> Social Security Administration Office of the Inspector General, "Audit Report: Claimant Representatives at the Disability Determination Services Level", February 2014. <http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-01-13-13097.pdf>

<sup>137</sup> Jeffrey S. Wolfe and David W. Engel, Regulation, "Restoring Social Security Disability's Purpose", Spring 2013. <http://object.cato.org/sites/cato.org/files/serials/files/regulation/2013/3/v36n1-11.pdf>

<sup>138</sup> Rachel Greszler, Heritage Foundation, "Time to Cut Out the SSA as Middleman in SSDI Representation", November 24, 2015. <http://www.heritage.org/research/reports/2015/11/time-to-cut-out-the-ssa-as-middleman-in-ssdi-representation>

This arrangement guarantees the attorneys easy access to the money they are owed, but sets a bad precedent by taking financial decisions out of the hands of disabled clients.

The longer an appeal takes, the larger the back-dated award will be for a successful claimant. Because the attorney gets paid as a percentage of the lump sum award up to a maximum dollar amount, he has a direct financial incentive to ensure the award is as close to the maximum fee as possible. This “pay-for-delay” scenario is in direct conflict with the incentives for the claimant, who is disabled and has been unable to earn a living since before his original application for benefits. The claimant would presumably want to receive the benefits owed and begin receiving a regular benefit check.<sup>139</sup>

If the power of the purse was left in the hands of the client, instead of the government, it would give them more authority over the services provided by the attorney.

Additionally, closing the case record to new evidence after a reasonable period of time would prevent attorneys with bad intentions from drawing out a pending disability claim.

## **APPEALS PROCESS REFORMS**

---

Administrative Law Judges (ALJs) hear appeals from DI applicants who have their initial application and reconsideration for benefits denied. ALJs face a huge task: as of March 2015, the SSA faced a backlog of about 1 million claims awaiting a decision, according to the SSA Office of Inspector General.<sup>140</sup>

While it is important to resolve the pending cases, it is equally important to decide them correctly and fairly. However, it appears that once an appeal reaches an ALJ, the claim for benefits is more likely to be awarded than they should be based solely on the fact of the case. According to research from the Mercatus Center, “ALJs have a greater incentive to award benefits than to deny them because denials are subject to judicial appeal, and because denials must be fully documented, which takes longer, whereas decisions and drafting of approvals are typically quick.”<sup>141</sup> There have even been reports of an ALJ that awarded nearly every appeal under consideration.<sup>142</sup>

---

<sup>139</sup> David Engel, Dale Glendenning, and Jeffrey Wolfe, “Transitional Benefits for a Subset of the Social Security Disability Insurance Population”, McCrery-Pomeroy SSDI Solutions Initiative.

[http://ssdisolutions.org/sites/default/files/engelglendenningwolfe\\_0.pdf](http://ssdisolutions.org/sites/default/files/engelglendenningwolfe_0.pdf)

<sup>140</sup> Social Security Administration Office of the Inspector General, “The Social Security Administration’s Efforts to Eliminate the Hearings Backlog”, September 2015. <http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-12-15-15005.pdf>

<sup>141</sup> Mark J. Warshawsky and Ross A. Marchand, Mercatus Center, “Reforming the System of Review by Administrative Law Judges in Disability Insurance”, September 2015.

<http://mercatus.org/sites/default/files/Warshawsky-Reforming-DI-Review.pdf>

<sup>142</sup> Damian Paletta, Wall Street Journal, “Disability-Claim Judge Has Trouble Saying ‘No’”, May 19, 2011.

<http://www.wsj.com/articles/SB10001424052748704681904576319163605918524>

The SSA should conduct periodic reviews of ALJ performance and their decisions to ensure the integrity of the process. Finally, SSA should adopt formal rules for hearing procedure, as exist in other court settings.<sup>143</sup>

### UTILIZE PRIVATE DISABILITY INSURANCE

---

Private disability insurance offers better benefits and better return to work results for beneficiaries at a cheaper cost than DI.<sup>144</sup> Employers that offer long-term disability insurance often work with the employee and the insurance company to provide workplace accommodations in the event a covered employee becomes disabled. These plans also have comprehensive disability management programs that can help rehabilitate individuals and prepare them to reenter the labor force when possible. About 40 million private sector workers are currently covered by these types of plans.<sup>145</sup>

Steps should be taken to promote more workers to adopt private disability coverage, as well promoting better integration of private insurance with the government-run DI system.<sup>146</sup>

---

<sup>143</sup> David Engel, Dale Glendenning, and Jeffrey Wolfe, “Transitional Benefits for a Subset of the Social Security Disability Insurance Population”, McCrery-Pomeroy SSDI Solutions Initiative.

[http://ssdisolutions.org/sites/default/files/engelglendenningwolfe\\_0.pdf](http://ssdisolutions.org/sites/default/files/engelglendenningwolfe_0.pdf)

<sup>144</sup> David F. Babbel and Mark F. Meyer, “Expanding Private Disability Insurance Coverage to Help the SSDI Program”, McCrery-Pomeroy SSDI Solutions Initiative. <http://ssdisolutions.org/sites/default/files/babbelmeyer.pdf>

<sup>145</sup> Charles River Associates, for America’s Health Insurance Plans, “Private Disability Insurance and Return-to-Work: Cost Savings to SSDI and Other Federal Programs”, September 26, 2013.

<http://www.ahip.org/PrivateDIReturntoWork92013/>

<sup>146</sup> Rachel Greszler, Heritage Foundation, “Private Disability Insurance Option Could Help Save SSDI and Improve Individual Well-being”, July 20, 2015. <http://www.heritage.org/research/reports/2015/07/private-disability-insurance-option-could-help-save-ssdi-and-improve-individual-well-being>

# BALANCING THE FEDERAL BUDGET

---

The federal government is drowning in red ink. Since President Obama took office, the national debt has almost doubled from \$10.6 trillion to more than \$19 trillion. If the president had his way, the federal government would add another \$8 trillion by the end of the next decade. The current path is absolutely unsustainable.

Add in the exploding interest payments that come with runaway debt, and the dire reality of our fiscal situation becomes clear. By FY 2026, CBO projects that net interest spending will more than triple in nominal terms and double as a percentage of GDP. Just the interest we will owe on our debt is expected to total more than \$5.7 trillion over the next ten years. Unless we implement bold reforms, in a few years our nation will spend more on interest payments than it does on our national defense.

Fifty years ago, mandatory spending consumed only one-third of the federal budget; now it has grown to comprise two-thirds of our spending each year. These programs are on budgetary autopilot and receive little congressional review and almost no annual oversight.

On the current path, the next generation of Americans will see mandatory spending consume all government revenues, leaving nothing for defense, infrastructure, and other national priorities. Over time, these programs will drag us further down the debt hole. Soon, the debt and associated interest payments will have grown so large that we will have little choice but to eliminate wide swaths of essential government functions or to face a crippling fiscal crisis the likes of which the world has never seen. Delay is unacceptable and doing nothing is not an option.

This budget puts forward sensible reforms that bring spending back to a responsible level, reducing spending by \$6.8 trillion over the next ten years compared to current autopilot policy. By taking reasonable action today, we can not only prevent fiscal disaster tomorrow, but also restore a brighter future and abundant opportunity for generations to come.

## **DECOUPLE FARM SUBSIDY PROGRAMS FROM NUTRITION SUBSIDY PROGRAMS**

Congress has reauthorized farm program spending and nutrition program spending (commonly known as “food stamps”) together in the same legislation for decades. This unlikely pairing assures increased spending for both programs by combining two disparate political interests that would cost far less on their own. In 2013, the House of Representatives decoupled these two issues, only to see them forced back together in the conference committee with the Senate. In fact, about 80 percent of the spending in the final farm bill went towards nutrition programs, not agriculture programs. This budget proposes that farm subsidies and nutrition subsidies be considered separately, each on their own



merits, in future reauthorizations. This proposal is based on a plan put forward by Representative Marlin Stutzman.

### **PROHIBIT NEW ENROLLMENTS IN THE CONSERVATION RESERVE PROGRAM (CRP)**

The Conservation Reserve Program (CRP) provides payments to farmers to take certain cropland out of production for 10 years or more to improve soil, water, and environmental quality. Demand for enrollment in CRP has declined steadily over recent years. This budget would respond to this trend and prohibit new enrollments in CRP. This would save more than \$3 billion over ten years, according to CBO.

### **PROHIBIT NEW ENROLLMENT IN THE CONSERVATION STEWARDSHIP PROGRAM (CSP)**

The Conservation Stewardship Program (CSP) encourages agricultural producers to adopt more environmentally sustainable practices on their working land. This program subsidizes agricultural producers to use conservation techniques that many have already adopted as best practices, interfering with the free market. This budget would prohibit new enrollments in CSP and allow the natural incentives to determine the conservation techniques that provide long-term value for farm owners. Land that is currently enrolled in CSP would continue to be eligible to receive payments until the contract expires. The National Commission on Fiscal Responsibility and Reform targeted this program as one that needs reform. This would save more than \$8 billion over ten years, according to CBO.

### **ELIMINATE FUNDING FOR FARMERS MARKET AND LOCAL FOOD PROMOTION**

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

### **REPEAL BIOMASS CROP ASSISTANCE PROGRAM (BCAP)**

The Biomass Crop Assistance Program (BCAP) provides matching or annual payments to owners and operators of agricultural and forest land to support biomass feedstock production. As made painfully evident by other failed ventures, the federal government should not be in the business of picking winners and losers among energy sources. BCAP would be eliminated beginning in FY 2017, saving \$71 million over ten years, according to CBO.

### **ELIMINATE THE FOREIGN MARKET DEVELOPMENT PROGRAM (FMDP)**

The Foreign Market Development Program (FMDP), also known as the Cooperator Program, is used to help promote agricultural exports and provide nutritional and technical assistance to foreign consumers. Private industry already operates a program to promote agriculture exports overseas, and federal support for this program is inappropriate. FMDP would be eliminated beginning in FY 2017, saving \$335 million over ten years, according to CBO.

### **ELIMINATE THE MARKET ACCESS PROGRAM (MAP)**

The Market Access Program (MAP) funds overseas marketing and promotion activities for U.S. agricultural products and commodities, in partnership with U.S. agricultural trade associations, cooperatives, state regional trade groups, and small businesses. While this is no doubt helpful to some businesses across the country, the federal government has no business subsidizing the advertising budgets of corporations. The National Commission on Fiscal Responsibility and Reform targeted this program as one that needs reforms. This program would be terminated in FY2017, saving almost \$1.9 billion over ten years.

### **REPEAL THE ACER ACCESS AND DEVELOPMENT PROGRAM (FOR MAPLE SYRUP)**

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

### **REPEAL ADDITIONAL CROP INSURANCE FOR ORGANIC CROPS**

The 2014 Farm Bill requires the federal government to pay prices higher than fair market value when making insurance payouts for federally insured organic crops. These higher payments should be repealed, aligning the program with insurance industry best practices rather than resembling a speculative commodities market.

### **REPEAL NATIONAL ORGANIC CERTIFICATION COST SHARE PROGRAM**

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

### **REPEAL ORGANIC PRODUCT PROMOTION ORDER**

The Organic Product Promotion Order program in the 2014 Farm Bill allows the federal government to add a new tax on organic crops and to use those fees to promote the organic

industry. Advertising niche products is not the responsibility of the federal government, and this program should be repealed.

### **REPEAL SPECIALTY CROP BLOCK GRANTS(SCBGP)**

The Specialty Crop Block Grants (SCBGP) provides grants to state agriculture agencies to support specialty crops that are uneconomical to grow on their own merits. Taxpayer dollars make a poor fertilizer: this special interest subsidy program is inefficient and inappropriate, and it should be repealed.

### **REPEAL CHRISTMAS TREE PROMOTION ORDER**

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

### **ELIMINATE THE NATIONAL SHEEP INDUSTRY IMPROVEMENT CENTER**

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

### **ELIMINATE SUBSIDIES FOR WOOL AND MOHAIR**

Federal subsidies for wool and mohair were first established in 1947. There is no compelling economic or strategic reason to continue these subsidies. Beginning in FY 2017, subsidies would be eliminated, saving \$11 million over ten years, according to CBO.

### **ELIMINATE THE SUGAR PROGRAM**

The federal government’s sugar program is one of the most egregious examples of crony capitalism and drives up costs for consumers. The program consists of both price supports and production limits for domestic sugar producers, as well as import restrictions and tariffs for imported sugar. Because of these restrictions, the price of domestic sugar is about twice that of the world market price. According to CBO, eliminating the sugar program would save \$139 million over ten years. However, the savings would be much greater for American consumers, and would come with the added benefit of restoring the foundational values of free enterprise, competition, and individual choice to a large US market.

