115TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
115–240

CONCURRENT RESOLUTION ON THE BUDGET— FISCAL YEAR 2018

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 71

ESTABLISHING THE BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2018 AND SETTING FORTH APPROPRIATE BUDGETARY LEVELS FOR FISCAL YEARS 2019 THROUGH 2027

together with

MINORITY AND ADDITIONAL VIEWS

JULY 21, 2017.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mrs. BLACK, from the Committee on the Budget, submitted the following

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MINORITY AND ADDITIONAL VIEWS

[To accompany H. Con. Res. 71]

INTRODUCTION

Anyone paying attention these days, anyone willing to face reality, knows the Federal Government's fiscal health is reaching critical condition. Spending is rising at plainly unsustainable rates. Deficits are about to begin swelling again, exceeding $1 trillion annually within the next 10 years. The government's publicly held debt, already at historically high levels, is on course to exceed the size of the entire economy in slightly more than a decade. The trust funds of the two major social insurance programs—Social Security and Medicare—are approaching depletion, which will force deep and automatic cuts in benefits, *as required by law.* Meanwhile, last year Washington paid out nearly $150 billion in benefits to the wrong people, in the wrong amounts, or for the wrong reasons—and that is very likely an underestimate.

The term "unsustainable" is used so often to describe the government's fiscal path that it has almost lost its impact. What it means is this: The increases in spending, deficits, and debt cannot continue—*and will not.* Perhaps major programs will collapse under their own weight. Perhaps investors in Treasury bonds will begin demanding higher returns, further increasing the cost of debt service. Alternatively, investors may begin losing confidence in Washington's ability to correct its fiscal course and take their money elsewhere, leaving the Federal Government unable to finance its programs—an effect that could cascade unexpectedly. Or perhaps the debt will so burden the economy that growth stagnates altogether. In short, if policymakers do not start making changes, and soon, the changes will be *imposed* on the entire country—and they will be unforgiving.

Some will doggedly oppose reform, branding it "mindless austerity." The government's deficit troubles can be fixed, they will say, simply by raising taxes on the wealthy or controlling health care costs with more government-imposed regulation and price-fixing. They will claim to be protecting government programs intended to serve the elderly or vulnerable. Instead, they will only ensure the demise of those very programs as they become unaffordable not only for the government, but for the economy itself.

All that said, it is neither naïve nor fanciful to see in these challenges a once-in-a-generation opportunity—an opportunity not only to correct the disastrous course of fiscal policy, but to transform government itself. Anti-poverty programs can cease trapping beneficiaries in dependency and instead boost them toward self-sufficiency. Health care can be freed from Washington's dictates to provide more choices and better care at lowers costs. The Byzantine Federal tax code can be revised and simplified to encourage work, saving, and investment. Burdensome regulations can be discarded and bloated bureaucracies trimmed. These changes should happen anyway, but if the pressure of budgetary constraints drives them, so be it. Indeed, budget and policy reforms go hand in hand. The right kinds of reforms can significantly reduce costs, easing government's constant pressure on taxpayers and helping Congress toward the most sound and reliable of fiscal goals: a balanced budget.

Meeting the government's fiscal challenges will be a daunting task, requiring conviction and resolve. Governing is hard. Then again, Members of Congress are elected not to do what is easy, but to do what is right. This budget resolution starts the process. It retains longstanding beliefs about budgeting and governing. It reverses the drift toward excessive spending and larger government; it reinforces the innovation and creativity stirring in the myriad institutions and communities across the country; and it revitalizes the prosperity that creates ever-expanding opportunities for all Americans to pursue their destinies. Like any good budget resolution, this one expresses a vision of governing, and of America itself. As described further in this report, this fiscal blueprint follows these guidelines:

- *Balancing the Budget.* The resolution draws a path toward a balanced budget within 10 years, without raising taxes, and places the government on a fiscal course sustainable for the long term. The national debt is already an impediment to greater prosperity and a threat to the security of future generations. This committee's budget significantly reduces spending and reforms programs to put the government on a sustainable spending path.
- *Promoting Economic Growth.* For the past eight years, government has been a hindrance to economic growth. This budget urges reversing this trend with a combination of pro-growth policies, including deficit reduction, spending restraint, comprehensive tax reform, welfare reform, Obamacare repeal-and-replace legislation, and regulatory reform. All can promote more robust growth over the longer term.
- *Ensuring a Strong National Defense.* Defending America's security is the highest priority of the Federal Government. To that end, this budget supports robust funding of troop training, equipment, compensation, and improved readiness.
- *Improving the Sustainability of Medicare.* Notwithstanding Medicare's popularity, there are far better ways to achieve the program's worthy goals. Retirees should be able to choose the coverage plan best suited to their particular needs, rather than accept a set of benefits dictated by Washington. The program should ensure doctors and patients make health care decisions for themselves, and promote competition among insurers to expand choices of coverage and restrain costs. Reforms such as these will have the added benefit of improving Medicare's long-term financial condition, ensuring it will be there for future generations.
- *Restoring the Proper Role of State and Local Governments.* The resolution encourages the innovation and creativity outside

Washington. Under this budget, States and localities would reclaim their rightful authority to tailor programs in areas such as education, transportation, welfare, and environmental stewardship. They possess not only the ability but also the will to reform and modernize programs that serve their citizens. The laboratories of democracy, not the Federal Government, are where these reforms should happen.

- *Reforming Government Programs While Improving Accountability.* Every tax dollar collected by the Federal Government was generated by private-sector economic activity. Responsible stewardship of taxpayer dollars is a fundamental component of the budget resolution. At every opportunity possible, the budget reforms government programs and improves accountability to while generating better outcomes for Americans.

This resolution is more, however, than a symbolic, philosophical statement. It is an instrument for governing. The majorities in Congress are in a position to make their policy goals a reality. The budget assumes Congress will support its limits on spending growth by enforcing its allocations to authorizing and appropriations committees. The resolution also employs budget reconciliation to drive policy reforms and achieve specified fiscal outcomes. By adhering to the guidelines of the resolution, Congress can *enact,* not just envision, a range of major policy reforms. Lawmakers could, for example, begin the establishment of truly patient-centered health care to replace Obamacare; reform the tax code; lighten the yoke of the regulatory state; transform public assistance programs so they promote self-sufficiency rather than expanding dependency. The budget calls for action to reduce the government's billions of dollars in improper payments, and to slice away vast sums of unnecessary, obsolete, duplicative, and nonsensical grants and spending programs. The budget aims to make these policies real, and provides the means of doing so.

The policy changes to meet the budget's parameters will be determined by the respective committees of jurisdiction. They retain maximum flexibility in determining those specific policies. The discussions in this report, while developed in consultation with the authorizing and appropriations committees, reflect purely illustrative options committees may want to consider. Nothing in the report, or in the budget resolution's reconciliation instructions, predetermines, promotes, or assumes any specific policy change to be made. Nevertheless, they may wish to consider these discussions I constructing their proposals.

The guiding principles of the resolution follow in this introduction.

Balancing the Budget

Since Republicans reclaimed the House Majority in 2011, every House budget resolution has drawn a path to balance. As Congress now turns to the fiscal year 2018 budget, the fiscal outlook suffers from a weak economy, mounting pressure on spending, and deeper projected deficits. Hence the task of balancing the budget has become more difficult.

A Lackluster Economic Outlook. An expanding economy, which boosts Federal revenue without tax increases, is essential for deficit reduction. Just five years ago, the Congressional Budget Office [CBO] projected real (inflation-adjusted) economic growth would average 3 percent per year—roughly equal to the historical trend rate. Every year since then, however, CBO has ratcheted down its forecast, and now projects a sluggish 1.9-percent average annual growth rate for the next 10 years—partly due to the Obama Administration's health care plan, high spending, and heavy regulation. (See further discussion in the section of this report titled "The Economy and Economic Assumptions.")

Larger Projected Deficits. As recently as February 2013, CBO projected deficits would total roughly $7.0 trillion for the 10-year period of 2014 through 2023. In CBO's January 2017 budget outlook, the 10-year deficit projections had surged by nearly $2.5 trillion, totaling $9.4 trillion for 2018 through 2027.[1] (See Figure 1.)

Relentless Mandatory Spending Pressure. In addition to the sluggish economy, the principal drivers of these growing deficits are the government's health, retirement, and income security programs. By 2029, these programs, plus net interest, are expected to consume all Federal tax revenue, meaning the rest of the government's activities—defense, infrastructure, research, and myriad others—will have to be financed on borrowed money.

Greater Savings Needed. The fiscal year 2016 budget resolution conference report (S. Con. Res. 11) reached balance by proposing $5 trillion in savings, coupled with improved economic growth due to deficit reduction and tax reform. Now, just two years later, this fiscal year 2018 budget requires $6.5 trillion in net deficit reduction over 10 years to reach balance.

In short, balancing the budget will require improved economic growth, bold program reforms, and a sustained commitment to fiscal discipline. That is a major task facing the 115th Congress.

This formula proved effective in the 1990s. Over the course of that decade, Congress actually reduced annually appropriated "discretionary" spending after adjusting for inflation. In 1997, following two years of confrontation, President Clinton finally joined the Republican Congress in striving to surpass the timid and unsuccessful pursuit of mere deficit *reduction* and commit to *eliminating* deficits—and to do so entirely through spending restraint. The Balanced Budget Act of 1997 was paired with tax *cuts* then estimated at $95.3 billion over five years and $275.4 billion over 10 years.[2] Perhaps not surprisingly, economic growth surged: Growth in real gross domestic product [GDP] exceeded 4 percent annually in the latter part of the decade. With this combination, the plan to reach balance in five years actually produced surpluses in one year—surpluses that remained until the terrorist attacks of 11 September 2001.

[1] In CBO's updated budget outlook, published in June, the deficit figure had worsened further, to $10.1 trillion over the next 10 years. This budget, however, was constructed from CBO's January baseline, so the discussion here employs those figures.

[2] See the Conference Report on the "Taxpayer Relief Act of 1997" (H.R. 2014), p. 807.

Balancing the budget is not, however, merely a matter of making numbers add up. It is an ethical commitment. As Nobel Laureate James M. Buchanan wrote:

> Politicians prior to World War II would have considered it to be immoral (to be a sin) to spend more than they were willing to generate in tax revenues, except during periods of extreme and temporary emergency. To spend borrowed sums on ordinary items for public consumption was, quite simply, beyond the pale of acceptable political behavior. There were basic moral constraints in place; there was no need for an explicit fiscal rule in the written constitution.[3]

When the typical family borrows, for a home or a new car or college, they themselves assume the responsibility for their own debt. When the government borrows chronically—as it has been doing—it imposes the costs on future generations who have no say in the matter and will receive no benefits from it. In fact, they will be worse off due to the higher taxes and weaker economic growth that result. What does that say about the character of a government that encourages and perpetuates such a practice?

While some "experts" dismiss the balanced budget standard as a kind of quaint anachronism, nothing has come to replace it as a consensus norm for budgeting. As a result, fiscal policy has been adrift, and increasingly unsustainable. Some have tried to substitute intellectually sophisticated concepts, such trying limiting deficits or debt as a share of the economy—yet there is no agreement on what the acceptable maximum levels might be. Others have suggested allowing "counter-cyclical" policies in the near term while striving for "long-term fiscal sustainability"—with no sound definition of what the latter means. This formula, of course, merely rationalizes spending now while putting off restraint until later—so the restraint never happens.

Today, in the absence of the balanced budget principle, the only fiscal guideline is the modern, relativistic pay-as-you-go concept, which merely ratifies existing deficits as the measure of budgetary rectitude—no matter how large those deficits might be. Thus, proponents of the Affordable Care Act could boast the health care program was fiscally "responsible" because it did not increase deficits—which in 2010, the year of its enactment, already exceeded a trillion dollars a year—while it recklessly added trillions more to government spending.

The durability of the balanced budget principle is demonstrated even by the non-partisan Congressional Budget Office itself. Every time the CBO publishes its regular updates of budget and economic conditions, the first item it reports is the magnitude of the deficit or surplus—that is, the relationship between total outlays and total tax revenue. It is the very same measure that underlies the balanced budget standard: a simple comparison of current income and outgo.[4] CBO's clear implication is that the more spending exceeds

[3] James M. Buchanan, "Clarifying Confusion About the Balanced Budget Amendment," *National Tax Journal,* Vol. 48, No. 3, September 1995, page 347.

[4] For example, the first three sentences of the summary in the recent *The Budget and Economic Outlook: 2017 to 2027* (p. 1) read as follows: "In fiscal year 2016, for the first time since 2009, the federal budget deficit increased in relation to the nation's economic output. The Con-

Continued

revenue, and the more rapidly the two diverge, the more unstable is the government's fiscal condition. There is simply no more straightforward measure of the government's fiscal health and stability.

FIGURE 1

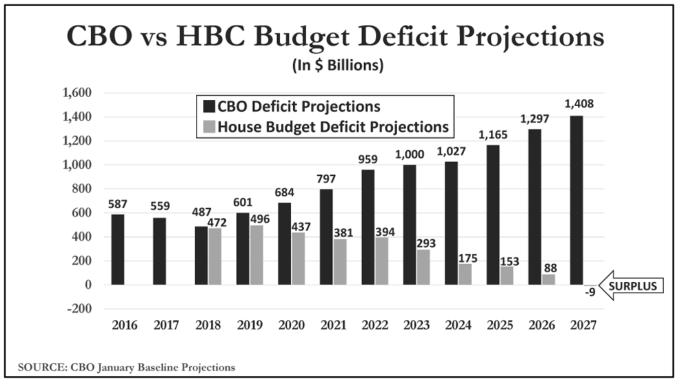
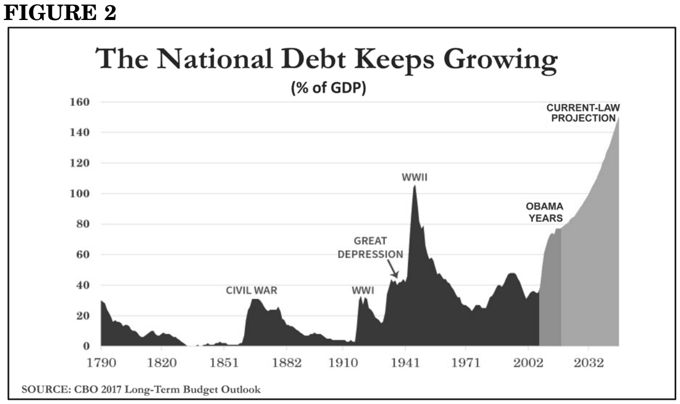


FIGURE 2



If current policies remain unchanged, deficits are about to begin surging, nearly tripling over the next decade. CBO's January estimates project deficits swelling from $487 billion in fiscal year 2018 to $1.4 trillion in 2027. As a share of economic output, deficits will grow steadily as well, reaching 5 percent of gross domestic product [GDP] in fiscal year 2027.[5] Debt held by the public will climb to $24.9 trillion at the end of 10 years, or 88.9 percent of GDP—its highest level since 1947 (see Figure 2). Gross Federal debt, which includes funds owed to the Social Security Trust Fund and other Federal accounts, is projected to rise from $20.4 trillion at the end of 2017 to $30.0 trillion in 2027.[6]

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gressional Budget Office projects that over the next decade, if current laws remained generally unchanged, budget deficits would eventually follow an upward trajectory—the result of strong growth in spending for retirement and health care programs targeted to older people and rising interest payments on the government's debt, accompanied by only modest growth in revenue collections."

[5] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017, Table 1–1, p. 10.

[6] Ibid., Table 1–4. p. 29.

Make no mistake; this pattern is due to excessive spending, not insufficient tax revenue. CBO's January figures show revenue rising to 18.1 percent of GDP in 2018—well above the 17.4-percent average of the past 50 years. Revenue will remain at that level through 2023, and then rise, reaching 18.4 percent of GDP in 2027. Nevertheless, spending will consistently outpace these healthy tax collections. Even excluding interest payments, programmatic government spending will hit 19.1 percent of GDP in 2018, then rise throughout the decade, to 20.8 percent of GDP in 2027. Because of the chronic borrowing to finance government operations, debt service will add to the problem: With interest payments included, spending rises from 20.5 percent of GDP in 2018 to 23.4 percent in 2027.[7]

The trend persists for the longer term. While CBO projects tax revenue rising to historically high levels—averaging 19.3 percent of GDP in the decade of 2038 through 2047—programmatic spending will still outgrow revenue. Adding debt service drives total spending to 28 percent of GDP, generating relentlessly deepening deficits and growing debt.[8]

Only by controlling spending can Congress alter this catastrophic course.

In the face of this fiscal onslaught, doing nothing invites financial disaster. A rising debt level is unsustainable because its growth eventually begins to exceed that of the overall economy. As a result, debt service costs absorb an increasing share of national income and the government must borrow an increasing amount each year—likely in the face of rising interest rates—to both fund its ongoing services and make good on its previous debt commitments. Ultimately, this dynamic leads to a decline in national saving and a "crowding out" of private investment, sapping economic output and diminishing the country's standard of living. In a worst-case scenario, this dynamic could also lead to a full-blown debt crisis, devastating at the macroeconomic level and acutely painful for families and businesses.

Investors and businesses look forward in making their decisions. They recognize today's large debt levels are simply tomorrow's tax hikes, interest rate increases, or inflation—and they act accordingly. This debt overhang, and the uncertainty it generates, weighs on growth, investment, and job creation.

Interest payments on the debt (the "legacy cost" of deficit spending) will total a staggering $5.2 trillion over the next decade, according to CBO.[9] These payments threaten to overwhelm other spending priorities in the budget. In 2012, Deloitte LLP—a tax, audit and consulting firm—discussed the ways in which debt will hamper U.S. competitiveness in the years ahead.

> [A] great variety of meaningful investments will almost certainly be left undone simply because interest payments will push them out of the budget. This is the silent cost of prior debts that, unless explicitly recognized, crucially leads policymakers to underestimate the effect that prior

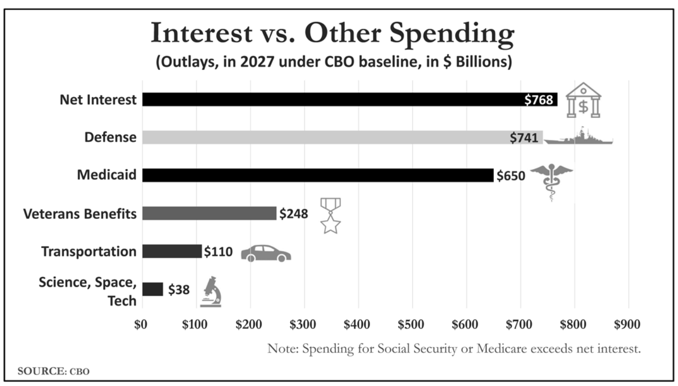
[7] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* Table 1–1, p. 10.
[8] Congressional Budget Office, *The 2017 Long-Term Budget Outlook,* June 2017, Table 1.
[9] Ibid., Table 1–1, p. 10.

deficits have already had on this decades planned expenditures.[10]

Debt service is already projected to dominate the budget. Within a decade, the Federal Government will reach a point at which it spends more on interest payments than it does on national defense, Medicaid, education, or infrastructure, among others (see Figure 3). Interest on the debt will become the government's third largest program, following only Social Security and Medicare.

All these factors point to the need for returning to the balanced budget standard. It is the only clear fiscal guideline that commands a consensus of public understanding and support. All other formulations are merely ways of rationalizing continued deficit spending. A balanced budget is also the sturdiest means of limiting government. A balanced budget commitment establishes real-time restraint on the expansion of the public sector: The size and scope of government, as measured by its spending, may not exceed the amount taxpayers endorse and the economy sustains. This empowers the people, on an ongoing basis, to hold their government in check.

FIGURE 3



The pursuit of balance has distinct economic and fiscal benefits as well. Nearly all economists, including those at the CBO, explain that reducing budget deficits (bending the curve on debt levels) increases the pool of national savings and boosts investment, thereby raising economic growth and job creation. The greater economic output that stems from a large deficit reduction package would have a sizeable impact on the Federal budget. For instance, higher output would lead to greater revenues through the increase in taxable incomes. Lower interest rates, and a reduction in the stock of debt, would lead to lower government spending on net interest expenses. (See the section in this report titled "Macroeconomic Feedback Effects of Pro-Growth Policies.")

For all these reasons, this budget resolution reasserts the balanced budget standard, and then maintains it—putting the government on a path to paying off the debt.

[10] Deloitte LLP, *The Untold Story of America's Debt,* June 2012.

Mandatory Spending Programs

Just as important as pursuing balance is the *way* in which lawmakers achieve it. Some experts and policymakers advocate a mix of spending restraint and tax increases—the so-called "balanced" approach—as if the two were merely opposite sides of the same coin. That sterile, policy-neutral concept, however, masks the fundamental cause and effect of government budgeting: Spending comes first. Spending—one of the best measures of the size and scope of government—is how government does what it does. Government's programs and activities exist only if government spends money to implement them. "In a fundamental sense," writes longtime budget expert Allen Schick, "the federal government is what it spends."[11] It is because of spending that the government taxes and borrows. Hence, spending is the root cause of all other fiscal consequences.

Today, gaining control of spending unquestionably requires controlling mandatory, or direct, spending. Unlike the government's "discretionary" accounts, for which Congress sets fixed limits on total budget authority, direct spending is open-ended and flows from effectively permanent authorizations. Programs funded this way pay benefits directly to groups or individuals without an intervening appropriation. They spend without limit. Their totals are determined by numerous factors outside the control of Congress: caseloads, the growth or contraction of GDP, inflation, and many others. To put it simply, the design of direct spending makes it especially difficult to control.

The list of these programs is long and broad. It includes the social insurance programs, Social Security and Medicare; other health spending, such as Medicaid and the Affordable Care Act; income support, nutrition assistance, unemployment compensation, disability insurance, student loans, and a range of others.

In 1965, as President Johnson's Great Society programs were being enacted, net direct spending (including interest) represented about 34 percent of the budget. By last year, this form of spending had doubled as a share of the budget, reaching 69 percent. By 2040, direct spending, coupled with interest payments, will constitute more than four-fifths of total Federal spending (see Figure 4).

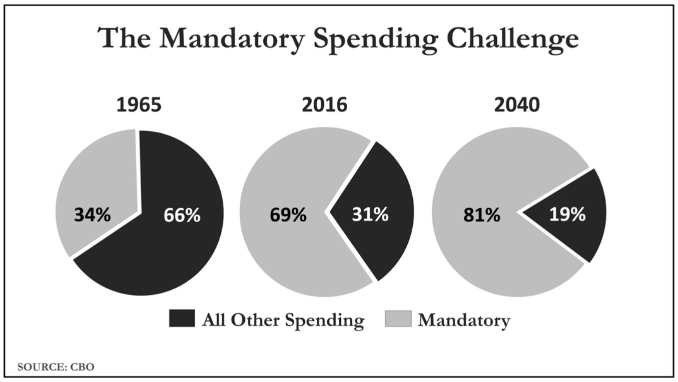
Clearly this problem with direct spending has been building for decades, yet lawmakers have found it difficult to build an enduring consensus for addressing it. With each year that passes, spending control becomes more difficult, because the necessary changes in programs become larger and more wrenching. At some point the programs will simply collapse under their own weight. Those who claim to "protect" them by resisting reform only ensure their demise.

Controlling mandatory spending need not be seen, however, as some daunting exercise in "mindless austerity," as former President Obama so ominously put it. As long as reform is necessary, it can be approached as an opportunity to save and strengthen

[11] Allen Schick, *The Federal Budget: Politics, Policy, Process* (Washington DC: The Brookings Institution Press, 2007), page 2.

these programs—to make them better for the people they are intended to serve.

FIGURE 4



Consider a few examples.

This resolution assumes enactment of the American Health Care Act [AHCA], recently passed by the House. The AHCA serves as a fundamental *transformation* of health care policy—away from the domineering, nationalized approach of Obamacare toward a strategy that places patients at the center of health care. To put this another way: "In a nation of over 323 million people, each with different needs and circumstances, it makes no sense for one federal agency to dictate the contents of every American's health insurance plan." [12] The American Health Care Act removes a bureaucratically designed one-size-fits-all scheme and promotes a greater range of choices, at lower costs, for all Americans.

In a similar way, the budget envisions a new Medicare option that would transform this retirees' health coverage program from a government-run, price-controlled bureaucracy to a personalized system in which seniors have the option of choosing the health coverage best suited to their needs from a range of commercial plans. Traditional fee-for-service Medicare would always be an option available to current seniors, those near retirement, and future generations of beneficiaries. Fee-for-service Medicare, along with private plans providing the same level of health coverage, would compete for seniors' business, just as Medicare Advantage does today. The new program, however, would also adopt the competitive structure of Medicare Part D, the prescription drug benefit program, to deliver savings for seniors in the form of lower monthly premium costs.

In short, this Medicare reform would give retired Americans, not the government, the ultimate leverage over what kind of coverage they will have—and the government would provide them financial assistance in making the choices.

Another area of automatic spending, assistance for low-income Americans, should be revised to encourage self-sufficiency, not to trap people in dependency. Clearly, persons with chronic disadvan-

[12] The Speaker's Health Care Reform Task Force, *A Better Way: Our Vision for a Confident America—Health Care,* 22 June 2016, p. 12.

tages need and deserve a sturdy safety net. Others require assistance at particular times of economic downturns or personal misfortune. Still, the most compassionate way to provide government assistance is to help free individuals from the need for it. Welfare programs should encourage recipients toward supporting themselves to the greatest degree possible. As was proved with the successful welfare reform of the 1990s, when struggling people are challenged to work and earn on their own way, they rise to the occasion—and they are better off for it.

It should be noted, too, that government is not the sole source of the many domestic benefits Americans receive; it is not even the primary one. Every benefit the government ostensibly "provides" actually draws from the abundant resources of the Nation's economy. The government could not maintain Medicare, or Social Security, or its numerous safety net programs without the funding generated by free markets. Communities could not build schools and hospitals without local economies sufficiently prosperous to support them. This is why the fiscal policy of this budget—restraining spending and reducing deficits—is crucial to the well-being of all Americans. Those who strive to pull themselves out of difficulties benefit most from the expanding opportunities and rising incomes that only a prosperous economy can provide.

Finally, policymakers must embrace the recognition that government can never substitute for nature's safety net: the family. For generation upon generation, the family has been the main source of comfort, security, and economic stability for the individual. It is where moral values and a sense of responsibility grow. The family reinforces the individual's place in the larger community. As government seeks to support those who lose any connection to a family, it should take care not to contribute to the dissolution of families. Government programs should aim to strengthen the family, the most important and enduring institution in society.

Restoring the Role of State and Local Governments

The republic of the United States reached a turning point in 1936: That was the first peacetime year in which the Federal Government's total spending exceeded the combined outlays of the State and local governments. "It can even be argued that one year—1936—created the modern entitlement challenge that so bedevils both parties." [13]

As the 20th century unfolded, the national government's dominance—both fiscally and as the central governing authority—expanded. This was understandable during times of war, especially World War II, when the entire Nation was under threat. The notion continued to expand, however, into an ever-growing range of domestic policies. President Roosevelt's New Deal was a major step. Later came President Truman's pursuit of nationalized health care, and President Johnson's Great Society. By the late 1980s, health care once again came to the fore, with some proposing a single-payer Canadian-style system for the United States. The trend culminated with Obamacare.

[13] Amity Shlaes, *The Forgotten Man: A New History of the Great Depression* (New York: Harper Perennial, 2008), page 11.

Over time, States in some respects have been reduced to carrying out the wishes of Washington, rather than serving as the "laboratories of democracy." This is precisely contrary to the Founders' vision:

> The powers delegated by the proposed Constitution to the Federal Government, are few and defined. Those which are to remain in the State governments are numerous and indefinite. The former will be exercised principally on external objects, as war, peace, negotiation, and foreign commerce; with which last the power of taxation will, for the most part, be connected. The powers reserved to the several States will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people, and the internal order, improvement, and prosperity of the State.[14]

As succinctly put in the Tenth Amendment: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

Indeed, Madison argued the Federal Government would depend on the States—not the other way around: "The State governments may be regarded as constituent and essential parts of the Federal Government; whilst the latter is nowise essential to the operation or organization of the former."[15] This point is proved in reality by the countless activities, essential to the lives of individuals and communities, that predated the national government and would continue without it. Even if the 50 States stood as separate entities, they would still operate schools and hospitals; they would find ways to build roads and bridges; scientific research would continue; energy and communications companies would emerge.

This is not to say Americans would be better off without the Federal Government. Their security and prosperity are vastly enhanced by the voluntary unity reflected in the bonds of the national Constitution. The point is simply that the Federal Government's principal role is to protect the security of the Nation, and to maintain an environment that supports the initiative and creativity possible only through the diversity of the several States and the bonds of civil society.

The reversal of this concept that developed over the past 100 years or so also has fiscal consequences. Federal Government resources cannot maintain the overreach of its governing ambitions. That is the message of Washington's current, catastrophic spending path. To restore fiscal sustainability, Congress sooner or later will have to consider realigning the roles of different levels of government. It will have to reinstitute the practice of federalism.

This will remain a necessity even if Congress gains control of direct spending. Yet the fiscal concerns are only part of the reason. The increasing centralization of government smothers the energy of State and local policymakers. Restoring State autonomy will deliver benefits for the entire Nation in critical areas such as edu-

[14] *Federalist No. 45.*
[15] Ibid.

cation, health care, infrastructure, energy, the environment, and employment.

The budget resolution supports these aims. It promotes State flexibility in areas such as Medicaid and the Supplemental Nutrition Assistance Program. It encourages State and local initiative in education. It sheds the conceit that Washington knows what is right for the people. The very structure of this report reflects a distinction between those activities required of the Federal Government from those best suited to States and localities and the private sector (see the explanation in the section titled "Functional Presentation").

Restoring Congressional Budgeting

The congressional budget process, enacted in 1974, has rarely worked as designed. Deadlines in the Congressional Budget Act are missed far more often than made, rules are often skirted, loopholes in spending disciplines exploited. Since 1998, the House and Senate have failed 10 times to agree on a budget resolution, the cornerstone of the process.

Congressional budgeting by the early 1970s was already complicated, and the 1974 Act added new procedures onto existing spending and tax practices. Since then, Congress has enacted additional layers, such as the Balanced Budget and Emergency Deficit Control Act of 1985, the Budget Enforcement Act of 1990, and the Statutory Pay-As-You-Go Act of 2010, among others. Given all this, it may be time to dismantle the entire process and build a new one. The lessons of the past four decades of congressional budgeting will certainly inform that development. Still, in thinking about a new process, lawmakers should step back and ask a threshold question: What is the congressional budget process for?

The obvious first answer is fiscal control. That, however, is part of a more fundamental act: the act of governing. Because budgeting truly is governing, the budget process should be seen as a principal means of exercising constitutional government. The Constitution does not prescribe how big government should be, but it does establish a framework for limiting government. One of the best ways to determine that limit is to limit spending—one of the clearest measures of the size and scope of government.

The budget also is Congress's main instrument for policymaking, the legislature's essential authority. "This power of the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure." [16] Any new budget process should enhance Congress's policymaking role.

The process also must reinforce the balance of powers, one of the most critical protections of liberty. For nearly a half century after enactment of the 1921 Budget and Accounting Act—which attempted to straddle the separation of powers by establishing an executive-centered budget process modeled after Great Britain's—the presidency grew increasingly powerful. Starting in the 1950s, presidents began deliberately tying their budgets together with their

[16] *Federalist, No. 58.*

legislative programs, increasing their ability to set the legislative agenda, and helping sustain what Schlesinger called "the imperial presidency." [17] The 1974 Congressional Budget Act was, in part, an attempt to restore the legislature's agenda-setting role. Any new budget process should advance that effort.

Budgeting also should be an instrument for enhancing congressional oversight. There is no better way to get the attention of executive agencies than by controlling their funding. The budget process should encourage appropriations subcommittees and authorizing committees to use the tool of the budget aggressively, and to control the ever-expanding administrative state.

Finally, just as the restoration of sound budgeting for how the Federal Government spends is critical to the promotion of economic growth, debt-reduction, federalism, and ordered liberty, so too is the introduction of budgeting for how the Federal Government directs others to spend: regulatory budgeting.

When regulation is needed, it can be done in more cost-effective ways. Before it is imposed, Congress can budget for how much new regulation, if any, can sustainably be imposed on America's economy year by year. It makes eminent sense to do that using the kinds of budgeting tools Congress applies to put the brakes on runaway Federal spending. To date, Congress has not adopted regulatory budgeting tools to manage the Federal regulatory footprint. Neither has it imposed robust statutory controls against Federal regulators' abilities to burden America's workers and economy with excessively expensive and insufficiently effective Federal regulations. The time has come to do both.

Conclusion

As described at the outset, this budget resolution expresses a vision; its contours are detailed throughout the text of this report. It is also an instrument for realizing that vision. Its allocations of spending authority implement the budget's priorities; its fiscal path—achieving balance within 10 years—restores the sound fiscal norm that long kept spending, and the size of government itself, in check. It is an instrument for true fiscal sustainability, and for maintaining America's unique and exceptional brand of constitutional government.

[17] Arthur M. Schlesinger Jr., The Imperial Presidency, (New York: Houghton Mifflin Company, 2004).

TABLE 1.—FISCAL YEAR 2018 BUDGET RESOLUTION TOTAL SPENDING AND REVENUE

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
SUMMARY												
Total spending:												
BA	4,096,933	4,210,736	4,286,076	4,344,146	4,567,485	4,685,904	4,810,056	5,019,533	5,198,404	5,370,264	21,505,376	46,589,537
OT	4,024,170	4,184,625	4,263,701	4,371,392	4,560,681	4,662,535	4,771,559	4,976,995	5,172,531	5,344,567	21,404,569	46,332,757
On-budget:												
BA	3,232,597	3,286,018	3,299,573	3,290,186	3,441,975	3,483,686	3,528,872	3,655,413	3,746,208	3,824,652	16,550,350	34,789,180
OT	3,164,885	3,265,306	3,283,026	3,323,464	3,441,603	3,467,047	3,497,308	3,620,210	3,727,971	3,806,792	16,478,284	34,597,612
Off-budget:												
BA	864,336	924,717	986,503	1,053,959	1,125,510	1,202,219	1,281,184	1,364,120	1,452,197	1,545,612	4,955,026	11,800,357
OT	859,285	919,319	980,675	1,047,928	1,119,078	1,195,488	1,274,251	1,356,785	1,444,561	1,537,776	4,926,286	11,735,146
Revenues:												
Total	3,542,479	3,668,467	3,796,957	3,920,337	4,066,811	4,219,233	4,386,477	4,574,285	4,784,571	4,993,388	18,995,051	41,953,005
On-budget	2,670,356	2,767,357	2,870,414	2,963,953	3,077,586	3,195,139	3,325,690	3,475,784	3,642,629	3,811,687	14,349,666	31,800,595
Off-budget	872,123	901,110	926,543	956,384	989,225	1,024,094	1,060,787	1,098,501	1,141,942	1,181,701	4,645,385	10,152,410
Recommended Change in Revenues (vs. CBO Baseline):												
Total	−61,209	−64,517	−81,260	−98,684	−109,109	−126,636	−140,283	−150,125	−146,865	−146,800	−414,779	−1,125,488
On-budget	−63,213	−66,151	−80,162	−95,958	−105,330	−122,777	−136,738	−146,394	−146,749	−146,700	−410,814	−1,110,172
Off-budget	+2,004	+1,634	−1,098	−2,726	−3,779	−3,859	−3,545	−3,731	−116	−100	−3,965	−15,316
Surplus/Deficit(−):												
Total	−471,691	−496,158	−436,744	−381,055	−393,870	−293,302	−175,082	−152,710	−87,960	8,821	−2,179,518	−2,879,752
Macroeconomic Impact on the Deficit	10,000	20,000	30,000	70,000	100,000	150,000	210,000	250,000	300,000	360,000	230,000	1,500,000
On-budget	−494,529	−497,949	−412,612	−359,511	−364,017	−271,908	−171,618	−144,426	−85,342	4,895	−2,128,618	−2,797,017
Off-budget	12,838	−18,209	−54,132	−91,544	−129,853	−171,394	−213,464	−258,284	−302,619	−356,075	−280,901	−1,582,736
Debt Held by the Public (end of year)	15,399,966	15,971,804	16,477,150	16,920,847	17,371,706	17,720,326	17,949,306	18,156,356	18,299,466	18,345,826		
Debt Subject to Limit (end of year)	21,059,756	21,720,619	22,263,387	22,717,657	23,120,068	23,414,924	23,577,205	23,665,687	23,701,446	23,484,672		
BY FUNCTION												
National Defense (050):												
BA	629,595	660,832	693,646	728,125	731,818	735,468	739,157	742,886	747,414	751,098	3,444,016	7,160,038
OT	607,810	636,795	666,519	698,761	717,568	720,401	720,755	729,581	734,037	737,798	3,327,453	6,970,025
International Affairs (150):												
BA	41,521	40,210	39,428	38,654	37,623	38,445	39,285	40,174	41,121	42,025	197,436	398,486
OT	43,643	41,207	39,965	38,585	38,021	37,795	38,102	38,643	39,365	40,175	201,421	395,501

TABLE 1.—FISCAL YEAR 2018 BUDGET RESOLUTION TOTAL SPENDING AND REVENUE—Continued

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
General Science, Space and Technology (250):												
BA	28,524	29,107	29,702	30,346	31,018	31,694	32,378	33,112	33,854	34,602	148,697	314,337
OT	30,072	29,365	29,360	29,718	30,259	30,797	31,325	31,928	32,550	33,162	148,774	308,536
Energy (270):												
BA	−3,088	1,704	−11,179	1,871	1,705	754	437	−4	2,233	2,324	−8,987	−3,243
OT	2,559	1,714	−11,813	786	445	−491	−727	−1,052	1,207	1,370	−6,309	−6,002
Natural Resources & Environment (300):												
BA	31,720	31,856	33,255	32,704	34,295	34,684	34,598	35,520	36,186	36,742	163,830	341,560
OT	35,641	33,751	33,581	32,652	33,909	34,186	34,081	34,921	35,526	36,078	169,534	344,326
Agriculture (350):												
BA	24,223	21,091	19,786	18,217	17,835	18,153	18,880	19,863	20,214	20,422	101,152	198,684
OT	22,913	20,200	19,293	17,660	17,339	17,713	18,331	19,225	19,593	19,817	97,405	192,084
Commerce & Housing Credit (370):												
On-budget:												
BA	−7,287	−7,517	−10,358	−13,446	−12,880	−12,330	−10,989	−10,255	−11,141	−11,933	−51,488	−108,136
OT	−19,601	−15,753	−18,126	−22,106	−22,470	−22,598	−22,362	−22,849	−23,569	−24,521	−98,056	−213,955
Off-budget:												
BA	−2,816	−2,850	−5,083	−5,375	−5,646	−5,813	−5,979	−6,153	−6,358	−6,669	−21,770	−52,742
OT	−2,815	−2,848	−5,081	−5,374	−5,645	−5,811	−5,977	−6,152	−6,357	−6,667	−21,763	−52,727
Transportation (400):												
BA	88,095	88,892	82,748	37,190	66,950	66,895	67,483	68,481	69,714	70,948	363,875	707,396
OT	91,796	90,602	90,508	77,995	65,076	68,694	69,617	69,074	69,044	69,741	415,977	762,147
Community & Regional Development (450):												
BA	4,365	4,170	4,240	4,353	4,487	4,556	4,673	4,857	5,077	4,953	21,615	45,731
OT	18,626	16,983	11,842	9,558	6,386	5,090	4,745	4,767	4,805	4,809	63,395	87,611
Education, Training, Employment, and Social Services (500):												
BA	69,920	79,090	80,305	81,922	82,350	86,279	86,641	86,977	87,459	88,216	393,587	829,159
OT	89,295	81,404	81,129	82,479	83,539	85,843	87,897	88,522	89,186	90,080	417,846	859,374
Health (550):												
BA	579,328	564,387	552,405	512,289	528,560	547,998	571,335	594,923	618,119	623,810	2,736,969	5,693,154
OT	551,277	570,419	541,949	518,445	533,688	549,687	569,207	591,171	613,682	626,774	2,715,778	5,666,299
Medicare (570):												
BA	593,830	652,984	692,126	739,367	826,276	845,800	850,393	916,244	988,183	1,053,671	3,504,583	8,158,874
OT	593,567	652,740	691,917	739,161	826,057	845,593	850,177	916,009	987,942	1,053,435	3,503,442	8,156,598

Income Security (600):												
BA	491,789	464,425	475,015	484,414	492,453	475,767	484,425	493,048	502,057	511,675	2,408,096	4,875,068
OT	477,428	454,786	464,925	475,140	489,299	468,217	471,370	480,920	496,505	505,382	2,361,578	4,783,972
Social Security (650):												
On-budget:												
BA	39,475	43,016	46,287	49,748	53,392	57,378	61,764	66,388	70,871	75,473	231,918	563,792
OT	39,475	43,016	46,287	49,748	53,392	57,378	61,764	66,388	70,871	75,473	231,918	563,792
Off-budget:												
BA	966,037	1,024,166	1,086,433	1,152,744	1,222,514	1,295,244	1,371,263	1,450,496	1,533,384	1,619,909	5,451,894	12,722,190
OT	960,983	1,018,765	1,080,602	1,146,712	1,216,081	1,288,510	1,364,328	1,443,160	1,525,746	1,612,071	5,423,143	12,656,958
Veterans Benefits and Services (700):												
BA	176,704	191,507	194,930	199,751	215,442	212,567	209,943	227,991	234,947	243,718	978,334	2,107,500
OT	178,038	190,235	193,931	197,856	213,337	210,444	207,908	225,820	232,660	241,501	973,397	2,091,730
Administration of Justice (750):												
BA	51,367	58,245	59,720	61,054	62,092	63,671	65,285	66,947	69,907	70,270	292,478	628,558
OT	61,079	58,867	60,036	60,946	61,925	63,462	65,043	66,498	70,200	69,722	302,853	637,778
General Government (800):												
BA	23,564	23,948	23,557	23,386	23,127	26,420	26,351	26,246	26,083	25,855	117,582	248,537
OT	23,091	23,314	23,303	23,190	23,013	26,057	26,168	26,060	25,917	25,722	115,911	245,835
Net Interest (900):												
On-budget:												
BA	376,842	409,185	450,859	493,778	531,929	565,282	589,292	607,012	620,536	623,786	2,262,594	5,268,502
OT	376,842	409,185	450,859	493,778	531,929	565,282	589,292	607,012	620,536	623,911	2,262,594	5,268,627
Off-budget:												
BA	−81,548	−78,697	−76,363	−74,350	−71,711	−66,958	−63,222	−58,701	−52,643	−44,758	−382,668	−668,951
OT	−81,548	−78,697	−76,363	−74,350	−71,711	−66,958	−63,222	−58,701	−52,643	−44,758	−382,668	−668,951
Allowances (920):												
BA	−44,505	−42,219	−45,246	−48,056	−50,544	−52,326	−53,659	−55,439	−51,908	−55,254	−230,570	−499,156
OT	−23,272	−34,499	−40,640	−44,164	−47,877	−49,819	−51,411	−53,060	−52,127	−53,919	−190,452	−450,788
Government-Wide Savings (930):												
BA	34,145	−1,555	−67,381	−120,155	−153,376	−174,438	−194,373	−193,336	−246,573	−258,801	−308,322	−1,375,843
OT	2,778	−2,528	−47,665	−97,069	−137,459	−159,489	−179,541	−187,355	−223,016	−240,977	−281,943	−1,272,321
Undistributed Offsetting Receipts (950):												
On-budget:												
BA	−83,212	−86,409	−86,316	−90,347	−93,573	−100,001	−105,371	−115,139	−117,033	−127,808	−439,857	−1,005,209
OT	−83,212	−86,409	−86,316	−90,347	−93,573	−100,001	−105,371	−115,139	−117,033	−127,808	−439,857	−1,005,209
Off-budget:												
BA	−17,326	−17,890	−18,472	−19,048	−19,635	−20,241	−20,865	−21,509	−22,172	−22,856	−92,371	−200,014
OT	−17,326	−17,890	−18,472	−19,048	−19,635	−20,241	−20,865	−21,509	−22,172	−22,856	−92,371	−200,014

TABLE 1.—FISCAL YEAR 2018 BUDGET RESOLUTION TOTAL SPENDING AND REVENUE—Continued

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
Overseas Contingency Operations/Global War on Terrorism (970):												
BA	86,591	60,000	43,000	26,000	12,000	12,000	12,000	0	0	0	227,591	251,591
OT	45,781	50,748	43,076	31,635	18,768	13,799	11,957	4,171	1,160	165	190,008	221,260
Across the Board Adjustment (990):												
On-budget:												
BA	−909	−931	−956	−979	−1,004	−1,030	−1,056	−1,083	−1,112	−1,140	−4,779	−10,200
OT	−740	−837	−895	−944	−968	−993	−1,018	−1,045	−1,070	−1,099	−4,384	−9,609
Off-budget:												
BA	−11	−12	−12	−12	−12	−13	−13	−13	−14	−14	−59	−126
OT	−9	−11	−11	−12	−12	−12	−13	−13	−13	−14	−55	−120

Notes:

1. Only on-budget amounts for fiscal years 2018-2027 are entered into the budget resolution legislative text. Off-budget amounts are shown for display purposes only.