## **ALLOW STATES TO HELP PAY DOWN THE NATIONAL DEBT**

States should be allowed to designate unused federal funds to the Treasury to help pay down the national debt. Under current law, the federal government often spends any funds that refused by a state on other projects, creating a “use it or lose it” mentality among state lawmakers regarding federal dollars. This proposal is based upon Representative Mike Pompeo’s H.R. 1325, the Grant Return for Deficit Reduction Act.

## **REPEAL THE UNIVERSAL SERVICE FUND (USF)**

The Universal Service Fund (USF) provides subsidized telephone and broadband services for low-income individuals and in areas that are considered underserved. The USF is funded by “contributions” from telecommunications companies—in reality, consumers pay a tax that is included on each monthly bill. Unfortunately, the programs run by the fund—including the LifeLine program, which provides free government-subsidized cell phones—are too often fraught with waste, fraud, and abuse. This budget repeals the USF, saving taxpayers \$113 billion in spending over the next ten years, according to CBO.

## **TRANSFER THE GOVERNMENT’S ELECTRIC UTILITY FUNCTIONS TO THE PRIVATE SECTOR**

The Tennessee Valley Authority (TVA) was created in 1933 to develop hydroelectric capability on the Tennessee River. Since that time, the federally run TVA has expanded its electric generating and transmission infrastructure significantly.

Four government-run Power Marketing Administrations (Bonneville, Western Area, Southeastern, and Southwestern) operate electric systems in several regions around the country.

Because power generation no longer needs to be carried out by the federal government, the TVA and the Power Marketing Administrations should be transferred to the private sector.

## **ENCOURAGE REFORMS TO HIGHER EDUCATION TO INCREASE ACCESSIBILITY AND DECREASE COST**

As traditional college costs rise, we must look to innovative approaches to higher education that serves a diverse and non-traditional student population. Not all students want to pursue a traditional four-year degree, nor do they need to for their chosen careers. Unfortunately, students who use federal loans and grants can only access these funds if they attend a federally “accredited” institution. Allowing states to experiment with their own accreditation processes—while keeping in place the current system for those who use it—would allow a variety of institutions to offer classes to those students who depend on federal grants and

loans. In addition, increased state flexibility would allow non-traditional students the opportunity to tailor their education to fit their needs. This proposal is based on H.R. 1287, the Higher Education Reform and Opportunity (HERO) Act introduced by Representative Ron DeSantis.

### **PREVENT THE PRESIDENT'S COLLEGE RATING SYSTEM**

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

### **ALLOW STATES TO CONTROL THEIR EDUCATION POLICIES AND STOP FORCING COMMON CORE ON OUR CHILDREN**

Education policy should be set by parents, teachers, school boards, and locally elected officials—not Washington bureaucrats. To this end, states should have the ability to completely opt-out of the burdensome and costly mandates created by the federal government. States should have the option to receive their federal education funds in the form of a block grant or refundable tax credits for a participating states' residents. These proposals are based on the Academic Partnerships Lead Us to Success (A-PLUS) Act sponsored by Representative Mark Walker and H.R. 121, the Local Education Authority Returns Now (LEARN) Act sponsored by Representative Scott Garrett, respectively.

Instead of forcing states to adopt Common Core, the RSC budget calls for the passage of Representative Joe Wilson's H.R. 524, the Local Control of Education Act. This legislation would stop the federal government from mandating a one-size-fits-all approach to K-12 education standards.

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

## **INCREASE FEDERAL INSURANCE PREMIUMS FOR PRIVATE PENSION PLANS**

The Pension Benefit Guarantee Corporation (PBGC) provides federal insurance for participants in private defined-benefit pension plans, covering more than 40 million people. Companies that are covered by the PBGC pay premiums for this insurance. If an insured pension plan fails without sufficient assets to pay promised benefits, the plans liabilities are assumed by the PBGC. This budget proposes increasing the premiums charged to private pension plans, more closely aligning them with the risk posed to the PBGC (and the taxpayer) and increasing the incentive for employers to properly fund their pension plans.

In recent years, increases in federal spending have been offset by increases in PBGC fees, which are then diverted away from the insurance fund, and by allowing private firms to game the formula used to calculate the fees. As a result, we have more poorly funded pension plans, commensurately higher future obligations for the PBGC, and diminished PBGC assets. This budget calls for an end to this fiscally irresponsible gimmick (also known as “pension-smoothing”).

## **END THE GOVERNMENT SPONSORED ENTERPRISES FANNIE MAE AND FREDDIE MAC AND REFORM THE FEDERAL HOUSING ADMINISTRATION**

Taxpayers have bailed out Fannie Mae and Freddie Mac to the tune of \$187 billion. Since that time, the government sponsored enterprises (GSEs) have funded between 75 and 85 percent of all mortgage originations.<sup>147</sup> The Federal Housing Administration’s (FHA) fiscal situation became so dire that the president’s FY 2014 budget requested \$943 million to bail out the mortgage insurer.

According to the House Financial Services Committee, Fannie and Freddie have left taxpayers liable for more than \$5 trillion in mortgage guarantees.<sup>148</sup>

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

## **ELIMINATE THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)**

The Dodd-Frank financial reform law created the Consumer Financial Protection Bureau (CFPB) as a new financial regulator with wide authority. Unlike other regulatory agencies, the CFPB is subject to little congressional oversight. During its brief existence, the CFPB has

<sup>147</sup> Sean M. Hoskins, N. Eric Weiss, Katie Jones, Congressional Research Service, “Selected Legislative Proposals to Reform the Housing Finance System”, June 11, 2014. <http://www.crs.gov/Reports/R43219>

<sup>148</sup> Committee on Financial Services, “PATH Act to Protect Taxpayers & Homeowners Passes Committee”, July 24, 2013. <http://financialservices.house.gov/news/documentsingle.aspx?DocumentID=343722>

already dramatically expanded its reach with little transparency and accountability. The CFPB, with its “government knows best” philosophy, should be eliminated as proposed by Representative John Ratcliffe’s H.R. 3118.

### **END DODD-FRANK BAILOUT AUTHORITY FOR BIG BANKS**

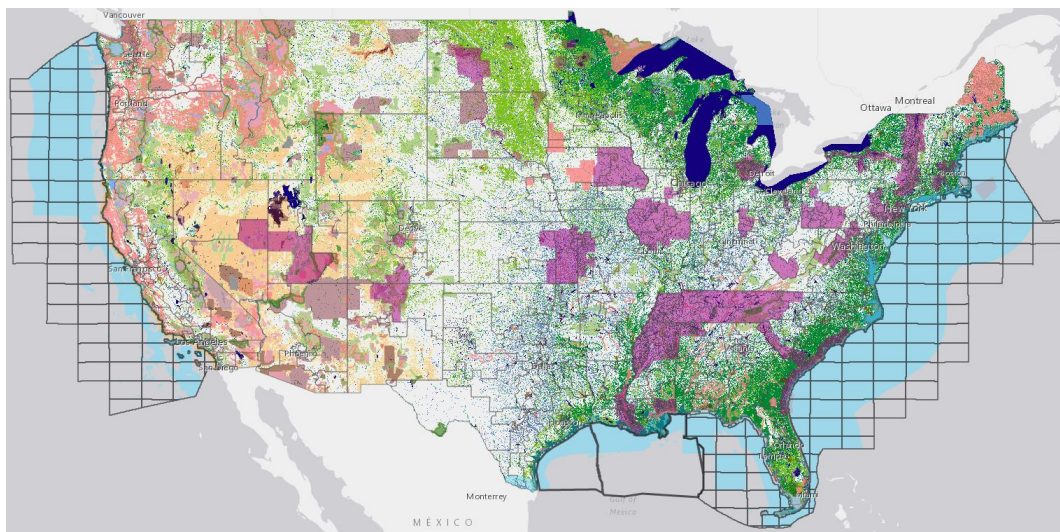
Dodd-Frank financial reform law provided the Federal Deposit Insurance Corporation (FDIC) the authority to access taxpayer dollars to bail out the creditors of large, “systemically significant” financial institutions. The federal government—the taxpayers—should not be the emergency piggy bank for hazardous decision-making by banks and corporations. This budget proposal would save \$23 billion over ten years by eliminating this bailout authority, according to CBO.

### **REFORM THE FEDERAL COMMEMORATIVE COINS PROGRAM**

When directed by Congress, the U.S. Mint can create special commemorative coins to honor things such as famous individuals, organizations, places, or events. These coins are sold to the public and a surcharge is devoted to specific private organizations. Instead of this revenue benefiting the well-connected, this surcharge revenue for new commemorative coins should be directed to the Treasury for the purpose of paying down our national debt. This proposal is based upon H.R. 3097, the Commemorative Coins Reform Act introduced by Representative Justin Amash.

### **REDUCE THE FEDERAL GOVERNMENT’S FOOTPRINT**

The federal government’s footprint is staggering.



House Committee on Natural Resources, “Federal Footprint Map”, accessed February, 2016.  
<http://naturalresources.house.gov/federalfootprint/>

The Bureau of Land Management controls 247 million acres of land. There are 193 million acres of National Forests and Grasslands, and almost 90 million acres of National Wildlife Refuges. There are 765 designated Wilderness Areas, 208 Wild and Scenic Rivers, 49 National Heritage Areas, 704 Critical Habitat areas, and 408 National Parks. There are also a number of other areas that are all controlled by an alphabet soup of federal agencies, from the EPA to NOAA, to the BOEM and more.<sup>149</sup>

Additionally, the federal government owns more than 731,000 buildings and structures that are worth hundreds of billions of dollars and cost tens of billions of dollars a year to operate. In FY 2010, the government listed 77,000 buildings as underutilized or vacant, totaling 490 million square feet.<sup>150</sup> Bureaucrats in Washington should not control such a vast amount of our nation's lands. The federal government should look for ways to reduce its land holdings and real property in a responsible way, transferring them to the private sector, states, and local governments whenever possible.

### USE A MORE ACCURATE MEASURE OF INFLATION, GOVERNMENT WIDE

Many federal programs rely on a measure of inflation to determine benefit levels. This is typically done using changes in the consumer price index (CPI). Since 2002, the Bureau of Labor Statistics has published a more accurate measure of inflation, called the Chained Consumer Price Index (chained CPI). This budget proposes using the more accurate measure for inflation, chained CPI, saving the taxpayers \$177 billion in total over the next ten years, with the majority of that amount going toward making Social Security solvent, according to CBO.

### REFORM FEDERAL EMPLOYEE PENSION PLANS

Federal employees hired since 1984 are entitled to a two-part retirement program, including the Federal Retirement System (FERS) defined benefit plan and a 401k-style plan with up to a 5 percent government matching contribution. Under FERS, federal workers contribute only 0.8 percent of their pay, while the taxpayers contribute 11.7 percent of employees' salaries. A CBO report found that, on average, federal civilian employees receive 48 percent more in benefits than the average private-sector employee with similar characteristics.<sup>151</sup>

---

<sup>149</sup> House Committee on Natural Resources, "Federal Footprint Map", accessed February, 2016. <http://naturalresources.house.gov/federalfootprint/>

<sup>150</sup> House Committee on Transportation and Infrastructure, "Memo Re: Legislative Hearing on Saving Taxpayer Dollars in Federal Real Estate: Reducing the Government's Space Footprint", June 12, 2015. [http://transportation.house.gov/uploadedfiles/2015-06-16\\_-\\_ed\\_hearing\\_ssm.pdf](http://transportation.house.gov/uploadedfiles/2015-06-16_-_ed_hearing_ssm.pdf)

<sup>151</sup> Congressional Budget Office, "Comparing the Compensation of Federal and Private-Sector Employees", January 30, 2012. <https://www.cbo.gov/publication/42921?index=12696>



This budget would make several reforms to the federal employee retirement system. First, instead of basing the amount of a retiree's benefit on the highest three years of earnings, the benefit would be calculated from the highest five-year period.

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

### **ADOPT PREMIUM SUPPORT FOR FEDERAL EMPLOYEE HEALTH CARE**

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

### **PROHIBIT THE FEDERAL GOVERNMENT FROM BAILING OUT IRRESPONSIBLE STATE AND LOCAL GOVERNMENTS**

State and local governments are the great laboratories for democracy. Sadly, some states and cities have been negligent in addressing pending financial problems. Taxpayers in financially healthy states should not be on the hook for the reckless behavior and mistakes of other states. This budget would prohibit such bailouts. This proposal is based upon H.R. 1476, the No Taxpayer Bailouts for Unsustainable State and Local Pensions Act sponsored by Representative Brian Babin.