2. The Office of Management and Budget and the Congressional Budget Office do not separately track outlays for Overseas Contingency Operations/Global War on Terrorism (GWOT) once funds have been appropriated. The budget, therefore, shows in function 970 OCO/GWOT outlays that result from new budget authority occurring in fiscal years 2018-2027 only. Outlays resulting from OCO/GWOT activity prior to fiscal year 2017 are included in budget functions 050 and 150.

TABLE 2.—FISCAL YEAR 2018 BUDGET RESOLUTION DISCRETIONARY SPENDING

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
SUMMARY												
Total spending:												
BA	1,219,896	1,222,022	1,193,737	1,183,604	1,168,176	1,166,265	1,163,587	1,159,312	1,159,356	1,164,130	5,987,435	11,800,084
OT	1,249,478	1,277,039	1,262,142	1,239,131	1,212,860	1,204,530	1,196,357	1,195,544	1,193,811	1,197,352	6,240,650	12,228,245
Base Defense (050):												
BA	621,500	652,575	685,204	719,464	722,964	726,464	729,964	733,464	736,964	740,464	3,401,707	7,069,026
OT	599,410	628,198	657,708	689,706	708,294	711,055	711,338	720,002	723,493	727,057	3,283,316	6,876,261
Base Non Defense:												
BA	510,749	508,666	464,966	437,666	432,666	426,666	421,166	425,666	422,166	423,666	2,354,713	4,474,043
OT	603,733	597,360	560,722	517,258	485,258	478,821	472,387	470,994	468,883	469,993	2,764,332	5,125,410

BY FUNCTION

National Defense (050):												
BA	621,500	652,575	685,204	719,464	722,964	726,464	729,964	733,464	736,964	740,464	3,401,707	7,069,026
OT	599,410	628,198	657,708	689,706	708,294	711,055	711,338	720,002	723,493	727,057	3,283,316	6,876,261
International Affairs (150):												
BA	36,320	36,486	36,630	36,794	37,612	38,416	39,229	40,103	40,997	41,891	183,842	384,478
OT	47,318	44,203	42,138	39,863	39,225	38,994	39,305	39,863	40,565	41,395	212,747	412,869
General Science, Space and Technology (250):												
BA	28,417	29,007	29,602	30,246	30,918	31,594	32,278	33,012	33,754	34,502	148,190	313,330
OT	29,967	29,263	29,260	29,618	30,159	30,697	31,225	31,828	32,450	33,062	148,267	307,529
Energy (270):												
BA	3,438	3,204	3,165	3,175	3,203	3,322	3,617	3,385	3,468	3,547	16,185	33,524
OT	5,701	4,803	4,010	3,492	3,199	3,169	3,482	3,264	3,364	3,470	21,205	37,954
Natural Resources & Environment (300):												
BA	31,335	32,088	32,963	33,879	34,791	35,739	36,733	37,737	38,792	39,884	165,056	353,941
OT	34,609	33,511	33,230	33,736	34,423	35,262	36,172	37,141	38,144	39,212	169,509	355,440
Agriculture (350):												
BA	6,360	6,526	6,692	6,868	7,048	7,234	7,423	7,624	7,830	8,035	33,494	71,640
OT	6,199	6,440	6,613	6,786	6,960	7,145	7,329	7,517	7,721	7,925	32,998	70,635
Commerce & Housing Credit (370):												
On-budget:												
BA	−16,407	−15,730	−14,773	−14,111	−13,473	−13,032	−12,062	−11,410	−11,414	−11,523	−74,494	−133,935
OT	−15,825	−15,568	−14,873	−14,217	−13,578	−13,144	−12,177	−11,529	−11,540	−11,656	−74,061	−134,107
Off-budget:												
BA	275	284	294	304	315	325	336	348	360	372	1,472	3,213
OT	274	284	294	304	315	325	336	347	359	371	1,471	3,209
Transportation (400):												
BA	28,517	28,660	29,111	28,911	28,599	28,482	28,525	28,999	28,073	28,767	143,798	286,644
OT	90,618	90,082	90,423	78,412	65,970	70,055	71,454	71,408	70,257	71,430	415,505	770,109
Community & Regional Development (450):												
BA	5,132	5,128	5,279	5,415	5,546	5,689	5,830	5,979	6,139	6,295	26,500	56,432
OT	19,601	17,625	12,711	10,558	7,192	6,030	5,823	5,963	6,140	6,337	67,687	97,980
Education, Training, Employment, and Social Services (500):												
BA	80,373	91,865	93,529	95,235	96,936	98,719	100,514	102,409	104,327	106,210	457,938	970,117
OT	91,328	91,159	92,126	93,680	95,371	97,079	98,861	100,697	102,575	104,480	463,664	967,356
Health (550):												
BA	61,560	61,785	62,417	63,026	63,637	64,185	64,664	65,186	65,649	66,033	312,425	638,142
OT	61,269	61,300	61,572	61,853	62,195	62,583	62,947	63,281	63,678	64,018	308,189	624,696

TABLE 2.—FISCAL YEAR 2018 BUDGET RESOLUTION DISCRETIONARY SPENDING—Continued

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
Medicare (570):												
BA	6,550	6,892	7,240	7,605	8,001	8,404	8,823	9,262	9,704	10,161	36,288	82,642
OT	6,613	6,887	7,194	7,539	7,929	8,331	8,747	9,183	9,623	10,079	36,162	82,125
Income Security (600):												
BA	68,090	68,719	69,607	70,345	71,006	71,651	72,297	72,998	73,701	74,390	347,767	712,804
OT	67,548	68,516	69,665	70,660	71,148	71,468	71,845	72,473	73,171	73,850	347,537	710,344
Social Security (650):												
On-budget:												
BA	0	0	0	0	0	0	0	0	0	0	0	0
OT	0	0	0	0	0	0	0	0	0	0	0	0
Off-budget:												
BA	5,374	5,532	5,697	5,866	6,039	6,218	6,402	6,595	6,796	6,999	28,508	61,518
OT	5,420	5,531	5,666	5,834	6,006	6,184	6,367	6,559	6,758	6,961	28,457	61,286
Veterans Benefits and Services (700):												
BA	79,067	83,387	83,386	85,140	87,603	90,132	92,738	95,459	98,293	101,165	418,583	896,370
OT	77,871	81,776	82,342	83,284	85,755	88,234	90,782	93,438	96,208	98,987	411,028	878,677
Administration of Justice (750):												
BA	53,984	55,335	57,067	58,816	60,625	62,485	64,413	66,417	68,514	70,655	285,827	618,311
OT	55,217	56,326	57,464	58,734	60,206	62,060	63,974	65,958	68,029	70,156	287,947	618,124
General Government (800):												
BA	15,868	16,423	16,023	15,797	15,481	18,747	18,590	18,389	18,143	17,857	79,592	171,318
OT	15,488	15,860	15,800	15,646	15,390	18,384	18,424	18,235	18,013	17,761	78,184	169,001
Allowances (920):												
BA	−39,567	−40,476	−43,053	−46,676	−48,870	−50,554	−51,788	−53,575	−53,744	−55,254	−218,642	−483,557
OT	−20,852	−33,359	−38,713	−42,718	−46,314	−48,313	−49,864	−51,505	−52,365	−53,463	−181,956	−437,466
Government-Wide Savings (930):												
BA	58,039	35,275	−14,375	−47,504	−60,789	−78,912	−95,870	−101,973	−115,864	−125,166	−29,354	−547,139
OT	26,672	34,302	5,341	−24,318	−44,772	−63,863	−80,938	−91,692	−102,909	−113,132	−2,775	−455,309
Overseas Contingency Operations/Global War on Terrorism (970):												
BA	86,591	60,000	43,000	26,000	12,000	12,000	12,000	0	0	0	227,591	251,591
OT	45,781	50,748	43,076	31,635	18,768	13,799	11,957	4,171	1,160	165	190,008	221,260
Across the Board Adjustment (990):												
On-budget:												
BA	−909	−931	−956	−979	−1,004	−1,030	−1,056	−1,083	−1,112	−1,140	−4,779	−10,200
OT	−740	−837	−895	−944	−968	−993	−1,018	−1,045	−1,070	−1,099	−4,384	−9,609

Off-budget:												
BA	−11	−12	−12	−12	−12	−13	−13	−13	−14	−14	−59	−126
OT	−9	−11	−11	−12	−12	−12	−13	−13	−13	−14	−55	−120

TABLE 3.—FISCAL YEAR 2018 BUDGET RESOLUTION MANDATORY SPENDING

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
SUMMARY												
Total spending:												
BA	2,877,037	2,988,714	3,092,339	3,160,542	3,399,309	3,519,639	3,646,469	3,860,221	4,039,048	4,206,134	15,517,941	34,789,453
OT	2,774,693	2,907,586	3,001,559	3,132,261	3,347,820	3,458,005	3,575,202	3,781,451	3,978,720	4,147,215	15,163,919	34,104,513
On-budget:												
BA	2,018,339	2,069,800	2,111,815	2,112,740	2,280,141	2,323,951	2,372,010	2,503,031	2,593,994	2,667,879	10,592,836	23,053,701
OT	1,921,093	1,994,070	2,026,833	2,090,458	2,235,051	2,269,015	2,307,641	2,431,559	2,541,264	2,616,757	10,267,506	22,433,742
Off-budget:												
BA	858,698	918,913	980,524	1,047,801	1,119,168	1,195,689	1,274,459	1,357,190	1,445,055	1,538,255	4,925,105	11,735,752
OT	853,600	913,515	974,726	1,041,802	1,112,769	1,188,991	1,267,561	1,349,892	1,437,457	1,530,458	4,896,413	11,670,771
BY FUNCTION												
National Defense (050):												
BA	8,095	8,257	8,442	8,661	8,854	9,004	9,193	9,422	10,450	10,634	42,309	91,012
OT	8,400	8,597	8,811	9,055	9,274	9,346	9,417	9,579	10,544	10,741	44,137	93,764
International Affairs (150):												
BA	5,201	3,724	2,798	1,860	11	29	56	71	124	134	13,594	14,008
OT	−3,675	−2,996	−2,173	−1,278	−1,204	−1,199	−1,203	−1,220	−1,200	−1,220	−11,326	−17,368
General Science, Space and Technology (250):												
BA	107	100	100	100	100	100	100	100	100	100	507	1,007
OT	105	102	100	100	100	100	100	100	100	100	507	1,007
Energy (270):												
BA	−6,526	−1,500	−14,344	−1,304	−1,498	−2,568	−3,180	−3,389	−1,235	−1,223	−25,172	−36,767
OT	−3,142	−3,089	−15,823	−2,706	−2,754	−3,660	−4,209	−4,316	−2,157	−2,100	−27,514	−43,956
Natural Resources & Environment (300):												
BA	385	−232	292	−1,175	−496	−1,055	−2,135	−2,217	−2,606	−3,142	−1,226	−12,381
OT	1,032	240	351	−1,084	−514	−1,076	−2,091	−2,220	−2,618	−3,134	25	−11,114

TABLE 3.—FISCAL YEAR 2018 BUDGET RESOLUTION MANDATORY SPENDING—Continued

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
Agriculture (350):												
BA	17,863	14,565	13,094	11,349	10,787	10,919	11,457	12,239	12,384	12,387	67,658	127,044
OT	16,714	13,760	12,680	10,874	10,379	10,568	11,002	11,708	11,872	11,892	64,407	121,449
Commerce & Housing Credit (370):												
On-budget:												
BA	9,120	8,213	4,415	665	593	702	1,073	1,155	273	−410	23,006	25,799
OT	−3,776	−185	−3,253	−7,889	−8,892	−9,454	−10,185	−11,320	−12,029	−12,865	−23,995	−79,848
Off-budget:												
BA	−3,091	−3,134	−5,377	−5,679	−5,961	−6,138	−6,315	−6,501	−6,718	−7,041	−23,242	−55,955
OT	−3,089	−3,132	−5,375	−5,678	−5,960	−6,136	−6,313	−6,499	−6,716	−7,038	−23,234	−55,936
Transportation (400):												
BA	59,578	60,232	53,637	8,279	38,351	38,413	38,958	39,482	41,641	42,181	220,077	420,752
OT	1,178	520	85	−417	−894	−1,361	−1,837	−2,334	−1,213	−1,689	472	−7,962
Community & Regional Development (450):												
BA	−767	−958	−1,039	−1,062	−1,059	−1,133	−1,157	−1,122	−1,062	−1,342	−4,885	−10,701
OT	−975	−642	−869	−1,000	−806	−940	−1,078	−1,196	−1,335	−1,528	−4,292	−10,369
Education, Training, Employment, and Social Services (500):												
BA	−10,453	−12,775	−13,224	−13,313	−14,586	−12,440	−13,873	−15,432	−16,868	−17,994	−64,351	−140,958
OT	−2,033	−9,755	−10,997	−11,201	−11,832	−11,236	−10,964	−12,175	−13,389	−14,400	−45,818	−107,982
Health (550):												
BA	517,768	502,602	489,988	449,263	464,923	483,813	506,671	529,737	552,470	557,777	2,424,544	5,055,012
OT	490,008	509,119	480,377	456,592	471,493	487,104	506,260	527,890	550,004	562,756	2,407,589	5,041,603
Medicare (570):												
BA	587,280	646,092	684,886	731,762	818,275	837,396	841,570	906,982	978,479	1,043,510	3,468,295	8,076,232
OT	586,954	645,853	684,723	731,622	818,128	837,262	841,430	906,826	978,319	1,043,356	3,467,280	8,074,473
Income Security (600):												
BA	423,699	395,706	405,408	414,069	421,447	404,116	412,128	420,050	428,356	437,285	2,060,329	4,162,264
OT	409,880	386,270	395,260	404,480	418,151	396,749	399,525	408,447	423,334	431,532	2,014,041	4,073,628
Social Security (650):												
On-budget:												
BA	39,475	43,016	46,287	49,748	53,392	57,378	61,764	66,388	70,871	75,473	231,918	563,792
OT	39,475	43,016	46,287	49,748	53,392	57,378	61,764	66,388	70,871	75,473	231,918	563,792
Off-budget:												
BA	960,663	1,018,634	1,080,736	1,146,878	1,216,475	1,289,026	1,364,861	1,443,901	1,526,588	1,612,910	5,423,386	12,660,672
OT	955,563	1,013,234	1,074,936	1,140,878	1,210,075	1,282,326	1,357,961	1,436,601	1,518,988	1,605,110	5,394,686	12,595,672

Veterans Benefits and Services (700):												
BA	97,637	108,120	111,544	114,611	127,839	122,435	117,205	132,532	136,654	142,553	559,751	1,211,130
OT	100,167	108,459	111,589	114,572	127,582	122,210	117,126	132,382	136,452	142,514	562,369	1,213,053
Administration of Justice (750):												
BA	−2,617	2,910	2,653	2,238	1,467	1,186	872	530	1,393	−385	6,651	10,247
OT	5,862	2,541	2,572	2,212	1,719	1,402	1,069	540	2,171	−434	14,906	19,654
General Government (800):												
BA	7,696	7,525	7,534	7,589	7,646	7,673	7,761	7,857	7,940	7,998	37,990	77,219
OT	7,603	7,454	7,503	7,544	7,623	7,673	7,744	7,825	7,904	7,961	37,727	76,834
Net Interest (900):												
On-budget:												
BA	376,842	409,185	450,859	493,778	531,929	565,282	589,292	607,012	620,536	623,786	2,262,594	5,268,502
OT	376,842	409,185	450,859	493,778	531,929	565,282	589,292	607,012	620,536	623,911	2,262,594	5,268,627
Off-budget:												
BA	−81,548	−78,697	−76,363	−74,350	−71,711	−66,958	−63,222	−58,701	−52,643	−44,758	−382,668	−668,951
OT	−81,548	−78,697	−76,363	−74,350	−71,711	−66,958	−63,222	−58,701	−52,643	−44,758	−382,668	−668,951
Allowances (920):												
BA	−4,938	−1,743	−2,193	−1,380	−1,674	−1,772	−1,871	−1,864	1,836	0	−11,928	−15,599
OT	−2,420	−1,140	−1,927	−1,446	−1,563	−1,506	−1,547	−1,555	238	−456	−8,496	−13,322
Government-Wide Savings (930):												
BA	−23,894	−36,830	−53,006	−72,651	−92,587	−95,526	−98,503	−91,363	−130,709	−133,635	−278,968	−828,704
OT	−23,894	−36,830	−53,006	−72,751	−92,687	−95,626	−98,603	−95,663	−120,107	−127,845	−279,168	−817,012
Undistributed Offsetting Receipts (950):												
On-budget:												
BA	−83,212	−86,409	−86,316	−90,347	−93,573	−100,001	−105,371	−115,139	−117,033	−127,808	−439,857	−1,005,209
OT	−83,212	−86,409	−86,316	−90,347	−93,573	−100,001	−105,371	−115,139	−117,033	−127,808	−439,857	−1,005,209
Off-budget:												
BA	−17,326	−17,890	−18,472	−19,048	−19,635	−20,241	−20,865	−21,509	−22,172	−22,856	−92,371	−200,014
OT	−17,326	−17,890	−18,472	−19,048	−19,635	−20,241	−20,865	−21,509	−22,172	−22,856	−92,371	−200,014

THE LONG–TERM BUDGET OUTLOOK

The growing probability of a sovereign debt crisis is an urgent challenge facing the United States today. The source of the crisis is the drift toward ever-expanding government. The Congressional Budget Office [CBO] has repeatedly warned current laws and policies are fiscally unsustainable. That means they will not, *in fact,* be sustained. CBO cautions that high and rising Federal debt would have serious negative consequences for the budget and the Nation. Under current law policies Federal spending on interest payments will increase rapidly and mounting Federal debt will negatively affect the economy in the years ahead. "Because Federal borrowing reduces total saving in the economy over time, the nation's capital stock would ultimately be smaller, and productivity and total wages would be lower." [18] CBO also cautions: "The likelihood of a fiscal crisis in the United States would increase. There would be a greater risk that investors would become unwilling to finance the government's borrowing unless they were compensated with very high interest rates; if that happened, interest rates on Federal debt would rise suddenly and sharply." [19] To avert such consequences, Congress must stop government's relentless encroachment on Americans' lives and prosperity, and let American civil society flourish.

This is more than a financial problem. As noted previously, the government's mounting debt reflects a moral failing. In the past, policymakers would have considered it nothing less than "a sin" to routinely spend borrowed money on ordinary present-day uses—forcing future generations to finance today's consumption. A government that promotes such practices through its profligacy corrodes the Nation's underlying values—an even more pervasive threat to America's future.[20]

In its latest long-term analysis, CBO projects Federal debt held by the public—which stands at roughly 77.5 percent of gross domestic product [GDP] today—will surge to 113 percent of GDP in the next 20 years, and 150 percent by 2047.[21] Even today's debt levels are well beyond the debt target of no more than 60-percent of GDP adopted in the European Union's Maastricht Treaty; in the future they will be far worse.

The projected increase in debt is driven by spending growing well above historic levels of revenues. Revenues today stand at 17.8 per-

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[18] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027* January, 2017, pp 3–4.

[19] Ibid.

[20] James M. Buchanan, "Clarifying Confusion About the Balanced Budget Amendment," *National Tax Journal,* Vol. 48, No. 3, September 1995, page 347.

[21] Congressional Budget Office, *The 2017 Long-Term Budget Outlook,* March 2017, Data and Supplemental Information.

cent of GDP—greater than the 50-year historical annual average of 17.4 percent. Revenues are projected to average 18.2 percent of GDP over the next 10 years, then reach 19.0 percent in 2037 and 19.6 percent in 2047. Spending, however, will persistently outpace revenue growth, averaging 22.1 percent of GDP over the next 10 years, then surging to 26.3 percent in 2037 and 29.4 percent in 2047.[22]

The automatic spending for Federal entitlement programs, plus interest payments, will continue to dominate the budget. By 2029, entitlement spending plus net interest is expected to consume all Federal revenue, meaning all other government activities—such as national defense, education, infrastructure, research, and myriad others—will have to be financed on borrowed money. By 2039, the situation will worsen, as a mere handful of programs—Social Security and health care entitlement spending—plus net interest are expected to consume all Federal revenue; at that point, all other direct spending and all discretionary spending will have to be debt-financed. It is important to note these trends result not from temporary surges in spending or economic downturns, but from permanent government spending programs. *This is an entrenched, structural excess of spending over revenues.*

CBO notes it is impossible to predict how long the Nation could sustain such growth in Federal debt, but at some point investors would be begin to doubt the government's willingness or ability to pay its obligations. This would require the government to pay much higher interest costs to borrow money, resulting in significant negative consequences for the economy and the Federal budget. This large and growing amount of debt would restrict policymakers' ability to use tax and spending policies for responding to unexpected challenges, such as recessions, financial crises, or national security emergencies, and would pose substantial risks to the Nation.[23]

This budget would turn the tide. If the policies incorporated in the budget were enacted, they would yield $6.5 trillion in deficit reduction (compared with current projections) over the next 10 years. The budget calls for responsible reforms of government spending programs. It protects key priorities while eliminating waste. It avoids sudden and arbitrary cuts to current services, such as those the country would experience in a debt crisis.

The reductions from projected spending are hardly draconian. Over the years, Congress has put two-thirds of the budget on autopilot, and spending in those areas grows each year. Yet any effort to restrain this growth in spending is cast, in Orwellian fashion, as a "cut." This is because the Federal Government describes its fiscal plans relative to estimates of future spending, not to the reality of actual current spending. This is a fundamental contributor to the government's bias toward higher spending.

This budget does not make sudden "cuts." Instead, it holds spending growth to a manageable rate. Under the CBO current law baseline, the Federal Government will spend $52.5 trillion over the next 10 years.[24] Under this budget proposal, it will spend roughly

[22] Ibid..
[23] Ibid., pp. 3–7.
[24] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017.

$46.3 trillion. Put another way, on its current path, Federal spending will rise by an unmanageable annual average of 5.1 percent, significantly greater than the projected growth in nominal GDP. This budget slows that rate of spending growth to 3.0 percent, less than the economy's nominal rate of expansion.

Nor is this an "austerity" plan. When policymakers restrain the growth of government, they allow more room for private enterprise of all kinds. With its measured spending restraints, this budget ensures the American economy will outgrow the government. Thus, the budget achieves balance in 2027 by gradually reducing the size of government relative to the economy from 20.7 percent this year[25] to 17.8 percent in 2027. To achieve this outcome, the budget encourages a range of fundamental program reforms, described elsewhere in this report, that will improve and strengthen Federal programs and put the government on a sound financial footing.

The spending path assumed in this budget will result in a balanced budget within 10 years and a growing surplus that will lead to a sharp reduction in the national debt. The Budget Committee estimates a small budget surplus in 2027 will steadily grow larger in years beyond the window. At the same time, debt held by the public will decline from 77 percent of GDP today[26] to 61 percent of GDP in 2027, and will fall steadily as a percent of GDP in the subsequent 20 years—a glide path to fully paying off the national debt.

Over the long term, the budget assumes revenue generally follows CBO's extended baseline adjusted for tax relief provided by the American Health Care Act. The Budget Committee estimates revenues under this budget will rise in nominal terms over the next 10 years, but will hold steady as a share of the economy, at about 17.8 percent of GDP. The Committee further assumes revenues will gradually rise over the subsequent 20 years until eventually reaching and stabilizing at 19.0 percent of GDP, including the macroeconomic effects of the budget's pro-growth policies and the Trump Administration's regulatory relief.

The United States has dealt with financial problems in the past. In 1997, a Democratic president and a Republican Congress passed the Balanced Budget Act of 1997, which resulted in four years of budget surpluses. It was the last period of sustained balanced budgets the Nation has seen. This budget follows that model. It incorporates ideas from both parties to address one of the most pressing issues of the day: America's ever-rising national debt.

[25] Ibid.
[26] Ibid.

DIRECT SPENDING TRENDS AND REFORMS

Background

Direct spending remains the fastest growing part of the spending-driven sovereign debt crisis the Nation faces.

The Congressional Budget Office [CBO] reports that total non-interest direct (or "mandatory") spending in fiscal year 2016 was $2.429 trillion, and will surge to $4.305 trillion by 2027. This reflects an average annual growth rate of 5.3 percent—faster than both CBO's projection of 2016 nominal economic growth of 2.9 percent and CBO's longer-term projection of 3.9-percent economic growth. Within overall non-interest mandatory spending, the two major social insurance programs are projected to continue growing faster than the economy as a whole, with Social Security (both Old-Age and Survivors Insurance and Disability Insurance) expected to increase from $910 billion in 2016 to $1.7 trillion in 2027 and Medicare from $692 billion in 2016 to $1.4 trillion in 2027.[27]

Over the past 10 years, major means-tested automatic spending programs have grown from $385 billion in 2007 to $720 billion in 2016. In the next decade, these programs are expected to grow by 4.3 percent per year—from $745 billion in 2017 to $1.1 trillion in 2027.[28]

A number of factors contribute to these increases. The 2008 recession caused significant increases in spending on low-income programs. Spending is projected to remain at elevated levels for several programs—most notably, the Supplemental Nutrition Assistance Program, or SNAP (formerly known as food stamps). Over the past 10 years, SNAP grew at 7.3 percent annually, ballooning from $35 billion in 2007 to $73 billion in 2016. While this amount is projected to decline slightly over the next 10 years, it remains elevated compared to prerecession levels.[29]

Other programs have also seen large increases. Supplemental Security Income [SSI] was created as a needs-based program that provides cash benefits to aged, blind, or disabled persons with limited income and assets. When the program began, the majority of payments went toward the aged. As it matured, however, a much greater percentage of beneficiaries were under age 18 or between the ages of 18 to 64. Over the past decade, spending on SSI has grown by 4.4 percent per year.[30]

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[27] Congressional Budget Office, *The Budget and Economic Outlook, 2017 to 2027,* January 2017.
[28] Ibid.
[29] Ibid.
[30] Ibid.

The largest means-tested program in the Federal budget is Medicaid, the Federal-State low-income health program. Medicaid spending, and its related State Children's Health Insurance Program [SCHIP], doubled from $197 billion in 2007 to $382 billion in 2016. Going forward, CBO projects Federal Medicaid and SCHIP spending, on its current path, will reach $656 billion in fiscal year 2027. Absent structural reform, Medicaid will not be able to deliver on its promise to provide a sturdy health care safety net for society's most vulnerable. Because of the flawed incentives in this program, Medicaid grew at 7.4 percent a year over the past 10 years, and it is projected to grow 5.3 percent a year over the next 10 years. This level of growth is clearly unsustainable.[31]

The Fiscal Year 2018 Budget

The fiscal year 2018 budget addresses both non-means-tested and means-tested direct spending. Most important, it tackles the primary drivers of debt and deficits: the government's health programs. For Medicare, this budget advances policies to put seniors, not the Federal Government, in control of their health care decisions. This resolution provides future retirees with the freedom to choose a health plan best suited for them, and guarantees health security throughout their retirement years. Under this program, traditional Medicare and private plans—providing the same level of health coverage—compete for seniors' choices, just as Medicare Advantage does today. This improved Medicare program would also adopt the competitive structure of Part D, the prescription drug benefit program, providing beneficiaries with a defined contribution to purchase coverage and, through competition, deliver savings for seniors in the form of lower monthly premium costs. Allowing seniors to choose the best plan for themselves promotes competition among health insurers on price and quality. This means the program works better for patients and can be sustained for future generations of seniors. The improved program also includes additional protections for the most vulnerable. The Federal contribution would be adjusted based on the health of the beneficiary so those with illnesses would receive higher payments if their condition worsened; lower-income seniors would receive additional assistance to help cover out-of-pocket costs; and wealthier seniors would assume responsibility for a greater share of their premiums.

For Medicaid, this budget converts the Federal share of Medicaid spending into per capita allotments, as advanced in the House-passed "American Health Care Act". This structure gives States the flexibility to tailor their programs in ways that meet their fiscal needs as well as serving the most vulnerable in their populations. The strategy would end the misguided one-size-fits-all approach that ties the hands of State governments trying to make their Medicaid programs as effective as possible. In addition, the budget proposes to advance a work requirement for all able-bodied adults without dependents who are enrolled in Medicaid. Work not only provides a source of income and self-sufficiency, but also has been demonstrated as a valuable source of self-worth and dignity for individuals.

[31] Ibid.

Additionally, in keeping with a recommendation from the National Commission on Fiscal Responsibility and Reform, the budget recommends Federal employees—including Members of Congress and their staffs—make greater contributions toward their own retirement.

This budget is premised on the belief that the prospect of upward mobility should be in the reach of every American, and that priority must be given to maximizing the effectiveness of anti-poverty programs across Federal, State, and local governments. Congress should remove the barriers and obstacles preventing the most vulnerable Americans from taking advantage of economic and educational opportunities. Wherever possible, government programs should help these individuals climb the ladder of self-sufficiency and join the middle class. By balancing the budget, implementing comprehensive tax reform, and reforming means-tested entitlement programs, this resolution is designed to accomplish exactly these goals.

TABLE 4.—HISTORICAL MEANS–TESTED AND NON MEANS–TESTED DIRECT SPENDING

[Outlays by fiscal year, billions of dollars]

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Esti-mated 2017	Average annual growth 2008–2017
Means-Tested Programs:												
Health Care Programs:												
Medicaid	191	201	251	273	275	251	265	301	350	368	389	7.4
Health insurance subsidies [a,b]	0	0	0	0	0	0	0	13	27	31	42	n.a.
Medicare Part D low-income subsidies	17	17	19	21	24	20	22	22	24	29	29	5.9
Children's Health Insurance Program	6	7	8	8	9	9	9	9	9	14	15	9.2
Subtotal	213	225	277	302	308	279	297	346	411	443	474	8.3
Income security programs:												
Earned income and child tax credits [b,c]	54	75	67	77	78	77	79	82	81	81	80	3.9
SNAP	35	39	56	70	77	80	83	76	76	73	71	7.3
Supplemental Security Income	36	41	45	47	53	47	53	54	55	59	55	4.4
Family support and foster care [d]	31	32	33	35	33	30	32	31	31	31	31	0.2
Child nutrition [e]	13	14	15	16	17	18	19	19	21	22	23	5.8
Subtotal	169	201	216	246	259	253	265	262	263	266	260	4.4
Veterans' pensions	3	4	4	4	5	5	5	6	5	6	6	5.1
Pell grants [f]	0	1	2	4	14	12	16	8	10	6	6	n.a.
Subtotal, Means-Tested Programs	385	430	500	556	586	549	583	622	689	720	745	6.8
Non-Means-Tested Programs [g,h]	1,243	1,350	1,788	1,554	1,649	1,710	1,753	1,754	1,865	1,946	1,989	4.8
Total Mandatory Outlays [h]	1,628	1,780	2,288	2,110	2,235	2,259	2,336	2,376	2,554	2,666	2,734	5.3
Memorandum:												
Pell Grants (Discretionary)	13	15	13	20	21	21	17	23	20	22	22	5.3
Means-Tested Programs:												
Adjusted for Timing Shifts	389	430	500	556	580	555	583	622	689	713	745	6.7
Non-Means-Tested Programs:												
Adjusted for Timing Shifts	1,242	1,350	1,788	1,554	1,627	1,731	1,753	1,754	1,865	1,916	1,985	4.8

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

The average annual growth rate over the 2008–2017 period encompasses growth in outlays from the amount recorded in 2007 through the amount projected for 2017.

Data on spending for benefit programs in this table exclude administrative costs that are classified as discretionary but generally include administrative costs that are classified as mandatory.

SNAP = Supplemental Nutrition Assistance Program; n.a. = not applicable.

Because October 1 fell on a weekend in 2007, 2012, and 2016, certain federal payments that were due on those dates were instead made at the end of the preceding September and thus recorded in the previous fiscal year. October 1, 2017, also will fall on a weekend, causing payments due to be made in fiscal year 2018 to be recorded in fiscal year 2017. Those shifts primarily affect outlays for Supplemental Security Income, veterans' compensation benefits and pensions, and Medicare.

a. Differs from the amounts reported for 2016 through 2027 in the line ''Health insurance subsidies and related spending'' in Table 1-2 in The Budget and Economic Outlook: Fiscal Years 2017 to 2027 in that it does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees) and reinsurance (amounts paid to plans that enroll people with high health care costs). Spending for grants to states to establish health insurance marketplaces also is excluded.

b. Does not include amounts that reduce tax receipts.

c. Differs from the amounts reported for 2016 through 2027 in the line ''Earned income, child, and other tax credits'' in Table 1-2 in The Budget and Economic Outlook: Fiscal Years 2017 to 2027 in that it does not include other tax credits that were included in that table.

d. Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.

e. Differs from the amounts reported for 2016 through 2027 in the line ''Child nutrition'' in Table 1-2 in The Budget and Economic Outlook: Fiscal Years 2017 to 2027 in that it does not include outlays related to the Funds for Strengthening Markets program (also known as Section 32) or the Commodity Assistance Program.

f. Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award amount set in the appropriation act plus mandatory spending that, by formula, increases the total maximum award above the amount set in the appropriation act.

g. Does not include offsetting receipts.

h. Does not include outlays associated with federal interest payments.

TABLE 5.—PROJECTED MEANS–TESTED AND NON MEANS–TESTED DIRECT SPENDING

[Outlays by fiscal year, billions of dollars]

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Average annual growth (percent) 2018–2027
Means-Tested Programs:												
Health Care Programs:												
Medicaid	389	408	428	450	474	499	525	554	584	616	650	5.3
Health insurance subsidies [a,b]	42	55	64	73	78	82	85	89	92	94	97	8.8
Medicare Part D low-income subsidies	29	29	33	35	38	44	45	45	53	58	62	7.9
Children's Health Insurance Program	15	11	6	6	6	6	6	6	6	6	6	−8.9
Subtotal	474	503	530	564	596	631	661	694	735	774	815	5.6
Income security programs:												
Earned income and child tax credits [b,c]	80	79	81	83	84	86	88	89	91	93	94	1.7
SNAP	71	69	67	67	67	66	66	66	67	68	69	−0.2
Supplemental Security Income	55	52	58	60	62	68	66	62	70	72	74	3.1
Family support and foster care [d]	31	32	33	33	33	33	34	34	34	35	35	1.1

TABLE 5.—PROJECTED MEANS–TESTED AND NON MEANS–TESTED DIRECT SPENDING—Continued

[Outlays by fiscal year, billions of dollars]

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Average annual growth (percent) 2018–2027
Child nutrition [e]	23	24	25	26	27	28	30	31	32	34	35	4.4
Subtotal	260	255	263	268	273	283	283	283	295	301	308	1.7
Veterans' pensions	6	5	6	6	6	7	6	6	7	8	8	3.5
Pell grants [f]	6	7	7	7	7	7	8	8	8	8	8	3.0
Subtotal, Means-Tested Programs	745	771	807	845	882	928	958	991	1,045	1,090	1,139	4.3
Non-Means-Tested Programs [g,h]	1,989	2,064	2,221	2,356	2,503	2,703	2,811	2,921	3,137	3,347	3,546	6.0
Total Mandatory Outlays [h]	2,734	2,834	3,028	3,201	3,384	3,631	3,769	3,912	4,182	4,437	4,685	5.5
Memorandum:												
Pell Grants (Discretionary) [i]	22	24	31	24	24	24	25	25	26	26	27	2.3
Means-Tested Programs:												
Adjusted for Timing Shifts	745	778	807	845	882	919	958	1,000	1,045	1,090	1,139	4.3
Non-Means-Tested Programs:												
Adjusted for Timing Shifts	1,985	2,097	2,221	2,356	2,503	2,654	2,807	2,974	3,137	3,347	3,546	6.0

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

The projections shown here, which exclude the effects of offsetting receipts, are the same as those reported in Congressional Budget Office, The Budget and Economic Outlook: Fiscal Years 2017 to 2027 (January 2017), www.cbo.gov/publication/52370

The average annual growth rate over the 2018-2027 period encompasses growth in outlays from the amount projected for 2017 through the amount projected for 2027.

Projections of spending for benefit programs in this table exclude administrative costs that are classified as discretionary but generally include administrative costs that are classified as mandatory.

SNAP = Supplemental Nutrition Assistance Program.

Because October 1 fell on a weekend in 2016, certain federal payments that were due on that date were instead made at the end of the preceding September and thus recorded in the previous fiscal year. October 1 will fall on a weekend again in 2017, 2022, and 2023, and the same shift in certain federal payments will occur. The payment shifts primarily affect outlays for Supplemental Security Income, veterans' compensation benefits and pensions, and Medicare.

a. Differs from the amounts reported for 2016 through 2027 in the line "Health insurance subsidies and related spending" in Table 1-2 in The Budget and Economic Outlook: Fiscal Years 2017 to 2027 in that it does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees) and reinsurance (amounts paid to plans that enroll people with high health care costs). Spending for grants to states to establish health insurance marketplaces also is excluded.

b. Does not include amounts that reduce tax receipts.

c. Differs from the amounts reported for 2016 through 2027 in the line "Earned income, child, and other tax credits" in Table 1-2 in The Budget and Economic Outlook: Fiscal Years 2017 to 2027 in that it does not include other tax credits that were included in that table.

d. Includes the Temporary Assistance for Needy Families program, the Child Support Enforcement program, the Child Care Entitlement program, and other programs that benefit children.

e. Differs from the amounts reported for 2016 through 2027 in the line "Child nutrition" in Table 1-2 in The Budget and Economic Outlook: Fiscal Years 2017 to 2027 in that it does not include outlays related to the Funds for Strengthening Markets program (also known as Section 32) or the Commodity Assistance Program.

f. Includes mandatory spending designed to reduce the discretionary budget authority needed to support the maximum award amount set in the appropriation act plus mandatory spending that, by formula, increases the total maximum award above the amount set in the appropriation act.

g. Does not include offsetting receipts.

h. Does not include outlays associated with federal interest payments.

i. The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Federal Pell Grant Program. As with all other discretionary programs, the budget authority is calculated by inflating the budget authority appropriated for fiscal year 2017. Outlays for future years are based on those amounts of budget authority and also reflect a temporary surplus of budget authority provided in 2017.

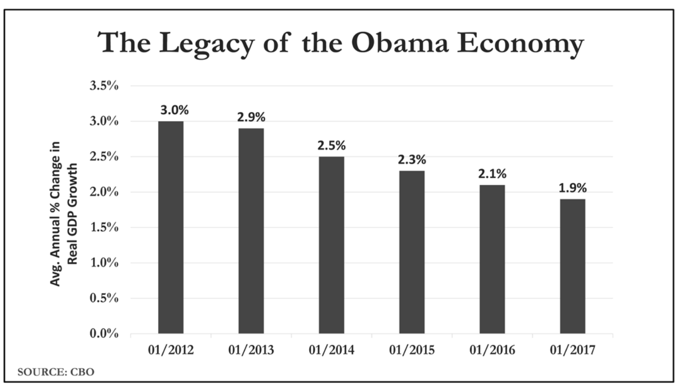
THE ECONOMY AND ECONOMIC ASSUMPTIONS

A Subpar Recovery

U.S. economic performance has generally been mixed in the first half of 2017, and much needs to be done to return the economy to its previous growth potential. Since 2010, real growth in gross domestic product [GDP] has averaged only slightly better than 2.0 percent annually, well below the 3.0 percent historical trend rate of growth in the U.S.

This trend of prolonged subpar economic performance has surprised most economic forecasters. Back in 2012, the Congressional Budget Office [CBO] expected real GDP to grow by a relatively brisk 3.0-percent annual average over the 10-year budget window. By 2014, that projected average slipped to 2.5 percent. In CBO's latest economic forecast, expected average real GDP growth fell to just 1.9 percent (see Figure 5).

FIGURE 5



CBO has significantly lowered its expectation of long-term growth in potential GDP as well, due mainly to negative developments in the labor market and expected sluggish productivity growth. CBO expects slower growth in the potential labor force later this decade, which is linked to the aging of the population and the retirement of the baby-boom generation. With a smaller labor force, there will also be less business investment and slower growth in the country's capital stock. This "new normal"—if that is what it is—is especially troubling because without more robust growth the economy will struggle to support the 80 million retirees expected over the next couple decades, as well as the working age population. Standards of living will suffer, especially for middle-income earners.

Government policies also play a role in this trend. The heavy spending of recent years drains economic resources that otherwise would be available for growth-producing activities. In addition, the sharp increase in government debt—which now stands at near-record post-World War II levels—will crowd out additional capital investment in the long term. Meanwhile, CBO projects the Affordable Care Act will create incentives for people to work fewer hours over the medium and longer term. The overall picture that CBO's latest economic forecast paints is that sluggish economic growth has evolved from mainly a cyclical issue to a longer-term structural problem. The clear downward trend in the economic forecast in recent years has raised the hurdle significantly for those trying to correct the fiscal imbalance over the next decade. As discussed below, however, a meaningful change in fiscal policy can repay in stronger economic growth and budgetary dividends.

The Benefits of a Stronger Economy

A stronger economy would provide a number of tangible benefits for the average American. Back in the latter part of the 1990s, real GDP was growing at a rate of about 4.5 percent—roughly *twice* the rate of growth today. From 1995 to 1999, real median household income grew by $5,000, nearly 10 percent. Not coincidentally, this was a time when the Federal budget achieved a string of surpluses. In contrast, fiscal policy today features large deficits combined with a historically large stock of government debt.

A robust labor market also fosters more opportunity and upward mobility. Currently about 5.3 million Americans are working part-time due to poor business conditions or because that was the only employment option available. In the latter part of the 1990s, 30 percent fewer Americans faced this problem. A stronger economy also naturally alleviates poverty. By the year 2000, after multiple years of robust economic growth, the rate of poverty in the U.S. had declined to a 25-year low. A more robust economy also provides more resources to the government to maintain a strong safety net.

Achieving a stronger rate of growth requires the right economic policies. Key policies needed to bolster growth include fundamental tax reform to lower tax rates on individuals and businesses and thus reduce disincentives to work and invest; regulatory reforms to scale back and prevent regulations, such as Dodd-Frank, that fail cost-benefit tests and hamper economic growth; and direct spending reforms to prevent a debt explosion and improve incentives.

The Current Economic Situation

Economic output remained sluggish in the first quarter of 2017, growing by just 1.4 percent on a seasonally adjusted, annualized basis. This was better than an earlier estimate of 0.7 percent, but still weaker than all but two quarters of the past two years.[32] The tepid performance was highlighted by a slowdown in consumer spending, which typically accounts for two-thirds of overall GDP growth. Business investment, however, advanced in the first quarter at its strongest clip since late 2013 and most economists expect

[32] Bureau of Economic Analysis release, 29 June 2017: https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm.

overall GDP growth to rebound in subsequent quarters. Looking back, real GDP increased by just 1.6 percent (measured on a year-over-year basis) in 2016, the lowest annual growth rate in five years. Since 2010, real GDP growth has averaged just over 2.0 percent annually, well below the roughly 3.0-percent historical trend rate of growth in the U.S. Sluggish economic growth has contributed to the government's fiscal problems. It leads to lower revenue levels than would otherwise occur while government spending (on welfare programs, for example) is higher. According to CBO, if productivity growth, which is closely correlated with overall GDP growth, is just 0.1 percentage point lower per year, the budget deficit will be higher by $273 billion over 10 years. Conversely, stronger productivity and GDP growth would greatly improve the fiscal outlook.

Monthly job growth has been choppy in 2017, but the pace of employment gains steadied heading into mid-year. So far this year, monthly job increases are averaging 180,000, down slightly from 187,000 per month last year. In the latest month of June, job growth was 222,000, above market expectations. The unemployment rate rose slightly to 4.4 percent in June, but remains near the lowest rate in 16 years. When discouraged workers and marginally employed persons are counted, the broader under-employment rate is 8.6 percent, nearly double the headline rate.[33] Still, this under-employment rate has now fallen to its lowest level since late 2007.

Although the overall trend of job gains has still been solid this year, and the headline unemployment rate has dropped to a low level, other aspects of the labor market are not as robust. The labor force participation rate stands at 62.8 percent, down a full 3 percentage points since early 2009, and remains near its lowest level since the late 1970s (see Figure 6). Long-term unemployment also remains a problem. Of the 7.0 million people who are currently unemployed, 1.7 million (24 percent) have been unemployed for more than six months. Long-term unemployment has genuinely corrosive consequences. For individuals, it erodes their job skills, further detaching them from employment opportunities. At the same time, it undermines the long-term productive capacity of the economy.

In previous episodes when the unemployment rate was at or below 5.0 percent, the overall labor market was healthier than it is today. For instance, about a decade ago, in 2005, the unemployment rate was trending lower and even dipped below 5.0 percent. Yet the labor force participation rate was 66 percent, more than 3 percentage points above the rate today. The number of people not in the labor force (or "on the sidelines") is currently about 95 million, or 24 percent higher than the figure back in 2005. Also, more people today are working part-time because of poor business conditions or they can only find part-time work. Currently, 5.3 million Americans face this problem, whereas that figure was slightly more than 4 million in 2005.

Wage gains have been moderate over the past year. Average hourly earnings of private-sector workers increased by 2.5 percent in June from the year-earlier level. Still, prior to the recession, average hourly earnings were tracking closer to 3.5 percent. Real me-

[33] Bureau of Labor Statistics, U–6 Index, Table A–15, July 2017.

dian household income is finally on the upswing, but at $56,500 it is still $900, or 1.6 percent, below its pre-recession peak in 2007.

FIGURE 6

Crude oil prices had plunged from mid-2014 to early 2016, dropping from over $100 per barrel to just $30 per barrel. Since that time, however, prices have been trending higher. So far in 2017, crude oil prices are averaging just over $50 per barrel, about 50 percent higher than the level in early 2016.

The gradual increase in the price of oil has led to a relative firming in headline inflation rates. For instance, the price index for personal consumption expenditures [PCE] has increased by 1.4 percent over the latest 12 months, up from annual growth below 1.0 percent in 2015. The so-called "core" PCE index (which excludes energy and food prices), the Federal Reserve's preferred inflation gauge, has also increased 1.4 percent over the past year. These levels of inflation are still somewhat below the Federal Open Market Committee's 2-percent objective for inflation over the longer run.

The Federal Reserve increased interest rates for the second time this year in June. That marked the fourth rate hike since late 2015. Prior to that time, the Fed had been holding interest rates near zero since the depths of the financial crisis in 2008. Looking ahead, the Fed has signaled that it will continue to increase interest rates at a measured pace, thereby normalizing monetary policy.

The yield on the 10-year Treasury note has increased since last fall. The 10-year Treasury has been hovering around 2.2 percent as of June 2017, up about 40 basis points from last October.

Many global central banks have signaled their intention to keep interest rates low and their overall monetary policy loose—in contrast to the Federal Reserve's current policy stance. This divergence in central bank policy stances on interest rates, as well as the differing economic outlook between the U.S. and the rest of the world, has caused the U.S. dollar to appreciate vis-a-vis other foreign currencies.

The value of the U.S. dollar has been increasing gradually over the past 3 years. Since mid-2014, the U.S. dollar has appreciated by 20 percent on a trade-weighted basis.

U.S. stock markets have increased sharply in the wake of the November 2016 election and the promise of pro-growth economic policies from Washington. Since early November, the S&P 500 has increased by roughly 15 percent.

The Economic Outlook

The Trump Administration's economic forecast is more hopeful than the Obama Administration's forecast last year, and it is more upbeat than either CBO or the Blue Chip consensus of private-sector forecasters—who also are less optimistic than last year. Assuming full implementation of its proposed policies—which include reforming the tax code and health care, cutting regulation, slowing the growth of spending, and reducing deficits—the administration projects real GDP, measured on a year to year basis, will grow 2.3 percent in calendar year 2017, 2.4 percent in 2018. It will then rise to 3.0 percent in 2021 and remain at that level in later years of the budget window. Assuming a continuation of current law, CBO projects real GDP will grow 2.3 percent in calendar year 2017, decline to 2.0 percent in 2018, 1.7 percent in 2019 and will then stabilize at 1.9 percent in 2022 and later years. CBO writes that its projections are generally similar to other forecasters: "The economic projections in this report do not differ significantly from those of most other forecasters. They are generally similar to the Blue Chip consensus forecast that was published this month (January 2017) and to the latest forecasts by Federal Reserve officials (December 2016)." [34]

The Blue Chip consensus projects real GDP growth of 2.1 percent in 2017, 2.4 percent in 2018, and about 2.0 percent in later years. Over the 10-year window of the budget resolution, the administration's Office of Management and Budget [OMB] expects real GDP growth to average 2.9 percent, significantly higher than the Blue Chip's 2.1 percent and a full percentage point higher than CBO, which projects a 1.9 percent growth rate average over this period.

Like other forecasters, the administration expects the unemployment rate to decline gradually in the coming years. According to OMB, the unemployment rate will average 4.6 percent in 2017, decline to 4.4 percent in 2018, and rise to 4.6 percent in 2019. The administration sees the unemployment rate stabilizing at 4.8 percent in 2021. That path is similar in the near term but is more optimistic in the latter part of the window than the CBO forecast. CBO expects the unemployment rate to average 4.6 percent in 2017, 4.4 percent in 2018, 4.5 percent in 2019, rising to 5.0 percent in 2021 through 2023 and stabilizing at 4.9 thereafter. The Blue Chip consensus sees a near-term decline in the unemployment rate similar to both CBO and the administration, but is closer to the administration's forecast in the latter part of the window. According to Blue Chip, the unemployment rate will average 4.5 percent in 2017, 4.3 percent in 2018, and 4.5 percent in 2019 and will rise gradually in later years before leveling off at 4.7 percent in 2022.

The administration expects consumer price inflation, measured by the year-to-year percent change in the consumer price index, to rise to 2.6 percent in 2017 from 1.3 percent in 2016. The administration expects price inflation of 2.3 percent in 2018 and later

[34] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017, p.41.

years. CBO expects price inflation of 2.4 percent in 2017, 2.3 percent in 2018 and 2019 and 2.4 percent in 2020 and later years. The Blue Chip consensus expects inflation over the next two years that is similar to the administration's and CBO's forecasts. According to Blue Chip, price inflation will rise to 2.4 percent in 2017, range between 2.2 percent and 2.4 percent in subsequent years and stabilize at 2.4 percent in 2024.

As economic growth strengthens, OMB expects interest rates will rise to more normal levels in the coming years. The 10-year Treasury note, which was 1.8 percent in 2016, is projected to rise to 2.7 percent in 2017, 3.3 percent in 2018, and 3.4 percent in 2019. OMB expects the 10-year Treasury to hit 3.8 percent in 2020 and remain there in later years. CBO expects interest rates to rise to more normal levels as well but more gradual increases and lower rates than the administration for most years. CBO sees the 10-year Treasury averaging 2.3 percent in 2017, 2.5 percent in 2018, and 2.8 percent in 2019, and continuing to rise gradually in subsequent years until stabilizing at 3.6 percent in 2023. The Blue Chip consensus also expects a gradual increase in interest rates over the budget window, but like the administration sees higher interest rates than does CBO over the next several years. The Blue Chip consensus forecasts the 10-year Treasury note to average 2.6 percent in 2017, 3.1 percent in 2018, 3.6 percent in 2019 and gradually rising further until stabilizing at 3.9 percent in 2024 and later years.

Economic Assumptions of the Budget Resolution

Customarily, the House budget resolution employs CBO's economic assumptions as its foundation, but this is not a requirement. The Budget Committee may use a different set of projections if it chooses. The Committee has made that choice in this case. The budget resolution calls for significant policy changes, including substantial reductions in deficits and debt that are expected to lead to improved economic outcomes. The resolution assumes the enactment of such policies and the economic benefits they would generate. In turn, the effects of improved economic performance are expected to "feed back" into components of the budget, producing improved fiscal outcomes. Put another way, the resolution rests on a "post-policy" economic forecast that incorporates the effects of the budget's pro-growth strategy. It is the same approach that presidents' budgets have used for decades, and is more fully explained in the next section, "Macroeconomic Feedback Effects of Pro-Growth Policies."

As noted previously, CBO projects real (inflation-adjusted) GDP to grow at an annual average of just 1.9 percent—more than a full percentage point below the 3.0-percent average of the past 50 years. One component of this projection is CBO's "current-law" expectation for Federal policy. CBO assumes laws in place today will remain in place throughout the 10-year budget window—that major program spending and tax laws, as well as government regulation, will unfold as called for in existing law. CBO's projection also assumes the continuation of current regulatory regimes. This current-law framework contributes to CBO's dismal economic forecast.

In contrast, the Budget Committee assumes the enactment of its pro-growth policies—including comprehensive tax reform and welfare reform, the budget's spending restraint, the administration's regulatory reforms, and Obamacare repeal and replace legislation—and the economic benefits they would generate. Under the "post-policy" perspective of this resolution, real GDP growth will average 2.6 percent over the budget window. This projected level of real economic growth is lower than the administration's but higher than CBO's or the Blue Chip's. The Committee projects that real economic growth rates under this year's House budget will remain near CBO's baseline forecast in the initial years of the window with larger differences in later years of the window.

Regarding other major macroeconomic variables, the resolution foresees inflation, as measured by the consumer price index, averaging 2.4 percent for the 2018–2027 period. The unemployment rate is expected to remain at or below 5.0 percent, at an average of 4.8 percent per year. The resolution foresees somewhat higher interest rates along with increased economic growth, particularly in the latter part of this ten-year period. The rates on three-month Treasury bills under the resolution's assumptions rise gradually through the this period, reaching 3.1 percent in 2024 and average 2.7 percent over 2018–2027, similar to the Administration and Blue Chip but higher than CBO's 2.5 percent. The rates on 10-year Treasury note under the House budget rise gradually from 2.6 percent in 2018 to 4.0 percent in 2027 and average 3.6 percent over the 10-year period, similar to the administration and Blue Chip but higher than CBO's 3.3 percent.

It is important to note that this improved growth rate stems from the *combination* of policies assumed in the budget resolution. It cannot be separated into separate legislative initiatives considered in isolation. Further, maintaining pro-growth fiscal policies is critical for keeping their benefits alive.

TABLE 6.—ECONOMIC PROJECTIONS: ADMINISTRATION, CBO, AND PRIVATE FORECASTERS

[Calendar years]

	Estimated 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year to Year, Percent Change												
Real GDP:												
Administration Budget	1.6	2.3	2.4	2.7	2.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0
CBO (Jan. 2017)	1.6	2.3	2.0	1.7	1.5	1.8	1.9	1.9	1.9	1.9	1.9	1.9
Blue Chip (March and May 2017)	1.6	2.1	2.4	2.1	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.0
Consumer Price Index:												
Administration Budget	1.3	2.6	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
CBO (Jan. 2017)	1.3	2.4	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Blue Chip (March and May 2017)	1.3	2.4	2.2	2.3	2.4	2.3	2.3	2.3	2.4	2.4	2.4	2.4
Annual Average, Percent												
Unemployment Rate:												
Administration Budget	4.9	4.6	4.4	4.6	4.7	4.8	4.8	4.8	4.8	4.8	4.8	4.8
CBO (Jan. 2017)	4.9	4.6	4.4	4.5	4.9	5.0	5.0	5.0	4.9	4.9	4.9	4.9
Blue Chip (March and May 2017)	4.9	4.5	4.3	4.5	4.6	4.6	4.7	4.7	4.7	4.7	4.7	4.7
3–Month Treasury Bill:												
Administration Budget	0.3	0,8	1.5	2.1	2.6	2.9	3.0	3.0	3.1	3.1	3.1	3.1
CBO (Jan. 2017)	0.3	0.7	1.1	1.7	2.3	2.7	2.8	2.8	2.8	2.8	2.8	2.8
Blue Chip (March and May 2017)	0.3	1.0	1.8	2.4	2.7	2.8	2.8	2.8	2.9	2.9	2.9	2.9
10–Year Treasury Note:												
Administration Budget	1.8	2.7	3.3	3.4	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8

TABLE 6.—ECONOMIC PROJECTIONS: ADMINISTRATION, CBO, AND PRIVATE FORECASTERS—Continued

[Calendar years]

	Estimated 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
CBO (Jan. 2017)	1.8	2.3	2.5	2.8	3.1	3.4	3.5	3.6	3.6	3.6	3.6	3.6
Blue Chip (March and May 2017)	1.8	2.6	3.1	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.9

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

TABLE 7.—ECONOMIC ASSUMPTIONS OF THE FISCAL YEAR 2018 BUDGET RESOLUTION

[Calendar years]

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Year to Year, Percent Change											
Real GDP:											
HBC (June 2017)	2.3	2.3	2.4	2.5	2.7	2.9	2.9	2.8	2.6	2.6	2.6
Consumer Price Index:											
HBC (June 2017)	2.4	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Annual Average, Percent											
Unemployment Rate:											
HBC (June 2017)	4.6	4.4	4.5	4.9	5.0	5.0	5.0	4.9	4.9	4.9	4.9
3-Month Treasury Bill:											
HBC (June 2017)	0.7	1.2	1.9	2.6	2.9	3.0	3.0	3.1	3.1	3.1	3.2
10-Year Treasury Note:											
HBC (June 2017)	2.3	2.6	3.0	3.4	3.7	3.8	3.8	3.9	3.9	3.9	4.0

MACROECONOMIC FEEDBACK EFFECTS OF PRO–GROWTH POLICIES

Economic growth is one of the major determinants of revenue and spending levels—and therefore the size of budget deficits—over a given period. For instance, a higher rate of gross domestic product [GDP] growth can lead to lower projected spending if it translates into reduced burdens on government safety net programs. It can also generate higher revenue due to increases in taxable incomes. Naturally, such a pattern would cause a reduction in Federal deficits and debt relative to current estimates. Conversely, lower rates of growth can cause the opposite outcomes: higher rates of spending increases and lower revenue growth.

On the other hand, Federal policies themselves—including tax policy, regulations, and rising deficits and debt—can affect the economy's potential to grow. They can generate changes in economic performance that "feed back" into budgetary outcomes. Consequently, fiscally responsible policies that improve the economy's long-term growth prospects can help reduce the size of budget deficits over a given period.

As noted in the previous section, this resolution is based on a post-policy perspective, incorporating the macroeconomic feedback effects of its spending and deficit reduction, as well as its assumed tax reform and other policies. Although a departure from normal practice, it is justified based on analyses by a range of economists.

The Congressional Budget Office [CBO] has written extensively on the risks to the economy of deficits and debt, and how reducing them has economic benefits. Other policies likely to boost economic growth include fundamental tax reform, increasing domestic energy production, regulatory reform, and the restoration of incentives for people to work, save, and invest. At present, however, CBO projects real (inflation-adjusted) [GDP] to grow at an annual average of just 1.9 percent—more than a full percentage point below the 3.0-percent average of the past 50 years.

These outcomes are at least partly due to the policies of the previous administration, starting with the overall fiscal legacy after former President Obama's tenure. It is "genuinely unsustainable," according to Douglas J. Holtz-Eakin, President of the American Action Forum and former CBO Director. Absent reform, he says, the government's direct spending programs will inevitably lead to a crisis or a sharp increase in taxes—both of which would hamper growth. Holtz-Eakin also contends the government's high-spending policies under the Obama Administration—which he describes as a "misguided reliance on temporary, targeted piecemeal policy-making"—failed to stimulate the economy as their advocates promised. "Even if one believed that countercyclical fiscal policy ("stimulus") could be executed precisely and had multiplier effects, it is time to learn by experience that this strategy is not working."[35]

A second drag on the economy is the corporate income tax. "It doesn't raise that much revenue, drives production in headquarters overseas, and is incredibly costly to comply with and administer," Holtz-Eakin says.

A third problem is an increasing Federal Government regulatory burden on the private sector under Obama. Over the past eight years, Holtz-Eakin says, "the agencies have put in place new major regulations with a cumulative increase in compliance costs totaling $800 billion." He suggests this has an economic impact comparable to a $100-billion tax increase every year for eight years.[36]

The current historically low labor force participation rate also plays a role in the economic outlook. About half the reduction in the labor force participation rate since 2009 is due to people leaving the labor force voluntarily, according to economist John W. Diamond of Rice University—and "this is largely because of policies such as the Affordable Care Act that is basically a large implicit tax on work and so people are choosing not to work as much."[37]

In any event, continuing the economic pattern is unacceptable. "[T]he recent economic performance is insufficient to improve standards of living at a rate to which most Americans are accustomed. And it is at odds with a society that promises opportunity and upward mobility for the next generation * * *. The conduct of economic policies during the past several years * * * has failed to address structural impediments to more rapid growth in productivity and wages."[38]

All these economists agree the right set of Federal policies could lead to stronger economic growth than CBO projects. Among these policies are spending restraint, deficit reduction, tax reform, and regulatory reform—the strategy of this budget resolution. "The policy changes of the kind proposed by the Congress and the [Trump] Administration, if enacted, would significantly improve the economy's growth prospects."[39]

In some respects, the reasons are not difficult to understand. For instance, every dollar the government spends is a dollar drawn from the economy and therefore not available for growth-producing private-sector activities. This might be an entirely rational choice. Americans surely support devoting economic resources, through the government, to protecting the Nation's security and enforcing its laws. The construction and maintenance of infrastructure may also be judged a worthwhile government activity—one that can itself help maintain conditions for growth. On the other hand, if government spends on activities that readily could be managed in the private sector, or merely transfers resources from one sector to another, there is little benefit to the economy. Such spending tends to create costs that actually impede growth. Consequently, limiting

[35] Douglas J. Holtz-Eakin, testimony to the Committee on the Budget, U.S. House of Representatives, 7 June 2017.
[36] Ibid.
[37] John W. Diamond, testimony to the Committee on the Budget, U.S. House of Representatives, 7 June 2017.
[38] John F. Cogan, R. Glenn Hubbard, John B. Taylor, Kevin M. Warsh, *On the Prospects for Higher Economic Growth,* Hoover Institution, Stanford University, and the American Enterprise Institute, 18 July 2017.
[39] Ibid.

government spending to the extent possible, and focusing resources on truly essential government activities, leaves room for the economy to expand. Spending restraint is itself a pro-growth policy.

Similarly, deficit reduction can be an aid to growth. When the government borrows, it draws resources from the pool of savings—resources that otherwise would go toward investments leading to enhanced productivity. Chronic government borrowing dampens this potential.

Another example is tax reform. When there are many tax brackets, and increasingly high marginal rates, workers experience less and less benefit from working additional hours. This is because the next dollar earned may be taxed at a higher rate and therefore yield less growth in household incomes. Higher marginal tax rates also encourage people to leave the workforce earlier than would otherwise be the case. Consequently, such a rate structure reduces incentives to work. The complexity of the tax code aggravates its anti-growth effects. The tax code is honeycombed with special-interest exclusions, exemptions, deductions, credits, and so on. Nearly all of them are aimed at encouraging some government-approved activity. That is, however well-intentioned such provisions might be, they are motivated by political interests, not necessarily their potential for promoting economic growth. They can even distort economic decisions by causing taxpayers to divert resources to tax-advantaged options rather than activities that could contribute to growth.

These are among the reasons for the policies of this budget resolution—spending restraint, deficit reduction, and tax reform, along with others.

The economists identified in this discussion believe returning to the Nation's historical growth rate of 3.0-percent per year, while ambitious, is conceivable under these policies. "Could implementation of such a comprehensive economic plan raise the economic growth rate to 3 percent? We believe it can."[40] Nevertheless, the assumptions of this budget resolution are more conservative than that, though more positive than those of CBO.

The Budget Committee estimates that under the pro-growth policies in this year's House budget resolution—including Obamacare repeal and replace legislation, comprehensive tax reform, welfare reform, net deficit reduction of $5.0 trillion from spending restraint, and the Trump Administration's regulatory reforms—real economic growth can average 2.6 percent over the budget window, 0.7 percentage point higher than the CBO baseline's 1.9 percent average. This higher growth rate is consistent with what Holtz-Eakin, Diamond, Cogan, Hubbard, Taylor, and Warsh all say is achievable if these pro-growth policies are enacted and implemented.

According to the CBO, productivity growth is an important determinant of real economic growth over time. Productivity growth that is just 0.1 percentage point higher than expected over the 10-year window would translate into annual rates of real economic growth that are about 0.1 percentage point higher than those underlying the baseline. CBO estimates that such productivity growth increase

[40] Ibid.

would reduce the cumulative deficit by $273 billion over 10 years, mostly because of higher revenues—without tax increases.[41] An increase in the labor force participation rate is another important determinant of real economic growth over time. According to CBO, if labor force growth is just 0.1 percentage point higher than expected cumulative deficits would fall by $185 billion over 10 years, mostly because of higher revenues resulting from an increase in labor compensation due to greater hours worked.[42]

Applying the CBO economic rules of thumb to 2.6 percent average economic growth yields a macroeconomic effect on the budget of $1.8 trillion over 10 years assuming that most of the 0.7 percentage point increase in average annual growth is due to higher productivity and the remaining portion of higher growth is due to higher labor force growth compared to the January 2017 CBO baseline. The budget assumes that $1.5 trillion of this total reduces the deficit.[43] Not taking this $300 billion into account in the deficit calculation is based on HBC staff's review of several estimates by non-governmental and governmental entities of the growth potential for various tax reform proposals.

The Committee also projects the increased economic growth expected under this budget will result in interest rates that are somewhat higher than those underlying the CBO baseline. The net effect of these macroeconomic changes on the Federal budget will be significantly positive, primarily due to higher revenues that result from greater growth—without tax increases.

Maintaining pro-growth fiscal policy, however, entails a broad and long-term commitment, not simply individual initiatives. "Economic growth policy is more a philosophy than a piece of legislation. It is a commitment at every juncture in the policy process to evaluate tradeoffs between social goals, environmental goals, special interest goals and economic growth—and err on the side of growth." [44]

[41] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* "Appendix B, How Changes in Economic Projections Might Affect Budget Projections," January 2017.

[42] Congressional Budget Office, *How Economic Changes Affect CBO's Budget Projections,* 24 April 2017 post on the CBO blog.

[43] This estimate includes debt service effects due to higher interest rates and also debt service effects due to non-interest deficit reduction.

[44] Op cit., Holtz-Eakin.

FUNCTIONAL PRESENTATION

The construction of reports such as this has typically followed the sequence of functional categories in the budget resolution itself. These categories aim to reflect major activities of the government, and they have changed little since enactment of the Congressional Budget Act of 1974.

This budget resolution retains these conventional categories, as do the summary tables in the report. The narrative discussion below, however, takes a different approach. As with the House budget resolutions of the 114th Congress, it arranges the functions differently to reflect two important governing considerations. First is the distinction between the proper roles of State and local governments and those of the Federal Government—commonly known as "federalism." The second is the growing burden of mandatory, or direct, spending programs, which are increasingly dominating the budget.

The standard budget resolution format presents the range of government activities largely without distinguishing those of principal importance to the national government from those that may draw greater initiative from States and localities or the private sector. While National Defense and International Affairs appear first—as is appropriate for two of the national government's main responsibilities—the sequencing of the remaining functions appears to reflect no order of priorities for the Federal Government. There is no reason, for example, why Energy (Function 270) should appear before Health (Function 550), or Veterans Benefits and Services (Function 700) before Administration of Justice (Function 750).

The narratives below are arranged to make such a distinction. The presentation retains the content of each functional category, just as in the conventional format, but organizes the functional discussions in four broader categories as described below. The intent is to provoke a re-evaluation of the roles of different layers of government through the structure of the report itself. Put another way, the format encourages lawmakers and the public to *think* differently about spending priorities by *looking* at the budget differently.

The groupings are as follows:

Principal Federal Responsibilities. The first group consists of those activities clearly associated with the national level of government. Defending the country and conducting international diplomacy are obvious components here, as directed by the Constitution itself. Those categories do not, however, acknowledge several other areas for which the Federal Government also has the central responsibility. These include veterans' benefits (an aspect of the compensation for military service), Federal courts and law enforcement, and general government, the last of which mainly finances the Legislative and Executive Branches of the Federal Government. Also included here are Overseas Contingency Operations/Global War on Terrorism, which provides funds for non-recurring military and diplomatic activities in the Middle East.[45] Finally, the section reflects government-wide policies—policies that cut across functional categories and Executive Branch agencies.

The overall grouping, using the formal functional titles, is as follows:

- National Defense
- International Affairs
- Overseas Contingency Operations/Global War on Terrorism
- Veterans Benefits and Services
- Administration of Justice
- General Government
- Government-Wide Policy

Domestic Priorities. The second set of categories consists mainly of the discretionary spending in Functions 250 through 650 of the conventional format. These are activities that may be best administered or initiated by State and local governments or the private sector. In addition, most of these activities would exist even if there were no Federal Government (schools, hospitals, roads, and so on). This does not suggest they are of lesser priority. The arrangement simply aims to encourage greater recognition of States and localities in America's governing system—that is, the principle of federalism. Although the discussion here focuses on annually appropriated discretionary spending, two categories—Energy and Transportation—retain both the discretionary and direct spending components. This is because in these areas, the two forms of spending are intertwined in ways unlike those of other functional categories. In Energy, for example, what appears as "negative" direct spending mainly reflects the incoming repayment of loans and receipts from the sale of electricity produced by Federal entities, as well as rescissions of unobligated balances in green energy loan programs. These are fundamentally different from most direct spending, which applies to government benefit programs. Transportation has a split treatment of its funding. Its budget authority is a kind of mandatory spending called contract authority, while its outlays—controlled by annual limitations on obligations set in appropriations acts—are treated as discretionary spending; the two cannot really be separated.

Overall, this grouping of domestic priorities consist of the following (discretionary spending only, unless indicated otherwise).

- General Science, Space, and Technology
- Energy (both discretionary and direct spending)

[45] The Budget Control Act of 2011 employs the term Overseas Contingency Operations/Global War on Terrorism. This resolution uses the original Bush Administration term, Global War on Terrorism.

- Natural Resources and Environment
- Agriculture
- Commerce and Housing Credit
- Transportation (both discretionary and direct spending)
- Community and Regional Development
- Education, Training, Employment, and Social Services
- Health
- Income Security
- Other Domestic Discretionary (mainly the administration of the Social Security and Medicare Programs)

Direct Spending Programs. This group generally presents the direct spending in the same functional categories as in the Domestic Priorities group. The aim is to reflect the growing magnitude of these programs—mostly social insurance and safety net programs—in the overall budget. This form of spending is largely open-ended and flows from effectively permanent authorizations. Most of the programs funded this way pay benefits directly to groups or individuals without an intervening appropriation. They spend without limit, and their totals are determined by numerous factors outside the control of Congress: caseloads, the growth or contraction of gross domestic product, inflation, and many others. These are the areas driving the government's uncontrolled spending, deficits, and debt. Addressing them is indispensable to managing fiscal policy and balancing the budget.

- Social Security
- Medicare
- Medicaid, the American Health Care Act, and Related Programs
- Income Support, Nutrition, and Related Programs
- Farm Support
- Banking, Housing, and the Postal Service
- Student Loans, Social Services, and Related Programs
- Federal Lands and Other Resources
- Other Direct Spending (science, natural resources, and community and regional development)

Financial Management. This final grouping consists of those functions that round out the budget's overall financing.

- Net Interest
- Allowances
- Undistributed Offsetting Receipts

Principal Federal Responsibilities

The two most obvious responsibilities of the Federal Government are providing for the common defense of all the constituent States, and conducting diplomacy on behalf of the Nation as a whole. Related to these two is the supplemental spending for Overseas Contingency Operations/Global War on Terrorism. Nevertheless, there are other activities intrinsic to the national government's responsibilities. For example, as part of the compensation for military service, the government also offers a range of benefits specifically for veterans. The category called Administration of Justice mainly reflects funding for Federal law enforcement agencies—such as the Federal Bureau of Investigation and the Drug Enforcement Administration, among others—as well as the Federal judiciary. The vast majority of funding for the General Government function supports the Executive and Legislative Branches of the Federal Government. Finally, there are activities and policies that cut across agencies and functional categories.

NATIONAL DEFENSE

Function Summary

Eight years of the Obama Administration's feckless foreign policy have left the global security environment more dangerous and less stable, as the United States faces increasingly complex and evolving threats around the world. U.S. military forces continue to battle terrorist groups, including a reinvigorated Al Qaeda and the Islamic State in Afghanistan, Iraq, Syria, the Horn of Africa, and Libya. Potential adversaries continue to exhibit aggressive behavior that needs to be countered. These include China's efforts to expand its military footprint in the South China Sea and Russia's unlawful intrusion of sovereign countries in Europe. Meanwhile, Iran aspires to be a "regional hegemon" and "poses the most significant threat" to the United States and its allies in the Middle East.[46] North Korea is actively developing an intercontinental ballistic system to carry nuclear warheads that can strike the United States and its allies in the Korean Peninsula.

On 1 February 2017, former Central Intelligence Agency Director General David H. Petraeus testified before the House Armed Services Committee that the United States is "under unprecedented threats from multiple directions" and that "perhaps even more pernicious * * * [the world order has been undermined by] a loss of

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[46] Statement of General Joseph L. Votel, Commander, U.S. Central Command, Appropriations Subcommittee on Defense, House of Representatives, hearing on "The Posture of U.S. Central Command," 28 March 2017: http://docs.house.gov/meetings/AP/AP02/20170328/105771/HHRG–115–AP02-Wstate-VotelJ–20170328.pdf.

self-confidence, resolve, and strategic clarity on America's part about our vital interest in preserving and protecting the system we sacrificed so much to bring into being and have sacrificed so much to preserve." [47] Even more recently, on 12 June 2017, Secretary of Defense Mattis stated: "[A] * * * concurrent force acting on the Department is the worsening global security situation. Our challenge is characterized by a decline in the long-standing rules-based international order, bringing with it a more volatile security environment than any I have experienced during my four decades of military service." [48]

While the national security environment, both at home and abroad, continues to grow more dangerous and unpredictable, the U.S. military has grown smaller and less capable of deterring and meeting these threats. "We have the smallest Air Force since 1947 * * * the Navy will be retiring ships faster than they can be replaced * * *. Alarmingly, for today's defense budget we are fielding 35% fewer combat brigades, 53% fewer combat ships, 63% fewer combat aircraft squadrons." [49] The reduction in the size and capability of U.S. armed forces has resulted mainly from the automatic enforcement procedure of the Budget Control Act [BCA] of 2011—a procedure known as "sequestration." The national defense budget has carried the bulk of sequestration's effects. Relative to the fiscal year 2012 defense budget request by then-Defense Secretary Gates, defense spending has been reduced by $460 billion. By 2021, sequestration will arbitrarily cut almost $1 trillion from defense spending, eroding critical warfighting capabilities, modernization, and readiness across all the services. Every year since the BCA was enacted, budgetary prescriptions have been shaping national defense strategy, not the other way around. This has resulted in higher risks for service members and the Nation.

According to the House Armed Services Committee, increased threats to national security at home and abroad, coupled with the concurrent military drawdown, have resulted in "a significant gap between what the American people expect of the military and what it actually could do effectively if called upon today." [50] The Heritage Foundation rated the U.S. military posture, in aggregate, as "Marginal" and trending toward "Weak," the same rating as in 2016.[51] This budget calls for reversing the defense sequester and beginning the process of rebuilding our military.

For National Defense (Function 050 in the summary tables), the budget resolution calls for $621.5 billion in discretionary budget authority and $599.4 billion in discretionary outlays in fiscal year 2018. When combined with military resources for the Overseas Contingency Operations/Global War on Terrorism (Function 970),

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[47] Committee on Armed Services, U.S. House of Representatives, hearing on "The State of World: National Security Threats and Challenges," 1 February 2017.

[48] Statement of Secretary of Defense James N. Mattis, Committee on Armed Services, House of Representatives, hearing on "The Fiscal Year 2018 National Defense Authorization Budget Request from the Department of Defense," 12 June 2017: https://armedservices.house.gov/legislation/hearings/fiscal-year-2018-national-defense-authorization-budget-request-department.

[49] Statement of General John M. Keane, USA (Ret), Committee on Armed Services, US Senate, hearing on "Emerging US Defense Challenges and Worldwide Threats," 6 December 2016: https://www.armed-services.senate.gov/imo/media/doc/Keane_12–06–16.pdf.

[50] Committee on Armed Services, U.S. House of Representatives, *Views and Estimates,* 3 March 2017.

[51] Heritage Foundation, *2017 Index of U.S. Military Strength: Assessing America's Ability to Provide for the Common Defense,* 2017: http://index.heritage.org/military/2017/assessments/.

total discretionary defense spending is consistent with that of H.R. 2810, the "National Defense Authorization Act for Fiscal Year 2018"[52] which passed the House on 14 July 2017 by a vote of 344 to 81, and the associated fiscal year 2018 defense-related appropriations bills. These amounts include funding to compensate, train, maintain, and equip the military forces of the United States. More than 95 percent of the funding in this function goes to Department of Defense [DOD] activities. The remainder finances the atomic energy defense programs of the Department of Energy, and other defense-related activities (primarily in connection with homeland security).

Direct spending in fiscal year 2018 for this category—which includes allowances, offsetting receipts, and retirement payments—is $8.1 billion in budget authority and $8.4 billion in outlays in fiscal year 2018. The 10-year totals for the entire defense category are $7.2 trillion in budget authority and $7.0 trillion in outlays.

Illustrative Policy Options

Policy development in this area rests primarily with the Committee on Armed Services and the Appropriations Subcommittee on Defense. They have maximum flexibility in determining priorities for maintaining robust national defense capabilities while responsibly managing taxpayer resources. Some illustrative options the committees might consider include the following.

Budget Transparency. Like all government agencies, DOD has a responsibility to account for and effectively manage its taxpayer-provided resources. The 2010 National Defense Authorization Act (Public Law 111–84) required the Department to implement the Financial Improvement and Audit readiness plan, and the Department expects to be fully auditable by the end of fiscal year 2017.[53] DOD's size and complexity make the endeavor difficult, but "that is not a reason to delay the audit—it is the reason to begin."[54] In addition, President Trump has called for "conducting a full audit of the Pentagon."[55] This budget expects DOD to be audit-ready by the end of fiscal year 2017 and for it to execute a Department-wide audit on all financial statements of fiscal year 2018. An inability to produce an auditable financial statement by the statutory deadline would undermine defense reform efforts.[56] Any continued failure of the DOD to perform a complete audit not only limits transparency and congressional oversight of defense programs, but also erodes public confidence in the Department's ability to effectively manage taxpayer resources.

Defense Industrial Base and Sustainment. A robust industrial base is vital to military readiness and, therefore, the national security of the United States. As defense budgets have declined, the ac-

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[52] See Committee on Armed Services, U.S. House of Representatives, Chairman's Mark Summary for H.R. 2810.

[53] Public Law 111–84

[54] Statement of David L. Norquist, Committee on Armed Services, U.S. Senate, hearing on "Nominations—Norquist, Daigle, McCusker," 9 May 2017: https://www.armed-services.senate.gov/imo/media/doc/Norquist_05–09–17.pdf.

[55] Donald J. Trump's Vision National Defense, 14 October 2016: http://www.warrencountyvagop.com/2016/10/14/donald-j-trumps-vision-national-defense/.

[56] Committee on Armed Services, U.S. House of Representatives, *Views and Estimates,* 3 March 2017.

quisition of new weapons systems has received much-needed focus. Little attention, however, has been given to the fact that sustainment is 60 percent to 80 percent of the total lifecycle cost of a weapon system, according to the Department of Defense.[57] Therefore, the ongoing health of the defense industrial base, in its entirety, also must be carefully considered.

The sustainment industrial base comprises both private sector and military facilities, each serving a unique and vital role in the maintenance, repair, and overhaul of weapons, weapons systems, components, subcomponents, parts, and equipment. As budget resources become more scarce, the military facilities and private sectors should focus on the areas in which each excels, entering into public-private partnerships, as appropriate, to save taxpayer dollars and increase military readiness. Furthermore, the Department should learn from recent mistakes and failed policies, which include the unnecessary furlough of working capital fund employees or managing by end strength. Workload should be one of the key drivers when managing depots, arsenals, and ammunition plants to ensure the lowest cost to the taxpayer.

Military depots are the backbone of the organic industrial base and are the Nation's insurance policy against economic uncertainty, changes in the defense industry, and wartime demands. Additionally, military depots serve as the appropriate location for maintaining command and control of the majority of warfighting systems. The B–52 bomber program, as one example, is a reminder that sustainment of weapons systems for decades beyond their initially projected lifecycle is feasible and likely will be essential to meeting military readiness needs. Military depots have proven their value to the taxpayer for efficiently sustaining systems that are no longer profitable or no longer cost-effective to maintain in the private sector. During peacetime or war, military depots meet military readiness requirements and provide critical and necessary skill sets on time and on budget.

Acquisition reform should reaffirm the value of military core statutes and the longstanding balance of workload between military depots and the private sector. These key provisions in existing law, when vigorously enforced, will ensure that the vital security interests of the United States military are met through the maintenance of a healthy defense industrial base, even during a time of declining budgets. These laws were written for just such a time.

Major Range and Test Facility Base. Major Range and Test Facility Bases [MRTFBs] are a designated set of DOD installations, ranges, and facilities used for Test and Evaluation missions. In 1983, under the authority of DOD Directive 3200.11, the Under Secretary of Defense for Research and Engineering directed the Office of the Secretary of Defense, the Military Service Branches, the Joint Chiefs of Staff, and Defense Agencies, that major ranges and test facilities constitute a "national asset" due to their unique capabilities in support of DOD, other U.S. government agencies, allied

[57] Government Accountability Office, *Weapon Systems Management: DOD Has Taken Steps to Implement Product Support Managers but Needs to Evaluate Their Effects,* April 2014; and, Capt. Gary Jones, USAF, Edward White, Lt. Col Erin T. Ryan, USAF, and Lt. Col Jonathan D. Ritschel, USAF, *Investigation into the Ratio of Operation and Support Costs to Life-Cycle Costs for DoD Weapons Systems,* Defense Acquisition University, January 2014.

foreign governments, and private organizations.[58] MRTFBs are DOD's core testing and evaluation facilities to assess weapon system capabilities before being provided to the military and the warfighter. The budget recommends MRTFBs continue to be the tip of the spear on weapons testing and capabilities evaluation to ensure the services are provided the most effective weapon systems the United States can produce.

Defense Acquisition Reform. Since 1990, DOD weapon systems acquisition has been on the Government Accountability Office [GAO] "high-risk" list for its continued failure to meet cost, schedule, and performance expectations. As a result, "DOD pays more than anticipated, can buy less than expected, and, in some cases, delivers less capability to the warfighter."[59] In May 2017, House Armed Services Chairman Thornberry introduced H.R. 2511, the "Defense Acquisition Streamlining and Transparency Act," to address the Department's acquisition problems. The bill, the provisions of which are also included in the House-passed "Fiscal Year 2018 National Defense Authorization Act", continues the committee's efforts to "streamline bureaucracy, drive efficiency through competition, and give the Pentagon the tools it needs to make better business decisions."[60] Preceded by acquisition reforms enacted in the fiscal year 2016 and 2017 National Defense Authorization Acts, the legislation represents the third installment of Chairman Thornberry's defense acquisition reform effort.[61] Over time, defense acquisition reforms will provide a better return-on-investment for the taxpayer, while also allowing DOD to be more agile in a changing technology environment. The Budget Committee applauds the House Armed Services Committee's efforts to address much-needed acquisition reform, which will ultimately help the warfighter and result in the most effective and efficient use taxpayer dollars.

INTERNATIONAL AFFAIRS

Function Summary

The United States remains the world's indispensable Nation—vital to global peace, security, stability, and the spread of freedom.[62] With this comes great challenges and responsibilities. In the absence of American leadership, others will not uphold their responsibility to advance these shared interests and values.[63] Therefore, to remain an effective leader, the United States should ensure that its military strength, diplomatic corps, and civilian agencies are aligned in the task of protecting American interests around the globe.