### **ENACT COMMON SENSE REFORMS**

There are a number of commonsense bipartisan reforms that could easily be adopted to save the taxpayers money. Ensuring that contracts are open to competitive bids and utilizing bulk buying could potentially save billions of dollars. These proposals are based on H.R. 3300, Representative Robert Pittenger's Unified Savings and Accountability (USA) Act. Other aspects of the USA Act, such as addressing fraud and reforming the management of federal property, are included throughout this budget.

## **RETURN TRANSPORTATION POLICY TO THE STATES**

---

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

Federal transportation policy is supposed to be self-financed by the 18.4 cent per gallon federal gas tax. But, as is too often the case, Washington has spent beyond its means and left taxpayers to foot the bill. In fact, since 2008 Congress has bailed out the Highway Trust Fund (HTF) to the tune of \$143 billion.

Highway spending needs an overhaul. In reality, Washington mandates and carve-outs get in the way of true infrastructure spending. Instead, Congress should devolve the federal government's control over most highway and transit programs to the state and local governments. This budget proposes a five-year phase-out, after which federal transportation spending will be limited to core federal duties. These duties would center primarily on the Interstate Highway System and transportation infrastructure on federal land. As the level of federal responsibility is reduced, Congress should reduce the federal gas tax.

This budget includes a deficit neutral reserve fund to accomplish these reforms, based on the principles laid out in Representative Ron DeSantis's H.R. 2176, the Transportation Empowerment Act, an RSC initiative, and Representative Scott Garrett's H.R. 118, the Surface Transportation and Taxation Equity (STATE) Act

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

## **ELIMINATE TRANSPORTATION ALTERNATIVES PROGRAM (TAP)**

---

The recent Highway Bill merged the Transportation Alternatives Program (TAP) into the Surface Transportation Block Grant program. TAP provides federal funding for a number of local alternative transportation projects, including bike paths, trails, medians, sidewalks, historical preservation, archeological activities, landscaping, environmental mitigation, and scenic overlooks. These types of transportation projects are local in nature and not the responsibility of the federal government, nor should they be funded with gas tax revenue, which is designed to fund roads based on a user fee model. Eliminating the TAP would save taxpayers \$8.5 billion over ten years.

### **ELIMINATE THE ESSENTIAL AIR SERVICE PROGRAM**

---

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

### **ELIMINATE THE SOCIAL SERVICES BLOCK GRANT (SSBG)**

---

The Social Services Block Grant (SSBG) program provides funding to states that can be used for a wide range of social programs. However, this funding is duplicative of many other federal programs. The single largest use of these funds is to cover states' administrative costs of providing information and referrals to government programs. The SSBG should be eliminated, saving more than \$17 billion over the next decade.

# BUDGETING SMARTER

---

Article I, Section 9 of the Constitution provides that “No money shall be drawn from the treasury, but in consequence of appropriations made by law”. While mandatory spending driven by formulas written into permanent law constitutes the majority of federal spending. The power of the purse is principally executed through the annual Congressional appropriations process. This process controls discretionary spending, which makes up about one-third of total federal spending each year. It is important that Congress allocates funding wisely, while ensuring the resources are appropriately stewarded for the future. Such stewardship is essential if we are to pass to future generations a legacy of opportunity rather than an unbearable burden of debt.

The Budget Control Act (BCA), signed into law by President Obama in 2011 after a sustained effort by the RSC and conservatives to “cut, cap and balance” the federal budget, imposed caps on discretionary spending through 2021. Unfortunately, the BCA imposed an arbitrary “firewall” between defense and non-defense spending. This created a false parity between essential priorities, such as ensuring national security, and less crucial activities of the federal government, along with the paternalistic programs that would be better managed at the state level.

The RSC budget breaks down this firewall to ensure that Congress can carry out its Constitutional responsibilities while respecting the 10<sup>th</sup> Amendment by eliminating programs that are not provided for under the powers enumerated in Article I.

This budget proposes reducing total regular discretionary spending to \$974 billion in Fiscal Year 2017, with defense spending increased to \$574 billion and non-defense cut to \$400 billion. Over the next decade, non-defense discretionary would be reduced by \$1.4 trillion below the CBO baseline, but would still be allowed to grow each year.

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

*WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES:*

## **REPEAL UNITED STATES DEPARTMENT OF AGRICULTURE (USDA) CATFISH INSPECTION PROGRAM**

---

The USDA Catfish Inspection Program should be repealed beginning in FY 2017, saving \$14 million annually. This duplicative program was “airdropped” into the 2008 Farm Bill without

prior consideration and was disappointingly maintained in the recent 2014 Farm Bill. The Food and Drug Administration is charged with inspecting all seafood and fish, but catfish is now inexplicably the responsibility of the USDA. GAO has made it clear that such an arrangement is nonsensical, issuing a report titled “Responsibility for Inspecting Catfish Should Not Be Assigned to USDA”.<sup>152</sup>

### **ELIMINATE RURAL COOPERATIVE DEVELOPMENT GRANTS (RCDG)**

The Rural Cooperative Development Grants (RCDG) program is meant to provide grants to subsidize rural cooperatives. Grantees are only subject to a 25-percent cost-sharing requirement and may use the funds for the operation, expansion, or startup of a cooperative. Living in rural areas comes with many advantages for those who choose to do so, but the general taxpayer should not be forced to subsidize providing costly conveniences for those who make that choice. The RCDG program should be eliminated in FY 2017, saving \$22 million per year.

### **ELIMINATE RURAL RENEWABLE ENERGY SUBSIDIES**

The Renewable Energy Subsidies program should be eliminated beginning in FY 2017, saving the taxpayers \$500,000 in discretionary funding per year. This program subsidizes the development of renewable energy programs for small rural businesses and agriculture producers. The federal government should not be in the business of subsidizing source-specific types of energy that would be better produced by the private market. According to GAO, this is just one of 679 different economically unsound initiatives meant to promote greenenergy.

### **PROHIBIT FUNDING FOR NATIONAL SCHOOL LUNCH STANDARDS**

The Obama Administration has undertaken a high-profile effort to force local school districts to serve “healthy” lunches. These efforts have proved costly for schools and unpopular with students. Recent appropriations bills have allowed some schools the opportunity to opt out of the standards. Beginning in FY 2017, funding for the National School Lunch Program standards should be prohibited, returning control of students’ diets to their parents.

### **PROHIBIT FUNDING FOR AGRICULTURE MARKETING ORDERS**

The federal government currently operates 28 marketing orders for different fruits, vegetables, and specialty crops. These agreements, which date back to the market intrusions of the New Deal, allow the government to collude with segments of certain industries to restrict the supply of food to consumers. The cartels created by the agreement

---

<sup>152</sup> Government Accountability Office, “Seafood Safety: Responsibility for Inspecting Catfish Should Not Be Assigned to USDA”, June 8, 2012. <http://www.gao.gov/products/GAO-12-411>

are given tools such as volume controls and minimum quality standards, and packaging requirements.<sup>153</sup> Beginning in FY 2017, funds for agriculture marketing orders should be prohibited.

*WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE, SCIENCE, AND RELATED AGENCIES:*

**ELIMINATE THE LEGAL SERVICES CORPORATION (LSC)**

Though created with the intent to provide free, legal assistance in non-criminal cases, the Legal Services Corporation (LSC) has evolved into an organization that also takes part in taxpayer-bankrolled advocacy for political causes and lobbying. The LSC is marked by misuse of taxpayer money and redundancy as many of LSC's programs are offered by the states. Beginning in FY 2017, the LSC should be eliminated, saving the taxpayers \$385 million per year.

**ELIMINATE THE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA)**

The Economic Development Administration (EDA) is a duplicative program and provides subsidies in an area that is not the responsibility of the federal government. The EDA should be eliminated beginning in FY 2017, saving the taxpayers \$261 million per year. This proposal is based on H.R. 661, the EDA Elimination Act, introduced by Representative Mike Pompeo.

**ELIMINATE THE INTERNATIONAL TRADE ADMINISTRATION (ITA)**

By the International Trade Administration's (ITA) own account, its activities provide "counseling to American companies in order to develop the most profitable and sustainable plans for pricing, export, and the full range of public and private trade promotion assistance, as well as market intelligence, and industry and market-specific research." U.S. companies produce products that can compete with those produced anywhere in the world. These successful companies do not need Uncle Sam pitching in to do market research (funded by taxpayer dollars and debt). Beginning in FY 2017, the ITA's marketing activities should be eliminated, saving \$393 million per year.

**ELIMINATE THE NATIONAL TECHNICAL INFORMATION SERVICE (NTIS)**

The National Technical Information Service (NTIS) is an outdated agency at the Department of Commerce that prints and sells government documents. Most of these documents are

---

<sup>153</sup> Daren Bakst, Heritage Foundation, "The Federal Government Should Stop Limiting the Sale of Certain Fruits and Vegetables", September 29, 2015. <http://www.heritage.org/research/reports/2015/09/the-federal-government-should-stop-limiting-the-sale-of-certain-fruits-and-vegetables>

available to the public for free online. This agency, which has 145 full time employees, should be eliminated beginning in FY 2017, saving \$170 million annually.

### **ELIMINATE THE HOLLINGS MANUFACTURING EXTENSION PARTNERSHIP (MEP)**

The Hollings Manufacturing Extension Partnership (MEP), named after Democrat Senator Fritz Hollings, provides financial support to local centers that provide technical services to small manufacturing companies. Originally meant to be self-sustaining, the program is dependent on annual federal subsidies, which should be eliminated beginning in FY2017, saving \$130 million per year.

### **PROHIBIT RELINQUISHING CONTROL OF THE INTERNET**

The Obama Administration has developed plans to give away the backbone of the Internet's infrastructure to the "global stakeholder community", which would include authoritarian regimes bent on censoring the Internet. While these plans have been temporarily thwarted by riders on appropriations bills, the current prohibition expires on October 1, 2016. Funds should be prohibited for the National Telecommunications and Information Administration to relinquish its responsibility over the Internet's domain name system functions.

### **PROHIBIT FUNDING TO CARRY OUT OPERATION CHOKEPOINT**

The Obama Administration has undertaken Operation Chokepoint through the Department of Justice and the Federal Deposit Insurance Corporation (FDIC) to pressure banks into refusing financial services for legal businesses, such as firearms dealers, to which the administration is ideologically opposed. Funding for Operation Chokepoint should be prohibited.

### ***WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT AND RELATED AGENCIES:***

### **ELIMINATE THE ENERGY EFFICIENCY AND RENEWABLE ENERGY (EERE) PROGRAM**

This program invests in research and development in the fields of energy efficiency and renewable energy technologies. Some of the programs within EERE include solar, wind, the Super Truck program, the Advanced Technology Vehicle Manufacturing Loan program, and solid state lighting research. Not only does this allow the federal government to pick winners and losers, but also it limits research to a small sector of the energy economy—renewables. The U.S. should pursue a market-based, all-of-the-above energy policy. Beginning in FY 2017, programs within the EERE account should be eliminated, saving the taxpayers over \$1.95 billion per year.

### **ELIMINATE THE ADVANCED RESEARCH PROJECTS AGENCY – ENERGY (ARPA-E)**

The Advanced Research Projects Agency – Energy (ARPA-E) is agency was started by the failed 2009 stimulus law and is meant to fund high-risk green energy projects. Taxpayers should not bear the burden for research projects that not even the most speculative and daring members of the energy industry will take on for themselves. Eliminating ARPA-E beginning in FY2017 could save the taxpayers \$291 million per year.

### **ELIMINATE TITLE 17 INNOVATIVE TECHNOLOGY LOAN GUARANTEE PROGRAM**

The Title 17 Innovative Technology Loan Guarantee program provides loans to clean energy projects. This is the program that gave us the Solyndra scandal, with taxpayers losing more than \$500 million after the administration gambled on a politically favored company. Eliminating this program beginning in FY 2017 would save the taxpayers \$17 million per year in reduced administrative expenses alone.

### **ELIMINATE THE FOSSIL ENERGY PROGRAM**

Just as this budget calls for the elimination of “green” energy subsidies, it also calls for the elimination of subsidies for conventional energy sources. Funding under the Fossil Energy program goes to research and development of technology to reduce the carbon emissions of coal power plants, which could help the administration implement its Clean Power Plan. Instead of government-directed subsidies, the U.S. should pursue a market-oriented “all of the above” energy strategy. Beginning in FY 2017, this account should be eliminated, saving taxpayers over \$632 million per year.

### **ELIMINATE REGIONAL COMMISSIONS**

The RSC budget recommends cutting regional commissions including the Denali Commission, Appalachian Regional Commission, the Northern Border Regional Commission, the Southeast Crescent Regional Commission, and the Delta Regional Authority. These economic development programs are duplicative of other programs in the federal government and spend federal funding for local projects. Not only is the federal government out of money, but also it is ill-equipped to adequately prioritize local infrastructure and development projects. These activities are also more appropriately carried out by state and local governments. Beginning in FY 2017 the commissions should be eliminated, saving the taxpayers \$190 million per year.

***WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON FINANCIAL SERVICES AND GENERAL GOVERNMENT:***



### **ELIMINATE THE ELECTION ASSISTANCE COMMISSION**

---

The Election Assistance Commission was created by the 2002 Help America Vote Act to help states modernize voting equipment. The commission no longer serves a statutory purpose and should be eliminated beginning in FY 2017, saving taxpayers \$10 million per year.

### **ELIMINATE THE SEC SLUSH FUND**

---

The Security and Exchange Commission's so-called "Reserve Fund" is simply a slush fund created by the Dodd-Frank financial regulations law, allowing regulators to spend without oversight by Congress. This fund should be eliminated.

*WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON INTERIOR, ENVIRONMENT, AND RELATED AGENCIES:*

### **REDUCE FUNDING FOR THE ENVIRONMENTAL PROTECTION AGENCY (EPA)**

---

The EPA is a job-killing agency that is out-of-control. The unelected bureaucrats at the agency are implementing their ideological agenda to remake the American economy by regulatory fiat. Whether it is the Clean Power Plan, the Waters of the U.S. rule, or ozone standards, these regulations impose costs on consumers, businesses, and local governments, resulting in fewer well-paying jobs in important sectors like energy production and manufacturing, without providing meaningful public benefit. Beginning in FY 2017, funding for the EPA should be significantly reduced, saving the taxpayers billions of dollars per year and giving much-needed regulatory relief to job creators.

### **ELIMINATE THE NATIONAL ENDOWMENT FOR THE ARTS AND THE NATIONAL ENDOWMENT FOR THE HUMANITIES**

---

The federal government should not be in the business of funding the arts. Support for the arts can easily and more properly be found from non-governmental sources. Eliminating the National Endowment for the Arts would save taxpayers \$148 million per year and eliminating the National Endowment for the Humanities would save an additional \$148 million per year.

### **ELIMINATE DIESEL EMISSIONS REDUCTION ACT (DERA) GRANTS**

---

Grants made under Diesel Emissions Reduction Act (DERA) have gone to wasteful projects involving cherry pickers, electrifying parking spaces at rest stops, and retrofitting old tractors. Beginning in FY 2017, DERA grants should be eliminated, saving \$10 million per year.

### **ELIMINATE SUBSIDIES FOR THE D.C. OPERA HOUSE**

---

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

Tickets can often cost over \$150 apiece, and performances are often sold out. The Kennedy Center’s website currently lists 15 corporations as Executive Benefactors who provide annual commitment of \$250,000 or greater. It is clear that the center is more than capable of supporting itself.

It is inappropriate for the federal government to subsidize a performing arts center in one of the wealthiest areas in the country. Eliminating subsidies to the Kennedy Center beginning in FY 2017 would save taxpayers \$36.4 million per year.

### ***WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES:***

#### **ELIMINATE FUNDING FOR THE CORPORATION FOR PUBLIC BROADCASTING (CPB)**

A free society should not have government-supported media outlets, especially ones that so often convey political news and opinion. There is no shortage of media outlets and news services available to consumers. Eliminating all taxpayer funding for the Corporation for Public Broadcasting (CPB) beginning in FY 2017 would save \$445 million per year.

#### **ELIMINATE THE NATIONAL LABOR RELATIONS BOARD (NLRB)**

The Department of Justice (DOJ) already oversees a wide variety of civil, criminal, and administrative issues, including anti-trust and voting rights. DOJ is certainly capable of handling claims of unfair labor practices and could do so without the pro-union bias and partisanship endemic to the National Labor Relations Board (NLRB). Eliminating the NLRB beginning in FY 2017 would save \$274 million per year, while in no way diminishing the effective implementation of federal labor laws.

#### **ELIMINATE THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (IMLS)**

The Institute of Museum and Library Services (IMLS) provides grants to local museums and libraries, a task that can be better ~~handled~~ by the private sector and local governments. Eliminating the IMLS would save \$230 million per year.

## **ELIMINATE TITLE X FAMILY PLANNING FUNDING**

Title X, or the family planning federal grant program, provides abortion providers with federal funds to terminate pregnancies and end the lives of thousands of innocent babies. This money has been used by abortion providers like Planned Parenthood to not only underwrite the abortion industry, but has also been used in support of organizations that dismember and sell fetal body parts. Planned Parenthood is the largest recipient of Title X grants, which are intended to fund valuable health services for low-income women, but instead are used by these malicious abortion providers to put the safety of women and their unborn babies in danger.<sup>154</sup> Eliminating Title X would save \$287 million per year.

*WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON LEGISLATIVE BRANCH:*

## **ELIMINATE OPEN WORLD LEADERSHIP CENTER**

The Open World Leadership Center is meant to facilitate cultural and political exchanges between the U.S. Congress and leaders in post-Soviet countries. Eliminating the Center beginning in FY 2017, more than a quarter century after the end of the Cold War, would save taxpayers \$5.6 million per year.

*WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON MILITARY CONSTRUCTION, VETERANS AFFAIRS AND RELATED AGENCIES:*

## **PROHIBIT BONUSES FOR SENIOR VA EMPLOYEES**

The Department of Veterans' Affairs (VA) is charged with one of the most important duties of the federal government—ensuring that the men and women who have served their country in uniform have the care and services they deserve. Under the Obama Administration, the VA has failed to fulfill its mission. Instead, the agency has been implicated in several costly scandals and egregious mismanagement, all of which have distracted from the agency's essential mission. To ensure that the VA is focused on serving veterans appropriately, this budget recommends prohibiting bonuses for senior VA employees until reforms can be implemented.

---

<sup>154</sup> U.S. Congressman Diane Black, “Defund Planned Parenthood”. <https://black.house.gov/issue/defunding-planned-parenthood>

## *WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS:*

### **REDUCE FOREIGN AID**

At a time when our gross national debt has topped \$19 trillion and we must rely on foreign countries to finance our debt, we cannot afford to be as generous to other nations as we have been in the past. Beginning in FY 2017, foreign assistance should be reduced.

### **REFORM THE BOARD OF BROADCASTING GOVERNORS**

The Broadcasting Board of Governors (BBG) oversees all U.S. civilian international media, including the Voice of America (VOA). According to GAO and the State Department's Office of Inspector General, the agency suffers from managerial problems and other structural deficiencies.<sup>155</sup> These problems have inhibited the agency's effectiveness to promote the country's message across the globe. This proposal is based on H.R. 2323, the United States International Communications Reform Act of 2015, introduced by Representative Ed Royce.

### **ELIMINATE INTERNATIONAL ORGANIZATIONS AND PROGRAMS ACCOUNT**

The International Organizations and Programs account provides voluntary contributions to international organizations, many of which do not represent American interests and values. Within this account, the U.N. Population Fund provides family planning and abortion funding abroad. Funds should also be withheld from the U.N. Intergovernmental Panel on Climate Change (IPCC), as well as the U.N. Human Rights Council, which is comprised of member nations like Cuba, Venezuela, China, and Russia, all of which have abysmal records on human rights.

Eliminating these funds beginning in FY 2017 would save \$339 million per year.

### **ELIMINATE CONTRIBUTIONS TO THE CLEAN TECHNOLOGY FUND**

The Clean Technology Fund was created in 2010 by the Obama Administration to promote green energy abroad. Borrowing from foreign nations to spend millions promoting green energy is not a wise fiscal decision. Ending contributions to the fund beginning in FY 2017 would save over \$170.7 million per year.

---

<sup>155</sup> State Department's Office of Inspector General, "Audit of the Broadcasting Board of Governors Administration and Oversight of Acquisition Functions", June 2014.

<http://foreignaffairs.house.gov/sites/republicans.foreignaffairs.house.gov/files/227877-reduced-file-size.pdf>

### **ELIMINATE CONTRIBUTIONS TO THE STRATEGIC CLIMATE FUND**

Created in 2010 by the Obama Administration, the Strategic Climate Fund is meant to address climate change abroad. Ending contributions to the fund beginning in FY 2017 would save \$60 million per year.

### **ELIMINATE COMPLEX CRISES FUND**

The Complex Crises Fund was established in 2010 by the Obama Administration without authorization by Congress. The fund is meant to allow the State Department to “respond to unforeseen crises,” and is duplicative of other State Department funding. Eliminating the fund beginning in FY 2017 would save \$30 million per year.

### **ELIMINATE THE INTER-AMERICAN FOUNDATION**

The Inter-American Foundation provides assistance to Latin America and the Caribbean and is duplicative of other State Department and USAID activities. Eliminating the Foundation beginning in FY 2017 would save \$22.5 million per year.

### **ELIMINATE THE UNITED STATES AFRICAN DEVELOPMENT FOUNDATION**

The U.S. African Development Foundation provides assistance to Africa and is duplicative of other State Department and USAID activities. Eliminating the foundation beginning in FY 2017 would save \$30 million per year.

### **ELIMINATE THE EAST-WEST CENTER**

The East-West Center promotes relationships between the U.S., Pacific, and Asian countries. Eliminating the Center beginning in FY 2017 would save \$17 million per year.

### **ELIMINATE THE ASIA FOUNDATION**

The Asia Foundation provides assistance to Asia and is duplicative of other State Department and USAID activities. Eliminating the Foundation beginning in FY 2017 would save \$17 million per year.

### **ELIMINATE THE CENTER FOR MIDDLE EASTERN-WESTERN DIALOGUE**

The Center for Middle Eastern-Western Dialogue, more commonly called the Hollings Center, is meant to foster dialogue between the U.S. and predominately Muslim countries. Eliminating the center beginning in FY 2017 would save \$96,000 per year.

## **ELIMINATE FUNDING FOR THE U.S. INSTITUTE OF PEACE**

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

*WITHIN THE JURISDICTION OF THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES:*

## **ELIMINATE FUNDING FOR THE WASHINGTON METROPOLITAN TRANSIT AUTHORITY (WMATA)**

The federal government should not be directly subsidizing the public transit system of one of the most affluent metropolitan areas in the U.S. Eliminating the subsidy for the Washington Metropolitan Transit Authority (WMATA) beginning in FY 2017 would save the nation's taxpayers \$150 million per year.

## **ELIMINATE AMTRAK OPERATING GRANTS AND CAPITAL GRANTS**

The federal government has subsidized the National Railroad Passenger Corporation - better known as Amtrak - since it was created by Congress in 1970. The railroad service is a notoriously poor fiscal manager, losing \$72 million on food and beverage service alone in 2012. But Amtrak has no incentive to improve its performance if it is able to count on the taxpayers for a bailout each year. The federal government should not force taxpayers to subsidize Amtrak, which should be privatized. Eliminating Amtrak Operating grants beginning in FY 2017 would save \$289 million per year, while eliminating Amtrak Capital grants beginning in FY 2017 would save \$1.1 billion per year.

## **PROHIBIT HIGH-SPEED RAIL FUNDING**

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

## **ELIMINATE THE NEW STARTS TRANSIT PROGRAM**

The New Starts Program, sometimes called Capital Investment Grants, provides billions in subsidies to local transit for capital improvements to fixed-guideway projects, including streetcars, subways, and dedicated bus lanes. Often these projects are inefficient and fail to reduce congestion. Because this program subsidizes new projects, it incentivizes transit agencies to build expensive projects without regard to cost, putting taxpayers on the hook for operating costs down the road and diverting funds from existing roads and other infrastructure. Eliminating New Starts beginning in FY 2017 would save taxpayers \$2.2 billion per year.

## **ELIMINATE TIGER GRANTS**

TIGER Grants, also called the National Infrastructure Investment Program, were created by the president's failed Stimulus law. The program is particularly problematic because projects are selected by the administration, often for political purposes (Democrat districts have received 69 percent of funding), and go towards projects that would be more appropriately funded by state or local governments.<sup>156</sup> GAO has found problems with the funding decisions made by the administration under this program.<sup>157</sup> The TIGER program is a remarkably poor investment, and Congress chose not to reauthorize it in the highway bill signed into law by President Obama in 2015. Ending appropriations for TIGER Grants beginning in FY 2017 would save taxpayers \$500 million each year.

## **REDUCE FUNDING FOR THE HUD OFFICE OF HOUSING**

The Office of Housing regulates the housing industry, a task that is better left to state and local governments, who already administer the vast majority of housing assistance programs in the U.S. Beginning in FY 2017, funding for the Office of Housing should be reduced.

## **REDUCE FUNDING FOR THE PUBLIC HOUSING CAPITAL AND OPERATING FUNDS**

The Public Housing Capital Fund and the Public Housing Operating Fund provide federal funding for public housing projects, a task that is better left to state and local governments. Beginning in FY 2017, the funding Public Housing Capital and Operating Funds should be reduced.