According to the Committee on Foreign Affairs, advancing a comprehensive State Department Authorization bill in 2017 will be im-

[58] Isham Linder, *Major Range and Test Facility Base Summary of Capabilities (DoD 3200.11–D),* Department of Defense, June 1983.
[59] Government Accountability Office, *DOD Weapon Systems Acquisition,* May 2017: http://www.gao.gov/highrisk/dod_weapon_systems/why_did_study#t=0.
[60] Committee on Armed Services, House of Representatives, "Thornberry Introduces Acquisition Reform Bill," 18 May 2017.
[61] Ibid.
[62] The Foreign Policy Initiative, *Foreign Policy 2016,* 2 May 2016, http://www.foreignpolicyi.org/files/uploads/images/2016–05–02-Foreign%20Policy%202016.pdf
[63] Ibid.

portant in countering America's threats, while holding accountable the perpetrators of war crimes and human rights atrocities. At the same time, the Department should build on common-sense efforts to eliminate duplication and waste.[64] Reducing poverty through economic growth remains a key objective, but Federal agencies must remain vigilant to ensure taxpayer funds are spent efficiently and achieve measurable results.

The international affairs budget is critical in advancing U.S. strategic priorities and interests, especially those relating to economic opportunities, national security, and American values. Nevertheless, inefficiencies, duplicative programs, and those unrelated to vital U.S. national interests remain prevalent and are ripe for reform. The fiscal year 2018 budget resolution represents a thorough re-evaluation of accounts in this category and gives priority to programs that are both integral to the core mission and that effectively and efficiently achieve desired outcomes.

For this budget category (Function 150 in the summary tables), the budget resolution proposes a total of $41.5 billion in budget authority and $43.6 billion in outlays for fiscal year 2018. This funding covers the following: international development, food security, and humanitarian assistance; international security assistance; the conduct of foreign affairs; foreign-information and exchange activities; and international financial programs. The primary agencies responsible for executing these programs are the Departments of State, Agriculture, and the Treasury; the U.S. Agency for International Development [USAID]; and the Millennium Challenge Corporation. Over 10 years the budget totals are $398.5 billion in budget authority and $395.5 billion in outlays.

The majority of the funding is discretionary spending, which is $36.3 billion in budget authority and $47.3 billion in outlays for fiscal year 2018. Direct spending in this function—totaling $5.2 billion in budget authority and −$3.7 billion in outlays for fiscal year 2018—includes loan guarantee programs, payments to the Foreign Service Retirement and Disability Fund, and foreign-military sales programs. The negative figures reflect receipts from foreign-military sales and financing programs.

As with National Defense, funding for the State Department and USAID's incremental, non-enduring civilian activities in the front-line states of the global war on terrorism is reflected in the Global War on Terrorism account.

Refocusing the Strategy

The Trump Administration presents an opportunity to fundamentally rethink the way the Federal Government's civilian agencies approach defense, diplomacy, and development overseas.[65] From workforce modernization to cyber security and embassy security—the United States "bears special responsibility for protecting the men and women of the United States" in the 285 U.S. embassies and consulates around the world.[66]

[64] Committee on Foreign Affairs, U.S. House of Representatives, *Views and Estimates,* 3 March 2017.
[65] Ibid.
[66] Ibid.

Fine-tuning U.S. foreign assistance while imposing strategic cuts to ineffective, duplicative, or wasteful programs is no simple task. It requires planning, and is in the interest of the United States to clearly define and articulate its mission.[67] For instance, systemic shortcomings in the implementation of U.S. security assistance will remain a problem until overall planning, coordination, and evaluation of U.S. security assistance are more closely examined.[68] Strengthening alliances through security assistance is a tool the U.S. uses to mitigate threats to peace and stability around the globe.

Illustrative Discretionary Spending Policy Options

The committees of jurisdiction—the Committees on Foreign Affairs and Agriculture, as well as the Appropriations Subcommittee on State, Foreign Operations, and Related Programs—should continue effective oversight of international affairs programs to ensure resources are used efficiently to achieve desired results that ultimately support U.S. national interests. Those committees have complete authority in determining policies in this area. Nothing in the discussion below binds them to any particular course. That said, some illustrative options they might wish to consider include the following.

Eliminate Funding for Peripheral Foreign-Affairs Institutions. The United States funds multiple independent agencies and quasi-private institutions through the foreign-affairs budget. Included in this list are the Inter-American Foundation, the African Development Foundation, and the East-West Center. These institutions all engage in activities that overlap the State Department and USAID activities. For instance, the East-West Center was established in 1960 to promote a better understanding between the U.S. and nations of the Asia-Pacific region. Over the past 57 years, a number of factors, including the development of the Internet, increased trade, and cultural diversity here at home, have led to the creation of private institutions that serve similar purposes as the East-West Center.[69]

Consolidating and eliminating funding for multiple institutions that perform similar tasks will make U.S. engagement with the world more efficient and cost-effective. Further, some of these organizations already receive private funding and could continue with non-government funds.

Reduce Contributions to International Organizations and Programs. The United States makes voluntary contributions to more than 40 multilateral organizations and programs. These often duplicate funding provided in the Contributions to International Organizations account, which makes payments to organizations pursuant to treaties and conventions the United States has signed. Programs such as the United Nations Population Fund and United Nations Development Program [UNDP] flow through the voluntary contributions account. The Special Inspector General for Afghanistan Reconstruction has found weaknesses in the UNDP's oversight

[67] Ibid.
[68] Ibid.
[69] Ibid.

and management of the Law and Order Trust Fund for Afghanistan—to which the United States and other donors have contributed more than $3 billion since 2002. This makes taxpayer dollars susceptible to fraud, waste, and abuse.[70] This budget funds the organizations the United States is required to by treaty, while reducing voluntary funding made in the International Organizations and Programs account.

Reform Food Aid. One of the areas where the international affairs budget fails to use taxpayer dollars efficiently and effectively is the U.S. international food aid program, including Food for Peace (Public Law 480, Title II). Food for Peace provides emergency food assistance abroad and supports development programs in developing nations. Its failings result primarily from enduring program constraints, including the cargo preference (which dictates at least 50 percent of food aid must be shipped on U.S. flagged vessels). To keep pace with rising demands and finite resources, U.S. food aid programs must be efficient and adaptable.[71] Several bipartisan efforts have called for reforming food programs. According to a 2011 report by the Government Accountability Office [GAO], the practice of monetization loses an average of 25 cents of every dollar spent on food aid.[72] This budget calls for food aid reforms to get the maximum benefit out of every dollar spent on this program.

Overhaul the Broadcasting Board of Governors. For years, the Office of the Inspector General and GAO have noted inefficiencies and redundant bureaucratic structures within the Broadcasting Board of Governors [BBG]. The fiscal year 2017 National Defense Authorization Act's codification of the Global Engagement Center created overlap with the BBG, specifically The Voice of America. This is an area in which Congress can and should clarify lines of responsibility and eliminate duplications.[73] BBG is mostly known for programs that educate the world on American culture, society, and governance, in addition to promoting democratic principles such as human rights and religious freedom. In the 114th Congress, the House Foreign Affairs Committee passed H.R. 2323, the "United States International Communications Reform Act of 2015", a bipartisan bill that addresses these problems by improving the management and effectiveness of BBG programs. Subsequently, the "Fiscal Year 2017 National Defense Authorization Act" included BBG consolidation reforms. This budget supports a reduction in funding for BBG until significant reforms are made to safeguard taxpayer dollars from continued waste at the hands of governmental mismanagement.

Eliminate Contributions to the Clean Technology Fund and the Strategic Climate Fund. The Obama Administration created the Clean Technology and Strategic Climate Funds in 2010. They pro-

[70] John F. Sopko, Special Inspector General for Afghanistan Reconstruction, letter to Helen Clark, UNDP Administrator, 12 September 2014: http://www.sigar.mil/pdf/special%20projects/SIGAR–14–98–SP.pdf.

[71] Committee on Foreign Affairs, U.S. House of Representatives, Views and Estimates, 3 March 2017.

[72] Government Accountability Office, *International Food Assistance: Funding Development Projects through the Purchase, Shipment, and Sale of U.S. Commodities Is Inefficient and Can Cause Adverse Market Impacts,* 23 June 2011.

[73] Committee on Foreign Affairs, U.S. House of Representatives, *Views and Estimates,* 3 March 2017.

vide foreign assistance to support energy-efficient technologies intended to reduce energy use and mitigate climate change. Borrowing funds abroad to provide financial assistance in this area is not a core U.S. foreign policy function—especially in this period of large and mounting debt. In addition, the U.S. government should not attempt to pick winners and losers in terms of which technologies and companies to favor and advance abroad. This budget recommends eliminating funding for both programs.

Reinstate the Mexico City Policy. The Mexico City Policy, originally adopted by President Reagan in 1984, prohibits non-governmental organizations receiving U.S funding from performing or promoting abortion. In addition, on 9 May 2017, Secretary of State Tillerson approved a plan to implement the manner in which U.S. Government departments and agencies will apply these provisions to grants, cooperative agreements and contracts with foreign non-governmental organizations that receive U.S. funding for global health assistance.[74]

OVERSEAS CONTINGENCY OPERATIONS/GLOBAL WAR ON TERRORISM

Function Summary

This category reflects non-enduring funding for the execution of Overseas Contingency Operations/Global War on Terrorism [OCO/GWOT] and other closely related activities. It provides funding for Department of Defense military operations, primarily in Iraq and Afghanistan, and civilian activities led by the Department of State and the U.S. Agency for International Development [USAID]. The funding is entirely discretionary, with no direct spending components. OCO/GWOT funding is not subject to statutory discretionary spending limits established by the "Budget Control Act of 2011".

The resolution calls for $86.6 billion in total budget authority and $45.8 billion in new outlays in fiscal year 2018 for the OCO/GWOT (shown in Function 970 in the summary tables). This total OCO/GWOT funding level is a 16.5 percent reduction from the enacted fiscal year 2017 level of $103.7 billion. About $75 billion of the total OCO/GWOT budget authority is dedicated to military activities by the Department of Defense. When combined with defense discretionary spending in Function 050, total defense resources in the resolution are consistent with those provided for in the House Armed Services House-passed fiscal year 2018 "National Defense Authorization Act" and the associated fiscal year 2018 defense-related appropriations bills.

Policy Considerations

The criteria DOD has been using to determine whether war-related funding belongs in the base budget or the OCO/GWOT funding request has not been updated since 2010. Consequently, DOD's fiscal year 2018 OCO/GWOT request is based on dated standards "when military operations in Iraq and Afghanistan were the prin-

[74] Presidential Review Memorandum, 15 May 2017.

cipal contingency operations supported by DOD."[75] The current criteria do not address the expanded scope of OCO/GWOT operations including: "new geographic areas such as Syria and Libya, the department's deterrence and counterterrorism initiatives, or requests for OCO amounts to fund base budget requirements, such as readiness."[76] According to the GAO: "DOD officials agree that updated guidance is needed but note that the Office of Management and Budget has deferred the decision to update the criteria until a new administration is in place in 2017."[77] This budget calls for the Office of Management and Budget, in conjunction with DOD, to reevaluate and update the OCO/GWOT criteria as soon as possible to ensure budget transparency and accountability regarding this cap adjustment.

For the longer term, this budget supports gradually phasing out the separate Overseas Contingency Operations/Global War on Terrorism designation for both military and civilian activities, and assumes a transition to base budget funds in the future. While this budget fully supports OCO/GWOT efforts and sufficient funding to execute contingency missions, funding provided in the OCO/GWOT budget will take place 18 years after the 9/11 terrorist attacks on the United States, which triggered wars in Afghanistan and Iraq. If these are to be ongoing activities—which may well be the case in the 21st Century security environment—Congress should assume them as part of the Nation's overall defense strategy, and budget accordingly. This would be consistent with past Republican budgets.1

VETERANS BENEFITS AND SERVICES

Function Summary

Americans' respect for those who serve the Nation in its armed forces is reflected partly through bipartisan support for service veterans. This support follows a long tradition that can be traced as far back as 1636, when the Pilgrims of Plymouth Colony were fighting the Pequot Indians. "The Pilgrims passed a law that stated that disabled soldiers would be supported by the colony. Later, the Continental Congress of 1776 encouraged enlistments during the Revolutionary War, providing pensions to disabled soldiers. In the early days of the Republic, individual states and communities provided direct medical and hospital care to veterans. In 1811, the federal government authorized the first domiciliary and medical facility for veterans. Also in the 19th century, the Nation's veterans assistance program was expanded to include benefits and pensions not only for veterans, but for their widows and dependents." Many States created veterans' homes after the Civil War. When the U.S. entered World War I, Congress broadened the system of veterans' benefits to include disability compensation and educational rehabilitation.[78]

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[75] Government Accountability Office, *Overseas Contingency Operations: OMB and DOD should revise the criteria for determining eligible costs and identify the costs likely to endure long term,* January 2017.

[76] Ibid.

[77] Ibid.

[78] Department of Veterans Affairs, "History—Department of Veterans Affairs": https://www.va.gov/about_va/vahistory.asp.

On 9 August 1921, veterans' benefits were consolidated into a Veterans Bureau, which launched a wave of hospital construction. In July 1930, President Hoover elevated the bureau to a full administrative agency called the Veterans Administration.[79]

After World War II, with an immense wave of veterans returning home, Congress vastly expanded benefits, most significantly with the World War II GI Bill. "It is said the GI Bill had more impact on the American way of life than any law since the Homestead Act of 1862."[80] Veterans benefits continued expanding in the subsequent decades until, in 1989, President Reagan raised the Veterans Administration to Cabinet status as the Department of Veterans Affairs [VA].

Today the Department offers an array of assistance to veterans and their families, and provides its range of benefits through three agencies: the Veterans Health Administration [VHA], the Veterans Benefits Administration [VBA], and the National Cemetery Administration [NCA]. Congress remains committed to ensuring the VA's roles are carried out effectively, and this budget maintains that commitment, giving priority to veterans' benefits and services. Part of that commitment entails effective and efficient management of VA services. In this regard, the Department is long overdue for many program and management reforms to health care, readjustment benefits, disability compensation rating schedule and disability compensation benefit program.

The VA budget includes both discretionary and direct spending. Discretionary accounts fund medical care, medical research, construction programs, information technology, and general operating expenses, among other activities. Direct spending accounts fund disability compensation, pensions, vocational rehabilitation and employment, education, life insurance, housing, and burial benefits, among other benefits and services. In 2014, Congress enacted the Veterans Access, Choice and Accountability Act of 2014[81] and established a new fund, classified as direct spending, to provide care under the Veterans Choice Program [VCP]. Recently, the VA notified Congress that additional funding would be needed to continue VCP past August 2017.

For fiscal year 2018, the budget resolution calls for discretionary spending of $79.1 billion in budget authority—about 6 percent higher than the fiscal year 2017 enacted level—and $77.9 billion in outlays. These figures match President Trump's budget request. Direct spending in fiscal year 2018 is $97.6 billion in budget authority and $100.2 billion in outlays. The 10-year direct spending totals for budget authority and outlays are $1.2 trillion and $1.2 trillion, respectively. This resolution accommodates up to $70.7 billion for fiscal year 2019 in discretionary advance appropriations for medical care.[82]

[79] Ibid.
[80] Ibid.
[81] Public Law 113–146.
[82] Public Law 111–81.

The Challenge of Veterans' Health Care and Benefits Programs

The Federal Government's obligation to veterans is to assist in their readjustment into society and to help them overcome any significant barriers that may have arisen as a consequence of their military service.[83] After many decades of trial and error, the government has developed a reasonably successful VA health care system and set of benefit programs to meet the needs of veterans with service-connected conditions or disabilities. Nevertheless, both need improvement.[84] The leading problems are decades of traditional philosophy and a failure to adjust to current service-connected veterans' needs.[85] According to the Government Accountability Office [GAO]: "VA faces challenges regarding the reliability, transparency, and consistency of its budget estimates for medical services, as well as weakness in tracking obligations for medical services and estimating budgetary needs for future years."[86]

The Veterans Access, Choice and Accountability Act set in motion an examination of the underlying causes of failures of the VA health care system. Both the Independent Assessment and the Commission on Care established as a result of the statute made a series of recommendations to reform the VA health care delivery system. The Independent Assessment found that "the organization is plagued by many problems: growing bureaucracy, leadership and staffing challenges, and an unsustainable trajectory of capital costs."[87] The Independent Assessment also made numerous recommendations including a systematic approach to aligning demand, resources, and eligibility for care; developing a patient-centered operation that balances local autonomy with appropriate standardization across the VA health care system; developing data and tools; and improving leadership.[88]

Health care delivery and financing have evolved significantly since the Federal Government began providing care to veterans after World War I and it continues to evolve. As stated by the Commission on Care eligibility for VA health care has not been examined since 1996. "[A]dditionally, the enrollment system the department established is not being used today to calibrate supply and demand as envisioned."[89] As recommended by the Commission, Congress should emphasize reforming an inadequate health care priority system and "identify who VHA will serve, and what services it will provide."[90] The growth of VA's health care and benefit programs are straining budgetary resources in a tight fiscal climate

[83] Clarence Adamy, William Donovan, Paul Hawley, Martin Jenkins, Theodore Petersen, John Thompson, *Veterans' Benefits in the United States,* April 1956.
[84] Ibid.
[85] Ibid.
[86] Government Accountability Office, VA's Health Care Budget, June 2016.
[87] The CMS Alliance to Modernize Healthcare, Centers for Medicare and Medicaid Services, *Veterans Choice Act Independent Assessment (Section 201)-*
Integrated Report, prepared for the U.S. Department of Veterans Affairs, 1 September 2015, p. xii.
[88] Committee on Veterans Affairs, U.S. House of Representatives, hearing on "Independent Assessment of the Health Care Delivery Systems and Management Processes of the Department of Veterans Affairs," 7 October 2015.
[89] Commission on Care, *Commission on Care Final Report,* 30 June 2016: https://s3.amazonaws.com/sitesusa/wp-content/uploads/sites/912/2016/07/Commission-on-Care_Final-Report_063016_FOR–WEB.pdf.
[90] Ibid.

due to an unprecedented expansion in their scope, liberalization of eligibility conditions, and broad interpretation of laws.[91]

VA's program structure is largely based on precedents built up over decades of piecemeal laws.[92] The health care and benefits provided to recent veterans "were built upon those provided for their predecessors."[93] While, the majority of these services are well-intentioned, they are long overdue for revision and modernization to ensure they address today's overall needs.[94] The VA needs a clear philosophy or guiding principle governing its health care and benefits programs.

If traditional patterns continue, the magnitude and scope of VA programs will continue to grow so large in future years that the "moral and economic stability of our whole society can be adversely affected."[95] Yet any discussion on the future of the VA health care system and benefit programs should be based solely on facts that can lead to a more equitable and rational system.[96] If the "goal is not to get veterans off disability and to become active, contributing members of society then what is the goal?"[97]

Congress needs to thoroughly reassess the structure, scope, philosophy, and administration of the VA health care system and benefit programs that veterans and their families use.[98]

The Way Forward

VA needs to adopt a new way of thinking to address its most challenging problems, such as access to health care, the quality and delivery of programs, and cost management. All programs should maximize net benefits for the veterans, and be cost and target efficient.

Reducing moral hazard on the part of government agencies and program beneficiaries is one of many ways to improve VA programs.[99] All VA programs vulnerable to significant moral hazard should require adequate cost-sharing to assure that beneficiaries commit enough of their own resources to act responsibly, with amounts scaled to what they can afford.

Additionally, as large number of veterans age, they become entitled to Medicare. Some veterans also qualify for Medicaid based on income. Based on the 2014 survey results, VHA reported that 78 percent of veterans enrolled in the VA health care system had another form of health care coverage as well. If veterans are provided greater access to care in the community, imposing health insurance

[91] Op. cit., Adamy; Nina Owcharenko, *Proceed with Caution: The Unintended Consequences of Expanding VA Access,* 17 March 2006.
[92] Op. cit., Adamy.
[93] Ibid.
[94] United States Code: Title 38—Veterans' Benefits.
[95] Op. cit., Adamy.
[96] James D. Ridgway, *The Splendid Isolation Revisited: Lessons from the History of Veterans' Benefits Before Judicial Review,* Veterans Law Review [Vol 3. 2011], 10 February 2011.
[97] Committee on Veterans' Affairs, U.S. House of Representatives, hearing on "Overcoming PTSD: Assessing VA's Efforts to Promote Wellness and Healing," 7 June 2017: http://docs.house.gov/meetings/VR/VR00/20170607/106073/HHRG–115–VR00-Wstate-OByrneB–20170607.pdf.
[98] Op. cit., Adamy; John S. O'Shea, *Reforming Veterans Health Care: Now and for the Future,* Heritage Foundation, 24 June 2016; and, James D. Ridgway, *The Splendid Isolation Revisited: Lessons from the History of Veterans' Benefits Before Judicial Review,* Veterans Law Review [Vol 3. 2011], 10 February 2011.
[99] Ibid.

elements such as premiums, deductibles, or coinsurance to control costs and to restrain spending may be considered.[100]

Since 2015, GAO has included the VA's Information Technology [IT] systems and VA and DOD interoperability on its "high-risk" list.[101] In 2017, Acting Assistant Secretary for Information Technology and CIO for the Office of Information and Technology at the VA, acknowledged VA's previous failures to modernize their IT system and build them from the ground up.[102] In 2013, VA and DOD decided to abandon an initiative to create a joint medical health sharing record system, citing "different system needs and a projected total price tag of $28 billion."[103] On 5 June 2017, VA Secretary Shulkin announced VA would adopt DOD's MHS Genesis Electronic Health Record IT platform at an estimated cost of at least $4 billion and abandon VA's VistA platform after spending billions of taxpayer dollars on upgrading a failed VistA EHR interoperable IT system.[104] After IT, construction, and health care modernization attempts, failures, and billions of taxpayer dollars wasted, Congress should require any VA rule or regulation with an annual economic impact of $100 million or more to come before Congress for an up-or-down vote before implementation.[105]

Congress and the Executive Branch should conduct a thorough analysis of VA and reassess its missions based on their importance, difficulty, and past success. One area of likely consensus lies in personnel reforms. VA's workforce is in serious crisis, experiencing a long-term decline in quality, accountability, vision, energy, and professional commitment. No organization or Federal agency can function properly without maintaining an effective workforce—and that includes disciplining employees when necessary.

Since its creation in 1946, the VA's personnel system has been based on the urgent need to recruit physicians, dentists, and nurses. That has come to be a problem in itself. A personnel system built to expedite VA hiring has led to a "lengthy disciplinary board process that prevents timely—and thus, effective—imposition of discipline, particularly of the more minor corrective actions."[106] The personnel system desperately needs an overhaul to address its failures and deficiencies. Additionally, Congress and the Executive Branch can achieve greater reform if the VA begins to thin out its bureaucracy, consolidating the number of VA layers between top and bottom employees, reducing the number of managers, accel-

[100] Congressional Research Service, *Do Veterans Have Choices in How They Access Health Care?* 13 June 2016: http://www.crs.gov/reports/pdf/IF10418.

[101] Government Accountability Office, *Improving the Management of IT Acquisitions and Operations,* January 2017: http://www.gao.gov/highrisk/improving_management_it_acquisitions_operations/why_did_study#t=0

[102] Committee on Veterans' Affairs, U.S. House of Representatives, hearing on "Assessing the VA IT Landscape: Progress and Challenges," 7 February 2017.

[103] Patricia Kime, "Pentagon, VA health records systems still far from interoperable," *Military Times,* 28 October 2015.

[104] Leo Shane, "VA to use DOD's electronic medical records system," *Military Times,* 5 June 2017.

[105] There is a precedent with VA major construction projects over $100 million. VA needs Congressional certification to move forward with construction projects over $100 million threshold. Neil Siefring, "The REINS Act will keep regulations and their costs in check," *The Hill.* 16 February 2016: http://thehill.com/blogs/pundits-blog/economy-budget/250178-the-reins-act-will-keep-regulations-and-their-costs-in; and Passage of H.R. 427 (H. Rept. 114–214), the Regulations from the Executive in Need of Scrutiny Act of 2015 (REINS Act), (H.R. 427, H. Rept. 114–214): https://www.congress.gov/bill/114th-congress/house-bill/427.

[106] Keith Bell, *A Special Study: The Title 38 Personnel System in the Department of Veterans Affairs: An Alternate Approach,* April 1991: www.dtic.mil/get-tr-doc/pdf?AD=ADA234756.

erating the hiring and appointment processes (working alongside the Congress where appropriate), streamlining the disciplinary process, refining performance measure metrics, and strengthening oversight and contract administration of private employee contracts.[107]

Without these steps, the consequences will be an increasingly demoralized, poorly equipped, and undisciplined VA workforce. These employees are, after all, the implementers and ultimate instruments of the VA's policies, and if they are not up to the job, then neither is the VA.

Illustrative Policy Options

The committees of jurisdiction—the Committee on Veterans' Affairs and the Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies—should continue effective oversight of the Department of Veterans Affairs and Department of Labor Veterans' Employment and Training Service programs to ensure resources are used efficiently to achieve desired results. The Budget Committee's authority applies solely to the budgetary parameters for each committee of jurisdiction. The final policy choices will lie with the committees, some options worthy of consideration to achieve the budgetary goals of the resolution are described below.

DISCRETIONARY SPENDING

Address the 'High-Risk' Status of VA Health Care. Every two years, at the start of a new Congress, the Government Accountability Office [GAO] releases a "high-risk" list that calls attention to Federal programs vulnerable to fraud, waste, abuse, mismanagement, or needing transformation. In 2015, VA health care was placed on the list for its inability to ensure allocated resources are being used "cost-effectively and efficiently to improve veterans'" health care access, safety, and quality.[108] VA health care remains on the list today. "[W]e continue to be concerned about VA's ability to ensure its resources are being used cost-effectively and efficiently to improve veterans' timely access to health care, and to ensure the quality and safety of that care."[109] GAO notes that although VA medical caseloads increased significantly over the past decade, VA facilities often failed to keep up. "In some cases, the delays in care or VA's failure to provide care at all reportedly have resulted in harm to veterans."[110] The "Veterans Access, Choice, and Accountability Act of 2014" (Public Law 113–146) provided $10 billion in additional spending authority—to last through August 2017—to help alleviate the problem, and led to the creation of the Veterans Choice Program in November 2014. This has been only partly successful. According to GAO: "With the increased utilization of community providers that has occurred as a result of the "Veterans Access, Choice, and Accountability Act", veterans are re-

[107] Ibid.
[108] Government Accountability Office, *Managing Risks and Improving VA Health Care,* March 2017: http://www.gao.gov/highrisk/managing_risks_improving_va_health_care/why_did_study
[109] Government Accountability Office, *High Risk List,* 1 March 2017: http://www.gao.gov/highrisk/overview.
[110] Ibid.

quired to navigate multiple complex health care systems—the VA health care system and those of community providers—to obtain needed health care services."[111] VA also suffers problems "regarding the reliability, transparency, and consistency of its budget estimates for medical services, as well as weaknesses in tracking obligations for medical services and estimating budgetary needs for future years."[112]

Additionally, as the Commission on Care highlighted in its report:

"Choice involves tradeoffs. Reducing drive times to see a doctor may lead to longer wait times, for example, if it induces substantially more veterans to seek more care. VHA reliance on contracting could also have unintended consequences for already underserved communities. Providers in such communities who join the local VHA network may decide to limit the number of Medicare and Medicaid patients they accept into their practices. In other, highly concentrated health care markets, which are increasingly common throughout the United States, VHA may not be able to contract for care in the community except at higher prices. Such circumstances underscore the importance of VHA retaining the option of building its own capacity."[113]

This budget option calls for the VA to review and implement GAO's recommendations to update and improve VA's disability compensation benefit program and health care system to remove these items from GAO's "high-risk" list.

Reduce Improper Payments. Improper payments—payments made in the wrong amounts, to the wrong people, or for the wrong reasons—have consistently been a government-wide problem (see discussion in separate section of this report). For fiscal year 2016, the VA reported $5.5 billion in improper payments, principally in its Community Care and Purchased Long-Term Services and Support programs.[114]

Agencies with program(s) reported as noncompliant with the "Improper Payments Elimination and Recovery Act of 2010" [IPERA] for three consecutive years are required to propose to their committees of jurisdiction statutory changes to bring the program into compliance.[115] IPERA compliance review serves as a critical tool to ensure taxpayer dollars are not misspent and to guarantee Federal agencies are proactive in addressing program(s) with high improper payment error rates.[116] This budget option recommends the VA adhere to the requirement, striving to mitigate, reduce, or eliminate future improper payments.[117]

Sunset Advisory Committees. Federal advisory committees are defined as "any committee, board, commission, council, conference, panel, task force, or other similar group" that dispenses "advice or

[111] Ibid.
[112] Ibid.
[113] Commission on Care, *Commission on Care Final Report,* 30 June 2016.
[114] Government Accountability Office, "Veterans Affairs: Improper Payment Estimates on Ongoing Efforts for Reduction," testimony to the House Veterans Affairs Subcommittee on Oversight and Investigation, 24 May 2017.
[115] Public Law 111–204
[116] Nicholas Pacifico, *Federal Improper Payments Are Significant, Costing Taxpayers Billions,* Project on Government Oversight, 12 July 2016.
[117] Public Law 111–204.

recommendations" to the President and/or Cabinet Secretaries.[118] VA currently has 15 advisory committees established by statute, and 10 non-statutory panels.[119] In 2015, for example, VA created a new initiative called "MyVA" that focused on "customer service from a veteran's perspective." [120] The Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies raised concerns with the funding and full-time equivalent employees [FTEs] allocation to the new initiative.[121] The new initiative required a budget of $76.3 million and 204 FTEs for activities to support "planned customer data integration and Department-wide reorganization." [122] The VA has yet to submit information about the MyVA office, its mission, action plan, and cost of such an undertaking.

To ensure advisory committees are not inefficient or duplicative of VA efforts, this illustrative option calls for VA to "review and eliminate advisory committees that are obsolete, duplicative, low priority or serve a special, rather than national interest," and sunset all committees after two years of enactment, unless the Legislative Branch has specified otherwise.[123]

Consolidate Transition Assistance Program Goals, Plans, Success Program. Redundant Federal programs are leading to millions, if not billions, in wasteful spending. At a time of increased budget pressure, American taxpayers cannot afford to keep buying the same service twice. The Transition Assistance Program Goals, Plans, Success Program [TAP GPS] is designed to facilitate service members' transition to civilian life and is governed by a working group representing five agencies: the Department of Defense, the Department of Education, the Department of Labor [DOL], the Small Business Administration, and the Office of Personnel Management. The working group designs the curriculum composed of a five-day core class focused on job-hunting skills and VA benefits. In addition, an optional two-day course focuses on education, small business, and trades training. TAP GPS is taught largely by contractors hired by DOL and VA. Instead of combining the training curricula requirements into one overarching contract, however, VA and DOL have awarded separate contracts, thus doubling the overhead costs. Veterans Benefits Administration leaders have shifted TAP GPS funding to cover the costs of other VA non-statutory job placement programs unrelated to the TAP GPS program. This budget option recommends consolidating TAP programs to achieve greater service-member and veterans' transition results.

DIRECT SPENDING

Reform VA's Rating Schedule for Disability Compensation. The Department of Veterans Affairs administers one of the largest Federal disability compensation benefit programs, based on the loss of

[118] Public Law 92–463.
[119] U.S. Department of Veterans' Affairs, *Advisory Committee Names and Objectives,* 3 January 2017.
[120] Public Law 114–92.
[121] Ibid.
[122] Ibid.
[123] U.S. Office of Management and Budget, *OMB Circular No. A–135 as Applied to Federal Advisory Committee Act,* 28 June 1994: https://www.whitehouse.gov/omb/circulars_a135 and Public Law 92–463.

earning potential as a result of service-connected disability.[124] Under sections 1110 and 1155 of Title 38, VA is required to "adopt and apply a schedule of ratings of reductions in earning capacity from specific injuries or combination of injuries" to determine the veteran's disability compensation amount.[125] In fiscal year 2016 (the most recent figures available), VA provided $64.7 billion in disability compensation payments to 4.3 million veterans with service-connected disabilities.[126] Currently, the VA uses the "1945 Rating Schedule and its medical criteria with some revisions to evaluate veterans for disability compensation."[127] Over the years, VA's rating schedule criteria to assign degree of work disability have not been consistent with "changes in medicine and the labor market"—leading some experts to believe some veterans with service-connected injuries are being overcompensated or undercompensated.[128] In 2003, GAO designated VA's disability compensation rating program as "high-risk" due in part to VA's relying on outdated criteria to determine whether recipients should qualify for disability compensation benefits in relation to advances in "medicine, technology, or changes in the modern work environment."[129] The program remains on the high-risk list today.

The rating schedule needs a systematic overhaul to align with present-day accepted medical principles and medical standards, and to address whether disabilities lower than 30 percent constitute material impairment of earning capacity.[130] This budget option calls for reforming the rating schedule.

Reform VA's Disability Compensation Program. In 1924, through Public Law 68–242, the "World War Veterans Act of 1924", Congress established veterans' benefits program and today's VA disability compensation program.[131] Disability compensation provides a monthly cash benefit to veterans who have incurred an injury or disease contracted in, or aggravated by, active military service.[132] The disability compensation program does not always reflect "recent medical and technological advances, and their impact on med-

[124] Government Accountability Office, *VA Disability Compensation: Actions Needed to Address Hurdles Facing Program Modernization,* September 2012: http://www.gao.gov/assets/650/647877.pdf.

[125] 38 U.S. Code § 1110 and 38 U.S. Code § 1115

[126] Department of Veterans Affairs, *VBA Annual Benefits Report,* 2016: http://www.benefits.va.gov/REPORTS/abr/ABR-Compensation-FY16–0613017.pdf.

[127] H.R. 5149, to govern the effective dates of ratings and awards under the Veterans' Administration revised Schedule for Rating Disabilities, 1945, and for other purposes, 79th Congress: 2nd Session, 4 June 1946: https://www.finance.senate.gov/imo/media/doc/Rpt79–1417.pdf and Institute of Medicine; Board on Military and Veterans Health; Committee on Medical Evaluation of Veterans for Disability Compensation; Michael McGeary, Morgan A. Ford, Susan R. McCutchen, and David K. Barnes, *A 21st Century System for Evaluating Veterans for Disability Benefits,* 2007.

[128] Op. cit. Government Accountability Office, *VA Disability Compensation: Actions Needed to Address Hurdles Facing Program Modernization,* September 2012: http://www.gao.gov/assets/650/647877.pdf.

[129] Op. cit. Government Accountability Office, *Improving and Modernizing Federal Disability Programs* (also appears in the 2015 High Risk Report), February 2015: http://www.gao.gov/highrisk/improving_federal_disability/why_did_study#t=0.

[130] Op. cit. *VA Disability Compensation: Actions Needed to Address Hurdles Facing Program Modernization,* Institute of Medicine; Board on Military and Veterans Health; Committee on Medical Evaluation of Veterans for Disability Compensation; Michael McGeary, Morgan A. Ford, Susan R. McCutchen, and David K. Barnes, *A 21st Century System for Evaluating Veterans for Disability Benefits,* 2007.

[131] Department of Veterans Affairs, *VA Disability Compensation Program: Legislation History,* December 2004: https://www.va.gov/op3/docs/ProgramEvaluations/DisCompProgram/Disability_Comp_Legislative_Histor_lit_Review.pdf.

[132] 38 U.S.C. § 1131.

ical conditions that affect potential earnings." [133] VA's disability compensation program has not kept pace with changes in the labor workforce from a "manufacturing-based jobs to service—and knowledge-based" market, and changes in skillsets has also evolved.[134] These labor market changes are not reflected in VA's rating for disability compensation.[135] This budget option recommends Congress direct VA to evaluate "whether the ratings for conditions in the schedule correspond to veterans' average loss in earnings due to these conditions and adjust disability ratings accordingly," and that VA conduct a study and report to Congress on the effects and impact medical advancements and technology would have on VA's disability compensation program and benefit package.[136] VA should also refine the current Disability Presumption Process to avoid listing "conditions that are associated with age and lifestyle—as opposed to chemical exposure" on the presumptive list.[137]

Update VA's Individual Unemployability Benefits. The VA's Individual Unemployability [IU] program pays certain veterans disability compensation at the 100-percent rate, even though VA has not rated the veteran at that level.[138] In 2003, GAO designated VA's IU program as high-risk, and it remains on the list today.[139] In September 2015 (the most recent figures available), more than 60 percent of veterans receiving VA's IU supplemental benefit were 65 or older.[140] From fiscal year 2009 through 2013, the VA's IU benefit program increased by 22 percent with a "73 percent increase in the subgroup of beneficiaries aged 65 and older." [141] Moreover, about 2,800 of new first time beneficiaries were 75 years of age and older—with 400 of them 90 and older.[142] These trends have raised the question of what constitutes "unemployability" in today's economy.[143] This budget option recommends the following: 1) institute an application restriction to veterans age 70 and older from applying for the first time to the VA's IU benefit program; 2) revise VA regulations to require all veterans applying for IU be referred to the vocational rehabilitation unit for work potential evaluation before being considered for IU benefits; 3) codify the IU program into law (it is currently regulatory, not statutory) to ensure it functions appropriately through congressional oversight; 4) update the IU program to reflect today's economy; and 5) means test

[133] Committee on Veterans' Affairs, U.S. Senate, hearing on "Proposals to Limit Eligibility for VA Compensation to Veterans with Disabilities Directly Related to the Performance of Duty," 23 September 2003.
[134] Ibid.
[135] Ibid.
[136] Ibid.
[137] Congressional Research Service, *Veterans Affairs: Presumptive Service Connection and Disability Compensation,* 18 November 2014: www.crs.gov/Reports/R41405.
[138] Department of Veterans Affairs, *Individual Unemloyability,* 2017: http://www.benefits.va.gov/compensation/claims-special-individual_unemployability.asp.
[139] Government Accountability Office, *High Risk List,* January 2017: http://www.gao.gov/highrisk/overview.
[140] Congressional Budget Office, *Options for Reducing the Deficit: 2017 to 2026,* 8 December 2016.
[141] Government Accountability Office, *Veterans' Disability Benefits: VA Can Better Ensure Unemployability Decisions Are Well Supported,* 2 June 2015: http://www.gao.gov/products/GAO–15–464.
[142] Ibid.
[143] Ibid.

the program.[144] This budget recommendation also assumes beneficiaries who were enrolled before enactment would not be affected by any policy change.

Slow the Growth of Education Tuition Increases. The Post-9/11 GI Bill covers veterans' tuition, fees, and textbook costs, in addition to providing a monthly living stipend. Veterans' education benefits became significantly more generous following the 2008 passage of the Post-9/11 GI Bill. Over the past decade, education tuition annually on average have been higher than the average rate of inflation—increasing VA's education payments on an annual basis.[145] The rapidly increasing tuition cost nationwide is causing substantial, unexpected increases in education benefit spending, putting future benefits at risk. In 2011, the House and Senate Veterans' Affairs Committees' letter to the Joint Select Committee on Deficit Reduction [JSCDR] recommended this policy proposal to slow the rate of education growth.[146] This budget option would cap the increase in tuition assistance at 3 percent, providing sustainability of the program in the out years. This budget recommendation also assumes beneficiaries who were enrolled before enactment would not be impacted by any policy change.

Reform VA Home Loan Guaranty Funding Fee Rates. The VA's home loan guaranty funding fee was first established through the "Omnibus Budget Reconciliation Act of 1982" (Public Law 97–253).[147] Under current law, VA may guarantee a home loan to eligible service members, veterans (with both service-connected and non-service-connected injuries), reservists, and certain unmarried surviving spouses to purchase houses, condominiums, and manufactured homes.[148] In addition, the VA may not collect a funding fee from a service-connected-injured veteran.[149] The VA funding fee percentage varies from 0.5 percent to 3.3 percent depending on several factors. Among these factors are whether the veteran is a first-time homebuyer or if the veteran is making a down payment.[150]

Since 1982, the VA Home Loan Guaranty funding fee rates have been adjusted to pay for other VA programs.[151] Current VA funding fees are lower than other Federal housing programs, such as the Federal Housing Administration. This budget option calls for the VA Home Loan Guaranty funding fee rates for non-service-connected veterans be reformed at a reasonable rate, while ensuring the integrity and sustainability of the program stays intact. This

[144] General Accounting Office, *Veterans Benefits: Improving the Integrity of VA's Unemployability Compensation Program,* September 1987: http://www.gao.gov/assets/150/145765.pdf; and, 38 CFR § 4.16a.

[145] Saving for College, *The Real Cost of Higher Education,* 2016: http://www.savingforcollege.com/tutorial101/the_real_cost_of_higher_education.php.

[146] Chairs and Ranking Members of the Veterans' Affairs Committees letter to the Joint Select Committee on Deficit Reduction, 14 October 2011: https://veterans.house.gov/sites/republicans.veterans.house.gov/files/HVAC–SVAC%20Letter%20to%20JSC.pdf.

[147] Public Law 97–253: https://transition.fcc.gov/Bureaus/OSEC/library/legislative_histories/1657.pdf.

[148] Subchapter III of title 38, United States Code.

[149] Subsection (C)(1), section 3729 of title 38, United States Code.

[150] Public Law 113–146

[151] The VA Home Loan Guaranty funding fee was used as an offset in Public Law 97–253, *The Omnibus Budget Reconciliation Act of 1982,* and Public Law 113–146, *Veterans Access, Choice and Accountability Act of 2014.*

budget recommendation also assumes beneficiaries who were enrolled before enactment would not be affected by any policy change.

Reform Dependent Housing Stipend. The GI Bill's primary use is assisting a veteran's reintegration into civilian life by providing the education and skills necessary to gain meaningful employment after military service. To provide both a recruiting and retention incentive, the Post-9/11 GI Bill allows each military service to determine which service members who meet the statutory eligibility requirements to transfer all or some of their education benefits to their dependents. Instead of targeting the benefit to retain service members with critical needed skills, the services have made eligible all service members who qualify under the time-in-service requirements. This budget option calls for the Post-9/11 GI Bill to restore its original intent by focusing resources on veterans readjusting into society after their military career, and for VA and DOD to assess the transferability's impact on recruitment and retention. This budget recommendation also assumes beneficiaries who were enrolled before enactment would not be affected by any policy change.

Prevent VA from Providing Unlimited Amounts for Flight Training at Public Schools. Brought to Congress' attention by the VA, Veterans Service Organizations, and the National Association of State Approving Agencies [NASAA], some flight schools are exploiting an aviation training tuition loophole in the Post-9/11 GI Bill.[152] Some institutions of higher learning have applied extreme costs for flight fees as there are no caps in place for such institutions with third-party flight contractors. According to representatives from NASAA, some student veterans are taking flight classes as electives with no cost cap for flight fees. [153] In response to concerns from stakeholders regarding this loophole, in 2016 the House Veterans Affairs Subcommittee on Economic Opportunity introduced H.R. 3016, the "Veterans Employment, Education, and Healthcare Improvement Act", which grandfathered current flight school students' tuition for two years and made improvements to veterans' educational assistance. In 2016, the measure passed the House on a bipartisan basis. This budget option reflects a provision in H.R. 3016 that applies a tuition cap for flight programs at public institutions of higher learning that is consistent with other veterans' educational programs.[154] This budget recommendation also assumes beneficiaries who were enrolled before enactment would not be affected by any policy change. This policy recommendation is also included in President Trump's fiscal year 2018 budget request.

Round Down Annual Cost-of-Living Allowance to the Next Lower Whole Dollar. This option would require VA to round down increases in the monthly compensation rate resulting from an annual cost-of-living adjustment [COLA] to the next lower whole dollar. The VA would apply this round down to both disability compensa-

[152] Curtis L. Coy, Deputy Under Secretary for Economic Opportunity, Veterans Benefit Administration, testimony before the House Veterans' Affairs Subcommittee on Economic Opportunity, 19 November 2014: https://veterans.house.gov/witness-testimony/mr-curtis-l-coy-7. The Iraq and Afghanistan Veterans of America, the American Legion, and the Veterans of Foreign Wars all support closing this loophole.
[153] Ibid.
[154] "Veterans Employment, Education, and Healthcare Improvement Act" (H.R. 3016): https://www.congress.gov/bill/114th-congress/house-bill/3016/text.

tion and dependency and indemnity compensation payments. A similar requirement expired at the end of 2013 and this budget option recommends a reinstatement of this policy. This policy recommendation is also included in President Trump's fiscal year 2018 budget request.

Reform Chapter 33, Post-9/11 GI Bill, Monthly Housing Allowance Rate. Under current law, the Post-9/11 GI Bill housing allowance is based on the Department of Defense monthly housing allowance [MHA] for a service member in pay grade E–5 with dependents.[155] The housing allowance is equal to the MHA payment for the military housing area in which the institution of higher learning is located, and reduced according to the beneficiary's enrollment rate.[156]

The current Post-9/11 GI Bill policy for MHA payment does not take into account that not every Post-9/11 GI Bill beneficiary has a dependent. The Post-9/11 GI Bill is the only Federal program to pay individuals with a dependent who do not warrant such a payment (e.g., Active Duty MHA and IRS filings). The Post-9/11 GI Bill MHA should be aligned with other federal programs. This budget option recommends a change to the current policy to require that beneficiaries verify their dependent to collect Post-9/11 GI Bill BAH at the E–5 with dependent pay rate. Should the beneficiary be unable to verify their dependent, they will be paid at E–5 without dependent pay rate, and dependents will be paid at the E–5 without dependent pay rate. This budget recommendation also assumes beneficiaries who were enrolled before enactment would not be affected by any policy change.

ADMINISTRATION OF JUSTICE

Function Summary

While freedom is Americans' most cherished possession, their personal safety and equal protection under the law are instrumental in securing it. Therefore, over the Nation's history, States, localities, and the Federal Government have written laws and established institutions to ensure their enforcement. As in so much of the American system, States and localities are better suited to enforcing laws of more local or regional character. The Federal Government's main role is to address security issues that affect the entire Nation, such as terrorism and border security. Yet vast amounts of Federal resources are shipped back to the States and localities they came from, typically with strings attached by domineering Washington bureaucracies.

The ongoing risk of domestic terrorism, and the tidal wave of government debt, call for better targeting of Federal law enforcement funds. Federal tax dollars for the Department of Justice [DOJ] and the Department of Homeland Security [DHS] should be focused on administering justice, arresting and prosecuting terrorists, protecting and securing the Nation's borders, investigating

[155] Section 403 of title 37 (The E–5 with dependents BAH is the monthly basic allowance for housing for a member of the Armed Forces with dependents in pay grade E–5) and subsection (B)(i)(I), Section 3313 of title 38.

[156] Cassandria Dortch, *The Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill): Primer and Issues,* Congressional Research Service, 28 July 2014.

Federal crimes, and seeking punishment for those guilty of unlawful behavior. Local law enforcement, in contrast, is the responsibility of the States and local communities, and they should determine the best course of action in deterring local crime.

In 2016, the Federal Government provided States and localities with more than $666 billion in grants.[157] Of that amount, $2.4 billion went to three agencies in the Department of Justice: the Office of Justice Programs, the Office on Violence Against Women, and the Community Oriented Policing Services Office. The Government Accountability Office reported in 2012 that many of DOJ's roughly 11,000 annual grants are awarded without consideration of overlap or duplication with other grant programs, and that DOJ should better target its grants. GAO's 2015 update of that report states that DOJ had only partially addressed this area of potential duplication.[158] In former President Obama's last budget proposal, Washington was to award $7.2 billion in total justice and homeland security grants to State and local governments. It is not the function of the Federal Government to finance State and local governments. Federal law enforcement needs to focus on its core responsibilities. The Executive Branch needs clear guidance from Congress in facing the Nation's continuing security threats.

The principal activities in this category (Function 750 in the summary tables) include Federal law enforcement programs, litigation and judicial activities, correctional operations, and border security. The function includes most of the Department of Justice and several components of the DHS. Other agencies funded here include the Federal Bureau of Investigation [FBI]; the Drug Enforcement Administration; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the United States Attorneys; legal divisions within the Department of Justice; the Legal Services Corporation; the Federal Judiciary; and the Federal Bureau of Prisons.

The vast majority of this category's funding is discretionary, provided by the Appropriations Subcommittees on Commerce, Justice, Science and Related Activities, and Homeland Security. The Committee on the Judiciary and the Committee on Homeland Security have the main authorizing duties. The resolution calls for $54.0 billion in discretionary budget authority and $55.2 billion in outlays for fiscal year 2018. The small amount of direct spending in the category—which funds certain immigration activities, the Crime Victims Fund, the Assets Forfeiture Fund, and the Treasury Forfeiture Fund, among others—totals −$2.6 billion in budget authority and $5.9 billion in outlays for fiscal year 2018. The 10-year totals for the function are $628.6 billion in budget authority and $637.8 billion in outlays.

TERRORISM

In the 16 years since 9/11, Americans have grown accustomed to living in an environment of enhanced security. Airports, govern-

[157] Government Accountability Office, *DOJ Grants Management: Justice Has Made Progress Addressing GAO Recommendations,* testimony before the House Oversight and Government Reform Subcommittee on Government Operations, 14 July 2016.

[158] Government Accountability Office, *2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits,* April 2015, p. 209: http://www.gao.gov/assets/670/669613.pdf.

ment buildings, major sporting venues, and myriad other public facilities now feature the instruments of vigilance that have become necessarily common. Yet despite these measures, terrorism continues to lurk in the shadows, striking out all too unexpectedly—from San Bernardino to Orlando, Chattanooga to the campus of Ohio State University. Terrorists need to succeed only once to inflict their damage; the vigilance needed to stop them must be tireless and ongoing. Yet this must not entail any sacrifice of personal freedoms so easily at risk in today's high-technology environment. The words of the Fourth Amendment are unconditional: "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures *shall not be violated* * * *" [emphasis added].

IMMIGRATION AND BORDER SECURITY

The ongoing debate over America's troubled immigration processes demonstrates the numerous vexing challenges in addressing the issue. All too often, the current system rewards those who enter the United States illegally, while doing little to recognize those who spend years waiting in line to immigrate properly. While specific immigration policies debated in previous years provided for semi-legal protections for undocumented residents already present within the United States, comprehensive reforms must make security a paramount concern. Whether it is enhanced protection, increased enforcement, or more robust cooperation between Federal and local jurisdictions, immigration reform policies cannot proceed until all Americans have confidence in the security of the Nation's borders.

SANCTUARY CITIES

A "sanctuary city" is one that has adopted a policy of protecting undocumented immigrants, which runs contrary to Federal immigration law. These cities not only fail to prosecute violations, in specific situations they have enabled criminal activity. As stated by Immigration and Customs Enforcement [ICE]: "A significant factor impacting removal operations has been the number of state and local law enforcement jurisdictions that have limited or declined cooperation with ICE, due to the enactment of numerous state statutes and local ordinances reducing and/or preventing cooperation with ICE, in addition to federal court decisions that created the perception of liability concerns for cooperating law enforcement agencies. Declined detainers result in convicted criminals being released back into U.S. communities with the potential to re-offend. Moreover, they draw resources away from other ICE efforts to protect public safety, by requiring ICE to expend additional resources to locate and arrest convicted criminals at-large rather than safely taking custody of such individuals in jails." [159] President Trump has criticized such "sanctuary cities" and has pledged to defund them. Withholding Federal funds from these cities may be initiated by placing an amendment in the Commerce, Justice, and Science

[159] Department of Homeland Security, *DHS Releases End of Fiscal Year 2016 Statistics,* 30 December 2016: https://www.dhs.gov/news/2016/12/30/dhs-releases-end-year-fiscal-year-2016-statistics.

Appropriations bill that blocks grants from the Department of Justice to local law enforcement agencies that engage in sanctuary practices. Congress could take action on one or both of the following pieces of legislation introduced in the 115th Congress. H.R. 83, the "Mobilizing Against Sanctuary Cities Act", would prohibit a State or local government from receiving Federal funds for a minimum of one year if it interfered with immigration laws. Similarly, H.R. 3003, the "No Sanctuary for Criminals Act"—cosponsored by Representatives Goodlatte (R–VA), King (R–IA), and Biggs (R–AZ)—restricts sanctuary jurisdictions from receiving Federal law enforcement grants while protecting jurisdictions who comply with immigration law from being sued. The bill also has the potential to decrease government spending and lower the deficit by as-yet-undetermined amounts, according to the Congressional Budget Office.

THE JUDGMENT FUND

The Judgment Fund was created in 1956 to pay judgments and settlements of lawsuits against the Federal Government. The fund is a permanent appropriation, and payments do not require congressional notification or approval. Simply put, it is a limitless bank account shielded from congressional oversight.

Due to the fund's design, the Obama Administration was able to pay billions of dollars in interest payments to Iran, sidestepping Congress. On 17 January 2016, the State Department announced the U.S. Government agreed to pay the Iranian government $1.7 billion to settle a case related to the sale of military equipment prior to the Iranian revolution, and $1.3 billion was sourced through the Judgment Fund.

The Obama Administration's ability to unilaterally draw from the fund for its agenda without congressional oversight or approval illustrates the fund's inherent structural flaws. Several long-term solutions are available for consideration that would reassert Congress's Article I power of the purse, reining in automatic spending that currently occurs through this program, and closing the administrative loophole. Congress could require a Joint Resolution of Approval for any sum of payments over a certain amount, increased transparency, and agency reimbursements to the fund over a fixed time period. Short-term solutions include H.R. 1096 and S. 565, the "Judgement Fund Transparency Act of 2017", which requires to the Department of the Treasury to publically disclose details after payments are made.

Illustrative Policy Options

In developing policies to meet their budget targets, the committees of jurisdiction cited above should give priority to those activities that are essential for the Federal Government. This does not necessarily require more funding in each area; it means addressing those Federal responsibilities first. The committees have sole authority in determining the policy choices and priorities in these areas. The discussions below are illustrative, intended to indicate policy options or directions the committees might consider.

DISCRETIONARY SPENDING

Consolidate Justice Grants. In fiscal year 2016, DOJ awarded $2.4 billion in grants to conduct research, provide training assistance, and support the State and local criminal justice system. The Congressional Research Service and GAO have identified overlap and duplication within many of these grant programs, and it is clear they fund law enforcement activities that are primarily State and local responsibilities. In addition, Federal grants should not be awarded to State and local law enforcement agencies unless they comply with the Federal law. This includes jurisdictions that refuse to honor Federal detainers, harbor illegal aliens, or fail to share information on criminal illegal aliens. This option streamlines grants into three categories—first responders, law enforcement, and victims—while eliminating waste, inefficiency, and bureaucracy.

Eliminate Unnecessary Headquarters and Construction Funding for DHS, DOJ, and the Judiciary. Construction funding for various agencies within this budget function have increased without due oversight and cost-benefit analysis, though the committees of jurisdiction have focused on addressing cost overruns and increasing accountability. This budget recommends reducing DHS and DOJ construction budgets by 15 percent to rein in unnecessary construction projects, exempting those agencies involved with border security and immigration enforcement. The budget recommends additional scrutiny of cost overruns of DHS's St. Elizabeth's project, the largest Federal building project in the District of Columbia since the Pentagon. Another major concern is the mishandling of taxpayer funds by the General Services Administration for giving priority to green energy projects over security and life safety issues at Federal courthouses. The renovation of the Poff Federal Building is a prime example of this wasteful spending. A sum of $51 million was used to make this building more energy-efficient, money that was critically needed to address security and public safety at other sites.

Eliminate the Legal Services Corporation. It is the duty of State and local governments to provide legal services to those individuals unable to provide it for themselves. Local jurisdictions are more aware of their citizens' needs and can provide more responsive service than the Federal Government. Critics have argued that despite restrictions already in place, the Legal Services Corporation too often focuses on social activist causes rather than advocating for those persons needing legal help the most.

DIRECT SPENDING

Permanently Extend Customs User Fees. Continuing the policy of the "Emergency Unemployment Compensation Extension Act of 2014", the budget assumes the Bureau of Customs and Border Protection continues to collect customs user fees through fiscal year 2027, the last year of the budget window. With the passage of the "Emergency Unemployment Compensation Extension Act of 2014", authority to collect these fees expires in 2024. The Bipartisan Budget Agreement of 2015 extended customs user fee collections through 2025. This budget assumes making these customs user fees permanent.

GENERAL GOVERNMENT

Function Summary

As government strives to make its programs more effective and efficient, it must also do so with its own internal operations. One cannot be achieved without the other. Yet this has not been the case with many of the Federal Government's agencies. Funding in the category of General Government (Function 800 in the summary tables) has increased by roughly 30 percent in the past 10 years, but no one would contend the additional resources have yielded commensurate gains in productivity or effectiveness. Across the Nation, startups and existing companies continue to innovate, replacing outdated business practices and sectors of industry, but the Federal Government remains entrenched in bloated bureaucracies, legacy technology, and obsolete procedures. To respond to the Nation's needs in the 21st Century, the Federal Government must constantly improve operations, remove practices that stand in the way of innovation, and maximize the return on taxpayers' dollars. To this end, the budget resolution aims to eliminate waste across all Federal Government branches and agencies, and provide resources for necessary reforms to all facets of government operations. If a program or activity is poorly targeted, ineffective, duplicative of other efforts, requires updated technology, or could be better performed by the private sector, it is a candidate for elimination or restructuring.

This budget category mainly provides funding for the Legislative and Executive Branches of the Federal Government. On the legislative side, these funds support the operations of Congress, including the Congressional Budget Office, the Library of Congress, and the Government Accountability Office. In the Executive Branch, the category finances the Executive Office of the President, including the Office of Management and Budget, the Council on Environmental Quality, White House salaries, and White House building repair; general tax administration and fiscal operations of the Department of the Treasury (including the Internal Revenue Service); the Office of Personnel Management; the real-property and personnel costs of the General Services Administration; general-purpose fiscal assistance to States, localities, the District of Columbia, and U.S. territories; and other general government activities.

Most of this funding comes through annual appropriations (discretionary spending), which in fiscal year 2018 totals $15.9 billion in budget authority and $15.5 billion in outlays. Budget authority for direct spending in this area will total $7.7 billion, with $7.6 billion in accompanying outlays. Over 10 years, the budget anticipates $248.5 billion in total budget authority and $245.8 billion in outlays.

Illustrative Discretionary Spending Policy Options

While specific policy decisions are entirely under the authority of the committees of jurisdiction—which include the Committees on Transportation and Infrastructure, House Administration, Ways and Means, Natural Resources, and Oversight and Government Reform—the discussion below offers illustrative options they might consider. Funding for Federal operations and property management are just a few areas where savings should be achieved. This resolution also urges the Office of Management and Budget and relevant agencies to make a top priority of implementing the data aggregation and transparency initiatives in the "Digital Accountability and Transparency Act", as well as information technology upgrades and the retirement of legacy systems via the Technology Modernization Fund provided by the "Modernizing Government Technology Act of 2017". The budget resolution also supports the House Majority Leader's "Innovation Initiative", focusing on modernizing the information and technology systems within the Federal government to bring about greater efficiency and efficacy.

Some specific options worthy of consideration are described below.

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

Accompany Pro-Growth Tax Reform with Responsible Reductions to the Internal Revenue Service. The Internal Revenue Service [IRS] has nearly 90,000 employees and spends in excess of $12 billion annually. Additionally, the Internal Revenue Code now contains approximately four million words, and each year taxpayers and businesses spend more than six billion hours complying with filing requirements.[160] The investigation related to the IRS targeting American citizens demonstrates that the massive budget has not resulted in better service to taxpayers; rather, it has created a bloated bureaucracy filled with inefficiency and abuse. A simplified tax code would have the dual benefits of reducing both the time taxpayers devote to complying with an overly complex code, and the taxpayer dollars needed to administer and enforce it.

Make More Efficient Use of Legislative and Executive Branch Resources. The budget for the House of Representatives today is $188 billion less than it was when Republicans assumed the majority in 2011. This budget resolution aims to scale back government wherever it has expanded needlessly or beyond its proper role. That includes within government operations and offices themselves. It also could include reforms such as scaling back pensions of former U.S. presidents—recognizing their ability to support themselves primarily through other means of employment—while providing for their security and pensions for any surviving spouses. The resolution recommends treating the Legislative and Executive Branch appropriations the same as other Federal agencies and programs, and paring costs where possible. As taxpayers are required, at times, to do more with less, so too must Congress and the Executive Branch.

[160] National Taxpayer Advocate, *2016 Annual Report to Congress,* December 2016.

The budget supports cost-cutting efforts and reforms that require better priority-setting for Legislative and Executive Branch funds.

Further Consolidate Federal Data Centers. This budget supports the bipartisan Federal Data Center Consolidation Initiative, which was created in 2010 to reverse the widespread escalation of Federal data center construction, acquisition, management, and maintenance. By increasing efficiencies and continued efforts to incorporate cloud computing technologies, the Federal government can significantly decrease taxpayer spending on underused infrastructure.[161]

Modernize Federal Information Technology. OMB and multiple agencies could help the Federal Government realize savings by strengthening oversight and taking steps to implement H.R. 2227, the "Modernizing Government Technology Act of 2017". This bipartisan-supported process provides agencies with the ability to upgrade their information technology investments through a Technology Modernization Fund.[162] This budget supports the work of the White House Office of American Innovation, a group of private sector and administration officials responsible for updating the technology and data infrastructure of the Federal Government. The President's executive order establishing the American Technology Council is also a welcome move to create a resource of data and IT infrastructure innovation for the Federal Government. Regarding previous measures, OMB launched the PortfolioStat initiative in 2012, to maximize the return on IT investments across the Federal Government's portfolio. Nevertheless, the Government Accountability Office has listed a variety of IT reforms from various agencies that need of attention. The following examples were identified in the testimony of Gene L. Dodaro, Comptroller General, before the Committee on the Budget on 3 May 2017.[163]

- Department of Defense contract management for information technology. GAO has found that DOD department components have employed strategic sourcing for only 10 percent and 27 percent of their $8.1 billion IT service contracts. Strategic sourcing is an approach to supply chain management that allows organizations to use information to leverage their consolidated purchasing power, thereby realizing the best values in the marketplace.
- The Department of Veterans Affairs outdated financial IT systems. While the VA has examined options to upgrade its financial systems and IT infrastructure, GAO has raised concerns regarding the fiscal year 2020 completion date and the amount of resources required to implement the transition.
- OMB's PortfolioStat initiative. GAO has provided OMB with several recommendations regarding the transparency and accountability of the initiative. While OMB has taken steps to publicly disclose planned and actual data consolidation efforts,

[161] Chief Information Officer [CIO], Federal CIO Council, "Data Center Consolidation and Optimization": https://cio.gov/drivingvalue/data-center-consolidation/.

[162] The "Modernizing Government Technology Act of 2017" (H.R. 2227) 28 April 2017.

[163] Gene L Dodaro, Comptroller General of the United States, testimony before the Committee on the Budget, U.S. House of Representatives, 3 May 2017.

OMB needs to improve its ability to track planned cost savings and cost avoidance figures.

- The Federal Government's geospatial investments. While the government collects, manages, and uses a variety of geospatial information to assist and aid in decision-making across the Federal Government, GAO has recommended to OMB that better coordination and data sharing among agencies could eliminate duplicative spending on similar geospatial information systems and IT investments, and achieve annual savings of billions of dollars.

GOVERNMENT–WIDE POLICY

Function Summary

A number of policies assumed in the budget resolution cut across agencies or functional categories, and have government-wide effects. These include changes in the Federal civilian workforce or reductions in the government's improper payments. For ease of understanding, the budget resolution employs this category, Government-Wide Policy, to describe these assumptions. For fiscal year 2018, the resolution calls for $34.1 billion in budget authority and $2.8 billion in outlays. The 10-year totals for budget authority and outlay savings are −$1.4 trillion and −$1.3 trillion, respectively. (The figures appear in Function 930 in the summary tables.) As is true elsewhere, specific policies will be determined by the appropriate committees of jurisdiction.

Illustrative Policy Options

The options discussed below are for illustrative purposes only. The committees of jurisdiction will determine actual policy changes, and they have maximum flexibility in deciding what those policies are.

DISCRETIONARY SPENDING

The total base discretionary budget authority for fiscal year 2018 assumed in the resolution is $1.132 trillion. The resolution calls for approximately $60.0 billion in fiscal year 2018 non-defense discretionary savings in several budget functions should Congress choose to enact additional deficit reduction for that year. Because these additional savings would cause the resolution to display a lower total base discretionary level than contemplated in the resolution, $60.0 billion in non-defense discretionary spending is added back to Function 930 to make the total budget resolution base discretionary level match the amount specified.

Additional illustrative savings options, of a government-wide nature, are presented below.

Reduce the Federal Civilian Workforce Through Attrition. The budget assumes discretionary savings through a 10-percent reduction in certain agencies of the Federal civilian workforce through attrition. Under the assumed strategy, the administration would be permitted to hire one employee for every three who leave government service. National security positions would be exempt.

Reform Civil Service Pensions. The policy described in the Income Support, Nutrition, and Related Programs section of this report would increase the share of Federal retirement benefits funded by the employee. This policy has the effect of reducing the personnel costs for the employing agency. The budget assumes savings from a reduction in agency appropriations associated with the reduction in payments that agencies make into the Civil Service Retirement and Disability Fund for Federal employee retirement.

Implement Federal Transition to Shared Services. "Shared Services" is a proven, "best practice" business model, in both the public and private sectors, for delivering common administrative services (e.g., human resources, financial management, acquisition, supply chain, IT services, and so on). The shared services approach allows a government enterprise to offer customer agency services from third-party service providers with high-capacity platforms. These providers can serve multiple agencies more cost-effectively than if the individual agencies operated the same services themselves in-house. After decades of evolution, shared services has become the delivery model of choice for common business transactions in leading public- and private-sector organizations throughout the world. Global experience demonstrates typical cost savings of 25 percent to 45 percent, and significant service improvements through leveraging economies of scale and skill over decentralized or self-service models. The advent of "cloud" technologies is creating ever-increasing opportunities to drive "commodity" transactions to shared service business platforms.

Shared services, also known as "line of business" modernization, has been under way in the Federal Government for several decades, with support from administrations of both parties. Nevertheless, progress has been extremely slow and disjointed across administrations and the 24 Chief Financial Officers Act (1990) departments and agencies. The leading success story to date has been payroll shared services, but it took more than 25 years to consolidate from dozens of agency-specific arrangements to today's four government-wide platforms.[164] The Office of Personnel Management has estimated cumulative savings of $1.6 billion to date from payroll consolidation[165]—but the government has only scratched the surface of the full potential across the entire Federal back office.

A report published by the non-partisan Partnership for Public Service in 2015 estimated Federal agencies spend about $125 billion per year on their individual back offices, and that full implementation of shared services across these common functions could produce savings of nearly $50 billion by eliminating wasteful duplication and improving efficiency.[166] The Shared Services Roundtable's cost savings estimate was endorsed in a report issued

[164] The four Federal payroll providers are: USDA's National Finance Center; the Interior Business Center; the Defense Finance and Accounting Service; and the General Services Administration.

[165] Office of Personnel Management, *HR Line of Business: FY 2011 Cost Benefit Analysis Report,* May 2012.

[166] Partnership for Public Service, Shared Services Roundtable, "Building a Shared Services Marketplace," March 2015.

by the Technology CEO Council in January 2017.[167] Shared services can not only improve efficiency and effectiveness, but can also enable improved transparency, accountability and a more secure cyber environment in government business operations.

DIRECT SPENDING

Reduce Improper Payments/Program Integrity. This budget calls for program integrity savings by assuming that Continuing Disability Reviews and Supplemental Security Income Redeterminations are fully funded and that additional steps are taken to reduce improper payments in Medicare, Medicaid, Unemployment Insurance [UI], the Earned Income Tax Credit [EITC], and other programs (see the separate discussion of improper payments elsewhere in this report). By ensuring all benefits are targeted toward the appropriate households, this budget will reduce fraud and improper payments in these programs.

"Improper payments" are defined as any government payment made in an incorrect amount (mostly overpayments), to the wrong individual or entity, or for the wrong reason. According to the Government Accountability Office, these payments totaled a stunning $144.3 billion in 2016, up from $107.1 billion in 2012. Worse, this figure likely *understates* the full extent of the problem; 18 government programs deemed susceptible to improper payments did not even submit error estimates last year, according to GAO. Thus, the estimated total may very well represent a floor rather than a ceiling.[168]

These payment errors occur widely throughout government, including 112 government programs across 22 agencies, GAO reports. More than 75 percent of the problem, however, lies with three large programs: Medicare, Medicaid and the Earned Income Tax Credit [EITC]. In fact, the EITC program has an estimated payment error rate of 24.0 percent, meaning that nearly one in four dollars that leaves the Treasury for this program is deemed to be incorrect. Other notable government programs with improper payment problems include UI, Direct Student Loans, and the National School Lunch Program. One example of an improper payment would be a UI check going to someone who has already returned to work. Another example would be an EITC payment going to an individual who has earned income above the program's qualifying amount.[169]

Since 2002, Congress has passed several legislative measures to address the problem, with little tangible success. This is an issue the Budget Committee intends to pursue aggressively in the future under the leadership of Representative Palmer (R–AL) and other Committee members. The Committee believes those departments and agencies that cannot decrease the amount of improper payments should be held accountable for their inability to stop these inappropriate expenditures. The Budget Committee will work with the appropriations and authorizing committees exploring numerous ideas to effectively address this problem.

[167] Technology CEO Council, "The Government We Need," January 2017.
[168] Government Accountability Office, briefing to the House Budget Committee, 29 March 2017.
[169] Ibid.

GAO reported that agencies continue to face difficulties in reducing improper payments. In addition, GAO found that sharing death data can help prevent improper payments to deceased individuals or those who use deceased individuals' identities, but the Social Security Administration has trouble maintaining these data, and other Federal agencies face difficulty obtaining them.[170]

Align the G-Fund Investment Return with an Appropriate Risk Profile. The resolution assumes savings by correctly aligning the rate of return on U.S. Treasury securities within the Federal Employee Retirement System's Thrift Savings Plan with its investment risk profile. Securities within the G-Fund are not subject to risk of default. Payment of principal and interest is guaranteed by the U.S. Government. Yet the interest rate paid is equivalent to a long-term security. As a result, those who participate in the G Fund are rewarded with a long-term rate on what is essentially a short-term security.

Assume Savings in Budget Control Act Continue. The BCA established an automatic enforcement mechanism—commonly known as a sequester—to ensure a promised level of savings from that law was actually realized. These savings were first implemented in 2013 and are scheduled to last through 2025. The resolution proposes to extend the savings created by the BCA through 2027, although the budget calls on Congress to replace the automatic sequester with specific, targeted reforms.

[170] Government Accountability Office, "Improper Payments, Government-Wide Estimates and Use of Death Data to Help Prevent Payments to Deceased Individuals," testimony before the U.S. Senate Committee on Homeland Security and Governmental Affairs, 16 March 2015: http://www.gao.gov/assets/670/669026.pdf.

Domestic Priorities

The budget resolution provides funding for a range of priority activities and services that are domestic in nature. Although all of them have national importance—that is why they appear in the Federal budget in the first place—they bear a special connection to the States and localities that constitute the Nation, as well as the vast array of non-government institutions throughout the country. K–12 education, for instance, is a quintessentially local priority. Because most Americans do most of their traveling in or near their own communities, their own roads and bridges are a fundamental local concern. Health care is provided mainly through local hospitals and private physicians. All these activities, and many others, would exist even if there were no Federal Government. Washington did not create them; States and localities and the private sector did. The concept on which America was founded—commonly known as federalism—recognizes that fact, and encourages the diversity of approaches best furnished by layers of government or non-government institutions closer to the people served. In grouping these activities together, the discussion below seeks to recognize the initiative of States and localities in finding new, better, and more efficient ways to provide these services. The Federal Government can assist these efforts through judicious allocation of supporting resources.

The activities presented here are mainly the discretionary spending components in Function 250 through 650 in the conventional budget format. In two areas, however—Energy (Function 270) and Transportation (Function 400)—both the discretionary and direct spending components are presented. This is because in these areas, the two forms of spending are intertwined in ways unlike those of other functional categories. In Energy, for example, what appears as "negative" direct spending mainly reflects the incoming repayment of loans and receipts from the sale of electricity produced by Federal entities, as well as rescissions of unobligated balances in green energy loan programs. These are fundamentally different from most direct spending, which applies to government benefit programs. Transportation has a split treatment of its funding. Its budget authority is a kind of mandatory spending called contract authority, while its outlays—controlled by annual limitations on obligations set in appropriations acts—are treated as discretionary spending; the two cannot really be separated.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Function Summary: Discretionary Spending

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

The budget reduces questionable and unjustified spending, while supporting core government responsibilities. The resolution provides stable funding for NSF to refocus on priority basic research in the Mathematical and Physical Sciences, Engineering, Computer and Information Science, and the Biological Sciences. As part of the criteria in the just-enacted "American Innovation and Competitiveness Act," the NSF needs to restore its grant making process to better align with one national interest, and remain accountable to the American public.[171] The budget provides continued support for NASA and recognizes the vital strategic importance of the United States remaining the preeminent space-faring nation. This budget aligns funding in accordance with NASA's core principles: to support robust space capability, to allow for exploration beyond low Earth orbit, and to support the Nation's scientific and educational base.

The budget resolution also calls for consistent funding for the basic research programs in the Department of Energy Office of Science. The Office of Science is the lead Federal agency for basic research in the physical sciences, and hosts more than 30,000 researchers per year at national laboratories and user facilities across the country. The fundamental research conducted by the Office of Science has provided the foundation for groundbreaking discoveries about the universe, innovative new technologies, and private sector achievements. In particular, this budget resolution will give priority to the Department of Energy's science infrastructure to ensure American leadership in scientific discovery.

The vast majority of this category's funding is discretionary, provided by the House Committee on Science, Space, and Technology and the Appropriations Subcommittee on Commerce, Justice, Science, and Related Activities. The resolution calls for $28.4 billion in discretionary budget authority and $30.0 billion in outlays in fiscal year 2018. The 10-year totals for discretionary budget authority and outlays are $313.3 billion and $307.5 billion, respectively.

Illustrative Discretionary Spending Policy Options

The committees of jurisdiction will determine policies to align with the spending levels in the resolution. They have complete authority to make those determinations, and maximum flexibility in doing so. The options below are offered as illustrations of the kinds of proposals that can help meet the budget's fiscal guidelines.

[171] The "American Innovation and Competitiveness Act" (Public Law 114–329): https://www.congress.gov/bill/114th-congress/senate-bill/3084.

Restore Core Government Responsibilities. Spending in research and development between NASA and the NSF is projected to reach $16.3 billion in 2017.[172] The resolution's levels support preserving the Federal scientific community's original role as a venue for groundbreaking discoveries and a driver of innovation and economic growth. It responsibly pares back applied and commercial research and development and areas of wasteful spending that do not provide a high return on taxpayer resources. The proper role of the Federal Government is to support basic research, and funding should be distributed accordingly. For example, the NSF needs to be more transparent and accountable to the taxpayer. Every grant issued should be accompanied by an explanation of the project's scientific merits and how it serves the national interest as prescribed in the recently enacted American Innovation and Competitiveness Act. NSF-funded studies—such as a $300,000 grant to study whether girls are more likely to play with Barbie dolls than boys,[173] $40 million investigating social media's obsession with Ebola, coined "Fearbola,"[174] $565,000 to study how long Mudskipper Fish could run outside the water,[175] and a $450,000 project to study whether dinosaurs had the ability to sing[176]—do not serve a vital national interest. Funding for these programs and similarly wasteful or low-return social and behavioral studies should be redirected to scientific research that better serves the national interest.

Similarly, spending for Biological and Environmental Research within the DOE Office of Science has eclipsed $600 million per year. While much of the research conducted within the Office of Science is critical basic research in the physical sciences, using taxpayer dollars allocated for basic science research on duplicative climate change research is not. The previous administration also neglected programs within the core mission of the Department at BER, like the Low Dose Radiation Research Program, in order to fund climate change programs.

Finally, NASA's spending on earth science has increased significantly in recent years, almost doubling, while funding for other activities have remained flat or decreased. This spending should return to previous funding levels so NASA can maintain a balanced portfolio of activities by reconstituting NASA's unique capabilities in Exploration, Planetary Science, Astrophysics, Heliophysics, and Aeronautics.

Reduce Expenses for the Department of Homeland Security's Directorate of Science and Technology. The budget recommends reductions in management and administrative expenses for the Department of Homeland Security's Directorate of Science and Technology, while shifting funding to frontline missions and capabilities.

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[172] Office of Management and Budget, *Budget of the U.S. Government—Fiscal Year 2017: Historical Tables,* Table 9.8: Outlays for Research and Development: https://obamawhitehouse.archives.gov/omb/budget/Historicals.

[173] Senator Jeff Flake, *Wastebook: The Farce Awakens,* December 2015, p. 62.

[174] Ibid., p. 106.

[175] Ibid., p. 17.

[176] Ibid., p. 72.

ENERGY

Function Summary

Regulations placed on the private sector paired with ill-advised investments have hampered the Nation's ability to effectively address its energy security needs. The government continues to pick winners and losers in energy markets, hoping that flooding money into politically connected private companies to deploy energy technology will produce greater results than getting the government out of the way for innovators. The Department of Energy [DOE] has an exemplary track record in the basic research that facilitates technology development led by the private sector. When limited Federal research dollars are used to fund loans, loan guarantees, commercial-scale demonstration projects, or the deployment of energy technology, there are fewer funds for this basic research. The fact is, the private sector is better suited to commercialize and deploy energy technology than the federal government. The DOE needs to focus on three primary missions; maintaining and modernizing the national nuclear supply, environmental cleanup, and the basic research programs that ensure American leadership in discovery science and energy security.

The Office of Energy Efficiency and Renewable Energy has grown by almost 50 percent in the past decade, and is currently funded at more than the budgets for applied research in nuclear energy, fossil energy, and electricity combined. In March 2017, CBO testified before the Energy and Commerce Committee, concluding that "energy related R&D funding by the DOE has had mixed results."[177] CBO found that federal funds are most cost effective when it supports research that profitable firms would not take on their own, such as the basic research conducted by the DOE Office of Science. While there are certainly benefits to using Federal funds for conducting basic research, spending on technology deployment, loans and loan guarantees, and commercial scale-demonstration projects for technologies that are backed by mature industries in the private sector is highly questionable.

In addition to significant Federal investment through R&D spending, renewable energy receives an overwhelming benefit through the U.S. tax code. In 2016, energy-related tax preferences totaled $18.4 billion.[178] $10.9 billion of this total was directed towards renewable energy.

The DOE loan and loan guarantee programs are another example of DOE's intervention in the energy market. The Department's current loan programs portfolio consists of 34 loans and loan guarantees that total approximately $28 billion in support of 30 projects.[179] To date, borrowers have defaulted on loans for five projects, at a cost of $807 million to the taxpayer, including two solar manufacturing projects, two advanced automotive manufacturing projects, and one energy storage project.[180]

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[177] Congressional Budget Office Testimony before Subcommittee on Energy, Federal Support for Developing, Producing, and Using Fuels and Energy Technologies, 29 March 2017.

[178] Ibid.

[179] Government Accountability Office, *DOE Loan Programs: Current Estimated Net Costs Include $2.2 Billion in Credit Subsidy, Plus Administrative Expenses,* GAO–15–438, 7 April 2015: http://www.gao.gov/products/GAO–15–438.

[180] Ibid., (emphasis added).

According to the Government Accountability Office, between 2008 and 2014, administrative costs totaled approximately $312 million, or $251.6 million for loan guarantees and $60.6 million for the Advanced Technology Vehicles Manufacturing loan program, a cost that has been partially offset by the approximately $196 million in fees collected under the loan guarantee program in the same period.[181] GAO estimates that the total credit subsidy cost (the expected net cost of subsidizing loans over their duration) for the current portfolio to be $2.21 billion.[182]

Projects that received loan guarantees have also been given preferential treatment by the previous administration. Abound Solar, which received $400 million in loan guarantees, was cited by the Colorado Department of Public Health and Environment for hazardous waste left from its failed solar panels.[183]

Another grant recipient, A123, was given permission to hand out as much as $3.7 million in bonuses to top executives as a part of its bankruptcy proceedings.[184] And in the Department's most high profile failure, Solyndra, the DOE Inspector General found that DOE officials had many opportunities to validate claims of success, but repeatedly failed to conduct due diligence and "critically analyze problematic information that Solyndra had provided to the Department." [185]

This is particularly problematic, because unlike the private sector, in which this company would eventually be held accountable to its investors for these failures, taxpayers have no way of holding the Federal Government accountable for each "investment."

The Advanced Research Projects Agency-Energy [ARPA–E] is also a misuse of federal research dollars. ARPA–E was intended to provide investment in high risk, high reward energy technologies that are too innovative to gather private financing. While some of ARPA–E's funding has gone to innovative technology projects, GAO has found that a significant portion of ARPA–E awards went to companies that had already received private sector financing for similar technologies.

A number of ARPA–E funded projects have also exemplified the Obama Administration's tendency toward crony capitalism and the picking of winners and losers in support of its "green energy" agenda, with the winners often conveniently being supporters of the previous administration's political agenda. Simply put, the late stage, venture-capital-style funding allocated through ARPA–E distorts the energy market and extends far beyond the appropriate role of the Federal Government in energy R&D. The new administration should strive to reverse the Obama agenda.

After eight years, the verdict is in: increased oil and natural gas production by private sector companies on private land has made the U.S. the world's number one energy producer. The world has

[181] Ibid.
[182] Ibid.
[183] Michael Sandoval, "Bankrupt Abound Solar to Bury Unused Solar Panels in Cement," *The Daily Signal,* The Heritage Foundation, 26 February 2013.
[184] Paul Chesser, "A123's Executives Get Their Richly Undeserved Bonuses," National Legal and Policy Center, 13 November 2012: http://nlpc.org/stories/2012/11/13/a123s-executives-get-their-richly-undeserved-bonuses.
[185] Department of Energy Office of the Inspector General, *Special Report: The Department of Energy's Loan Guarantee to Solyndra, Inc.* 24 August 2015: http://energy.gov/sites/prod/files/2015/08/f26/11–0078–I.pdf.

experienced an energy boom that continues to drive gas and other energy prices lower. Yet billions of dollars of government spending has brought the Nation no closer to cost-effective zero-carbon energy. Instead of prioritizing the basic research that can lead to technology breakthroughs, DOE has spent limited research dollars on picking winners and losers in the energy market. Technological breakthroughs will continue to occur—such as the combination of horizontal drilling and hydraulic fracturing that built off early stage research in the DOE national labs to revolutionize oil and gas production in the mid-2000s—but the Federal Government must resist the temptation to intervene at taxpayers' expense.

These collective failures are only made worse by the failure to dispose of the spent nuclear fuel that is stuck at the country's nuclear power plant sites. GAO has recently reported that the Federal Government's environmental liability is up to $447 billion, compared to $212 billion in 1997.[186] The Nuclear Waste Policy Act of 1982 obligated the government to dispose of the spent fuel by 1998, yet nearly 20 years later the material sits scattered around the country. Taxpayers remain on the hook for the Federal government's broken promises. The Obama Administration's negligence concerning the Yucca Mountain program, the designated disposal site, leaves our country with a challenging pathway to dispose of the growing amount of spent nuclear fuel. In the meantime, taxpayers have already paid more than $4.4 billion to cover the cost of the government's failed promises,[187] with a $25-billion bill coming due in the future.[188] This will continue to rise until the government begins meeting these obligations.

Last year, the Department of Energy was provided with $29.7 billion, a 6.4-percent increase over the previous year. In particular, the Office of Energy Efficiency and Renewable Energy was given a budget of $2.07 billion, an 18-percent increase since 2013. Many of DOE's national security, defense and civilian programs, environmental cleanup activities, and the basic research programs that ensure American leadership in discovery science and energy security remain worthy of support; significantly increasing funding for the expedited commercialization of costly technologies that put taxpayer dollars at risk is of dubious value.

The Trump Administration is committed to changing how we handle energy policy. Lowering costs at the pump, maximizing domestic resources, lessening U.S. dependence on foreign oil, and eliminating unnecessary regulations on American industry have been a staple of the President's vision for the country. He plans to eliminate harmful and unnecessary policies such as the Climate Action Plan and the Waters of the U.S. rule. "Sound energy policy begins with the recognition that we have vast untapped domestic energy sources and reserves right here in America." [189]

Discretionary spending in this category includes some of the civilian energy and environmental programs of the Department of

[186] GAO High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others. February 15, 2017.

[187] CBO testimony before the Subcommittee on Environment and the Economy, 3 December 2015.

[188] DOE FY16 Agency Financial Report: https://energy.gov/sites/prod/files/2016/11/f34/DOE_FY2016_AFR.pdf.

[189] The White House: http://www.whitehouse.gov/america-first-energy.

Energy. It also includes funding for the operations of the Nuclear Regulatory Commission [NRC]. A large majority of the DOE discretionary budget is allocated to applied research and development [R&D], commercialization, and deployment of energy technologies in renewable energy, energy efficiency, fossil energy, nuclear energy, and electricity delivery and energy reliability. Beyond the early stage applied research that cannot be accomplished by the private sector—like research in cybersecurity for electrical systems and nuclear energy research requiring access to controlled nuclear research reactors—these activities are better left to the private sector. Spending also includes operations and maintenance accounts for some of DOE's direct spending programs, like the Power Marketing Administrations.

According to the National Science Foundation, private sector companies in the U.S. spent more than $341 billion on research and development in 2014 (the most recent figures available).[190] While these efforts focus on more than energy, detailed NSF surveys indicate that funding for more efficient fuel consumption, electric vehicles, energy efficiency, and fossil fuel R&D total billions of dollars' worth of private sector capital per year. As a result, DOE's civilian research should focus solely on basic research and early stage applied research of breakthrough, innovative technologies.

Direct spending in this category includes the remaining civilian energy and environmental programs at the DOE. It also includes the Rural Utilities Service of the U.S. Department of Agriculture [USDA], the Tennessee Valley Authority, and the Federal Energy Regulatory Commission. (It does not include DOE's national security activities, conducted by the National Nuclear Security Administration, which are in Function 050, or its basic research and science activities, which are in Function 250.)

For fiscal year 2018, the budget resolution provides $3.4 billion in discretionary budget authority, with $5.7 billion in related outlays (shown in Table 2, Function 270). Direct spending figures (shown in Table 3, Function 270) are −$6.5 billion in budget authority and −$3.1 billion in outlays. The negative balances reflect the incoming repayment of loans and receipts from the sale of electricity produced by Federal entities, which are accounted for as "negative spending," as well as rescissions of unobligated balances in green energy loan programs. Over 10 years, the resolution provides discretionary budget authority of $33.5 billion and $38.0 billion in outlays. Ten-year totals for direct spending are −$36.8 billion in budget authority and −$44.0 billion in outlays.