---

<sup>156</sup> Baruch Feigenbaum, Reason Foundation, "Eliminate TIGER Program", February 17, 2015.

<http://reason.org/news/show/eliminate-tiger-program>

<sup>157</sup> Government Accountability Office, "Surface Transportation: Actions Needed to Improve Documentation of Key Decisions in the TIGER Discretionary Grant Program", May 28, 2014. <http://www.gao.gov/products/GAO-14-628R>

## **ELIMINATE FUNDING FOR COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG) AND COMMUNITY DEVELOPMENT LOAN GUARANTEES (CDLG)**

This program has been unauthorized (yet still funded) for decades and is a prime example of the federal government's difficulty prioritizing local programs. CDBG has paid for programs as diverse as doggie daycare, a local circus, and decorative sidewalks in an affluent suburb. Beginning in FY 2017, CDBG and CDLG funding should be eliminated.

## ***WITHIN THE JURISDICTION OF MULTIPLE HOUSE APPROPRIATIONS SUBCOMMITTEES:***

### **PROHIBIT FEDERAL FUNDS FROM GOING TO ENTITIES THAT PROVIDE ABORTIONS**

The federal government should not fund entities that provide abortion services. This budget ensures that no taxpayer dollars flow to entities that provide abortions.

### **PROHIBIT SUBSIDIES FOR SANCTUARY CITIES**

There are over 300 so-called sanctuary cities across the country, which fail to fulfil their obligation to cooperate with federal immigration enforcement officials and report criminal aliens. Federal funding, such as grants from the Department of Justice and Homeland Security, should be prohibited for these jurisdictions.

### **REDUCE THE ANNUAL ACROSS-THE-BOARD ADJUSTMENT FOR FEDERAL CIVILIAN EMPLOYEES PAY**

Unlike most Americans, federal workers receive an automatic pay increase every year under the Federal Employees Pay Comparability Act of 1990. If the president determines that a national emergency exists, he can limit the size of the increase. President Obama signed legislation blocking pay increases in 2011, 2012, and 2013. However, with the national debt topping \$19 trillion, and projected to skyrocket to almost \$30 trillion over the next decade, a fiscal state of emergency exists whether the current administration is willing to admit it or not. Beginning in FY 2017, the annual across-the-board increase for federal workers should be reduced by half a percentage point below the expected automatic increases.

### **REDUCE THE SIZE OF THE FEDERAL WORKFORCE THROUGH ATTRITION**

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



## **PROHIBIT FEDERAL EMPLOYEES FROM CONDUCTING UNION BUSINESS ON OFFICIAL TIME**

---

In 2012, taxpayers paid federal workers over \$157 million *not* to do their jobs. Instead, workers were doing union work during their official time.<sup>158</sup> Ending the federal government’s sanction of union activity at federal expense, as proposed by Representative Jodi Hice’s H.R. 1658, the Federal Employee Accountability Act, will make the federal workforce more effective and efficient.

## **PROHIBIT AUTOMATIC COLLECTION OF UNION DUES FOR FEDERAL EMPLOYEE UNIONS**

---

Currently, the federal government acts as the dues collector for unionized federal workers by deducting union dues from an employee’s paycheck and then remitting dues to the union.

If a worker wants to join a union, then the union should collect its dues from the worker, not force the taxpayers to do it. This budget recommends prohibiting the automatic deduction of union dues for federal workers.

## **LIMIT FUNDING FOR UNAUTHORIZED PROGRAMS**

---

Approximately \$310 billion of the \$1 trillion appropriated for FY 2016 in the Consolidated Appropriations Act were for programs whose authorizations had expired. Beginning in FY 2017, funding for unauthorized programs should be limited, so Congress is encouraged to reauthorize and reform worthy programs, while eliminating failing programs.

## **ELIMINATE, COMBINE, OR CONSOLIDATE DUPLICATIVE GOVERNMENT PROGRAMS**

---

GAO issues periodic reports that expose duplicative federal programs, and there are countless additional examples of duplication and waste documented by Members of Congress, the media, and government watchdog groups.

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

---

<sup>158</sup> Office of Personnel Management, “Labor-Management Relations in the Executive Branch”, October 2014. <https://www.opm.gov/policy-data-oversight/labor-management-relations/reports/labor-management-relations-in-the-executive-branch-2014.pdf>

# LIMITING GOVERNMENT AND RECLAIMING THE CONSTITUTION

---

It is the goal of this budget not only to enact reforms to create a smaller, more efficient government, but to also ensure that government respects and adheres to the limitations and intent of the Constitution. As the federal government's reach has grown, so has the Executive Branch's ever-extending grasp on power. This expanded power of the state has come at the expense of the freedom and prosperity of the American people, and its concentration in the administration has threatened the separation of powers so essential to restraining any one branch of government from becoming tyrannical. Conservatives understand that government has an important role in protecting its citizens' lives, liberty and property. A reasserted constitutionally limited government, devoted to these core functions, would operate more efficiently than current practice. More importantly, it would eliminate the arbitrary political obstacles to prosperity that have become Washington's hallmark. To that end, this budget proposes specific reforms that would reclaim the mandate for government outlined in the U.S. Constitution by reasserting Congress's enumerated powers, increasing transparency, and eliminating government excess, overreaches, and abuses.

## **STOP THE PRESIDENT'S UNCONSTITUTIONAL EXECUTIVE AMNESTY**

---

President Obama has taken repeated, unilateral actions to rewrite America's longstanding immigration laws - despite admitting at least 22 times that he had no authority to do so.<sup>159</sup> In 2012, the president granted amnesty to at least half-a-million illegal immigrants through the Deferred Action for Childhood Arrivals (DACA) program. In November 2014, the president announced a series of executive actions that would expand amnesty to roughly 5 million more illegal immigrants.<sup>160</sup> According to CBO, President Obama's executive actions will cost American taxpayers \$14.9 billion in new welfare spending for illegal immigrants. That includes \$815 million in Social Security payments, \$330 million for Medicare, \$811 million for food stamps, \$1 billion in Supplemental Security Income (SSI) payments, \$1.5 billion for Obamacare and Medicaid, and \$10.2 billion in earned income and child tax credits.<sup>161</sup>

---

<sup>159</sup> Speaker John Boehner, 22 Times President Obama Said He Couldn't Ignore or Create His Own Immigration Law, November 19, 2014. <http://www.speaker.gov/general/22-times-president-obama-said-he-couldn-t-ignore-or-create-his-own-immigration-law>

<sup>160</sup> Dave Boyer, Washington Times, "Obama offers amnesty to 5 million illegal immigrants, defies GOP", November 20, 2014. <http://www.washingtontimes.com/news/2014/nov/20/obama-offers-amnesty-to-millions-of-illegal-immigr/?page=all>

<sup>161</sup> Congressional Budget Office, Letter to Senator Thad Cochran, Re: Budgetary Effects of Immigration- Related Provisions of the House Passed Version of H.R. 240, An Act Making Appropriations for the Department of Homeland Security, January 29, 2015. <https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/hr240.pdf>

Though the House has passed a series of measures to stop and prevent funding to President Obama's executive amnesty, the courts also have stepped in to curb his unconstitutional overreach. Twenty-six states, led by Texas, filed a lawsuit in federal court to block the president's actions. On February 16, 2015, a federal judge in the Southern District of Texas enjoined in full the president's actions.<sup>162</sup> Given the president's statements leading up to his actions, the House response, and the court's ruling, all three branches of the federal government have concurred that the president acted beyond his authority.<sup>163</sup> On November 9, 2015 the 5<sup>th</sup> Circuit Court of Appeals again ruled against President Obama's efforts to shield undocumented immigrants.<sup>164</sup> In its ruling, the majority affirmed that current immigration law "flatly does not permit the reclassification of millions of illegal aliens as lawfully present and thereby make them newly eligible for a host of federal and state benefits, including work authorization."

While it is appropriate that the courts intervened by temporarily halting the president's overreach, Congress should not sit idly by. To end the president's unconstitutional amnesty, this budget eliminates funding for those illegal actions, and insists on the enforcement of existing immigration laws and the securing of our borders.

### **FULL VETTING OF REFUGEES ENTERING THE UNITED STATES**

---

On December 2, 2015, two individuals opened fire on a conference room of county workers, killing 14 people. The attack, believed to be terrorist-inspired, was carried out by a Pakistani-born, U.S. permanent resident, who spent much of her life in Saudi Arabia, and her husband, of Pakistani descent. The shooters were believed to have been radicalized long before they wed, and their attack, inspired by Islamic terrorism.<sup>165</sup> In November, three coordinated teams of Islamic terrorists opened fire and detonated explosives at six sites across Paris, killing nearly 130 people. One of the terrorists involved was found to have entered the European Union through Greece, posing as a refugee and taking advantage of relocation programs.<sup>166</sup>

In response to the attacks on our allies' soil, and the threat of further attacks on American soil, the House passed Representatives Michael McCaul and Richard Hudson's H.R. 4038,

---

<sup>162</sup> United States District Judge Andrew Hanen, United States District Court For The Southern District Of Texas Brownsville Division, Memorandum and Order, February 16, 2015.

[http://www.txs.uscourts.gov/sites/txs/files/1-14-cv-254\\_145X20977588\\_0.pdf](http://www.txs.uscourts.gov/sites/txs/files/1-14-cv-254_145X20977588_0.pdf)

<sup>163</sup> Representative Bill Flores (TX-17), Flores Talks DHS Funding On The Rundown with Jose Diaz Balart, February 25, 2015. <https://www.youtube.com/watch?v=F9C2QI1WnCo>

<sup>164</sup> Michelle Malkin, National Review, "Federal Courts Block Obama's Executive Illegal-Immigration Amnesty (Again)", November 11, 2015. <http://www.nationalreview.com/article/426878/obama-executive-illegal-immigration-amnesty-fifth-circuit>

<sup>165</sup> New York Times, "What Investigators Know About the San Bernardino Shooting", December 10, 2015. [http://www.nytimes.com/interactive/2015/12/02/us/california-mass-shooting-san-bernardino.html?\\_r=2](http://www.nytimes.com/interactive/2015/12/02/us/california-mass-shooting-san-bernardino.html?_r=2)

<sup>166</sup> Jon Henley, The Guardian, "Paris terror attacks 'carried out by three coordinated teams of gunmen'", November 14, 2015. <http://www.theguardian.com/world/2015/nov/14/syrian-greece-refugee-paris-attacks-killers>

the American Security Against Foreign Enemies Act (SAFE) of 2015. The SAFE Act requires the Secretary of Homeland Security and the head of the FBI to sign off on any refugee admitted to the United States from Iraq and Syria, or any individual who traveled to Iraq or Syria during the past five years.<sup>167</sup> The bill is also designed to ensure that a thorough FBI background check and Homeland Security screening are performed on each refugee.<sup>168</sup> It is imperative we stop the Obama Administration's assault on our national security and his negligence to the American people. This budget would prevent any funding from being directed to admit refugees from Syria and Iraq until the stringent requirements to ensure American's safety are in place.

## **COMMITMENT TO THE UNBORN**

---

One of the most tragic legacies of the 20th century is the millions of innocent lives lost through abortion. The first duty of government is to defend the lives of its citizens from threats to their survival. It is clear that current federal policies fail to protect our nation's most vulnerable. The RSC budget prioritizes the sanctity of human life by prohibiting federal funds from going to entities, including Planned Parenthood, that provide abortions.

This prohibition of funding comes on the heels of an array of House activity to stop federal funding to Planned Parenthood. Last year, the House passed Rep. Diane Black's bill, H.R. 3134, the Defund Planned Parenthood Act of 2015, to prohibit funding for Planned Parenthood or its affiliates for one year, pending a federal investigation into the illegal sale of fetal tissue. The House also passed Representative Trent Franks' H.R. 3504, the Born-Alive Abortion Survivors Protection Act to protect infant survivors of abortion, and to ensure that all infants born alive receive the same degree of care, regardless of their gestational age. Rep. Sean Duffy's H.R. 3495, the Women's Public Health and Safety Act, was also passed by the House. The bill would amend Medicaid to allow states to prevent abortion providers from receiving funding. Finally, House Republicans established a special task force to investigate crimes against the unborn and the illegal sale of fetal tissue.<sup>169</sup>

House Republicans will continue to fight to protect those with strong conscience objections to abortion. The Abortion Non-Discrimination Act would ensure any healthcare provider who is opposed to abortion will not be forced to participate in the killing of an unborn child. The

---

<sup>167</sup> H.R. 4038, the American Security Against Foreign Enemies Act, Final Vote Results For Roll Call 643, November 19, 2015. <http://clerk.house.gov/evs/2015/roll643.xml>

<sup>168</sup> Camila Domonske, National Public Radio, "House Votes To Increase Security Checks On Refugees From Iraq, Syria", November 19, 2015. <http://www.npr.org/sections/thetwo-way/2015/11/19/456651251/house-votes-to-increase-security-checks-on-refugees-from-iraq-syria>

<sup>169</sup> Alan Fram, Associated Press, "The Republican chairman of a special House panel investigating Planned Parenthood and other abortion providers has issued the first three subpoenas to groups she says are withholding information", February 16, 2016. <http://www.usnews.com/news/politics/articles/2016-02-16/house-gop-subpoenas-3-groups-in-planned-parenthood-probe>

RSC budget would stop any federal funding from being used to force the unwilling to participate in an abortion service against their moral beliefs.<sup>170</sup>

## **DEFENSE OF THE FIRST AMENDMENT**

---

In the Supreme Court's recent ruling in *Obergefell v. Hodges*, America witnessed firsthand efforts to dismantle the First Amendment. Following the ruling, individuals and organizations that hold the belief that marriage is between one man and one woman may face federal discrimination for their sincerely held religious beliefs. H.R. 2802, The First Amendment Defense Act, an important RSC Initiative introduced by Representative Raul Labrador, seeks to protect Americans' right to live according to their beliefs - without discrimination, persecution, or retaliation from the federal government. The RSC budget would protect our First Amendment rights, uphold the Constitution, restore religious freedom, and prevent discrimination against our churches, non-profits, and faith-based organizations.