Illustrative Discretionary Spending Policy Options

In the House, discretionary spending energy programs (Function 270 in Table 2) fall under the jurisdiction of the Committee on Energy and Commerce and the Committee on Science, Space, and Technology. Funding for these programs comes from the Appropriations Subcommittees on Energy and Water Development, and Related Agencies, and Interior, Environment, and Related Agencies.

These committees will determine specific policy options to meet the budget's fiscal guidelines. Nothing in this report binds the com-

[190] https://www.nsf.gov/statistics/2016/nsf16315/.

mittees to any specific policy direction; they have complete flexibility in making those determinations. Nevertheless, a central aim for them to consider is ensuring private sector capital is not crowded out by government intervention in the energy market and bureaucratic waste. They should also seeks to protect taxpayers from poor government decision-making that wastes Federal dollars, increases energy prices, and picks winners and losers in the energy market. Finally, streamlining R&D activities across the Department of Energy to prioritize basic and early stage applied research will increase efficiency, consolidate operations, and reduce costs, while ensuring American leadership in energy technology and discovery science. The following illustration reflects this approach.

Reduce Funding for Commercial Research and Development. The resolution supports maintaining current funding levels for basic R&D activities within the DOE, while significantly reducing funding for applied R&D. Focusing on basic R&D will allow DOE to zero in on cutting-edge discoveries in the physical sciences that may lead to major improvements in society, such as the Internet, while leaving the application, commercialization, and deployment of new technologies to the private sector.

Illustrative Direct Spending Policy Options

In the process of transforming policy in this area, the Committee on Energy and Commerce and the Committee on Science, Space, and Technology can be guided in part by seeking to reverse the damage caused by the previous administration's spending priorities. They can also evaluate each program's merit by asking two simple questions: If this program did not exist, would there be a private sector industry or entity that would fund similar activities? Does this program align with DOE's mission? Unless the answers are "no and yes," the program should be viewed as ripe for reform or elimination. The options below indicate some possible directions the Energy and Commerce Committee and the Science, Space, and Technology Committee could take.

Rescind Unobligated Balances from the Stimulus Bill's Green Energy Programs. The budget recommends rescinding unobligated balances in DOE's loan portfolio. Since implementation of the "American Recovery and Reinvestment Act of 2009", or the stimulus bill, these programs have spawned numerous failures, such as Solyndra and Abound Solar. The government cannot undo the harm that has been done or recover taxpayer dollars from failed entities. It can, however, reclaim all of the spending authority the DOE has not yet obligated to ensure that taxpayers are not exposed to further risk for renewable energy projects that would not otherwise be market-viable.

Rescind Unobligated Balances from the Title XVII Loan Guarantee Program. The budget recommends rescinding unobligated balances in DOE's Title XVII Section 1703 loan guarantee program. The Department has over $25 billion in remaining loan guarantee authority, which includes over $12.5 billion in authority for advanced nuclear energy, $8.5 billion for advanced fossil energy, and

$4.5 billion for renewable energy and energy efficiency projects.[191] Despite high-profile project failures, the office also lacks transparency and has been slow to implement management recommendations made by the GAO.[192] The government must continue to manage the existing portfolio of loan guarantees, but it should not put additional tax dollars at risk by issuing new loan guarantees. The Federal Government should reclaim the remaining spending authority the DOE has not yet obligated to ensure that taxpayers are not exposed to further financial risk.

Rescind Unobligated Balances from the ATVM direct loan program. The budget recommends rescinding unobligated balances in DOE's Section 136 Advanced Technology Vehicles Manufacturing [ATVM] direct loan program. Since 2007, DOE has awarded $8.4 billion in loans to five companies (Fisker, Ford, Nissan, Tesla, and the Vehicle Production Group). Two companies were unable to continue payments on their loans, resulting in $181 million in losses to the American taxpayers.[193] DOE has over $16 billion in remaining loan authority under the ATVM program. While DOE should continue to provide responsible management and oversight for the existing loan portfolio, the Federal Government should rescind the remaining loan authority and protect the taxpayer from future loss.

Rescind Funding for Biomass Research and Development. The Biomass Research and Development program is a joint initiative of the USDA and DOE intended to "carry out research on and development and demonstration of (1) biofuels and biobased products, and (2) the methods, practices, and technologies, for the production of biofuels and biobased products."[194] In fiscal year 2016, DOE received $225 million for the Bioenergy technologies program within the Office of Energy Efficiency and Renewable Energy in order to accelerate "the development and commercialization of cost-competitive technologies" for biofuels.[195]

Unreasonable mandates in the Renewable Fuel Standard have already forced private sector gasoline refiners and importers to spend billions of dollars of their own money to assist bringing uneconomic biofuels to market. Piling on millions of Federal dollars only perpetuates the problem and exposes taxpayers to financial risk. This program is a prime example of late stage commercialization activities at the Department that take away funding for basic research at DOE.

Repeal Stimulus-Driven Borrowing Authority Specifically for Green Transmission. The $3.25 billion in borrowing authority in the Western Area Power Administration's Transmission Infrastruc-

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[191] U.S. Department of Energy Loan Programs Office, "Investing in American Energy." March 2016: https://energy.gov/sites/prod/files/2016/07/f33/DOE–LPO_Email-Update_014_Final_2-Mar-2016.pdf.

[192] Frank Rusco, "Testimony before the Subcommittees on Energy and Oversight, Committee on Science, Space, and Technology, House of Representatives," Government Accountability Office, 3 March 2016: https://science.house.gov/sites/republicans.science.house.gov/files/documents/HHRG–114–SY20–WState-FRusco-20160302.pdf.

[193] Department of Energy Loan Program Office, "ATVM Program Overview": https://www.energy.gov/lpo/atvm.

[194] Department of Agriculture, "Biomass Research and Development Initiative Competitive Grants Program," Catalog of Federal Domestic Assistance: https://www.cfda.gov/index?s=program&mode=form&tab=core&id= 416c795f6d234174f72d346d328d0464.

[195] Department of Energy, "FY 2017 Congressional Budget Request: Volume 3," February 2016: http://energy.gov/sites/prod/files/2016/02/f29/FY2017BudgetVolume3_2.pdf.

ture Program provides loans to develop new transmission systems aimed solely at integrating renewable energy. This authority was inserted into the 2009 stimulus bill without the opportunity for debate. Of most concern, the authority includes a bailout provision that would require American taxpayers to pay outstanding balances on projects that private developers fail to repay. The budget recommends the rescission of the program's unobligated funds, which could save taxpayers almost a billion dollars.

NATURAL RESOURCES AND ENVIRONMENT

Function Summary: Discretionary Spending

America's heritage thrives on the Nation's stunning landscapes and resources. Among these are its inspiring parks and forests, countless species of wildlife, bountiful rivers and lakes, and land, water, and mineral resources. All call for responsible stewardship as a moral obligation to today's generation, and those of the future. It does not require a domineering Federal Government twisting the aims of preservation into an excuse for ever more centralized regulation.

Yet too often this is precisely what happens. As one example, the primary role of the Environmental Protection Agency [EPA] is to ensure the air Americans breathe and the water they drink is clean and unpolluted. Instead, however, the EPA for too long has viewed itself as an energy policy authority, regulating low-cost, reliable energy sources out of the market and mandating increased use of uncompetitive and less reliable ones. Any EPA funding should require the EPA Administrator to certify the availability to the public of all scientific and technical information and data relied on to support a risk, exposure, limitation, regulation, regulatory impact analysis, or guidance.

The budget focuses on paring back unnecessary spending used to carry out overreaching regulatory expansion. It supports the recent actions taken by Congress and the Executive Branch to pass "Congressional Review Act" [CRA] resolutions of disapproval, repealing onerous and unnecessary regulatory barriers that have handcuffed the Nation's economy and its ability to achieve domestic energy independence. The following resolutions of disapproval illustrate just a small amount of the burdensome regulatory overreach that the Obama Administration attempted to leave in its wake. Nevertheless, a proactive Congress and Trump Administration have worked diligently to rein in the regulatory state that has negatively impacted the lives of everyday Americans.

- H.J. Res. 38, the Stream Protection Rule. This joint resolution nullifies the Stream Protection Rule finalized by the Department of the Interior's Office of Surface Mining Reclamation and Enforcement on 20 December 2016. The rule, a highlight of the Obama Administration's regulatory state, required more than seven years to finalize and precluded input from major stakeholders and even State parties that would be affected. The rule would have prohibited surface mining across large sectors of the Nation, including Appalachia, and would have resulted in thousands of lost jobs and economic malaise.

- H.J. Res. 44, the Bureau of Land Management's [BLM] Land Use Planning Rule. This joint resolution nullifies the rule finalized by the Department of the Interior on 12 December 2016, relating to regulations that establish the procedures used to prepare, revise, or amend land use plans pursuant to the "Federal Land Policy and Management Act of 1976". The rule, also referred to as the "BLM Planning 2.0 rule", was intended to improve BLM's ability to administer public lands. The reality, however, is that the rule would have reduced local and State authority to determine the best uses for public lands in their States. By consolidating authority over resource management plans with BLM, the rule would have given Washington bureaucrats sole authority over 175 million acres of lands in 11 western States.
- H.J. Res. 69, the Alaska National Wildlife Refuges Rule. This joint resolution nullifies the rule finalized by the Department of the Interior on 5 August 2016, relating to non-subsistence takings of wildlife and public participation and closure procedures on National Wildlife Refuges in Alaska. The rule significantly reinterpreted Federal law to effectively sharply limit recreational and subsistence hunting of fish and wildlife in the State. The State of Alaska had previously filed a lawsuit against the rule, arguing that it would upend the traditional State-Federal jurisdictional relationship.

This budget also emphasizes core government responsibilities, while reducing spending in areas of duplication or non-core functions. Pursuant to these guidelines, the resolution provides $31.3 billion in discretionary budget authority for fiscal year 2018, with $34.6 billion in related outlays (see Function 300 in Table 2). These funds will finance programs within the Departments of Interior, Agriculture, Commerce, and Transportation, as well as the Army Corps of Engineers, and the EPA.

Some of the larger spending programs subject to appropriations are the EPA's clean water and drinking water programs, as well as the agency's environmental programs and management account.

The Army Corps of Engineers' construction and operations and maintenance accounts also fall under this function. Congress most recently authorized the Corps' Civil Works Program to perform a range of water resources development activities within its mission, which includes navigation, flood and storm damage reduction, and aquatic ecosystem restoration—in 2016 legislation. The Committee on Transportation and Infrastructure intends to take up another Water Resource Development Act authorization bill this Congress.[196]

Given the Panama Canal expansion and rapidly increasing use of larger, cost-efficient post-Panamax vessels that require deeper draft harbors and channels, the Corps' port maintenance and dredging activities have received renewed attention from policymakers and stakeholders. Congress passed legislation in 2014 and 2016 aimed at maintaining and improving the Nation's port infra-

[196] Committee on Transportation and Infrastructure, *Views and Estimates for Fiscal Year 2018*, 28 February 2017: https://transportation.house.gov/uploadedfiles/2017–02–28_views_and_esti- mates_fy2018.pdf.

structure so they can accommodate post-Panamax vessels. A number of U.S. ports have achieved depths and widths necessary to receive these larger vessels; some other domestic ports, however, are seeking to increase their depths and widths so they can accommodate such vessels in the future. A number of factors affect port maintenance and capital improvement projects. Stakeholder views on future needs vary, but encompass the following: increased coordination of Federal or local spending; ways of lowering project costs; determining project priorities and moving them through the Corps' project authorization queue more efficiently; and reviewing statutes governing port maintenance and dredging. It is important for U.S. ports to be capable of meeting the needs of 21st-Century maritime trade and remain competitive in the global economy. The budget envisions that the committees of jurisdiction will consider cost-effective, market-based solutions to meet the Nation's port maintenance and capital improvement project needs. In doing so, the authorizing committees can promote innovation and spur domestic job creation and economic growth.

Another large discretionary part of this function consists of accounts responsible for operation of the National Park Service and Wildland Fire Management in the U.S. Forest Service and the Department of the Interior. The Forest Service and the Interior Department have used a large amount of their overall budget allocations toward wildfire suppression in the Western region of the U.S. Under the "Budget Control Act of 2011" (Public Law 112–25) the Disaster Relief Fund [DRF] has received appropriations first through the Disaster Relief Allowable Adjustment ("Disaster Cap"), then through the Emergency Requirements Adjustment. Supplemental wildfire funding has been made available in previous years due to the difference between the annual appropriation amount to the DRF and the total Disaster Cap funding limit. This allows for additional funding without using the Emergency Requirements Adjustment. As the Disaster Cap decreases, however, allowable funding under the BCA will be insufficient to meet both the Federal Emergency Management Agency's disaster needs and supplemental wildfire funding.[197] The frequency and severity of these wildfires pose a risk to the citizens, water, and wildlife in the region. Borrowing for wildfires is detrimental to the long-term planning of these agencies. This budget acknowledges the need to minimize the adverse effects of fire transfers on the budgets of other fire and non-fire programs, and the need to responsibly budget for wildfires. The budget recommends responsible forest management and supplemental wildfire funding solutions. Congress and the Trump Administration must work to find a viable solution to the forthcoming Disaster Cap reduction that will allow supplemental wildfire suppression to continue to be funded without having to compete with other Disaster Relief Fund activities and regular operations.

[197] The Disaster Cap is limited by a formula calculated with the rolling average of the past ten years' appropriations to the Disaster Relief Fund, with the maximum and minimum years subtracted, and includes last year's average minus the actual DRF appropriation.

Illustrative Discretionary Spending Policy Options

The Committee on Natural Resources is the primary authorizer in this area. The Appropriations Subcommittees on Energy and Water Development, and Related Agencies, and Interior, Environment and Related Agencies are responsible for annual funding. These committees have complete authority and maximum flexibility in determining the policies in their jurisdictions. The Budget Committee's role is solely to recommend spending parameters. The discussion below suggests illustrative options the committees may wish to consider. In doing so, the committees may be guided by the budget's effort to focus on core government activities and reduce duplication and waste.

Reduce and Refocus Environmental Protection Agency Funding. The EPA continues to use its budget to implement its unprecedented activist regulatory policy to the detriment of States, localities, small businesses, and energy consumers. This is evidenced in the many ongoing legal challenges facing EPA's proposed regulations. The budget calls for reducing annual funding levels for the EPA to allow the agency to focus on its core mission of simply enforcing laws passed by Congress rather than continually attempting to re-write them through regulations. The budget recommends no funding reductions to the EPA's Regional Geographic Initiative Program, which encompasses a dual mandate of improving the environment while simultaneously spurring economic development. Specific programs, such as the Great Lakes Restoration Initiative and the Chesapeake Bay Program, not only support efforts to restore the health of many of the Nation's most treasured water ecosystems, but also provides domestic jobs in communities that depend on these natural landmarks.

Eliminate the EPA Office of Regulatory Policy and Management. This office manages the regulatory development process for the EPA by providing support and guidance for the agency's national and regional offices in developing regulations. According to the EPA website, a primary function of this office is to "manage the Agency's policy priority agenda." [198] As an executive agency created to enforce congressional statutes, the EPA should have no policy priority agenda at all.

Streamline Climate-Change Activities Across Government. This budget resolution reduces spending for numerous climate-change-related activities and research within this function, primarily by reducing overlapping or unproductive policies. It also recommends better coordination of programs and funds to eliminate duplicative and unnecessary spending. Many of these programs are funded within the National Oceanic and Atmospheric Administration [NOAA], as well as the EPA.

Eliminate the National Sea Grant College and Fellowship Programs. Since 1966, NOAA has provided Federal funds to various universities and academic research organizations across 33 States to sponsor a variety of marine research, outreach, and education

[198] Environmental Protection Agency, "About the Office of Policy," February 2016: www.epa.gov.

projects. The program also funds a National Sea Grant Office, which offers fellowship opportunities for graduate students. While the premise of these programs is reasonable, they illustrate a growing trend within individual agencies to offer and fund education-based grants and fellowships that are better suited for either the Department of Education or provided by State and local government.

Eliminate Funding for EPA Armed Enforcement Division. The EPA is one of nearly 70 Federal agencies that employs armed agents. This troubling trend of militarization extends to many Federal agencies that most Americans would never associate with law enforcement. Federal agencies should be required to clearly demonstrate their need for armed personnel. Absent such a demonstration, agencies should rely on local law enforcement when there is a need for armed protection.

Reduce Funding for the Office of Surface Mining Reclamation and Enforcement [OSMRE]. OSMRE's budget and resources are well above current and foreseeable needs, as the number of mines and coal miners has declined by 35 percent since 2011. Under the "Surface Mining Control and Reclamation Act", States perform the daily permitting and regulation for 97 percent of all coal mines within the country, while OSMRE is tasked with a secondary role of performing oversight of State implementation of their programs. This budget helps ensure OSMRE's resources are spent on core, non-duplicative functions—not direct enforcement or permitting actions that the States perform.

Give Priority to Army Corps of Engineers Civil Works. This budget encourages prioritization of the Army Corps of Engineers Civil Works program, which supports water resources, development, management, and restoration through investigations and surveys, engineering and design, construction, and operation and maintenance as authorized by Congress. To rebuild the Nation's infrastructure, it is imperative to furnish the Army Corps with the resources to continue to complete this necessary work. Additionally, giving priority to projects of regional or national significance that feature robust State and local investment will boost domestic manufacturing and expand American exports.

AGRICULTURE

Function Summary: Discretionary Spending

Discretionary funding in the agricultural category supports agricultural research, education, and economics; direct and guaranteed farm operating and ownership loans; operating budgets of the Farm Service Agency, Foreign Agricultural Service, and Risk Management Agency; marketing and information services; animal and plant health inspection services; Department of Agriculture administration; and a variety of related programs and activities.

The budget provides for fiscal year 2018 discretionary spending in these areas totaling $6.4 billion in budget authority and $6.2 billion in outlays. Over the 10-year period of 2018 through 2027, the budget assumes discretionary spending of $71.6 billion in budget authority and $70.6 billion in outlays. (See Function 350, Table 2).

Illustrative Discretionary Spending Policy Options

Funding for discretionary agriculture programs and activities will be determined by the Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies. Like last year's budget, this resolution recommends giving a higher priority to competitive grant-based agricultural research. This type of research funding, in contrast to formula-based and other forms, is most likely to spur agricultural productivity growth, which is important to enhancing the international competiveness of U.S. agriculture over the longer term. Also, continued attention should be given to streamlining and, where possible, consolidating operations and activities across U.S. Department of Agriculture agencies, including in its large network of county field offices.

COMMERCE AND HOUSING CREDIT

Function Summary: Discretionary Spending

Supporting commerce—maintaining an environment that allows ingenuity and free enterprise to flourish—is a worthy and important role of government. This includes providing necessary oversight and regulation of business and commerce. As in many other areas, however, the Federal Government has too often taken the approach that more money, more red tape, and more bureaucracy can answer every problem. A fundamental government role is to maintain competitive markets that encourage innovation and creativity, and promote efficiency, thereby stimulating an expanding range of products and services at lower costs for consumers.

When the Federal Government creates artificial barriers to entry for entrepreneurs and startups, it is consumers who pay the price. The government should not be in the business of picking winners and losers. The Federal regulatory regime of the previous administration allowed the rulemaking process to protect established corporate actors to the detriment of innovative small businesses. When the costs of regulatory compliance become onerous, sectors of the economy are ruled by federally mandated oligopolies. To stem the tide of the ever-growing regulatory state, this budget supports the recent Presidential directives established by the Trump administration to combat the regulatory burden placed on manufacturers and streamline the permitting review and approval processes. The *Memorandum on Streamlining Permitting and Reducing Regulatory Burdens for Domestic Manufacturing* ("Memorandum on Manufacturing") provides for stakeholder engagement and feedback from the Nation's domestic manufacturers in an effort to highlight unnecessary regulatory burdens and other administrative policies, practices, and procedures that inhibit economic growth and job creation.

Another example of smart regulatory reform is H.R. 5, the "Regulatory Accountability Act of 2017" (115th Congress). It is a comprehensive package of rulemaking and administrative changes focused on government transparency, public input, and regulatory overreach. This budget supports enacting the bill into law and implementing the following provisions as soon as possible:

- “Require agencies to choose the lowest-cost rulemaking alternative that meets statutory objectives, permitting costlier rules only when cost-justified and needed to protect public health, safety, or welfare;
- “Require greater opportunity for public input and vetting of critical information—especially for major and billion-dollar rules;
- “Repeal the Chevron and Auer doctrines to end judicial deference to overreaching agency statutory and regulatory interpretations;
- “Require agencies to account for the direct, indirect, and cumulative impacts of new regulations on small businesses—and find flexible ways to reduce them;
- “Prohibit new billion-dollar rules from taking effect until courts can resolve timely-filed litigation challenging their promulgation;
- “Force agencies to publish online, timely information about regulations in development and their expected nature, cost and timing;
- “Publish plain-language, online summaries of new proposed rules, so the public can understand what agencies actually propose to do.”[199]

These kinds of activities on the Federal level are supported through discretionary spending in the Commerce and Housing Credit category (Function 370 in Table 2), where the government funds programs through the Departments of Commerce and Housing and Urban Development. Entities funded with discretionary dollars in this function include the Federal Trade Commission, the majority of the Small Business Administration, and regulatory agencies such as the Securities and Exchange Commission.

On a unified basis, for fiscal year 2018, the budget resolution provides −$16.1 billion in discretionary budget authority and −$15.6 billion in outlays (Table 2). The negative discretionary budget authority and outlay figures mainly reflect the subsidy rates applied to certain loan and loan guarantee programs scored under the guidelines of the “Federal Credit Reform Act”, such as Federal Housing Administration and Government National Mortgage Association [Ginnie Mae] programs. This accounting method is further discussed in the section of this report titled “Banking, Commerce, Postal Service, and Related Programs.”

Illustrative Discretionary Spending Policy Options

The main committees responsible for funding programs in this area are the Committee on Financial Services and the Committee on Energy and Commerce. As they make final policy determinations, the committees of jurisdiction should aim to reduce unwarranted subsidies to big businesses, reform inefficient government bureaucracies, and create a climate that supports rather than sti-

[199] Representative Bob Goodlatte, “Goodlatte Praises Passage of Major Regulatory Reform Legislation,” 11 January 2017.

fles commerce and free enterprise. Options worthy of consideration include those cited below. The policy discussions in this report reflect purely illustrative options the committees of jurisdiction may want to consider. Nothing in these descriptions is intended to predetermine, promote, or assume any specific policy change to be made. The committees of jurisdiction retain complete flexibility in deciding what policies they develop pursuant to the resolution's budgetary goals.

Eliminate Corporate Welfare Programs in the Department of Commerce. Subsidies to businesses distort the economy, impose unfair burdens on taxpayers, and are especially problematic given the fiscal problems facing the Federal Government. Programs that should be considered for elimination include the following:

- The Hollings Manufacturing Extension Program, which subsidizes a network of nonprofit extension centers that provide technical, financial, and marketing services for small and medium-size businesses. These services are largely available in the private market. The program already obtains two-thirds of its funding from non-Federal sources, and was originally intended to be self-supporting.
- The International Trade Administration [ITA]. This agency, within the Department of Commerce, provides trade-promotion services for U.S. companies. The fees it charges for these services do not cover the cost of these activities. Businesses can obtain similar services from State and local governments and the private market. The ITA should be eliminated or should charge for the full cost of these "Trade Promotion Authority" services.
- The National Network for Manufacturing Innovation. This program, previously known as the Advanced Manufacturing Technology Consortia, provides Federal grants to support research for commercial technology and manufacturing. As stated in the Heritage Foundation's *The Budget Book:* "Businesses should not receive taxpayer subsidies; these long-lived and unnecessary subsidies increase federal spending and distort the marketplace. Corporate welfare to politically connected corporations should end." [200]

Tighten the Belts of Government Agencies. Duplication, hidden subsidies, and large bureaucracies are symptomatic of many agencies within Function 370. For example, the Securities and Exchange Commission [SEC] now has more than 4,000 employees. According to the Committee on Financial Services: "The SEC's current budget authority represents an increase of almost 57 percent since the passage of the Dodd-Frank Act in 2010, and it is 90 percent higher than a decade ago. Since 2000, the SEC's budget authority has increased by more than 345 percent." [201] Despite these large increases, the SEC has consistently requested additional funding. The premise that more funding for the SEC means better, smarter regulation is highly questionable. The agency should be re-

[200] The Heritage Foundation, *The Budget Book: 106 Ways to Reduce the Size & Scope of Government,* 2015, p. 94

[201] Committee on Financial Services, U.S. House of Representatives, *Views and Estimates,* 3 March 2017.

formed so it can perform its duties more efficiently. Another example is the Federal Trade Commission's budget, which has increased 30 percent since 2008.

Congress should assess the ever-growing spending of Federal agencies, determining what levels are necessary to effectively and efficiently execute their missions, and adjusting funding accordingly.

Streamline Federal Housing Programs. There are currently three major federal home buying programs: the Federal Housing Administration [FHA], the Rural Housing Service [RHS], and the Veterans Affairs Home Loan Program [VA]. The fiscal year 2018 budget recommends Committees of jurisdiction streamline these programs to gain efficiencies while continuing to serve each program's core mission.

Eliminate Overlap and Consolidate Necessary Department of Commerce Functions Into Other Departments. Since its establishment in 1903, the Commerce Department has expanded in size and scope to include many elements whose priorities would be better suited in other agencies. The Department of Commerce and its various agencies and programs are rife with waste, abuse, and duplication. This budget recommends the following dissolution, delegation of authority, and consolidation measures:

- Consolidate National Oceanic and Atmospheric Administration functions into the Department of the Interior.
- Establish the U.S. Patent and Trademark Office as an independent agency.
- Eliminate the International Trade Administration.
- Delegate trade enforcement activities to the International Trade Commission.
- Consolidate the Bureau of Industry and Security into the Department of State.
- Eliminate the Economic Development Administration.
- Consolidate trade adjustment activities into the Department of Labor, which already has a duplicate program.
- Consolidate the Minority Business Development Agency into the Small Business Administration.
- Consolidate the National Institute of Standards and Technology and the National Technical Information Services into the National Science Foundation.
- Consolidate the National Telecommunication and Information Administration with the Federal Communications Commission as an independent agency.
- Consolidate the United States Census Bureau and the Bureau of Economic Analysis into the Department of Labor's Bureau of Labor Statistics.

TRANSPORTATION

Function Summary

Innovation is propelling the Nation's transportation sector forward. The coming years will likely see technological leaps of American ingenuity. Technologies at various stages of development and deployment hold potential to increase mobility and safety, solve persistent problems, and expand commerce opportunities. Technology is available that collects real-time traffic, road condition, and parking information; cities and states that leverage this technology can employ the data and analytics to do tasks ranging from identifying potholes to assessing travel patterns. Ride-sharing technology and services provide new ways to move around cities and towns. Technologies on the horizon includ unmanned aircraft systems (drones), and semi- and fully autonomous vehicles. These and other advancements will be under consideration by Federal policymakers, as they develop future transportation policies and manage current surface, air, water, and other transportation programs.

A transportation system that enables people and goods to move freely, efficiently, and affordably is a national priority. Such a system should be resilient and responsive to the needs of the traveling public and businesses. Its funding should be sustainable and finances sound. As the following discussion and explanation of illustrative fiscal year 2018 budget options suggest, Federal policymakers have opportunities to try new approaches to ensure America's transportation system accommodates innovation and is financially healthy and focused on performance.

Congress has a history of bipartisanship in setting transportation policy. The Trump Administration has proposed—most recently in the President's fiscal year 2018 budget request[202]—increasing transportation infrastructure investment and making it more productive, as well as reducing red tape that delays projects and increases costs. Part of the administration's proposal calls for improvements to existing transportation systems, whether by improving airports and seaports or maintaining roads and bridges, to help America remain competitive and to increase productivity. In addition to ongoing public funding for transportation, the President's budget envisions a private sector role, both in partnership with and separate from the public sector.[203]

Indeed, all levels of government and the private sector fund and manage transportation activities, from construction to operations to safety oversight. Though public-private partnerships are not suitable for all types of projects, government and private businesses do collaborate and share the costs of constructing and maintaining transportation assets.

Mandates, rules, and regulations accompany Federal transportation funding.[204] They have received renewed attention from law-

[202] The President's FY 2018 Budget Request, Fact Sheet: Infrastructure Initiative: May 2017, https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/fact_sheets/2018%20Budget%20Fact%20Sheet_Infrastructure%20Initiative.pdf.

[203] Ibid. p. 2.

[204] For discussion of specific mandates and restrictions on transportation funding and proposed solutions, see Philip K. Howard, "Two Years Not Ten Years: Redesigning Infrastructure Approvals," Common Good, September 2015: http://commongood.3cdn.net/c613b4cfda258a5fcb_

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makers, scholars, and the Trump Administration, because they can undermine the goal of efficient, productive investment. Some Federal mandates pertain to workers. Others place sourcing requirements on certain construction materials; they can increase project costs or lead to delays. Other laws, rules, and regulations, such as those governing permitting and environmental reviews, also delay transportation projects, at the expense of time and funding. The current fiscal environment should prompt lawmakers, as stewards of public dollars, to review such rules and regulations and assess viable alternatives. The budget recognizes that pursuing free-market reforms in these areas, through statutory, regulatory, and organizational improvements, could reduce costs, speed up project timelines, and get more value overall from Federal transportation spending.

In addition to alleviating the regulatory burden, the House budget envisions focusing the Federal Government's role on needs that are national in scope and Federal in responsibility. State and local governments are versed in their particular transportation challenges, such as planning what to build and maintain or how to pay for transportation improvements. Federal policies should aid, not hinder, States' efforts to solve those problems. Federal reforms that cut red tape, for example, would free up resources and allow all levels of government and private businesses to invest efficiently and experience fewer project delays.

Major components of the Nation's transportation system include the vast network of interstate highway roads and bridges and major arterials, and the civil aviation system, including air traffic control and airport improvement activities. Federal transportation programs in these areas face challenges, and the illustrative budget options that follow contain further discussion of the problems along with consideration of other categories of transportation.

The transportation category of the budget (Function 400 in the summary tables) reflects ground, air, water, and other transportation funding. The major agencies and programs within this function are the Department of Transportation (which includes the Federal Aviation Administration; the Federal Highway Administration; the Federal Transit Administration; highway, motor-carrier, rail, and pipeline-safety programs; and the Maritime Administration); the Department of Homeland Security (including the Federal Air Marshals, the Transportation Security Administration [TSA], and the U.S. Coast Guard); the aeronautical activities of the National Aeronautics and Space Administration; and the National Railroad Passenger Corporation, or Amtrak.

For these programs and agencies, the budget resolution calls for \$88.1 billion in budget authority and \$91.8 billion in outlays in fiscal year 2018. Discretionary budget authority in 2018 is \$28.5 billion, with outlays of \$90.6 billion (see Table 2); direct spending is \$59.6 billion in budget authority and \$1.2 billion in outlays (Table 3). Over 10 years, budget authority totals \$707.4 billion, with outlays of \$762.1 billion.

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e8m6b5t3x.pdf and Michael Sargent and Nicolas Loris, "Driving Investment, Fueling Growth: How Strategic Reforms Can Generate \$1.1 Trillion in Infrastructure Investment," The Heritage Foundation, 3 May 2017: http://www.heritage.org/government-regulation/report/driving-investment-fueling-growth-how-strategic-reforms-can-generate.

The large discrepancy between discretionary budget authority and outlays here results from the split treatment of the Highway Trust Fund programs and certain aviation activities, for which funding is provided as a type of mandatory budget authority called contract authority, while outlays—controlled by annual limitations on obligations set in appropriations acts—are treated as discretionary spending. Because of this unique budgeting regime, the discussion below examines both categories of transportation spending.

Basic transportation policies in this area fall under the jurisdiction of the Committee on Transportation and Infrastructure and the Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. The Committee on Homeland Security and the Appropriations Subcommittee on Homeland Security will determine policies for the Transportation Security Administration and Federal Air Marshals. These committees retain full authority and flexibility in determining policy choices over programs in their jurisdictions. The options that follow demonstrate the credibility of the budgetary assumptions of the resolution. In the spirit of ensuring the safe, reliable transportation system described above, the budget envisions maintaining essential funding for surface transportation, aviation, and safety—offset by reductions in other transportation activities of lower priority to the Federal Government.

Illustrative Direct Spending Policy Options

Put the Highway Trust Fund on a Path Toward Solvency and End Taxpayer Bailouts. The Highway Trust Fund [HTF] has required large general fund contributions totaling $141 billion since 2008 to cover cash shortfalls. These transfers from the general fund enable the U.S. Department of Transportation to reimburse States for Federal highway and transit commitments in a timely manner. While a cash shortfall is not imminent for several years, the budget resolution continues a reform that would require offsets for any future general fund transfer to the HTF. CBO estimates that, absent changes, the Highway Trust Fund again will face insolvency during fiscal year 2021, the year after the current authorization law, the "Fixing America's Surface Transportation Act", expires.

Congress created the Highway Trust Fund (under the Highway Revenue Act of 1956) as a mechanism to connect revenue generated from gasoline taxes to the purpose of building the Interstate Highway System. The Federal-Aid Highway Act of 1956 established the program enabling its construction.[205] Receipts from Federal excise taxes on fuels, levied on motorists, truckers, and bus operators, along with related truck and tire fees, fill the Highway Trust Fund; these tax rates stand at 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel. Congress and the President enacted the most recent fuel tax increase in 1993—originally as part of deficit-reduction legislation.

For decades, the trust fund was self-financing; cash shortfalls date only to 2008. In addition to inflation's effects on Highway Trust Fund revenue's purchasing power, Federal fuel-economy standards and increased use of hybrid and electric vehicles are

[205] The Interstate Highway System, in fact, dates to 1944 legislation.

eroding the trust fund's balances. In recent years, Congress also has authorized annual spending out of the trust fund above the amount of tax receipts collected or projected for collection. From 1999 through 2008, outlays outpaced receipts in the trust fund by almost $1 billion a year, on average. The spending-revenue gap widened further under the Obama Administration, expanding to more than $11 billion a year. The "Fixing America's Surface Transportation Act" reauthorized Federal highway and transit programs for 5 years and provided for a $70-billion general revenue transfer to the trust fund. The transfer covers trust fund deficits, which range from $11 billion in fiscal year 2016 to a projected $16 billion in fiscal year 2020. The CBO projects the trust fund's accounts will face a combined $5-billion shortfall sometime in fiscal year 2021, and the trust fund's *cumulative* deficit will grow from $24 billion in fiscal year 2022 to $138 billion by fiscal year 2027.[206]

Congress has time and options to address the systemic factors driving the repeated cash shortfalls in the trust fund and implement sustainable solutions. Congress could continue using general tax dollars to pay for an increasing share of Federal transportation programs, although doing so would further unravel the user-pays/user-benefits model that proved successful over the Federal-Aid Highway Program's history. Congress also could reconsider the mission and scope of surface transportation program, including which activities belong in a Federal program and those that do not. It may conclude, for example, that the Federal Government bears some role in the considerable task of rebuilding the decades-old Interstate Highway System in the future, while providing aid to States and cities for activities of local benefit, such as bicycle and recreational trails, sidewalks, and streetcars, lies outside its purview or are of lower priority given scarce funding. Toward this end, Federal policymakers could reconsider spending mandates on non-highway projects through program set-asides or the eligibility of non-highway activities for funding. Another solution could involve a pilot program for States to fund their transportation priorities with State revenues, opt out of the Federal fuel taxes, and forgo Federal allocations. Indeed, numerous States have proposed and enacted legislation to generate more money for their transportation programs in recent years.

Pursuing other reforms to Federal surface transportation policy, in tandem with reforms to the Highway Trust Fund and its programs, would help advance the broad public policy goal of efficiently directing resources toward high-value, cost-effective projects that address congestion problems and improve mobility and safety. For example, policymakers could assess the progress of recent legislative efforts to simplify transportation project review processes and reduce red tape. They could then use that assessment to inform future legislation.[207] To ensure productive use of resources, lawmakers could consider reforms to other regulations and mandates that unintentionally increase project costs or siphon money

[206] Congressional Budget Office, "Projections of Highway Trust Fund Accounts"—CBO's June 2017 Baseline: https://www.cbo.gov/sites/default/files/recurringdata/51300-2017-06-highwaytrustfund.pdf.

[207] The FAST Act, enacted in December 2015, contained provisions to improve and consolidate the environmental and permitting process for surface transportation projects, for example.

to government bureaucracy. To ameliorate funding concerns, they could continue to refine financing mechanisms for public-private sector partnerships (as demonstrated in the Transportation Infrastructure Finance and Innovation Act program). Lawmakers also could consider policies that remove barriers States face in generating transportation revenue to fund and finance projects.

The budget encourages reform that puts the trust fund back on sound financial footing, and it dispenses with the habit of raiding general funds and increasing the deficit. It recommends sensible reforms to avert the projected bankruptcy of the Highway Trust Fund within the budget window, by aligning spending with incoming revenues, and it includes a provision to ensure offsets to any future general-fund transfers. President Trump included this policy in his fiscal year 2018 budget request.[208]

Restructure the Air Traffic Control System. Upgrading the United States' air traffic control [ATC] system, by reforming its governance and funding structures, is in the interests of air travelers, businesses that operate within the National Airspace System, and Federal taxpayers. Without reform, improvements such as reduced airport congestion, timely technological upgrades, improved service, and stable funding for investments will continue to be delayed—and at a steep cost. Restructuring the system, on the other hand, would have numerous benefits, including attracting a talented workforce, meeting demand in the skies, and cost-effectively maintaining the safest ATC system in the world. A model successfully adopted by some other countries is that of a federally chartered, not-for-profit corporation. The government establishes the corporation, which then operates the ATC system day to day and makes business decisions, to include investments in technology. The corporation is self-funded through service charges paid by users. A government entity—the Federal Aviation Administration [FAA] in the U.S.—retains its strong safety oversight and regulatory role.

The budget does not assume budgetary figures associated with a new approach for providing ATC services. It does include a reserve fund to accommodate the budgetary effects of such a proposal, and the reserve fund requires the downward revision of the Budget Control Act's discretionary spending limits to reflect the reduction in appropriated spending on ATC-related activities that should occur as part of ATC reform.

This is not a new concept. Considerable study and debate of this approach to providing ATC services has gone on over several decades. The fiscal year 1997 House budget resolution, for example, proposed to study separating ATC operations from the Federal Aviation Administration. The budget report discussed projected congestion at airports and the inability of the system to meet travel demands cost-effectively and efficiently. It cited the current system's outdated technology and that "Washington has bungled its modernization for more than a decade."[209] Twenty years later, similar problems hamper the system. Recognizing the need for

[208] Office of Management and Budget, *The Fiscal Year 2018 Budget of the U.S. Government, A New Foundation for American Greatness,* p. 42, https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf.

[209] H. Con. Res. 178, Concurrent Resolution on the Budget for Fiscal Year 1997, https://www.congress.gov/104/crpt/hrpt575/CRPT–104hrpt575.pdf pg. 92–94.

modern equipment and ATC facilities, President Trump also proposed to restructure the ATC system in his fiscal year 2018 budget request.[210] The President's proposal envisions a new ATC provider that quickly and efficiently invests in technology upgrades and improves services, while the Federal Government dedicates its resources to maintaining unparalleled safety in the air navigation system. More recently, the Committee on Transportation and Infrastructure reported a Federal aviation program authorization bill to the House; this bill would transfer operations of the Nation's air traffic control system to a federally chartered, not-for-profit corporation, and it would maintain the Federal Aviation Administration's role in overseeing safety in the system.[211]

AN UPGRADE IS NEEDED

The FAA operates a safe ATC system, but not because the Federal Government owns and operates it. It is safe due to the daily efforts of the FAA's approximately 14,000 air traffic controllers and to safety being at the fore of aircraft design and maintenance. Technology used by the FAA is obsolete. Its computer system relies on ground-based radar, not Global Positioning System [GPS]. As a point of contrast, the thousands of travelers who fly daily within the system carry GPS-enabled phones. For at least two decades Congress, with little success, has legislated reforms requiring the FAA to operate its Air Traffic Organization [ATO] like a business and expedite modernization.

The ATO remains a massive bureaucracy with high operating costs, losses in productivity, and a culture that resists change. The FAA also has received criticism over its implementation of the multibillion-dollar Next Generation Air Transportation System [NextGen] program, which is to upgrade the ATC system. In a letter to the FAA's Administrator, the Department of Transportation's Inspector General wrote: "While FAA reports improvements in its management of acquisitions, major projects continue to experience problems that delay the introduction of new technologies, such as performance-based navigation; postpone benefits to users; and defer the retirement of costly legacy systems * * * Notwithstanding reforms, several underlying and systemic issues—including overambitious plans, shifting requirements, software development problems, ineffective contract and program management, and unreliable cost and schedule estimates—affect the FAA's ability to introduce new technologies and capabilities that are critical to transitioning to NextGen."[212]

A high-tech ATC service provider, by contrast, would be able to respond quickly to market forces and implement new technology efficiently. Recognizing this need in their respective situations, more than 50 countries—from Canada, the United Kingdom, and Spain,

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[210] The President's FY 2018 budget, https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/fact_sheets/.
2018%20Budget%20Fact%20Sheet_Air%20Traffic%20Control%20Reform.pdf.

[211] On 27 June 2017, the committee favorably reported H.R. 2997, the 21st Century Aviation, Innovation, Reform, and Reauthorization Act.

[212] See Office of the Inspector General, Department of Transportation, *FAA Reforms Have Not Achieved Expected Cost, Efficiency, and Modernization Outcomes,* Audit Report AV–2016–05, 15 January 2016: https://www.oig.dot.gov/sites/default/files/FAA%20Organizational%20Structure_Final%20Report%5E1–15–16.pdf.

to Germany, Australia, and New Zealand—have remodeled their ATC systems over the past few decades. While the countries have adopted different corporation models, they have enjoyed similar results: consistent or greater safety, modernized systems, improved service, and lower costs.

All those who use the national airspace value access to it. They all have a stake in the future of the ATC system, including any proposal to change its governance structure and means of funding. Likewise, uninterrupted and matchless safety on the ground and in the skies is paramount to all users. As the Congress and administration consider future measures, they will take into account the interests of rural communities, airports, business jet owners, and private pilots, as well as labor groups, commercial airlines, the traveling public, and national security.

Modernization of the United States' ATC system has the potential to improve the airspace navigation experience for all users. It would allow for better cost management, safe and efficient delivery of services, and a more direct connection between system users and funding.

BUDGETARY EFFECTS

The budget contains a reserve fund to accommodate any budgetary effects resulting from ATC system reform. The budget would view a new provider of ATC services as independent, and therefore it would not view such an entity's spending and revenue as part of the Federal Government's budget. Under such reform, Federal spending on ATC and related activities should necessarily decrease as soon as the new provider assumes operational responsibility and begins assessing service charges. Therefore, the budget's reserve fund requires that the Budget Control Act's discretionary spending caps be lowered to reflect this decrease in appropriated funding.