## **PROTECT THE SECOND AMENDMENT**

---

Self-defense has become a matter of national security and this budget reflects that reality. Today all 50 states and Washington, D.C. issue permits for some manner of concealed carry. Across the country, arbitrary anti-gun "may-issue" permit standards, which empower governments to grant or not grant you your Second Amendment rights, are being converted to "shall-issue" standards, which require governments to recognize your right to carry a gun. Constitutional carry (permitless carry) is also sweeping the country - from two permitless states in 2009 to 12 states today that do not prohibit at least a limited version of Constitutional carry. Still, leftist politicians holding the White House, governors' mansions, and local offices continue to play politics with law abiding gun owners' God-given rights. That is why the RSC budget calls for action on legislation introduced by Representative Marlin Stutzman including H.R. 4321, which defunds President Obama's executive overreach on gun rights, and H.R. 923, the Constitutional Concealed Carry Reciprocity Act, which allows gun owners to actually defend themselves across state lines while preserving state legislatures' role in choosing permitting policies appropriate to their state.

## **REQUIRE THE PRESIDENT TO FULFILL HIS CONSTITUTIONAL DUTY TO ENFORCE THE LAW**

---

Article II, Section 3, of the U.S. Constitution states that the president "shall take care that the laws be faithfully executed." Unfortunately, President Obama has failed to fulfill his Constitutional duty. He has delayed the Obamacare employer mandate, refused to enforce our immigration laws, granted welfare work requirement waivers in violation of the 1996

---

<sup>170</sup> United States Conference of Catholic Bishops, Secretariat of Pro-Life Activities, "The Need for the Abortion Non-Discrimination Act", October 23, 2015. <http://www.usccb.org/issues-and-action/religious-liberty/conscience-protection/upload/The-Need-for-The-Abortion-Non-Discrimination-Act.pdf>

welfare reform law, failed to enforce federal drug laws in states that permit medical and recreational marijuana use, and halted the prosecution of low-level drug offenders under mandatory minimum sentencing laws.

Under current law, if the attorney general determines that a law is unconstitutional and no longer enforces it, he is required to submit a report to Congress. That model should be implemented throughout the federal bureaucracy. If a federal agency decides it will no longer enforce a law for any reason, the head of that agency should notify Congress and provide the legal reasoning behind their decision. This proposal is based on Representative Ron DeSantis's Faithful Execution of the Law Act.

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

### **STOP NET NEUTRALITY**

---

A free and open Internet has been one of the greatest catalysts for innovation, opportunity, and economic growth. Rigid government regulation of the Internet will only stifle prosperity and progress. Congress should repeal the Federal Communication Commission's February 26, 2015, rule reclassifying broadband Internet access as a telecommunication service under Title II of the Communications Act of 1934. This proposal is based on H.R. 1212, the Internet Freedom Act, introduced by Representative Marsha Blackburn.

### **PROTECT PRIVATE PROPERTY FROM GOVERNMENT SEIZURE**

---

The Fifth Amendment provides that "private property [shall not] be taken for public use, without just compensation." However, the Supreme Court put this important guarantee of private property rights in jeopardy in *Kelo v. City of New London*. That ruling determined local governments may use eminent domain to seize private property and then sell it for development purposes. To prevent this type of government abuse, federal economic development funding to local governments should be dependent on states' restraint from using eminent domain for private economic development. This proposal is based on H.R. 3013, the Private Property Rights Protection Act.

### **STOP CIVIL ASSET FORFEITURE ABUSE**

---

Many Americans assume that their due process rights are automatically honored by the government. Under current law, federal, state and local police can seize an individual's

property unless that individual can prove that he or she acquired it legally. This must change. H.R. 540, the Fifth Amendment Integrity Restoration (FAIR) Act, introduced by Representative Tim Walberg, would protect our constitutional rights and save American families from a costly and messy legal process to regain what is legally theirs. This legislation would raise the standard to seize assets and reduce incentives in law for states and localities to unnecessarily seize property in civil forfeiture.

### **REFORM THE ANTIQUITIES ACT**

---

Under the Antiquities Act of 1906, the president is authorized to unilaterally proclaim national monuments on federal lands. Like other unchecked powers given to the Executive Branch, this authority has been abused. President Obama has placed this designation on more than 260 million acres, and administration officials have been quoted as saying they “have big, big ambitions this year.”<sup>171</sup> Because a national monument designation imposes strict restrictions on land use, the Antiquities Act can hurt local economies that rely on logging, mineral development, energy creation, or recreational activities on the federal land. Before an area is designated as a national monument, the designation should be approved by an act of Congress.

### **HOLD GOVERNMENT EMPLOYEES ACCOUNTABLE**

---

The past few years have brought us shocking news stories about senior government employees who have abused their positions of power. Whether it is employees at the General Services Administration (GSA) taking lavish vacations on the taxpayers’ dime or the Internal Revenue Service (IRS) making expensive parody videos and targeting conservatives, mismanagement and waste by federal bureaucrats is unacceptable. Unfortunately, the federal government has limited options to discipline federal workers. Often employees who are under investigation are simply placed on paid leave. Federal agencies should have the ability to fire Senior Executive Service employees for serious violations or place them on unpaid leave while they are under investigation. This commonsense proposal is based on Representative Mike Kelly’s H.R. 722, the Government Employee Accountability Act.

### **DON’T WASTE TAXPAYER FUNDS ON EXPENSIVE CONFERENCES**

---

In 2013, it was reported that the GSA held a lavish conference in Las Vegas, charging more than \$800,000 to taxpayers. In 2012 alone, taxpayers funded \$340 million for 894 conferences for federal employees. While it can be important for federal workers to attend certain events and conferences, the waste, fraud, and abuse must stop. Spending limits

---

<sup>171</sup> Juliet Eilperin, Washington Post, “Obama designates new national monuments in the California desert”, February 12, 2016. [https://www.washingtonpost.com/politics/obama-to-designate-new-national-monuments-in-the-california-desert/2016/02/11/5b77db4e-c6be-11e5-a4aa-f25866ba0dc6\\_story.html](https://www.washingtonpost.com/politics/obama-to-designate-new-national-monuments-in-the-california-desert/2016/02/11/5b77db4e-c6be-11e5-a4aa-f25866ba0dc6_story.html)

should be put in place for conferences, and the heads of federal agencies should be required to personally approve the most expensive conferences.

### **LIMIT BONUSES FOR FEDERAL WORKERS TO A REASONABLE LEVEL**

At a time when we have a ballooning national debt, we cannot afford to hand out lavish bonuses to senior federal workers. In 2014, 68 percent of Senior Executive Service workers received bonuses at an average of \$10,560 per employee.<sup>172</sup> There should be reasonable limits on the size of bonuses that can be awarded and the number of senior employees who can receive an award.

### **ESTABLISH CUSTOMER SERVICE STANDARDS**

Unsurprisingly, a recent survey found that customer satisfaction with government service has reached an all-time low.<sup>173</sup> Because so much of what the government does is serving the public, the federal government should establish standards for customer service and improve its response time to citizen requests.

### **CRIMINAL JUSTICE SYSTEM REFORM**

Federal regulatory agencies spend tens of billions of dollars each year developing and enacting regulations— many of which are enforceable by fines or even imprisonment.<sup>174</sup> As the size and scope of the federal government has dramatically expanded, the criminal code has ballooned. The U.S. Department of Justice and the American Bar Association cannot even accurately quantify the number of laws that impose a criminal penalty.<sup>175</sup> Many people in violation of the law have no idea they are breaking a federal law, so they lack a “guilty mind” (*mens rea*) component found in most criminal penalties. Legislation like H.R. 4002, the Criminal Code Improvement Act, which would establish a default *mens rea* standard when one is not supplied by federal law, is essential to slow down the rapid expansion of criminal penalties in our justice system. Enforcing a *mens rea* standard ensures that only those that intend to commit a crime are criminally liable, and prevents the government

---

<sup>172</sup> Kellie Lunney, Government Executive, “More Senior Execs Got Bonuses in 2014, and the Payouts Were Bigger”, November 18, 2015. <http://www.govexec.com/pay-benefits/2015/11/more-senior-execs-got-bonuses-fiscal-2014-previous-year/123812/>

<sup>173</sup> Kristiana Mork, Daily Signal, “Satisfaction With Federal Government Services Reaches New Low”, January 26, 2016. <http://dailysignal.com/2016/01/26/satisfaction-with-federal-government-services-reaches-new-low/>

<sup>174</sup> Competitive Enterprise Institute, Red Tapeworm 2014: The High Cost of Overcriminalization. <https://cei.org/blog/red-tapeworm-2014-high-cost-overcriminalization>

<sup>175</sup> Michael B. Mukasey and Paul Larkin, Heritage Foundation, The Perils of Overcriminalization. <http://www.heritage.org/research/reports/2015/02/the-perils-of-overcriminalization>



agencies like the EPA, from destroying innocent lives through excessively burdensome regulations.<sup>176</sup>

Overcriminalization traps not only the convicted in a cycle of poverty and incarceration, but also harms the families many leave behind while they are behind bars. Several commonsense reforms targeting non-violent offenders have already made their way through the House Judiciary Committee.<sup>177</sup> <sup>178</sup> The RSC budget recommends that the House Judiciary Committee continue its review of the criminal code and that reforms addressing overcriminalization and *mens rea* be enacted.

## **REDUCE GOVERNMENT COMPETITION WITH THE PRIVATE SECTOR**

---

Government at all levels is increasingly involved with providing goods and services that are better left to the private sector. The Obama Administration is even encouraging local governments to offer broadband Internet service, overriding state laws through regulation and offering incentives in the tax code.<sup>179</sup>

The federal government should have a “yellow pages test:” if a good or service can be procured from private enterprise, through ordinary business channels, the government should not attempt to carry on any commercial activity. Government should be restricted to its core constitutional duties and only provide services that are appropriate in the federal government’s defined domain. The RSC budget also recommends terminating the Government Publishing Office (GPO) and outsourcing its few remaining functions to the private sector.

## **MODERNIZE FEDERAL IT INFRASTRUCTURE**

---

Over the last decade, the federal government has spent \$600 billion on information technology infrastructure.<sup>180</sup> Unfortunately, an estimated 20 to 30 percent of our annual IT spending could have been reduced with better management.<sup>181</sup> Most recently, we have

---

<sup>176</sup> House Judiciary Committee, Criminal Justice Reform Initiative. <http://judiciary.house.gov/index.cfm/criminal-justice-reform-initiative>

<sup>177</sup> House Judiciary Committee, “House Judiciary Committee Approves Bills To Address Federal Over-Criminalization”, November 18, 2015. <http://judiciary.house.gov/index.cfm/press-releases?ID=ED94519C-05D8-46EB-A5C7-3A8ACC55B5F9>

<sup>178</sup> House Judiciary Committee, “Goodlatte Statement At Markup Of H.R. 759, The “Recidivism Risk Reduction Act””, February 11, 2016. <http://judiciary.house.gov/index.cfm/press-releases?ID=D67708E1-8805-4357-9077-4B7E929B7E13>

<sup>179</sup> Wall Street Journal, “Tom Wheeler’s Other Web Takeover”, February 24, 2015. <http://www.wsj.com/articles/tom-wheeler-s-other-web-takeover-1424821807>

<sup>180</sup> Vivek Kundra, U.S. Chief Information Officer “25 Point Implementation Plan to Reform Federal Information Technology Management”, December 9, 2010. <https://www.dhs.gov/sites/default/files/publications/digital-strategy/25-point-implementation-plan-to-reform-federal-it.pdf>

<sup>181</sup> “One Trillion Reasons,” Technology CEO Council. [http://www.techceocouncil.org/news/2010/10/01/reports/one\\_trillion\\_reasons/](http://www.techceocouncil.org/news/2010/10/01/reports/one_trillion_reasons/)

seen the Obama Administration's disastrous rollout of its Obamacare website, which has cost hundreds of millions of dollars.<sup>182</sup> Instead, federal agencies should modernize their IT infrastructure, take advantage of new technologies, and coordinate with each other, ensuring America has the 21st century government its citizens deserve. This proposal is based on Representative Darrell Issa's Federal Information Technology Acquisition Reform Act.

### **AUDIT AND REFORM THE FEDERAL RESERVE**

---

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

This budget also recommends the creation of a Centennial Monetary Commission, such as the one proposed by Representative Kevin Brady in H.R. 2912. This commission should examine how the Fed's policies have affected the U.S. economy and make recommendations to Congress for potential reforms.

### **TELL THE TAXPAYERS WHERE THEIR DOLLARS ARE BEING SPENT**

---

With the federal government spending about \$4 trillion each year—an amount equal to almost \$12,700 for every citizen—taxpayers deserve to know how their hard-earned dollars are spent. Federal agencies should publicly disclose each program they run, how much it costs, who benefits from it, and if the program is duplicative of other federal programs. This proposal is based on H.R. 598, the Taxpayers Right to Know Act, introduced by Representative Tim Walberg.

### **IMPROVE THE FOIA PROCESS**

---

The Freedom of Information Act (FOIA) allows citizens to request records from federal agencies. To improve and modernize this process, this budget recommends the creation of a single online portal for citizens to submit and track their requests. Further, agencies should

---

<sup>182</sup> Brett Norman and Jason Millman, Politico, "Doubts about ACA site repair date", November 13, 2013. <http://www.politico.com/story/2013/11/darrell-issa-obamacare-hearing-099788>

establish a presumption of openness when complying with requests, should justify their reasoning when withholding requested records, and should make public records that are regularly requested. This proposal is based on H.R. 653, the FOIA Oversight and Implementation Act, introduced by Representative Darrell Issa.

### **REQUIRE DISCLOSURE ON TAXPAYER-FUNDED ADVERTISEMENTS**

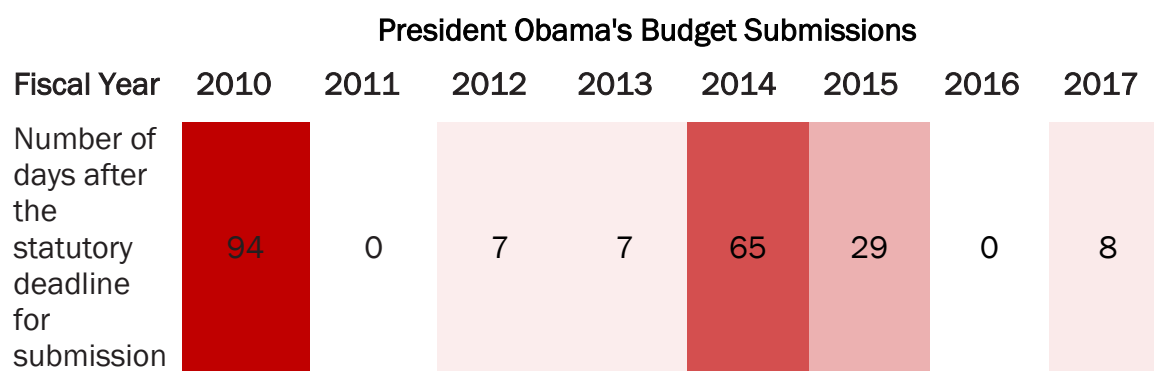
---

In the interest of transparency and accountability, the public should know when taxpayer dollars are used to promote government projects. Television and radio advertisements, mailers, and brochures that are purchased at taxpayer expense should include a disclaimer identifying this fact, as well as the cost of the advertisement.

# FIXING THE BROKEN BUDGET PROCESS

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

Throughout his administration, President Obama has shown contempt for the budget process. Two-thirds of his budget submissions were submitted after the statutory deadline, and several submissions were delayed by two or three months.



Former Senate Majority Leader Harry Reid has single-handedly shut down the Senate’s budget process four times in the last six years. The Senate failed to pass a budget for FY 2011, 2012, 2013, and 2015. The Senate did not pass a single regular appropriations bill in FY 2011, 2013, 2014, and 2015. In FY 2016, even with a conferenced budget agreed upon between the two houses, Senator Reid held every appropriations bill hostage until well after the fiscal year began. He did so to secure his demand of increased federal spending, which culminated in a thousand page omnibus spending bill unveiled only three days before it was passed.

The federal budget process is undeniably broken, and Congress shares some of the responsibility. Too often, procedural rules are waived that would otherwise restrain out-of-control spending. Massive omnibus appropriations bills—written behind closed doors—come to a vote on the House floor well after the fiscal year they fund has already begun. That leaves little time for members and staff to review the legislation, as was the previously-noted case in FY 2016.

Fiscal Year	2011	2012	2013	2014	2015	2016
Number of Days After Start of Fiscal Year Before Government Was Funded	154	108	176	83	198	78

In FY 2016, after half a decade of failed budgets in the Democrat controlled Senate, the Republican majority in the House and the newly-elected Republican majority in the Senate worked together to agree on a conferenced budget. This success was an important first step toward restoring the broken budget process, but on its own, passing a budget is insufficient. This budget lays the foundation for the House and Senate to once again complete their work on the budget, and then to move on to consider all 12 regular appropriations bills under a punctual, open process. Further, this budget includes the policies necessary to advance the reforms to mandatory entitlement spending that are bankrupting our nation’s future, allowing Congress to get to work restoring the American promise for this and future generations.

**FINISHING THE HOUSE’S WORK: IMPLEMENTING THE BUDGET**

For half a decade, both the Republican Study Committee and House Budget Committee budgets have included major reforms to ensure the solvency of our social safety net programs, which would prevent the coming fiscal crises and a devastating bankrupting of our nation. Too often, however, the bold policies outlined in these budgets fail to come to fruition. To correct this problem, this budget sets reconciliation targets at the necessary budget levels to achieve the mandatory reforms assumed. It also includes the budget enforcement provisions of the RSC Terms of Credit Act, introduced as H.R. 3771 by RSC Chairman Bill Flores.

The Terms of Credit Act establishes an accountability measure to force House authorizing committees to produce legislation carrying the assumptions of the Budget Resolution into force through the budget reconciliation process. In the event a committee fails to report legislation that meets the minimum budgetary savings thresholds called for in the budget, the Members of the House would be allowed to advanced privileged legislation to make up the difference. Finally, if the House fails to pass legislation fully meeting the reconciliation targets within 180 days, it would be prohibited from adjourning until the work is complete

## **CONSEQUENCES FOR NOT FOLLOWING THE LAW**

---

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

In 2013, Congress passed the No Budget, No Pay Act, which would have withheld the salaries of representatives and senators if each chamber failed to pass a budget resolution. The law was only in effect that year, however. Unsurprisingly, both the House and Senate were able to approve budgets in time to get their paychecks.

This budget proposes building on the success of No Budget, No Pay by imposing real consequences for lawmakers if they fail to follow the law. Each year, the president, the House, and the Senate would be required to propose budgets. If the president has not submitted a budget proposal by the first Monday in February, as currently required by the Budget Act, his pay will be withheld until he does so. If the House or the Senate has not passed a budget resolution by the April 15th statutory deadline, congressional salaries will be withheld until their respective chamber approves a budget. This proposal is based on the ideas put forward by Representative Rob Wittman's H.R. 174, the No Budget, No Pay Act.

## **RECLAIM CONGRESS'S POWER OF THE PURSE**

---

Article I, Section 9 of the Constitution entrusts the power of the federal purse with Congress alone. As Madison makes clear in Federalist 58, "the House of Representatives cannot only refuse, but they alone can propose, the supplies requisite for the support of government."<sup>183</sup> However, the use of the power of the purse is only effective when Congress is informed and involved in the spending process. The current practice does not measure up. This budget includes a number of reforms to correct this problem and restore this quintessential congressional power.

Too often, Congress has allowed the executive branch to use fees and other revenue streams virtually unchecked, with disastrous results. President Obama has violated the separation of powers through his use of executive actions. GAO found that the Obama Administration violated the Antideficiency Act by transferring dangerous terrorists from Guantanamo Bay.<sup>184</sup> The U.S. Customs and Immigration Services (USCIS) diverted user fees to implement the president's executive amnesty actions without congressional authorization until an injunction from a Federal court stopped that process from moving forward. Spending

---

<sup>183</sup> James Madison, Federalist #58, the Federalist Papers.

<sup>184</sup> Government Accountability Office, Department of Defense—Compliance with Statutory Notification Requirement.

of this nature is estimated by OMB to exceed \$534 billion in FY 2017.<sup>185</sup> This budget calls for changes to authorizing statutes that will require explicit congressional authority to spend offsetting collections and receipts.

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

## **UNAUTHORIZED SPENDING**

---

Since 1835, the Rules of the House (clause 2(a)(1) of rule XXI) have required that appropriations may only be for purposes authorized by law. This rule is rarely enforced because appropriations bills are routinely considered under legislative procedures that waive existing budget rules. As a result, much of the discretionary budget is spent without oversight or accountability. The Consolidated Appropriations Act, 2016 included \$310 billion in appropriations not authorized by law, constituting almost one-third of the entire discretionary budget.<sup>186</sup>

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

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

## **END THE POLITICAL THREAT OF DEFAULT**

---

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

---

<sup>185</sup> Office of Management and Budget, Analytical Perspectives, Budget of the United States Government, FY 2017

<sup>186</sup> Congressional Budget Office, Unauthorized Appropriations and Expiring Authorizations, January, 2016.

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

### **IMPROVE ENFORCEMENT OF BUDGET RULES**

---

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

### **DISCLOSURE AND ACCOUNTABILITY ON EMERGENCY SPENDING**

---

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

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

### **WELFARE SPENDING DISCLOSURE IN THE PRESIDENT'S BUDGET**

---

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

### **LONG-TERM BUDGETING**

---

It is clear that the federal government faces a long-term budget problem. According to GAO, under one projected scenario, taxes would need to be increased by 52 percent over the next 75 years to keep the national debt held by the public at its 2014 level.<sup>187</sup> Unfortunately, current budget rules only look at a short ten-year window. This narrow view gives lawmakers and the public an inaccurate picture of the nation's fiscal health and encourages gimmicks that allow enormous, future spending increases.

---

<sup>187</sup> Government Accountability Office, Fiscal Outlook: Federal Fiscal Outlook.



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

### **INTERGENERATIONAL ACCOUNTING**

---

It is important for policymakers to have a clear and accurate picture of the fiscal future of America. The so-called "fiscal gap" is the present value of projected expenditures less the present value of projected receipts. The fiscal gap provides a truer understanding of the actual long-term debt. The RSC budget would require CBO to analyze the fiscal gap over a 75-year window to show the burden irresponsible fiscal policies have placed on our children and grandchildren. This proposal is supported by at least 17 Nobel Laureates in Economics.<sup>188</sup>

### **FIX THE BUDGETARY TREATMENT OF HIGHWAY PROGRAMS**

---

The budgetary treatment of the highway program contributes to overspending and unaccountability. Normal discretionary spending is limited by the budget caps and sequestration, while mandatory spending is limited by the House CutGO rule and statutory pay-as-you-go requirements. Under current law, the budget authority for transportation programs is treated as mandatory spending, while outlays from the Highway Trust Fund are treated as discretionary spending. This has the effect of exempting transportation programs from any of the standard budget enforcement procedures.<sup>189</sup>

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

---

<sup>188</sup> The INFORM Act, Nobel Laureate Supporters of The Inform Act.

<sup>189</sup> Committee for a Responsible Federal Budget, Why Lawmakers Should Fix The Budgetary Treatment Of The Highway Trust Fund.

## **REPORT ON THE COST OF LEGISLATION ENACTED EACH YEAR**

Unsurprisingly, the federal government does not currently track the cost of newly enacted laws each year. This budget calls for the OMB to prepare a report each calendar year that details the cost of each law signed by the president.

## **DISCLOSURE OF CHANGES IN MANDATORY PROGRAMS (CHIMPS)**

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

## **REQUIRE OMB TO REPORT UNOBLIGATED AND REPROGRAMMED BALANCES**

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

Funding is sometimes diverted from its original congressional intent to some different purpose by reprogramming funds from one account to another. Authority for shifting funds is often provided in appropriations bills to allow reasonable flexibility to accommodate unforeseen events. While some large reprogramming actions are reported to the House and Senate appropriations committees, most of this activity occurs in the dark. Under this plan, the OMB would be required to report to the House and Senate anytime funds are reprogrammed from one account to another, and to include a justification for the shift.