Congress may choose to transition the U.S. ATC system to a federally chartered, non-profit corporation model as part of reform efforts. As international experience has shown, the following factors are typical under this type of model: the new ATC services provider would be independent and self-supporting, charging its users fees for services it provides. The fees would fund daily operations and finance borrowing in private capital markets to pay for capital-intensive investments. Receipts from the fees would not be deposited into the U.S. Treasury but would be managed directly by the ATC provider. This entity would operate the ATC system directly and set its own budget. It would become the employer of current government employees connected to providing ATC services, and it would provide for the health and retirement benefits of new employees. A chief executive officer and governing board would be composed of aviation stakeholders with a fiduciary duty to the Corporation, and the board would make all business decisions. The ATC provider, not Congress, would initiate organizational changes and investments. The budget resolution would view such an entity as independent, not as an agent of the Federal Government.

Encourage Efficiencies and Controlled Costs in Essential Air Service. The Essential Air Service [EAS] program began as a temporary program following airline deregulation in the late 1970s, to provide transitional assistance and ensure airlines would provide at least some service in small communities. Through the program, the Department of Transportation enters into contracts with air carriers (airlines) and subsidizes a certain number of flights between small community airports and larger, hub airports. EAS program costs increased by an inflation-adjusted 123 percent between 2008 and 2015; these cost escalations have come even though the government has implemented reforms aimed at containing costs, such as restricting subsidies to airports beyond a certain driving distance from a hub airport and allowing airlines to use smaller planes. According to Congressional Research Service findings, current law does not require the Department to weigh cost in the bidding process for EAS service. Congress and the Department have the opportunity to devise solutions that control the costs of providing this service.

Illustrative Discretionary Spending Policy Options

Reduce Federal Subsidies for Amtrak. Consistent with President Trump's budget request, the budget also assumes reduced Federal subsidies for Amtrak's operations. Federal subsidies have insulated the National Railroad Passenger Corporation [Amtrak] from becoming self-sufficient, and they unfairly commit taxpayers nationwide to underwriting the commutes, recreation, and other trips for a fraction of the traveling public. Generally, routes in the Northeast Corridor operate at a profit but have high capital costs, while long-distance routes in the National Network tend to operate at a loss but have low capital costs. The 1997 Amtrak authorization law required Amtrak to operate free of subsidies by 2002. Yet taxpayers continue subsidizing approximately $44 of the cost of the average Amtrak ticket sold.[213]

The budget envisions policies that would allow Amtrak's management to make judicious business decisions in an operating environment with reduced Federal subsidies. For example, Amtrak's management, in coordination with stakeholders, could be empowered to eliminate food and beverage service losses; lower its per-employee labor costs and administrative expenses; and discontinue or restructure unprofitable lines. Short of phasing out subsidies, Congress could make future appropriations contingent on Amtrak competitively contracting out the operation of its lines, as other commuter rail lines in the U.S. have done successfully.[214] Amtrak could participate in such competitive bids. The anticipated benefits of these changes would be lower operating costs for Amtrak and high-quality service for passengers.

Prohibit Funding for High-Speed Rail. Only two high-speed rail lines in the world are profitable: one in France and another in Japan.[215] They serve densely populated areas where gasoline is expensive. Similar success is far from certain in the U.S., which has low population densities relative to high-speed rail markets in Eu-

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[213] Based on fiscal year 2016 ridership of approximately 31.3 million customers and a $1.4 billion total appropriation.
[214] The VRE and MARC train are two such lines that have contracted out certain aspects of their operations.
[215] See the Reason Foundation, *High-Speed Rail in Europe and Asia: Lessons for the United States,* May 2013: http://reason.org/files/high_speed_rail_lessons.pdf.

rope and Asia. American travelers also have widespread access to personal vehicles and competitively priced air and bus transportation, plus commuter rail and intercity passenger rail service. Both factors mean high-speed rail cannot currently attract enough riders, which in turn makes it challenging to meet revenue targets. Several governors across the country rejected Federal high-speed rail funding in recent years, because they recognized the risk to their taxpayers, who would have had to subsidize the proposed lines in perpetuity. Backing such risky, local projects, likewise, is not within the purview of the Federal Government but rather, it is more suited to the discretion of localities and the private sector.

Phase Out Future Capital Investment Program Grants. Often called New Starts, this program awards grants for new fixed-guideway mass transit projects and the expansion of existing ones. Streetcars, ferries, bus rapid transit, and other types of rail transit are examples of eligible projects. Such transportation systems produce local, not national, benefits. The budget supports fulfilling current commitments and then phasing out new grants, giving States and cities time to plan their future transportation priorities and budgets accordingly. This Federal grant program can have the perverse consequence of distorting local decisions about which types of transit projects to build, in favor of more costly projects. For example, a city may opt for a new rail transit project in one area at the expense of expanding comparatively cost-effective, flexible bus service in an area where that service is already in demand. Moreover, if a taxpayer-backed New Starts project fails to attract enough riders and generate expected revenue levels, local citizens must make up the revenue to cover future operating and capital costs.

Eliminate TIGER Grants. The Transportation Investment Generating Economic Recovery [TIGER] Program was a 2009 stimulus bill measure established as a competitive grant program. Congress and the President created this program to drive funding to critical national transportation needs for the country, yet more than 60 percent of the grants support local transit or so-called "enhancement" projects. With grantee selection based on vague metrics, including "livability," the Department of Transportation has failed to provide more information regarding documentation of its review process as requested by the Government Accountability Office.[216] The Trump Administration's preliminary budget proposal recommends ending this unauthorized program, in favor of supporting Nationally Significant Freight and Highway Projects grants, which more reasonably will produce national, not local, benefits.

Encourage Improved Performance and Safety at Washington Metropolitan Area Transit Authority [WMATA]. WMATA, commonly called "Metro," is a local transit authority that operates rail, bus, and paratransit services in the Nation's capital and nearby communities. In addition to fare box and advertising revenue, it receives Federal aid through annual appropriations acts. Specifically, it receives Federal Transit Administration formula grants and a line-

[216] See the Reason Foundation, "Eliminate TIGER Program," 17 February 2015: http://reason.org/news/show/eliminate-tiger-program.

item appropriation. The District of Columbia, Maryland, and Virginia also raise matching funds through dedicated sources to pay for Metro's services. Congress, in a line-item appropriation, directed $150 million to Metro in fiscal year 2016. Approximately 40 percent of Metro's rush hour passengers are Federal Government employees. The transit agency has been characterized by poor performance in several areas: low on-time performance, weekly service disruptions, maintenance backlogs, smoky rail tunnels, high operating costs, and a tragically fatal rail accident in early 2015. In October 2015, U.S. Federal Transit Administration officials assumed direct safety supervision of Metro's rail system. Customer satisfaction has dropped.[217] Decreased reliability along with reduced service and hours of operation to accommodate SafeTrack repairs have led to lower ridership.

In recent months, however, the new Metro General Manager, Paul Wiedefeld, has taken steps to control costs, conduct emergency repairs, and restore safety to the system—all without increased Federal subsidies. In his fiscal year 2018 "Reality Check" budget, he proposed broad-ranging reforms, including eliminating 1,000 nonessential or duplicative positions; increased funding from Maryland, Virginia, and the District of Columbia; and fare increases for bus and rail passengers.[218] In total, the budget would close a $290 million gap between revenue and expenses. His proposed budget does not rely on increased Federal subsidies. This budget resolution supports legislative reforms that encourage Metro to contain costs and operate more like a business, rather than reward the system with greater taxpayer-funded subsidies. Metro customers would benefit from more reliable, safer service.

Continue Reforms at the Transportation Security Administration [TSA]. In the wake of the September 11, 2001 terrorist attacks on the country, which exposed major security gaps in airport screening and security, Congress and the Executive Branch took decisive action to assume control over aviation security. The Transportation Security Administration [TSA] was created to protect the nation's transportation systems by providing screening and setting security standards for major transportation sectors.

TSA continues to face many challenges. Given low employee morale and high leadership turnover to prolonged airport wait times and failed internal investigations, reform and improvement at the agency must remain a top priority. Fortunately, Congress has made major efforts to reform and improve TSA through legislative action and oversight. In the 114th Congress, six pieces of legislation were signed into law that sought reforms of airport checkpoint wait times, last point of departure airport security, TSA PreCheck, and domestic airport security. Additional bills passed the House in the 114th Congress seeking to improve vetting of TSA and airport employees and establish comprehensive reforms for both aviation and surface transportation security.

While the problems at TSA are great, it is important that Congress and the Executive Branch continue to build upon previous re-

[217] Washington Metropolitan Area Transit Authority [WMATA], "Vital Signs," November 2015: p. 5, http://www.wmata.com/about_metro/scorecard/documents/Vital_Signs_Q3_2015.pdf.

[218] FY 2018 Proposed Budget, https://www.wmata.com/about/records/public_docs/upload/Metro_FY2018_Proposed_Budget_15Dec16_v4.pdf.

forms. The committees of jurisdiction over aviation security, as well as TSA itself, must continue to emphasize risk-based security procedures, innovative screening capabilities and equipment, improvements in the workforce, and removal of all insider threats and corruption. Close relationships with other security agencies, law enforcement, airports, and airlines will enable TSA to maintain these priorities and conduct ongoing analysis of innovative approaches to carrying out its mission. Continued efforts in these areas, along with rigorous oversight of TSA, will ensure that the proper improvements are made. This budget recommends that TSA funding focus on the aforementioned priorities, with the expectation that the authorizing and appropriating committees of jurisdiction will continue their responsibility of directing substantive reforms, to ensure that funding is meeting taxpayers' expectations.

COMMUNITY AND REGIONAL DEVELOPMENT

Function Summary: Discretionary Spending

The Federal Government continues to support many local, regional, and community-based activities. While both State and local governments maintain the bulk of programs in this purview, a variety of federally structured actions are required to be addressed at a community level. Federal funding for economic and community development in both urban and rural areas appears in this category. It includes Community Development Block Grants; the nonpower activities of the Tennessee Valley Authority; the regional commissions, including the Appalachian Regional Commission; the Economic Development Administration; and partial funding for the Bureau of Indian Affairs. Homeland Security spending in this function includes the State- and local-government grant programs of the Department of Homeland Security, as well as a majority of the funding for the Federal Emergency Management Agency.

While supporting these programs related to emergency preparedness and critical needs, this resolution urges streamlining non-essential community and regional initiatives that are not core functions of the Federal Government.

The majority of this category's funding is discretionary and provided by the Appropriations Subcommittees on Financial Services; Energy and Water; Agriculture; Interior, Environment, and Related Agencies; and Homeland Security. Relevant authorizing committees for this category include the Committee on Financial Services, the Committee on Transportation and Infrastructure, and the Committee on Homeland Security.

The resolution calls for $5.1 billion in discretionary budget authority and $19.6 billion in outlays in fiscal year 2018. The 10-year totals for discretionary budget authority and outlays are $56.4 billion and $98.0 billion, respectively. The figures appear in Function 450 of Table 2.

Illustrative Discretionary Spending Policy Options

As elsewhere, the committees of jurisdiction will make final policy determinations. None of the policy discussions in this report is intended to bind the committees of jurisdiction to any particular policy direction. The committees retain full authority and flexibility in determining the policies to be adopted. The proposals below indicate policy options that might be considered.

Eliminate Non-Core Programs. At a time when reducing spending is imperative for the government's fiscal well-being, this resolution recommends a hard look at community and regional programs, especially scrutinizing those that deliver funds for non-core Federal Government functions, and consolidating and streamlining programs wherever possible. A particular example is the Community Development Fund [CDF]. Historically, about 80 percent to 90 percent of funding for the CDF is spent on the Community Development Block Grant program [CDBG], a program that dates to the 1974 Housing and Community Development Act of 1974. CDBG is an annual formula grant directed to State and local governments. In 2016, Congress appropriated $3.0 billion for CDBG. A vast range of activities are eligible for funds, such as home water and energy efficiency activities, historic preservation, demolishing blighted properties, street and sidewalk repairs, job training, grants to local businesses, and community planning. Local organizations, private business, and sometimes local communities at-large are the ultimate recipients of CDBG funds. Likewise, the benefits are enjoyed locally, not nationally. The program's effectiveness has been compromised over the decades by debates over formulas, which have allowed wealthier communities to receive funding at the expense of lower-income communities; currently there is no maximum community poverty rate to determine eligibility for funds, nor are communities with high average income limited or excluded. Further, wasteful and inefficient projects have received grants, and the program has been criticized for incurring unnecessarily high administrative costs, which drain funding for actual projects. Recognizing the waste and abuse in the CDBG program, President Trump's fiscal year 2018 budget recommends eliminating it.

Focus Department of Homeland Security Urban Area Security Initiative Grants. Urban Area Security Initiative grants to more than 30 cities have not produced measurable results for the most critical municipalities. This option would limit the grants on a risk-based formula basis.

Reform the Federal Emergency Management Agency. The budget supports implementation of reforms at the Federal Emergency Management Agency [FEMA] passed by Congress to improve service delivery and efficacy in disaster assistance, while at the same time proposing further steps to eliminate overlap and inefficiencies. The budget also acknowledges the need to consider reforms in disaster-relief assistance to ensure those State and local governments most in need are receiving the assistance required. The disaster declaration is intended as a process to help State and local governments receive Federal assistance when the severity and magnitude of the disaster exceeds State and local resources, and when Federal assistance is absolutely necessary. Nevertheless, the recent precedent set by Congress regarding Federal emergency and disaster assistance has focused on providing designated emergency CDBG funding instead of using the FEMA Disaster Relief Fund. As a result, FEMA has pivoted to a variety of grant programs that exceed the purview of Federal funding and should be provided by individual states and localities themselves. This budget calls for a thorough review of the scope and funding levels of the following FEMA grant programs to determine whether overlap and duplication exists.

- Preparedness (Non-Disaster) Grants. This category of grants comprises a variety of security-related programs attempting to "enhance the capacity of state and local emergency responders."[219] This includes the Homeland Security Grant Program; the Intercity Bus Security Grant Program; the Intercity Passenger Rail Security Grant Program; the Nonprofit Security Grant Program; the Port Security Grant Program; the Tribal Homeland Security Grant Program; and the Transit Security Grant Program.
- Hazard Mitigation Assistance Grant Programs. This category of grants includes the Flood Mitigation Assistance Program, the Hazard Mitigation Grant Program, and the Pre-Disaster Mitigation Grants. These non-emergency disaster assistance programs hope to "reduce overall risk to the population and structures from hazard events, while also reducing reliance on Federal funding for future disasters."[220]
- Assistance to Firefighters Grant Programs. This collection of grants includes the Assistance to Firefighters Grants [AFG], Fire Prevention and Safety [FP&S], and Staffing for Adequate Fire and Emergency Response [SAFER]. These grants subsidize local and volunteer fire departments, and provide Federal funds to increase the staffing levels of specific community fire departments.

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Function Summary: Discretionary Spending

Creating and supporting an environment of opportunity for all Americans is a national goal and a focus of Federal policymakers. Access to high-quality education is key to achieving this goal. Education can end the cycle of poverty in families and offer a path to the middle class. It equips students to pursue their academic and professional goals, makes American workers more competitive, and increases the Nation's economic strength.

The question, however, is how best to advance the cause of high-quality education. One approach has crept toward ever-greater centralization, creating Federal programs, spending more money, and piling on regulation. This approach has stripped local entities of opportunities to decide how to measure their educational systems and programs, and it "has limited the ability of teachers, parents, faculty, and education leaders to do what's best for students and local

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[219] Federal Emergency Management Agency [FEMA], "Preparedness (Non-Disaster) Grants": https://www.fema.gov/preparedness-non-disaster-grants.

[220] FEMA, "Pre-Disaster Mitigation Grant Program: General Program Information": https://www.fema.gov/pre-disaster-mitigation-grant-program.

communities."[221] The approach favors programs that spend more but gives insufficient attention to outcomes for students. Higher spending has not led to higher achievement. "Since World War II, inflation-adjusted spending per student in American public schools has increased by 663 percent," yet student achievement has not followed suit.[222] For example, "public school national math scores have been flat (and national reading scores declined slightly) for 17-year-olds since 1992," as analysis of Federal data show.[223] Graduation rates at public high schools have not improved considerably since 1970.[224]

K–12 EDUCATION

Principally, Federal funds for K–12 education (Function 500 in Table 2 of this report) should aim to support State and local entities and empower them to produce good outcomes for students. It should not seize control from States and localities. Real gains in education result from the diversity and creativity of State and local educators. Centralizing rules and standards in Washington risks dampening their effectiveness and innovation. The Federal Government has an interest in education, but that interest is chiefly in promoting the initiatives of local educators, not dictating them. To this end, Congress continues to oversee the implementation of the "Every Student Succeeds Act", a law governing major K–12 education programs, aimed at reducing Federal overreach.

Promoting choice is another way to expand access to quality, affordable education. When parents have choices, they are empowered to help their children attend excellent schools and receive a first-rate education. States and local districts across the country are experimenting with the many forms of school choice, which include vouchers, charter schools, magnet schools, Education Savings Accounts, education-related tax credits, homeschooling, online learning programs, and others.[225] For example, 43 States and the District of Columbia have laws governing charter schools, which now serve approximately 3 million students across the country.[226] As the Education and the Workforce Committee notes in its Views and Estimates: "[T]he D.C. Opportunity Scholarship program * * * has allowed thousands of students to attend private schools of their choice"[227] as an alternative to staying at a poorly performing school. Four States—Arizona, Florida, Tennessee, and Mississippi—have active Education Savings Accounts programs serving an estimated 11,300 students combined.[228] The 115th Congress may consider appropriate Federal solutions that advance the mis-

[221] Committee on Education and the Workforce, FY 2018 *Views and Estimates.*
[222] Gerard Robinson and Benjamin Scafidi, "More Money, Same Problems," U.S. News and World Report, 20 September 2016: https://www.usnews.com/opinion/articles/2016–09–20/more-money-wont-fix-failing-public-schools.
[223] Ibid.
[224] Ibid.
[225] See "Types of School Choice," database at edchoice.org, https://www.edchoice.org/school-choice/types-of-school-choice/.
[226] Education and Workforce Committee, "Helping Students Succeed Through the Power of School Choice," Rep. Rokita opening statement, 2 February 2017: http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=401246.
[227] Committee on Education and the Workforce, FY 2018 *Views and Estimates*
[228] "Fast Facts on School Choice," EdChoice.org, https://www.edchoice.org/resource-hub/fast-facts/.

sion of school choice, alongside efforts to improve children's experiences and educational outcomes in the Nation's public schools.

CAREER AND TECHNICAL EDUCATION

While in middle and high school and in college, some students also pursue their academic and professional goals through a set of educational institutions referred to as career and technical education. Career and technical education [CTE] refers to programs that prepare students with academic and technical knowledge and skills to succeed in a specific field, whether health care, hospitality, manufacturing, information technology, and more. These capabilities are indispensable for maintaining the foundation of the Nation's economy, and equipping students with such in-demand skills is a national priority. This is especially so given gaps between jobs available in certain industries and the number of workers qualified for those jobs (often called the skills gap).[229] Likewise, both traditional high-school graduates and older, contemporary students can enjoy the job-readiness benefits of CTE without taking on the costs—and debt often required—for four-year degree programs.[230] As with K–12 education programs, there are opportunities for Congress to ensure Federal laws governing CTE programs are not overly prescriptive but instead empower State and local leaders to design innovative ways to educate students for high-demand, high-skill jobs.

JOB TRAINING

In addition to high-quality educational opportunities, Americans of all ages should have access to skills and job training that will equip them to compete in the rapidly changing global economy. Federal training programs—also a major component of discretionary funding in this function—are notorious for their failure and duplication. As described further below, 42 training programs—administered by nine Federal agencies—have created a labyrinth of bureaucracy that consistently fail to produce a substantial number of job placements. In addition to reforming training programs so they serve Americans more effectively, Congress must make every dollar count by eliminating wasteful, duplicative, and ineffective programs.

For fiscal 2018 the budget resolution in this category provides $80.4 billion in discretionary budget authority and $91.3 billion in outlays, which primarily goes to the Departments of Education, Labor, and Health and Human Services.

Illustrative Discretionary Spending Policy Options

The main committees responsible for funding programs in this area are the Committee on Education and the Workforce and the Appropriations Subcommittee on Labor, Health and Human Services, Education, and Related Agencies. They will make final deci-

[229] See Testimony of Mike Rowe, House Committee on Education and the Workforce, 28 February 2017: https://edworkforce.house.gov/uploadedfiles/rowe_-_written_testimony.pdf

[230] A Better Way, "Poverty, Opportunity, and Upward Mobility," p. 28, https://abetterway.speaker.gov/_assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf.

sions about what policies to develop to achieve their budgetary targets. Policy options for consideration include the following:

Reform Job-Training Programs. The Bureau of Labor Statistics' February 2017 report found that 7.5 million Americans are unemployed. Yet the bureau also reports 5.6 million job openings. This gap is due in part to the failure of the Nation's workforce-development programs to successfully match workers' skills with employers' needs.

This budget builds on the reforms made possible by the "Workforce Innovation and Opportunity Act" [WIOA], signed into law in 2014. This budget calls for further consolidation of duplicative Federal job training programs and improved coordination with the reformed workforce development system. A streamlined approach with increased oversight and accountability will not only provide administrative savings, but will improve access, choice, and flexibility, enabling workers and job seekers to respond quickly and effectively to whatever specific career challenges they face.

The GAO last reviewed Federal job training programs in 2011, three years before WIOA was enacted. This budget recommends that GAO conduct a study to examine the effectiveness of current Federal job training programs, and identify ways to better measure program success.

Make the Pell Grant Program Sustainable. The Pell Grant program is the foundation of Federal student aid, a portable grant to help low-income students afford a college education. After years of decisions to raise the Pell Grant award levels, however, the program is on unstable financial ground, with real consequences for future students. Pell Grant discretionary costs ballooned from $12.8 billion to $22.2 billion between fiscal years 2006 and 2016 (most recent data available). During this period, the funding required to support the discretionary portion of the grant award fluctuated considerably. In fiscal years 2011 and 2012, for example, Congress provided $36.5 billion each year to sustain the program. CBO estimates Pell Grant program costs will increase over the coming decade. Instead of confronting some of the factors driving the program's costs, previous Congresses increasingly relied on mandatory spending to make up for discretionary funding deficiencies. Instead of implementing necessary, structural reforms to set up the program for long-term success, lawmakers repeatedly resorted to short-term funding patches—a temporary answer that will not prevent a severe funding cliff for the program in the future. Any reforms to Pell Grants should aim to help students with lower incomes access higher education and complete in a timely manner. The budget envisions responsible adjustments so that Pell Grants will continue to remain available for future students. These include the following:

- Provide flexibility and ensure on-time completion. The fiscal year 2017 omnibus appropriations act provides for year-round Pell Grants, which allow eligible students to draw down their overall maximum grant eligibility and continue their studies in the summer. Such a statutory change could be a way to give students more flexibility in earning their degree. It will likely lead to higher program costs. It is therefore important that students accelerate through their studies and complete their degrees on time. The committee of jurisdiction could consider, in future legislation, ways to encourage on-time completion. Policies could include changing the Federal definition of "full-time" attendance for financial aid to one that would align with on-time completion, or explicitly requiring students participating in year-round Pell to accelerate their progress to completion.

- Roll back certain recent expansions to the needs analysis to ensure aid is available to students with the most need. The Department of Education attributed 14 percent of program growth between 2008 and 2011 to recent legislative expansions to the needs-analysis formula. The biggest cost drivers come from changes made in the "College Cost Reduction and Access Act" [CCRAA] of 2007, such as the expansions of the level at which a student qualifies for an automatic zero Expected Family Contribution and the income-protection allowance. One option is to return to these pre-CCRAA levels.
- Eliminate administrative fees paid to participating institutions. The government pays participating schools $5 per grant to administer and distribute Pell awards. Schools already benefit from the Pell program, because the aid makes attendance at those schools more affordable.
- Consider setting a maximum-income cap. Currently there is no fixed upper-income limit for a student to qualify for Pell. Figures go into a formula, which is used to calculate the grant amount for which the student qualifies. The higher the income level of the student and the student's family (and therefore expected family contribution to the student's education), the smaller the grant he or she receives.
- Eliminate eligibility for less-than-half-time students. Some students eligible for Pell grants may be balancing a job and college courses, and even family responsibilities. Timely completion of required course credits is important, so that students do not borrow more in loans than necessary to cover tuition and living costs; so that they can graduate, secure a job, and be financially able to start repaying any student loans; and so that grant aid can be made available to more students. One option for encouraging timely completion would be reserving funding for students enrolled on no less than a half-time basis. This policy would retain flexibility for contemporary students balancing school, work, and family commitments.
- Adopt a sustainable maximum-award level. The Department of Education attributed 25 percent of recent program growth to the stimulus bill's $619 increase in the maximum award, which took effect in the 2009–2010 academic year. To make Pell Grant program funding more stable and sustainable, the budget recommends maintaining the maximum award for the 2017–2018 award year, of $5,920, in each year of the budget window. Discretionary appropriations would fund this award.
- Consider reforms to Return of Title IV Funds regulations. Simple changes to this policy, such as increasing the amount of

time a student must attend class to withdraw without debt owed for back assistance, will increase the likelihood of students completing their courses and reduce incentives for fraud.

Encourage Innovation in Higher Education. Federal higher-education policy should focus not solely on financial aid but on policies that maximize innovation and ensure a robust menu of institutional options for students and their families. Such policies should include reexamining the data made available to students, to make certain they have information to assist them in making decisions about where to go to college and how to pay for it. Additionally, the Federal Government should remove regulatory barriers in higher education that act to restrict flexibility and innovative teaching, particularly as it relates to contemporary models, such as online coursework.

Eliminate Administrative Fees Paid to Schools in the Campus-Based Student-Aid Programs. Under current law, participating higher-education institutions can use a percentage of Federal program funds for administrative purposes. One option would be to prohibit this practice. Schools benefit significantly from participating in Federal student-aid programs.

Ensure Federal Early Childhood Programs Work for Children and Families. Recently enacted legislation, the Every Student Succeeds Act, intends to scale back Federal overreach into local education decisions and empower States to streamline many early childhood programs. In short, it aims to better target resources and shrink bureaucracy, and it gives States and localities the opportunity to innovate and pursue programs with demonstrated success. The budget supports future reforms, by committees of jurisdiction, to programs and activities that are not improving outcomes for participating children and parents. For example, a study released in 2010 by the Department of Health and Human Services found the Head Start program that serves children across the country was not producing lasting improvements in participating children's math, language, and literacy skills. Nor was it improving parenting practices.[231] Yet taxpayers fund this program at $9 billion annually. The Obama Administration took regulatory action aimed at correcting the program's course, but without engaging Congress in discussions about how best to do so. Parents and their children deserve better. The budget supports efforts by the committees of jurisdiction to ensure that programs such as Head Start support working parents, expand parental choice, are not mired in regulation, and result in lasting gains for low-income children and their parents. Congress and the new administration have the responsibility to ensure existing early childhood programs are producing desired outcomes before establishing and funding new initiatives.

Empower Parents and Ensure High Quality in Federal Primary and Secondary Education Programs. Certain provisions in the "Every Student Succeeds Act" prevent the Federal Government from coercing States into adopting specific sets of academic stand-

[231] See U.S. Department of Health and Human Services, *Head Start Impact Study,* 15 January 2010: http://www.acf.hhs.gov/sites/default/files/opre/executive_summary_final.pdf.

ards, such as Common Core. Setting standards, devising curricula, and conducting related activities are not Federal duties; they are of State and local concern. The budget supports work to implement these provisions as well as future efforts that stop Federal edicts and instead empower States, local communities, and parents.

The structure for K–12 programs at the Department of Education is fragmented and ineffective. Many programs are duplicative, not working as intended, or are highly restricted, serving only a small number of students. Given budget constraints, Congress must focus resources on programs that truly help students. The "Every Student Succeeds Act" provided for the elimination or consolidation of 49 of these programs and replaced them with a single Student Support and Academic Enrichment Grant.[232] The budget encourages the timely transition from an array of K–12 programs to the new streamlined system, which will increase efficiency, limit the Federal role, and make way for innovative practices in States and localities. Downsizing the number and scope of programs, and making more Federal aid dollars portable will make that possible. Federal dollars should go to efforts that improve academic outcomes, not add to the bureaucracy.

The budget recommends that, as efforts to consolidate and streamline are undertaken, the committees of jurisdiction continue giving priority to discretionary funding for students with disabilities provided under the "Individuals with Disabilities Education Act" [IDEA]. IDEA funding has consistently fallen short of the 40-percent Federal contribution threshold established in statute. Congress should refocus efforts to support this existing commitment before it entertains new education programs or initiatives.

Encourage Private Funding for Cultural Agencies. The activities and content funded by cultural agencies, such as the Corporation for Public Broadcasting, National Endowment for the Arts, and National Endowment for the Humanities, go beyond the core mission of the Federal Government. The country has robust offerings in the arts and media, which cater to the spectrum of preferences and perspectives held by people across the country, from small towns to dense urban cores. Federal cultural agencies can generate additional financial support from private-sector patrons, which will also alleviate risks of political interference and perennial funding uncertainty that come with Federal subsidies.

Make Way for Increased State, Local, and Private Financial Support for Museums and Libraries. State and local governments are in a position to manage and invest in museums and libraries. Charitable contributions from private-sector businesses, organizations, and individuals in civil society can augment this funding.

Promote More Private Support for the Smithsonian Institution. The Smithsonian Institution consists of 19 museums and galleries, a zoological park, and research and supporting facilities. Approximately 29 million visitors enjoyed the Smithsonian complex in person in fiscal year 2016 (the last full fiscal year), and the Institution can connect with millions through its website, podcast, and social

[232] Became Public Law 114–95.

media.[233] In fiscal year 2016, for example, the Smithsonian raised $326 million in private funds.[234] Through Federal grants and appropriated funds, general taxpayers contribute about 60 percent of its annual budget. The remaining 40 percent comes from trust fund sources and non-federal funds, including private gifts, endowment disbursements, membership contributions, external grants, and business income.[235] The budget supports continued efforts by the Smithsonian to generate non-federal revenue. Given the current Federal fiscal environment, increased private funding can better enable Smithsonian to expand its collections, improve existing facilities, and make business decisions.

Eliminate the Corporation for National and Community Service. Programs administered out of this agency provide funding to students and others who work in certain areas of public service. Participation in these programs is not need-based. The United States has a long history of robust volunteer work and other efforts that provide services to communities and individuals. Americans' generosity in contributing their time and money to these efforts is extraordinary and should be encouraged. The Federal Government already has aid programs focused on low-income students, and the oxymoronic act of paying "volunteers" is not a core Federal responsibility, especially in times of high deficits and debt. Further, it is much more efficient to have such efforts operate at the State and local level by the community that receives the benefit of the service.

HEALTH

Function Summary: Discretionary Spending

For decades, the United States has been the biomedical innovation capital of the world. This comes from the Nation's commitment to the discovery, development, and delivery of new treatments and cures. America should maintain its world leadership in medical science by encouraging competitive forces to work through the marketplace in delivering cures and therapies to patients. Federal policies should foster innovation in health care and promote medical ingenuity, not stifle it. Bureaucracy and red tape in Washington have held back medical innovation and prevented new lifesaving treatments from reaching patients. Removing these burdens will allow the Nation to maintain its lead in the production of medical devices, the creation of new vaccines, and the pharmaceutical research that saves and enhances millions of lives. This resolution recognizes the valuable role of government support for research agencies, such as the National Institutes of Health [NIH], but also encourages the indispensable contributions to medical research coming from outside Washington.

In addition to the NIH and the Centers for Disease Control and Prevention [CDC], programs and agencies that receive discretionary funding in this category (Function 550 in Table 2) include

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[233] Smithsonian Institution Fiscal Year 2018 Budget Justification to Congress, May 2017: p. 1, https://www.si.edu/sites/default/files/about/fy_2018_cjb_linked_table_of_contents.pdf.
[234] Ibid., p. 251.
[235] See Smithsonian Dashboard, Finances: http://dashboard.si.edu/finances.

Project Bioshield, the Food Safety and Inspection Service, and the Food and Drug Administration [FDA]. The resolution's discretionary totals for fiscal year 2018 are $61.6 billion in budget authority and $61.3 billion in outlays. The 10-year discretionary totals are $638.1 billion in budget authority and $624.7 billion in outlays.

Illustrative Discretionary Spending Policy Options

The principal authorizing committees in this category are the Committee on Energy and Commerce and the Committee on Oversight and Government Reform. Funding is provided by the Appropriations Subcommittees on Labor, Health and Human Services, Education, and Related Agencies; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies; and the Legislative Branch. These panels have sole authority and maximum flexibility in determining the policy choices to meet the fiscal parameters of this resolution. Nevertheless, they might wish to consider the principles and illustrative policy options described below.

Support Global Health Responses. The Nation must remain prepared to address threats to public health in a timely fashion. The budget protects funding for the NIH and the CDC, the first line of defense for the American people. The resolution recognizes the importance of resources to combat infectious diseases and respond to global health crises, ensuring the Nation's capability to prepare and act upon emerging health threats, such as the recent Ebola and Zika outbreaks. At the time of this resolution's consideration, the NIH is advancing clinical trials in the human testing phase for a new vaccine to combat the Zika virus.

Defend Against Bioterrorism. The Constitution requires the Federal Government to provide for the common defense—a function that has implications for health care in a global environment fraught with chemical, biological, radiological, and nuclear [CBRN] weapons. In following this commitment, the budget supports funding to guard against bioterrorism, such as the countermeasure procurement and development activities of the Secretary of Health and Human Services.

The Federal Government operates a pathway for medical countermeasures [MCM] to bioterrorism events. When the Department of Homeland Security, in collaboration with the U.S. intelligence community, identifies a CBRN threat, it begins the MCM development and stockpiling process. The linchpin of the process is Project BioShield. Project BioShield uses the Special Reserve Fund to procure and stockpile MCMs that are approved only for emergency use, following their research and development by NIH and the Biomedical Advanced Research and Development Authority [BARDA]. Upon approval by the Food and Drug Administration [FDA], MCMs are shifted to the CDC-managed Strategic National Stockpile. This budget recognizes the collaborative effort in developing MCMs is vital to safeguarding Americans against a bioterrorism attack. As such, it supports adequate, consistent, and advance funding for these activities.

Foster Medical Research, Innovation, and Development. Medical breakthroughs and discoveries are made every day, and the pace of medical innovation will continue to quicken due to advancements in groundbreaking fields such as genomic medicine, molecular medicine, and biomedical research. The NIH and the CDC foster fundamental creative discoveries, cures, and therapies. The Health and Human Service Laboratories housed in these agencies rank first in the 2017 list of the world's most innovative research institutions.[236] The budget resolution supports a level of funding for these agencies that enables them to continue their critical work. The budget also encourages the continuation of work started under the "21st Century Cures Act", which provided funds through the NIH and the Cures Innovation Fund for biomedical research, particularly early-stage, "high-risk, high-reward" research.[237]

Regrettably, much of this innovation has faced significant hurdles due to the Federal overregulation pushed by the Obama Administration. For example, a recent report from the Mercatus Center at George Mason University highlights the proper role the FDA should have in the 21st Century.[238] It should not be an organization that holds up products for nine years before approving them.[239] It should not cost innovators close to $20 million to deal with the FDA's myriad requirements.[240] Most important, patients should not be left to suffer the true costs of delaying life-saving devices. This resolution calls for a complete examination of the FDA approval process to promote a more effective, efficient system that truly safeguards Americans' access to innovative cures and therapies. The Trump Administration has signaled its intention to expedite review of potentially life-saving medicines and devices, and this budget supports those efforts.

Strengthen Oversight and Program Integrity Measures. Federal grant programs fund a variety of health care services provided by State and local governments. Every dollar made available through these programs should be used transparently, and in the most effective manner possible, for its intended purpose. This budget resolution supports increased program integrity measures to prevent fraud and abuse in health care programs, particularly in the realms of improper payments and inappropriate expenditures.

The resolution promotes scientific integrity, particularly when taxpayer dollars are funding research. International research entities should be subject to the same strict transparency and reproducibility requirements that U.S. institutions must follow to receive the same grant money. If these standards are violated—or worse, never put into place—the findings of the research are questionable at best.

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[236] David Ewalt, "The World's Most Innovative Research Institutions," *Reuters,* 1 March 2017: http://www.reuters.com/article/innovative-institutions-ranking-idUSL2N1GC1NG.

[237] H.R. 6, the "21st Century Cures Act," 114th Congress: 1st Session, 19 May 2015.

[238] Jason Briggeman, Joseph V. Gulfo, and Ethan C. Roberts, *The Proper Role of the FDA for the 21st Century,* the Mercatus Center at George Mason University, February 2016: http://mercatus.org/sites/default/files/Gulfo-Proper-Role-FDA-v1.pdf.

[239] Emergo, "How long it has historically taken the FDA to clear 510(k) submissions," retrieved 1 February 2016: http://www.emergogroup.com/resources/research/fda-510k-review-times-research.

[240] AdvaMed, *FDA Impact on U.S. Medical Technology Innovation,* November 2010: http://www.advamed.org/sites/default/files/resource/30_10_11_10_2010_Study_CAgenda_makowerreportfinal.pdf.

Regrettably, the government does not maintain these same protections when transferring taxpayer money overseas through international grant projects. This lack of transparency allows for results-shopping to fit a particular ideology, the intentional misdirection of taxpayer dollars away from institutions that value the scientific method, and the deliberate misinformation of the public. At the time of this report's writing, the House Committee on Science, Space, and Technology is conducting an investigation into just such an egregious use of taxpayer dollars.[241]

This budget supports the ongoing investigative efforts of the House Committee on Science, Space, and Technology. Furthermore, it asserts that future grants to study health safety should be awarded only to those intuitions subject to the same scientific standards as U.S. researchers.

Limit Federal Health Coverage Funding for Members of Congress and Their Staffs. Currently, Federal contributions to the Federal Employee Health Benefits Program grow by the average weighted rate of change in these programs. This budget supports restricting the growth in these plans to inflation. It also proposes restricting Federal employees' retirement benefits based on length of service, which would bring Federal benefits in line with the private sector model.

Reduce Wasteful Spending. This budget repeals funding for certain offices that waste taxpayer resources on nonessential projects, particularly projects that are only tangential to improving Americans' health. The NIH operates the National Center for Complementary and Integrative Health, which receives funding for research on alternative health care. Some of its recent grant awardees include studies on the effectiveness of cranberry juice in treating urinary tract infections; the potential use of yoga to improve low metabolism; and the benefits of chamomile tea in treating anxiety. The CDC operates the Division of Community Health, which provides grants to programs that fund sidewalks and smoke-free housing options. The CDC and NIH do excellent work on early detection, prevention, and treatment for breast and cervical cancer, as well as on immunizations, flu vaccines, and many other worthy efforts. The agency should receive sufficient funding for these activities, but they should not be spending American taxpayer dollars on unsubstantiated research and community enhancement that would be best conducted by local governments.

Target Resources, Improve Outcomes. The budget supports better targeting of Federal spending to achieve the country's health care goals. For example, the budget calls for eliminating duplicative programs at the Department of Health and Human Services [HHS]. The budget supports the consolidation of the Agency for Healthcare Research and Quality [AHRQ] into existing HHS agencies. The AHRQ's mission and areas of research exist within other HHS agencies and are therefore duplicative and unnecessary.

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[241] Letter from Chairman Lamar Smith, Chairman, House Committee on Science, Space, and Technology, and Chairman Darin LaHood, Science, Space, and Technology Subcommittee on Oversight, to Thomas E. Price, Secretary, U.S. Department of Health and Human Services, 24 March 2017: https://science.house.gov/sites/republicans.science.house.gov/files/documents/03_24_2017%20SST%20to%20Price%20HHS%20Re%20NIEHS.pdf.

The budget also supports prudent investments to improve mental health care and awareness. In 2015, according to NIH, nearly 10 million adults in the U.S. lived with severe mental illness,[242] and it is important that the Federal Government give priority to treatment of the sickest and most vulnerable patients. The Government Accountability Office recently conducted a study that identified more than 100 distinct programs supporting individuals with serious mental illness, and found interagency coordination for programs severely lacking.[243] Federal dollars should not be squandered on antiquated programs that fail to meet patients' needs. The budget calls for Federal programs to be reoriented to advance treatment for those facing serious mental illness. Any research conducted and grants awarded by the Federal Government should be firmly rooted in evidence-based practice. Programs and resources in this area should focus on psychiatric care for patients and families most in need of services.

This budget supports initiatives aimed at modernizing the health care system, such as advancing telemedicine. This practice utilizes technology allowing providers to interact with patients from a distance. It can offer access to care for patients who may otherwise not receive regular care, particularly those in rural areas. It also gives patients greater control over their own health care while reducing costs.[244] At the same time, this budget recognizes the government must not leave behind patients who rely on more traditional medical practices. Patient-centered care requires the budget to look forward as it fosters private-sector innovation, without abandoning currently available care models that patients require.

One such model is the Federal Black Lung Program, which provides compensation to coal miners disabled by pneumoconiosis that resulted from their work in coal mining. The Black Lung Benefits Act provides eligible miners with medical coverage to treat related lung disease through benefits and clinic funding. This budget allows for continued support of those who risked their health to power the Nation.

Combat the Opioid Epidemic. Finally, the budget recognizes that the United States is in the midst of a deadly battle with opioid and heroin abuse. According to the CDC, an average of 91 Americans die each day from an opioid overdose.[245] In the State of Tennessee, there are more opioid prescriptions than people. In 2015, Tennessee health care professionals wrote nearly 8 million prescriptions for opioids, producing enough for 1.18 prescription per Tennessean.[246]

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[242] National Institute of Mental Health, "Director's Blog: Mental Health Awareness Month: By the Numbers," 15 May 2015: http://www.nimh.nih.gov/about/director/2015/mental-health-awareness-month-by-the-numbers.shtml.

[243] Government Accountability Office, *HHS Leadership Needed to Coordinate Federal Efforts Related to Serious Mental Illness,* report to the Energy and Commerce Subcommittee on Oversight and Investigations, December 2014: http://energycommerce.house.gov/sites/republicans.energycommerce.house.gov/files/114/Analysis/20150205GAOReport.pdf.

[244] Bill Frist, "Telemedicine: A Solution to Address the Problems of Cost, Access, and Quality," *Health Affairs,* 23 July 2015: http://healthaffairs.org/blog/2015/07/23/telemedicine-a-solution-to-address-the-problems-of-cost-access-and-quality/.

[245] Centers for Disease Control and Prevention, "Opioid Basics: Understanding the Epidemic," 16 December 2016: https://www.cdc.gov/drugoverdose/epidemic/index.html.

[246] Holly Fletcher, "There Are More Opioid Prescriptions than People in Tennessee," *The Tennessean,* 19 September 2016: http://www.tennessean.com/story/news/health/2016/09/19/there-more-opioid-prescriptions-than-people-tennessee/90358404/.

Nearly 5 percent of Tennesseans suffer from opioid abuse.[247] This reflects a larger challenge faced by Americans nationwide.

The Committee on Energy and Commerce has led an ongoing effort to ascertain which Federal programs have been effective in combatting opioid abuse, and which have not—and why the latter failed.[248] The budget resolution supports a continuation of these efforts. It calls for a complete examination of the Federal response to the crisis. The government should implement prevention activities, and evaluate them to identify effective strategies for preventing substance abuse. The budget resolution includes a policy statement that describes in greater detail the contours of how the Federal Government should respond to the ongoing substance abuse crisis.