## **IMPLEMENT THE CUT RESOLUTION**

Too often, Congress falls short when it comes to executive branch oversight. The RSC budget would require the House Majority Leader to bring a quarterly rescissions bill before the House to ensure that agencies spend taxpayer dollars appropriately. Any rescissions approved by the House would be dedicated to deficit reduction via a reduction to the 302(a) allocation for that fiscal year. This is modeled on the Cut Resolution.

## **STRENGTHEN THE SPENDING REDUCTION ACCOUNTS**

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

Unfortunately, although the House has voted on bills and amendments that reduce the level of discretionary spending, spending cuts protected in spending reduction accounts are not applied against the House Appropriations Committee's overall 302(a) allocation, and this allows those savings to be redirected by the committee to spending in subsequent appropriations bills and conference reports.

This budget would require spending reduction accounts under the standing Rules of the House. This proposal would further strengthen the spending reduction accounts by requiring that any funds allocated to a spending reduction account would also be cut from the House Appropriations Committee's 302(a) allocation, protecting the cuts from being spent later in the appropriations process.

## **BASELINE BUDGETING**

Under current law, CBO's baseline spending projections automatically assume higher spending each year. Based on Representative Rob Woodall's H.R. 3186, the Baseline Reform Act, this budget recommends that the pro-spending bias for discretionary spending be removed from the baseline.

## **MAKE EARMARK BAN PERMANENT**

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

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

## **REALISTIC SCORING**

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

This commonsense proposal should be enshrined into law by enacting legislation similar to Representative Tom Price’s Pro-Growth Budgeting Act. That way, before voting, lawmakers can be sure they have the most accurate information regarding the fiscal impact of major legislation (defined as having a fiscal effect of at least .25 percent of GDP in any year within the budget window).

### **DISCLOSE THE REAL COST OF FEDERAL CREDIT PROGRAMS**

This budget proposes increasing transparency in federal budgeting by using fair-value accounting for federal insurance programs. This ensures the true costs of these programs are included in the federal budget. A CBO report shows that the current accounting rules hide the real cost to the taxpayers of several programs. For instance, under the current rules, student loans generate \$135 billion for the Treasury, however the program actually costs \$88 billion.<sup>190</sup> This proposal is based on Representative Scott Garrett’s the Budget and Accounting Transparency Act (H.R. 119).

### **REESTABLISH THE BYRD COMMITTEE**

Established at the onset of World War II, the Committee on the Elimination of Nonessential Federal Programs (better known as the Byrd Committee, after its first chairman, Senator Harry Byrd), sought to identify wasteful, duplicative, and otherwise nonessential federal spending programs that should be eliminated. The committee regularly reported billions of dollars of savings in recommended spending reductions and program eliminations that were adopted by Congress and signed into law, reducing the deficit and ensuring funding was available for vital priorities, like funding the war effort in the 1940s. From its creation in 1941 to its termination in 1974, the committee served as a rare example of the federal government pursuing fiscal responsibility rather than profligacy. This budget calls for the reestablishment of this committee and requires Congress to act on the resulting recommendations.

---

<sup>190</sup> Congressional Budget Office, Fair-Value Estimates of the Cost of Selected Federal Credit Programs for 2015 to 2024.

# CONSTITUTIONAL AUTHORITY STATEMENT

---

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

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

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

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

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

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

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

# SUPPLEMENTAL TABLES

RSC- 1 Revenues, Outlays, and Deficit /Surplus (Nominal Dollars, in Billions)											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Revenues	3,511	3,633	3,747	3,917	4,076	4,244	4,421	4,610	4,818	5,035	42,010
Outlays	3,705	3,775	3,917	4,071	4,187	4,318	4,453	4,595	4,783	4,946	42,749
<b>Deficit(-)/Surplus</b>	<b>-194</b>	<b>-142</b>	<b>-170</b>	<b>-154</b>	<b>-111</b>	<b>-74</b>	<b>-32</b>	<b>15</b>	<b>34</b>	<b>89</b>	<b>-739</b>

As Share of Gross Domestic Product (GDP)											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Average
Revenues	18.2%	18.1%	17.9%	18.0%	18.0%	18.0%	18.0%	18.1%	18.1%	18.2%	18.1%
Outlays	19.2%	18.8%	18.7%	18.8%	18.5%	18.4%	18.2%	18.0%	18.0%	17.9%	18.4%
<b>Deficit(-)/Surplus</b>	<b>-1.0%</b>	<b>-0.7%</b>	<b>-0.8%</b>	<b>-0.7%</b>	<b>-0.5%</b>	<b>-0.3%</b>	<b>-0.1%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>-0.4%</b>
<i>GDP</i>	19,297	20,127	20,906	21,710	22,593	23,528	24,497	25,506	26,559	27,660	

RSC- 2 Major Outlay Categories (Nominal Dollars, in Billions)											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Social Security	943	994	1,054	1,117	1,184	1,255	1,327	1,402	1,481	1,562	12,319
Medicare	584	572	630	665	697	780	789	799	888	949	7,354
Medicaid/CHIP	348	348	348	348	348	348	348	348	348	348	3,482
Obamacare	0	0	0	0	0	0	0	0	0	0	0
Other Mandatory	449	429	398	401	376	327	350	382	369	360	3,842
Discretionary	1,077	1,078	1,084	1,097	1,112	1,114	1,120	1,130	1,153	1,172	11,138
Net Interest	304	353	403	442	469	494	517	532	544	554	4,613
<b>Total</b>	<b>3,705</b>	<b>3,775</b>	<b>3,917</b>	<b>4,071</b>	<b>4,187</b>	<b>4,318</b>	<b>4,453</b>	<b>4,595</b>	<b>4,783</b>	<b>4,946</b>	<b>42,749</b>

RSC- 3	RSC Vs. Current Law (Nominal Dollars, in Billions)										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Revenues	0	0	0	0	0	0	0	0	0	0	0
Outlays	-367	-430	-568	-656	-782	-970	-1,045	-1,105	-1,260	-1,455	-8,639
<b>Deficit Improvement</b>	<b>-367</b>	<b>-430</b>	<b>-568</b>	<b>-656</b>	<b>-782</b>	<b>-970</b>	<b>-1,045</b>	<b>-1,105</b>	<b>-1,260</b>	<b>-1,455</b>	<b>-8,639</b>



RSC- 4	RSC Vs. Current Law Details (Nominal Dollars, in Billions. Totals may not equal sum of figures due to rounding)										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
<b>Revenues</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Social Security	-3	-8	-12	-17	-21	-27	-33	-39	-47	-56	-261
Medicare	-5	-21	-31	-43	-64	-75	-87	-96	-112	-130	-662
Medicaid/CHIP (including Obamacare expansion)	-66	-83	-97	-118	-141	-167	-193	-221	-251	-299	-1,636
Obamacare Exchanges	-73	-80	-85	-87	-91	-95	-99	-102	-105	-109	-925
Other Mandatory	-87	-98	-171	-185	-221	-302	-274	-231	-275	-328	-2,171
Discretionary	-129	-125	-138	-151	-162	-192	-212	-228	-243	-257	-1,837
Net Interest	-4	-16	-35	-56	-82	-113	-149	-187	-228	-276	-1,146
<b>Total Outlays</b>	<b>-367</b>	<b>-430</b>	<b>-568</b>	<b>-656</b>	<b>-782</b>	<b>-970</b>	<b>-1,045</b>	<b>-1,105</b>	<b>-1,260</b>	<b>-1,455</b>	<b>-8,639</b>
<b>Deficit Improvement</b>	<b>-367</b>	<b>-430</b>	<b>-568</b>	<b>-656</b>	<b>-782</b>	<b>-970</b>	<b>-1,045</b>	<b>-1,105</b>	<b>-1,260</b>	<b>-1,455</b>	<b>-8,639</b>

RSC- 5 Discretionary Budget Authority (Nominal Dollars, in Billions)											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Defense	574	599	611	623	635	648	661	673	687	702	6,414
Non-Defense	400	405	410	416	421	427	432	438	444	450	4,242
<b>Total Base</b>	<b>974</b>	<b>1,004</b>	<b>1,021</b>	<b>1,039</b>	<b>1,056</b>	<b>1,075</b>	<b>1,093</b>	<b>1,112</b>	<b>1,131</b>	<b>1,151</b>	<b>10,656</b>
Global War on Terrorism (GWOT)	59	27	27	27	27	0	0	0	0	0	167
<b>Total Discretionary</b>	<b>1,032</b>	<b>1,031</b>	<b>1,048</b>	<b>1,066</b>	<b>1,083</b>	<b>1,075</b>	<b>1,093</b>	<b>1,112</b>	<b>1,131</b>	<b>1,151</b>	<b>10,823</b>
<i>Note:</i>											
<b>Total Defense (Base + GWOT)</b>	<b>633</b>	<b>626</b>	<b>638</b>	<b>650</b>	<b>662</b>	<b>648</b>	<b>661</b>	<b>673</b>	<b>687</b>	<b>702</b>	<b>6,580</b>

RSC- 6 RSC vs. Current Policy Discretionary Budget Authority (Nominal Dollars, in Billions)											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
<b>RSC FY 2017</b>											
Defense	574	599	611	623	635	648	661	673	687	702	6,414
Non-Defense	400	405	410	416	421	427	432	438	444	450	4,242
<b>Total Base</b>	<b>974</b>	<b>1,004</b>	<b>1,021</b>	<b>1,039</b>	<b>1,056</b>	<b>1,075</b>	<b>1,093</b>	<b>1,112</b>	<b>1,131</b>	<b>1,151</b>	<b>10,656</b>
<b>Current Policy Baseline</b>											
Defense	551	549	562	576	590	605	620	635	651	668	6,007
Non-Defense	519	516	530	543	555	569	583	598	613	628	5,653
<b>Total Base</b>	<b>1,070</b>	<b>1,065</b>	<b>1,092</b>	<b>1,119</b>	<b>1,145</b>	<b>1,174</b>	<b>1,203</b>	<b>1,233</b>	<b>1,264</b>	<b>1,296</b>	<b>11,661</b>
<b>RSC vs. Current Policy Baseline</b>											
Defense	23	50	49	47	45	43	41	38	36	34	406
Non-Defense	-119	-111	-119	-127	-134	-142	-151	-160	-169	-178	-1,411
<b>Total Base</b>	<b>-96</b>	<b>-61</b>	<b>-70</b>	<b>-80</b>	<b>-89</b>	<b>-99</b>	<b>-110</b>	<b>-122</b>	<b>-133</b>	<b>-145</b>	<b>-1,005</b>

RSC- 7 Fiscal Year 2017 Discretionary Detail Budget Authority (Nominal Dollars, in Billions)				
	Budget Control Act 2011	Bipartisan Budget Act 2015	President Obama Budget	RSC Budget
Base Defense	536	551	551	574
Non-Defense	504	519	519	400
<b>Base Total</b>	<b>1,040</b>	<b>1,070</b>	<b>1,070</b>	<b>974</b>
OCO - Base Defense	*	23	5	0
OCO - Global War on Terror	*	36	54	59
OCO - State Department	*	15	15	0
OCO Total	*	74	74	59
Total Defense	*	610	610	633
<b>Total</b>	<b>*</b>	<b>1,144</b>	<b>1,144</b>	<b>1,032</b>
<i>* Note: The Budget Control Act did not establish OCO targets.</i>				

RSC- 8	RSC vs. President Obama FY 2017 Request (Nominal Dollars, in Billions)										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
Revenues	-133	-266	-348	-429	-496	-512	-528	-567	-593	-634	-4,508
Outlays	-442	-577	-727	-809	-937	-1,097	-1,173	-1,232	-1,369	-1,516	-9,880
<b>Deficit Improvement</b>	<b>309</b>	<b>312</b>	<b>379</b>	<b>380</b>	<b>441</b>	<b>586</b>	<b>645</b>	<b>665</b>	<b>775</b>	<b>882</b>	<b>5,374</b>

***“HERE, SIR, THE PEOPLE GOVERN;  
HERE THEY ACT BY THEIR IMMEDIATE  
REPRESENTATIVES.”***

A handwritten signature in black ink, which appears to be "A. Hamilton", written in a cursive style.

**THE REPUBLICAN STUDY COMMITTEE**

Rep. Bill Flores, Chairman

Rep. Marlin Stutzman, Chairman, Budget and Spending Task Force

1541A Longworth House Office Building

Washington, D.C. 20515

<http://rsc.flores.house.gov/>

@RepublicanStudy