INCOME SECURITY

Function Summary: Discretionary Spending

The aim of potential reforms described here is to make more judicious use of limited resources. In addition, these reforms seek to target funds on the most needy while encouraging self-sufficiency for those who can achieve it. Programs that subsidize food and housing for low-income Americans remain largely unreformed, nearly two decades after the success of the "Personal Responsibility and Work Opportunity Act"—the major welfare reform bill enacted in 1996. This budget proposes to improve work incentives for these programs and increase State flexibility.

Discretionary spending components of this category (Function 600 in Table 2) include the Special Supplemental Nutrition Program for Women, Infants, and Children; the Low Income Housing Energy Assistance Program; housing assistance programs; and the Child Care and Development Block Grant. For these programs the budget resolution provides $68.1 billion in budget authority in fiscal year 2018, and $67.6 billion in outlays. The budget assumes discretionary spending of $712.8 billion in budget authority and $710.3 billion in outlays in this area over the 2018–2027 period.

Illustrative Discretionary Spending Policy Options

The main committees responsible for funding these programs are the Committee on Agriculture; the Committee on Financial Services; and the Appropriations Subcommittees on Labor, Health and Human Services, Education, and Related Agencies, and on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies. They will make final policy determinations for discretionary funding and should aim to provide State flexibility and to expand work incentives. The options below are potential policy proposals that follow such guidelines.

The committees of jurisdiction are not bound by any of the illustrative policy discussions in this report. The options are presented

[247] Jake Lowary, "Tennessee Lawmakers Still Wrangling with Opioid Epidemic," *The Tennessean,* 26 March 2017: http://www.tennessean.com/story/news/politics/2017/03/26/tennessee-lawmakers-still-wrangling-opioid-epidemic/98487640/.

[248] Press Release, Committee on Energy and Commerce, U.S. House of Representatives, 29 March 2017: https://energycommerce.house.gov/news-center/press-releases/ec-leaders-comment-president-trump-s-executive-action-address-opioid.

to demonstrate the credibility of the budgetary assumptions of the resolution, but the authorizing and appropriating committees retain full authority and maximum flexibility in determining the policies to be adopted.

Make Responsible Reforms to Housing-Assistance Programs. This resolution supports taking actions that would make housing-assistance programs more sustainable and direct Federal dollars to serve those most in need. In past budgets, illustrative policy options have attempted to impose a Federal solution to housing policy to aid those most in need. The Committee on Financial Services says: "Current federal housing policy is fractured, costly, and inefficient * * *. In particular, the Department of Housing and Urban Development has received more than $1.655 trillion in real (2014) dollars in appropriations over its 50 year existence and today spends $45 billion annually on at least 85 active programs."[249] The Committee on Financial Services also reports current federal programs for providing housing assistance are fragmented and outdated. As a result, "[t]his fragmented national system * * *. may further constrain individual choice and economic mobility.[250]

There is nothing more local than housing assistance. For fiscal year 2018, the resolution calls for block granting all discretionary housing assistance programs at the Department of Housing and Urban Development. Local communities are better prepared to address the housing needs of their citizens. Some communities have a large homeless population, while others may struggle to assist working age adults in unstable housing situations. Communities must be able to set their own priorities to address these local needs. Building off of the successful reforms to the Temporary Assistance for Needy Families [TANF] program, the fiscal year 2018 policy option would provide a base level of funding to each state and allow States to determine the best programs to provide housing for their citizens.

Reform Supplemental Nutrition Assistance Program Outreach Funding. This budget assumes that outreach funding for Supplemental Nutrition Assistance Program (formerly food stamps) is reduced, and funds are shifted toward programs that facilitate upward mobility, such as properly reformed job-training programs.

Enforce Eligibility Requirements For WIC Program. The Women, Infants, and Children [WIC] Program is intended to serve individuals with incomes below 185 percent of the Federal Poverty Level. Adjunctive eligibility allows individuals to demonstrate eligibility for the program if they are enrolled in Medicaid. Since Medicaid serves families with incomes above 185 percent of the Federal Poverty Level, adjunctive eligibility not only simplifies program administration, but also expands eligibility. The budget would limit WIC eligibility to 185 percent of the Federal Poverty Level.

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[249] Committee on Financial Services, U.S. House of Representatives, *Views and Estimates,* 3 March 2017.

[250] Ibid.

OTHER DISCRETIONARY SPENDING

Discretionary spending under the Medicare Program consists primarily of administration and management costs. The budget resolution totals for fiscal year 2018 are $6.6 billion in discretionary budget authority, with $6.6 billion in outlays. The 10-year totals in the budget resolution are $82.6 billion in discretionary budget authority and $82.1 billion in outlays (Function 570 in Table 2). This also includes the budget for the Medicare Payment Advisory Commission, a non-partisan, independent agency established by the Balanced Budget Act of 1997 to advise Congress on Medicare payment policies and analyze issues affecting beneficiaries, such as access to care, quality of care, health care outcomes, and so on.

For administering Social Security, the budget assumes $5.4 billion in discretionary budget authority and $5.4 billion in outlays for fiscal year 2018. The 10-year totals for discretionary budget authority and outlays are $61.5 billion and $61.3 billion, respectively (Function 650 in Table 2). All the budget authority and all but a sliver of residual outlays are off budget. The Social Security Administration oversees the program.

Direct Spending

Uncontrolled automatic spending, formally called "direct" or "mandatory" spending,[251] has come to dominate the Federal budget, and its share of total outlays continues to increase. As noted previously, this form of spending is largely open-ended and flows from effectively permanent authorizations. Most of the programs funded this way pay benefits directly to groups or individuals without an intervening appropriation. They spend without limit, and their totals are determined by numerous factors outside the control of Congress: caseloads, the growth or contraction of gross domestic product, inflation, and many others.

The majority of this spending goes toward the government's health programs—mainly Medicare, Medicaid, and the Affordable Care Act. Social Security represents another major component. Apart from these, however, there are numerous other benefit programs financed with direct spending. These include farm assistance, food stamps, a range of income support programs, tuition assistance for college students, and many others. This section discusses solely the direct spending in these areas to reinforce the urgency of getting this spending under control.

SOCIAL SECURITY

Function Summary: Direct Spending

Following the outbreak of the Great Depression, rates of unemployment and poverty increased dramatically, and nearly half of elderly Americans lacked the means to be self-supporting. Many lived in poverty and also had no access to viable retirement security options. Americans at the time were reluctant to expand welfare programs. They believed in the virtue of self-sufficiency, and the strength of character that emerges in striving for it. What President Roosevelt proposed in the midst of America's economic crisis, however, was not welfare; it was retirement security through *social insurance.*

"[S]ecurity was attained in the earlier days through the interdependence of members of families upon each other and of the families within a small community upon each other," the President told Congress. "The complexities of great communities and of organized industry make less real these simple means of security. Therefore, we are compelled to employ the active interest of the Nation as a whole through government in order to encourage a greater security

[251] The Balanced Budget and Emergency Deficit Control Act (Public Law 99–177) defines "direct spending" as budget authority provided in law other than appropriations acts; entitlement authority; and the Supplemental Nutrition Assistance Program (formerly food stamps).

for each individual who composes it * * * a right which belongs to every individual and every family willing to work." [252]

The result was the creation of the Old-Age and Survivors Insurance [OASI] program, commonly known today as Social Security, which established a work-based contribution system to insure against old-age and provide lifetime benefits to retired workers. The 1939 Amendments added Social Security benefits for the spouse and minor children of retired workers. Twenty years later, Social Security was expanded to provide disability benefits to workers and their dependents.

Before the passage of the Social Security Act in 1935, the Federal Government played a limited role in poverty relief. In the 1920s, there were between five million and six million seniors, or 5 percent of the population. For male seniors, work provided the primary source of support. If a senior was unable to work and care for himself, the "safety net" was his family.[253] Following the Great Depression, Social Security and other Federal poverty programs provided a floor of support for senior citizens during old age.

Success, Popularity, and Expansion

Social Security is the largest program in the Federal Government's budget. Program benefits are reflected in the direct spending of budget Function 650 (Table 3 in the summary tables). Under this budget, these benefits total $995 billion in outlays in fiscal year 2018. Over 10 years, total outlays will be $13.2 trillion. With respect to the budget resolution, these benefits are treated as off budget and do not appear in the legislative text. The retirement program, Old-Age and Survivors Insurance, is projected to spend $847 billion in benefits in 2018, and $11.4 trillion for the period of 2018 through 2027. The Disability Insurance [DI] program has projected outlays of $148 billion for 2018 and $1.8 trillion for 2018–2027.[254]

OASI was created in 1935 [255] as a self-financed program—funded through a payroll tax on employers and employees—that provides a monthly cash benefit to retired workers, based on the worker's lifetime average earnings in covered employment. The program furnishes benefits to workers who spend at least 10 years (40 quarters) in jobs in which they pay Social Security taxes. OASI has a progressive benefit structure so lower-income beneficiaries generally receive a monthly benefit that replaces a higher percentage of their pre-retirement income than do higher-income beneficiaries.

From the outset, however, Social Security benefits were never intended to be the sole source of income for seniors in retirement, but rather a floor so a senior citizen would not become destitute. Personal savings, pensions, family support, and continuing to work

[252] President Franklin D. Roosevelt, *Message to Congress Reviewing the Broad Objectives and Accomplishments of the Administration,* 8 June 1934: https://www.ssa.gov/history/fdrcon34.html.

[253] Carolyn L. Weaver, "Support of the Elderly Before the Depression: Individual and Collective Arrangements," *Cato Journal,* Vol 1, No. 2, Fall 1986: http://object.cato.org/sites/cato.org/files/serials/files/cato-journal/1987/11/cj7n2–15.pdf.

[254] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017, Table 1–2: https://www.cbo.gov/sites/default/files/115th-congress-2017–2018/reports/52370-budeconoutlook.pdf.

[255] Public Law 74–271, 74th Congress.

into old age were to provide additional support to seniors above a person's Social Security benefit.

From 1935 through 1975, Congress expanded the number of people covered by the program, increased benefits and the taxes that support it, created the DI Program (in 1956),[256] and established a cost-of-living adjustment [COLA] (in 1975).[257] Since then, Congress has focused on ensuring the long-term solvency of the program. In 1983, Congress passed substantial reforms to Social Security, including increasing the full retirement age from 65 to 67.

By almost every measure, U.S. senior citizens today are healthier and wealthier than at any point in U.S. history. Social Security, along with Medicare, has played a significant role in improving quality of life for America's seniors. Americans also are living longer, largely due to medical innovation and healthier lifestyles. In 1935, when Social Security was created, the average life expectancy from birth was 60 years. Today, it is 78.8 years.

A 2011 study using both income and consumption data found seniors over 65 have much lower poverty rates than almost any other demographic group.[258] According to one of its authors: "Even over the past 10 years, those 65 and older with the lowest income are now living in bigger houses that are much more likely to be air conditioned and have appliances like a dishwasher and clothes dryer. Few other groups have enjoyed as much improvement in living standards over the past three decades."[259]

Social Security enjoys widespread support. It continues to represent a bond, a compact, among generations of Americans. The program currently serves some 60 million beneficiaries, but with 10,000 baby boomers now retiring daily, by 2040 Social Security will cover 100 million beneficiaries. Today and in the future, Social Security beneficiaries deserve a program that is sound and reliable—one responsive to the 21st century economy. Social Security is threatened, however, by demographic, financial, and structural challenges. It is on an unsustainable financial trajectory and will not be able to pay promised benefits within the next two decades.

Fragile Financial Prospects

Social Security payroll taxes are credited to two trust funds: one for OASI and one for DI. The Social Security Trust Funds also hold additional assets, including interest on Treasury securities from previous cash surpluses. From 1983 through 2010, more tax revenues were collected by the Trust Funds than what was paid out in Social Security benefits, so Social Security ran annual cash-flow surpluses. Because the government subsequently borrowed these surplus funds for other activities, critics declared a "raid" on Social Security that threatened retirees' future benefits. It was not. All the borrowed funds were replaced with interest-bearing Treasury

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[256] Public Law 84–880, 84th Congress.

[257] Public Law 92–603, 92nd Congress.

[258] Bruce D. Meyer, University of Chicago, and James X. Sullivan, University of Notre Dame, *The Material Well-Being of the Poor and Middle Class Since 1980,* American Enterprise Institute, 22 September 2011: http://www3.nd.edu/~jsulliv4/well_being_middle_class_poor4.3.pdf.

[259] Bruce D. Meyer, "Using Consumption to Study Older Americans' Poverty," *The New York Times,* 9 November 2011: http://www.nytimes.com/roomfordebate/2011/11/09/are-older-americans-better-off/using-consumption-to-study-older-americans-poverty.

securities—the only kind of resources the Trust Funds hold—that can be redeemed as needed.

In 2010, Social Security began running a cash-flow deficit, meaning non-interest income (mainly payroll tax revenue) could no longer pay all the benefits to current retirees. If not for balances of Treasury securities in the Trust Funds, built up from previous surpluses, the program would already be unable to pay promised benefits. The ability to redeem these securities, however, depends entirely on the Treasury's ability to raise money through taxes or borrowing.

To make matters worse, both Trust Funds face insolvency within the next 20 years—2028 for DI and 2035 for OASI—depleting their capacity to pay full benefits. With each year Congress delays, the policy changes needed to correct the program's fiscal trajectory will become too large and wrenching to adopt. That will lead to sudden, steep reductions in benefits.

Those who doggedly oppose reform, however, only ensure these automatic benefit cuts will occur. "The Social Security program is kept solvent on the government's books by 'planning'—it's the law of the land—to cut benefits 25 percent across the board in under two decades. It's a horrible way to run a pension program and no one should be proud of that and so we need a better Social Security program. It's not a matter of just cutting because [we] want to have the numbers line up. It's about having programs that are serving the beneficiaries well." [260]

For these reasons, the House adopted a rule for the 114th Congress prohibiting legislation that improves the financial condition of DI at the expense of the OASI Trust Fund. The rule provides an exemption, however, for legislation that improves the financial condition of both Social Security Trust Funds. The rule has been continued in the 115th Congress.[261]

The lack of bipartisan congressional action on a long-term solution to the problem facing Social Security has resulted in many Members of Congress offering their own. One such proposal would be a bipartisan commission that would study the structural deficiencies within the current Social Security system and report back with specific legislative proposals for Congress and the President to consider.

Social Security's fiscal condition warrants a long-term solution that keeps the promise made to the Nation's current and future retirees.

This budget calls for a bipartisan path forward in addressing the long-term structural problems within Social Security. The path will require all parties to first acknowledge the fiscal realities of this critical program. Short-term policy proposals that merely delay addressing Social Security's long-term fiscal challenges are no longer acceptable. Neither borrowing between the OASI and DI Trust Funds, nor reallocating the apportionment of payroll tax revenues to each Fund, is a long-term solution to Social Security's fiscal chal-

[260] Douglas J. Holtz-Eakin, *The Need for Fiscal Goals,* testimony to the Committee on the Budget, U.S. House of Representatives, 15 June 2016: https://www.youtube.com/watch?v=CW5sA9-ikg0.

[261] Section 3(o) of H. Res. 5, Rules of the House of Representatives: One Hundred Fifteenth Congress.

lenges. "If you want to help both programs you're not going to accomplish that by moving money around just between them." [262]

Former President Obama's Fiscal Commission made an important contribution to the debate about addressing Social Security's financial shortfall. The Commission acknowledged the reality of increasing longevity and proposed reforms to alleviate the demographic problems that are undermining Social Security's finances.

This budget seeks to build on the Fiscal Commission by requiring the President to put forward specific solutions to fix Social Security's long-term fiscal problem. The budget also puts the onus on Congress to offer legislation ensuring the long-term solvency of this program. Any policy proposal offered regarding the Disability Insurance program should first and foremost strengthen the long-term integrity of the program for Americans with disabilities (see further discussion below).

The Committee on Ways and Means will determine actual policies in Social Security. The committee's members have maximum flexibility in determining the appropriate legislative course for meeting the budget resolution's parameters. The discussion below offers some guiding principles to include in the debate.

Starting the Process

This budget requires the President and Congress to begin the process of reforming Social Security by altering a current-law trigger that, in the event the Social Security program is not sustainable, requires the President, in conjunction with the Social Security Board of Trustees, to submit a plan for restoring the balance to the Trust Funds. This provision would then require congressional leaders to put forward their positive solutions to ensure the long-term solvency of Social Security. While the Committee on Ways and Means would make the final policy decisions, this provision would require the following:

- If in any year the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund, in its annual Trustees' Report, determine that the 75-year actuarial balance of the Social Security Trust Funds in the 75th year is in deficit, the Board of Trustees should, no later than the 30th of September of the same calendar year, submit to the President recommendations for statutory reforms necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75th year.
- No later than the 1st of December of the same calendar year in which the Board of Trustees submits its recommendations, the President shall promptly submit implementing legislation to both Houses of Congress, including recommendations necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75th year.
- Within 60 days of the President's submission, the committees of jurisdiction to which the legislation has been referred shall report the bill, which shall be considered by the full House and Senate under expedited procedures.

[262] Holtz-Eakin, op. cit.

Disability Insurance

The Disability Insurance program provides essential income support for persons with disabilities and their families. Due in large part to the predictable consequence of demographic factors and policy decisions, however, DI program revenues will be unable to cover the full costs of benefits in 2028, according to the Social Security Trustees, unless Congress acts.

In 2015 Congress took the first step toward comprehensive Disability Insurance reform that would solve the Trust Fund's long-term financing troubles. The Bipartisan Budget Act of 2015 included a number of provisions to reduce fraud, increase program integrity, and encourage DI beneficiaries to return to work. These provisions strengthened the DI program and extended its solvency date to 2022.[263]

Despite this recent legislation, the structural problems facing the DI program remain the same. Under current law, its Trust Fund is expected to be exhausted in 2028. If lawmakers do not enact reforms to ensure the long-term solvency of the Disability Insurance program, an immediate 7-percent reduction in benefits will be required when the Trust Fund becomes exhausted.[264]

The huge growth in the number of individuals receiving DI, and the benefits paid to each, have contributed heavily to the worsening financial condition of the DI Trust Fund. In 2016, the Congressional Budget Office reported that the share of working-age adults receiving DI benefits rose from 1.3 percent in 1970 to 4.5 percent in 2014.[265] Between 1990 and 2015, the total number of individuals receiving DI benefits increased from 4.3 million to 10.9 million.[266] Average DI benefits per person have also increased significantly from $5,100 in 1970 to $12,200 in 2015 (as measured in 2015 dollars). Legislated changes to the formula used to compute benefits contributed to the increase in spending.[267] Meanwhile, tax revenues paid into the DI Trust Fund have remained relatively flat as a share of taxable payroll.

The demographic factors contributing to the problem include the aging of the baby boomers into their most disability-prone years and the increased number of women in the workforce now eligible for benefits should they become severely disabled. In addition, policymakers have expanded the ways in which applicants may qualify for benefits. At the same time, those receiving DI are in many ways prevented from improving their situations. If they work too much, they see their benefits reduced or eliminated. While about 40 percent of disability beneficiaries indicate an interest in working, less than one-half of one percent leave the rolls each year due to earnings from work.[268]

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[263] Public Law 114–74.

[264] Congressional Budget Office, *Estimate of the Effects on the OASI and DI Trust Fund of enacting H.R. 1314, the Bipartisan Budget Act of 2015, introduced 27 September 2015.*

[265] Congressional Budget Office, *Social Security Disability Insurance: Participation and Spending,* June 2016, p. 1.

[266] Ibid., p. 6.

[267] Ibid., p. 9-10.

[268] Debra Wright, Gina Livermore, Denise Hoffman, Eric Grau, and Maura Bardos, *2010 National Beneficiary Survey: Methodology and Descriptive Statistics,* Mathematica, 2 April 2012.

Principles for Disability Insurance Reform

Congress and the President should develop bipartisan legislation to secure the future of the DI program. This legislation should be rooted in principles that do the following:

- Promote opportunity for those trying to return to work;
- Ensure benefits continue to be paid to individuals with disabilities and their family members who rely on them;
- Prevent an 7-percent across the board benefit cut; and
- Make the Disability Insurance program work better.

Consistent with the House rule, reforms should begin to improve the financial situation of Social Security.

Illustrative Policy Option

Eliminate the Ability to Receive Both Unemployment Insurance and Disability Insurance. This option would eliminate concurrent receipt of unemployment and disability insurance, a clear example of duplication in the Federal budget. The proposal would give the Social Security Administration the authority to identify fraud and prevent individuals from obtaining benefits from both programs. It is consistent with a similar policy proposal President Trump and former President Obama made in their budget requests. This budget takes the first step in preventing across the board benefit reductions to the Social Security program. This policy option could save up to $4.4 billion.

MEDICARE

Function Summary: Direct Spending

The Medicare and Medicaid Programs reached their 50th anniversary in July 2015. By many measures, Medicare has seen remarkable successes, such as providing access to health care for millions of seniors, and contributing to increased life expectancies and reduced rates of poverty among seniors. At the same time, however, it has become an immensely expensive program that actually limits retirees' choices, imposes heavy burdens on medical providers, and—through its myriad billing rules—effectively makes Washington bureaucrats the decision-makers for retirees' health care services.

The aims of Medicare are not in question. Retirees need health care and it has to be paid for somehow—without burdening seniors themselves with crippling costs. That was the goal of the program's creation in 1965. The problem has been the attempt to deliver Medicare's vast promises through a centrally managed government financing arrangement. In the 21st century American health care market, there is a far better way to achieve Medicare's worthy goals. It should be built on the same principles that apply to health care reform generally. Retirees should be able to choose the coverage plan best suited to their particular needs, rather than accept a set of benefits dictated by Washington. The program should ensure doctors and patients make health care decisions for themselves. It also should encourage competition among insurers to expand choices of coverage and restrain costs.

The benefits of this approach have already been demonstrated in certain existing components of Medicare. Medicare Advantage and Medicare Part D, an optional prescription drug benefit, provide seniors with the opportunity to choose, from an array of private plan options, the coverage that best suits their needs. These programs, described further below, offer lessons that can be applied more broadly through Medicare, creating a more responsive and resilient program. They are a model for the proposals envisioned in this budget resolution.

Looking to these examples, as well as the private sector, positive solutions can be discovered that maintain access to high-quality care through patient-centered reforms fostering competition, restoring market forces, expanding choices and empowering individuals, promoting innovation, and providing flexibility for patients and providers.

Such reforms, worthwhile in themselves, have another significant benefit: They can help Congress balance the budget, and bolster Medicare's collapsing financial structure. On its present course, the so-called Medicare "guarantee" is in fact a promise of shrinking benefits. Yet those who doggedly oppose reform only ensure this unacceptable outcome.

INCREASING COMPLEXITY: MEDICARE'S EVOLUTION

When the Medicare Program was created in 1965, it consisted of just two essential parts: Part A, coverage for hospital services, or hospital insurance [HI]; and Part B, or supplementary medical insurance [SMI]. The HI Trust Fund is funded primarily through a designated payroll tax of 2.9 percent that is shared equally by employer and employee. The SMI Trust Fund is supported much differently; revenues consist of beneficiary premiums, which must account for 25 percent of all Part B costs on an annual basis, and transfers from the U.S. Treasury's general revenues.

During the late 1990s, Congress created Medicare Part C, or Medicare Advantage [MA]. The MA program offers beneficiaries private plan options that cover services provided under Part A, Part B, and often Part D benefits. The Federal Government determines the level of spending per enrollee that will be provided to MA plans (with funds from the appropriate trust funds used to offset the Part A, Part B, and Part D costs), and beneficiaries pay a monthly premium as they do under Parts B and D. Not surprisingly, with the adjustment of payment rates to make MA plans comparable to traditional Medicare, use of this program dramatically expanded. In 2016, 31 percent of all Medicare beneficiaries chose a MA plan, as opposed to just 13 percent in 2003.[269]

Finally, Medicare Part D, Prescription Drug Coverage, was established in 2003. Part D is structured similarly to Part B and is a separate account within the SMI Trust Fund. Beneficiary premiums account for approximately 25.5 percent of costs, with the re-

[269] Gretchen Jacobson, Giselle Casillas, Anthony Damico, Tricia Neuman, and Marsha Gold, *Medicare Advantage 2016 Spotlight: Enrollment Market Update,* The Kaiser Family Foundation, 11 May 2016: http://kff.org/medicare/issue-brief/medicare-advantage-2016-spotlight-enrollment-market-update/.

maining 74.5 percent funded through general revenues.[270] Unlike any other program in Medicare, however, Part D relies on market forces and competition among private plans to drive down costs. As a result, year after year Part D reports costs millions of dollars lower than projected, while still maintaining high quality and beneficiary satisfaction. These lessons ought to be applied throughout the Medicare Program.

Medicare's evolution brought growing complexity, making benefits difficult for retirees to navigate. This conflicts with the experience the majority of beneficiaries enjoyed for a lifetime in the private health insurance market prior to entering the program. Notwithstanding the program's successes, Medicare's complicated benefit structure, along with a multitude of rules and regulations, make the program a bureaucratic quagmire for both beneficiaries and providers.

Medicare's current benefit design is overly complex, with various cost-sharing structures for each part. Currently, beneficiaries must enroll in three separate programs to get the same comprehensive coverage. Seniors are required to enroll in Part A for hospitalization; coverage is provided separately for outpatient physician services and prescription medications, through the optional Parts B and D, respectively. Medicare also fails to offer financial protections for seniors, such as annual or lifetime limits. Many must sign up for an additional supplemental insurance policy called MediGap to obtain a fully comprehensive coverage package.

Several fundamental program design problems add costs to the system and inhibit innovation. First, Medicare allows government bureaucrats to determine what benefits enrollees are entitled to, and the program's administrative pricing system distorts costs and services throughout the entire health care sector. Medicare keeps restricting the medical sector because its savings mechanisms are largely price controls, not cost controls. The Centers for Medicare and Medicaid Services [CMS] often fails to reimburse for new therapies and medical technology, limiting patient access to more advanced cures. This effectively stymies innovation throughout the health care delivery model.

Additionally, CMS acts as the clinical arbiter of access to medical goods and services with full authority to deny coverage of items. Unfortunately for patients, CMS is often abysmally wrong when it comes to coverage determinations, and in some cases appears to be working toward a certain bottom line rather than ensuring patients have access to the safest and most up-to-date medical technologies and therapies. For example, transcatheter aortic valve replacement [TAVR] is a minimally invasive surgical procedure used to repair heart valves—which previously required open heart surgery. Today, a small implant can be inserted through a catheter to the affected valve and requires only very small openings that leave all the chest bones in place. While no procedure is completely without risk, TAVR provided options to previously non-viable surgical candidates and offers a faster recovery period. Despite these advances, CMS created coverage and procedural requirements to limit the procedure's use.

[270] Part D also receives payments from States for dually enrolled beneficiaries in the program.

Finally, Medicare's billing and reporting regulatory regime force providers to spend more time filling out paperwork than actually seeing patients.[271] A recent *Health Affairs* article reported that today physician practices spend more than 785 hours per physician and $15 billion annually to report quality measures.[272] While everyone benefits from quality health care, the current reporting requirements are highly burdensome and add unnecessary costs to the health care system.

Many of these difficulties could be addressed by expanding retirees' choices of insurance plans and promoting competition among insurers. As noted, such approaches are already working in Medicare Parts C and D. They should apply to the program more broadly.

FORTHCOMING FINANCIAL COLLAPSE

In addition to its structural problems, Medicare suffers from a failing financial arrangement and ever-rising costs. Correcting these problems is indispensable for making the program sustainable for the long term. They also contribute immensely to the important task of balancing the Federal budget.

Medicare and the other major health care programs are projected to consume an ever-increasing portion of the Federal budget over time.[273] In the next decade, annual spending on these programs will double, from $1.1 trillion to $2.2 trillion, according to estimates by the Congressional Budget Office [CBO].[274] Medicare currently serves more than 57 million beneficiaries, and is the second largest direct, or automatic, spending program after Social Security.[275] In 2016, Medicare Program costs totaled $692 billion, and CBO projects spending to more than double by 2027, reaching $1.4 trillion that year. Congress cannot balance the budget without addressing these rapid cost increases.

Several factors contribute to the growth in program spending over the next decade. Foremost is the aging of the population. In 2011, the first baby boomer enrolled in Medicare. This generation will continue to age into the program over the next two decades at a rate of approximately 10,000 beneficiaries per day. By the time the baby-boom generation has fully aged into Medicare in 2030, the program will cover more than 75 million beneficiaries. Such an increase in the Medicare-covered population naturally corresponds with an increase in program costs, but this effect is exacerbated by a number of additional factors. Since the beginning of the program, the average life expectancy has increased dramatically while the

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[271] Christine Sinsky, Lacey Colligan, Ling Li, Mirela Prgomet, Sam Reynolds, Lindsey Goeders, Johanna Westbrook, Michael Tutty, and George Blike, "Allocation of Physician Time in Ambulatory Practice: A Time and Motion Study in 4 Specialties," *Annals of Internal Medicine,* 6 December 2016: http://annals.org/aim/article/2546704/allocation-physician-time-ambulatory-practice-time-motion-study-4-specialties.

[272] Lawrence P. Casalino, David Gans, Rachel Weber, Meagan Cea,Amber Tuchovsky, Tara F. Bishop, Yesenia Miranda, Brittany A. Frankel, Kristina B. Ziehler, Meghan M. Wong and Todd B. Evenson, "US Physician Practices Spend More Than $15.4 Billion Annually To Report Quality Measures," *Health Affairs,* March 2016: http://content.healthaffairs.org/content/35/3/401.abstract.

[273] Using CBO's descriptions, the major health care programs are Medicare, Medicaid, the State Children's Health Insurance Program, and the Affordable Care Act's exchanges and associated credits and subsidies.

[274] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017.

[275] CMS.gov: https://www.cms.gov/fastfacts/.

Medicare eligibility age has remained unchanged. In 1965, the average life expectancy was 70 years, meaning Medicare provided 5 years of health care coverage on average. Today, life expectancy is almost 80 years, and the average Medicare beneficiary remains in the program roughly three times longer than those enrolled at its inception.

Additionally, revenues for Part A—supporting the HI Trust Fund—cannot meet the costs of the program due to a shrinking working-age population. When Medicare was created, there were 4.5 workers for every beneficiary enrolled in the program, which easily sustained the pay-as-you-go funding structure. Today, the ratio has declined with approximately three workers per beneficiary. By 2030, when the baby-boom generation has fully aged into Medicare, the ratio will be closer to two workers per beneficiary, meaning fewer revenues will be available to offset ever-increasing program costs. Finally, although most beneficiaries pay into the Medicare Program throughout their working years, the Medicare benefit the average person receives far exceeds his or her contribution to the program through payroll taxes. For example, the present value of lifetime Medicare taxes for a married couple earning the average wage and retiring at age 65 in 2015 equaled approximately $140,000 contributed through payroll taxes, but the anticipated lifetime Medicare benefit is estimated to be $422,000—roughly three times the lifetime contribution.[276] By 2050, the anticipated lifetime Medicare benefit balloons to more than four times the lifetime contribution.

These trends play a significant role in Medicare's long-term outlook. The CBO recently updated enrollment projections for Medicare by age group. Currently, the majority of beneficiaries are under age 75, but by 2035 there will be more Medicare beneficiaries over age 75 than under.[277] This is especially troubling when the difference in Medicare per capita spending between older and younger beneficiaries has widened. The average spending for a Medicare beneficiary of 85 years is now more than twice that of a 66-year-old, and spending is three times greater for a 95-year-old.[278] Not surprisingly, Medicare costs are expected to rise not only as a greater number of beneficiaries enter the program, but also as per-capita costs increase with the continued aging of the Medicare population. The CBO estimates Medicare per-capita cost growth to average 4.3 percent per year between 2017 and 2027, 3 percent higher than the previous five years and net program spending to grow from 3 percent of gross domestic product [GDP] to 5.7 percent by 2046. Compared to the other major health care programs—Medicaid, the State Children's Health Insurance Program, and the Affordable Care Act [ACA]—that are expected to

[276] C. Eugene Stuerle and Caleb Quakenbush, *Social Security and Medicare Lifetime Benefits and Taxes,* Urban Institute, September 2015: http://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000378-Social-Security-and-Medicare-Lifetime-Benefits-and-Taxes.pdf.

[277] The Congressional Budget Office, *The 2015 Long-Term Budget Outlook,* June 2015: https://www.cbo.gov/sites/default/files/114th-congress-2015–2016/reports/50250/50250-breakout-Chapter2–2.pdf.

[278] Tricia Neuman, Juliette Cubanski, Jennifer Huang, and Anthony Damico, *The Rising Cost of Living Longer: Analysis of Medicare Spending by Age for Beneficiaries in Traditional Medicare,* The Kaiser Family Foundation, 14 January 2015: http://kff.org/medicare/report/the-rising-cost-of-living-longer-analysis-of-medicare-spending-by-age-for-beneficiaries-in-traditional-medicare/.

grow from 2.2 percent to 2.9 percent of GDP by 2040, this is a startling growth rate for a single program.[279] Furthermore, the Medicare Trustees estimate the total amount of unfunded obligations for the Medicare Program over the 75-year period to equal $3.2 trillion for the HI Trust Fund and $24.8 trillion for the SMI Trust Fund.[280]

In the short term, Medicare costs are projected to outpace income, creating a shortfall in the HI Trust Fund. In January 2017, the CBO reported the HI Trust Fund would be exhausted by 2025—four years earlier than the date estimated by the Medicare Trustees and one year earlier than CBO projected last year.[281] Expenditures from the trust fund, which is financed mainly through the 2.9-percent payroll tax, have exceeded revenues annually since 2008. Although the Medicare trustees expect a slight surplus from 2016 through 2020, the ratio of revenues to costs declines quickly in the following years. The most recent projection, reported by the trustees in July 2017, estimated depletion of the HI Trust Fund in 2029. Upon depletion, Medicare may only pay for Part A services equal to the amount of revenues available in the HI Trust Fund, which are expected to cover only 88 percent of promised benefits. The Social Security Act is silent on what steps may be taken upon depletion of the HI Trust Fund, but without action, beneficiaries' access to health care services would certainly be severely reduced. They will be subject to automatic benefit reductions.

Structural reforms to the Medicare Program are necessary to ensure the long-term viability of the program without compromising beneficiary access to quality care. While many of the most insidious effects of the ACA appear mainly in Medicaid, the Medicare Program was also fundamentally undercut and altered as a result. The ACA imposed across-the-board cuts on Medicare providers and services, and put those savings toward new government spending programs rather than to extend the solvency of the Medicare Program. Furthermore, the Medicare trustees have warned for several years that the low Medicare payment updates authorized by the ACA will lead to serious limitations of access over the long term, and create perverse incentives in the short term that further distort the health care sector. By 2040, approximately half of hospitals, 70 percent of skilled nursing facilities, and over 80 percent of home health agencies will have negative margins, the Medicare trustees estimate—an unsustainable situation that will cause many providers to withdraw from the program, and will unquestionably limit access to quality care for Medicare beneficiaries.[282] Furthermore, the Independent Payment Advisory Board [IPAB] established by the ACA must submit proposals for further spending reductions if the estimated rate of growth in Medicare exceeds GDP plus 1

[279] The Congressional Budget Office, *The 2015 Long-Term Budget Outlook,* June 2015: https://www.cbo.gov/sites/default/files/114th-congress-2015–2016/reports/50250/50250-breakout-Chapter2–2.pdf.

[280] United States Department of the Treasury. *Fiscal Year 2015 Financial Report of the United States Government:* https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/15frusg/02242016_FR(Final).pdf.

[281] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017.

[282] *2017 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds,* July 2017. https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/reportstrustfunds/downloads/tr2017.pdf.

percent. Without congressional action to achieve the same level of savings, the IPAB's proposals will automatically take effect. Given these pressures, medical providers have acted accordingly, with record rates of consolidation among hospitals and physician practices. Medicare currently pays approximately 67 percent of what private insurance would otherwise pay for hospital services. Over time, however, reimbursements for services are expected to fall well below providers' overhead costs, such as rent, energy, equipment, and the cost of employing medical staff. A recent study by the Government Accountability Office [GAO] reported that from 2007 through 2013, the number of vertically consolidated physician practices nearly doubled, from 96,000 to 182,000; this occurred more rapidly in recent years across all regions and hospital sizes.[283]

As currently structured, Medicare cannot fulfill the promise of health care security for America's seniors. Medicare must be saved, strengthened, and secured to restore the trust that both current *and* future retirees will continue to have guaranteed access to health care providers, services, and treatments. Looking to examples both within the Medicare Program and the private sector, positive solutions can be discovered that reduce costs while maintaining access to high quality care through patient-centered reforms that foster competition, restore market forces, expand choices and empower individuals, promote innovation, and provide flexibility for patients and providers.

This budget resolution reflects the Medicare Program in the direct spending portion of Function 570 (see Table 3). The function includes all four program components: Medicare Part A Hospital Insurance Program, Part B Supplementary Medical Insurance Program, Part C Medicare Advantage Program, and Part D prescription drug coverage. For fiscal year 2018, the net direct spending totals in the resolution are $587.3 billion in budget authority and $587.0 billion in outlays. Over 10 years, Medicare direct spending is projected at $8.1 trillion in budget authority and $8.1 trillion in outlays.

The primary authorizing committees—Ways and Means and Energy and Commerce—have made a laudable commitment to structural Medicare reforms, along with efforts to improve transparency and eliminate waste, fraud, and abuse in the program.[284] They have complete authority and discretion to write program reforms that meet the fiscal parameters of this budget resolution. Nevertheless, they may choose to follow the framework outlined below to ensure Medicare's long-term sustainability for America's current and future retirees.

Illustrative Direct Spending Policy Options

This budget provides for policy proposals that protect seniors' and near-seniors' health care security with a focus on the doctor

[283] Government Accountability Office, *Increasing Hospital Physician Consolidation Highlights Need for Payment Reform,* December 2015: http://www.gao.gov/assets/680/674347.pdf.<P>

[284] Committee on Ways and Means Committee, *Views and Estimates,* 14 February 2017; Committee on Energy and Commerce, *Views and Estimates on the President's Fiscal Year 2018 Budget,* 3 March 2017.

patient relationship as opposed to the indiscriminate, mindless cuts brought about as a result of the ACA.

Every year that difficult choices are deferred, the cost of inaction continues to rise and inflicts tremendous fear on current recipients who do not view Medicare as a real choice. To them, it is truly a matter of life and death. Without changes, the accelerated insolvency of the HI Trust Fund will only lead to an abdication of the Federal Government's responsibility to this population. The budget offers Americans true structural reforms that generate savings by allowing competition to derive greater efficiencies without the loss of access to high-quality care for beneficiaries.

Enhance Quality and Choice in Medicare. Throughout Medicare's history, Washington has been slow to innovate and respond to transformations in health care delivery. Meanwhile, controlling costs in Medicare's open-ended fee-for-service system has proved impossible without limiting access or sacrificing quality. This is because policies in the main have artificially controlled prices or payments, not costs; in the absence of real structural reform, the factors that drive costs higher remain. Today, costs continue to grow, seniors continue to lose access to quality care, and the program remains on a path to bankruptcy. Inaction will not protect Medicare; it will only hasten the program's demise.

Reform aimed at empowering patients—combined with a strengthened safety net for the poor and the sick—will not only ensure the fiscal sustainability of this program, the Federal budget, and the U.S. economy, but will also guarantee that Medicare can fulfill the promise of health security for America's seniors. Hence, this budget resolution fully supports a patient-centered program that enhances quality and choice in Medicare.

Under this program, traditional Medicare—which would always be an option available to beneficiaries—and private plans providing the same level of health coverage would compete for seniors' business, just as Medicare Advantage does today. By adopting the competitive structure of Part D, the prescription drug benefit, the program would also deliver savings for seniors in the form of lower monthly premium costs.

This improved program assumes a simplified benefit that provides comprehensive coverage for all beneficiaries, rather than the complex and fragmented structure in place today. Currently, beneficiaries must enroll in three separate programs to get the same comprehensive coverage. Seniors are required to enroll in Part A for hospitalization; coverage is provided separately for physician services and prescription medications, through the optional Parts B and D, respectively. None of these coverage options, however, offers financial protections for seniors, such as annual or lifetime limits, and many must sign up for an additional supplemental insurance policy called MediGap to obtain a fully comprehensive coverage package.

Today, only Medicare Advantage (Part C) offers seniors the opportunity to choose from a selection of comprehensive coverage plans. Not surprisingly, Medicare Advantage enrollment has tripled in the past decade and currently serves almost 18 million seniors.[285] Medicare Advantage also shows higher satisfaction rates than traditional Medicare. Beneficiaries were especially satisfied with the overall cost of Medicare Advantage plans and with the simplified health process compared to traditional Medicare.[286]

The Medicare improvements envisioned in this budget resolution would adopt the popular simplified coverage structure of Medicare Advantage, and allow seniors greater plan choices while reducing costs. It would resemble the private insurance market, in which the majority of Americans select a single health care plan to cover all their medical needs.

The enhanced program would also continue to offer a robust financial benefit to all beneficiaries. In many ways, the benefit provided would mirror the Federal Employees Health Benefits [FEHB] Program for Federal employees, retirees, and their families. FEHB boasts the widest selection of health plans in the country, from which its eight million members may choose. Plans offered under the FEHB Program may charge different premium amounts, competing for individuals' choices, and the government pays a certain percentage—or a defined contribution—to help offset the cost of coverage. Similarly, a Medicare recipient would choose from an array of guaranteed-coverage options, including traditional Medicare, for a health plan that best suits his or her needs.

The Federal Government contribution would go directly to the plan provider, following the current model under both the FEHB Program and Medicare Advantage. Furthermore, the government payment would be adjusted so the sick would receive more financial assistance if their conditions worsened, and lower-income seniors would receive additional support to help cover premiums and out-of-pocket costs. Wealthier seniors would assume responsibility for a greater share of their premiums.

Additionally, this enhanced Medicare program would ensure affordability by fixing the currently broken system and letting market competition work as a real check on widespread waste and skyrocketing health care costs—as successfully demonstrated through the competitive structure adopted by Medicare Part D. More than 70 percent of beneficiaries are currently enrolled in the prescription drug benefit, which enjoys extremely high satisfaction rates among seniors.[287] In 2016, nearly 90 percent reported satisfaction with their coverage, and 80 percent consider the coverage to be a good value.[288] Similarly, this personalized arrangement puts patients in charge of how their health care dollars are spent, requiring providers to compete against one another on price and quality.

The improvements to Medicare derive from a long history of bipartisan reform plans based on the defined contribution model, or premium support, with a competitive bidding structure to lower costs. The 1999 Breaux-Thomas Commission, the Domenici-Rivlin

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[285] *Medicare Advantage,* The Kaiser Family Foundation, 11 May 2016: http://http://kff.org/medicare/fact-sheet/medicare-advantage/.

[286] Morning Consult, *Seniors Love Their Medicare (Advantage),* 30 March 2015: http://morningconsult.com/2015/03/seniors-love-their-medicare-advantage/.

[287] The Kaiser Family Foundation, The Medicare Part D Prescription Drug Benefit, 13 October 2015:
http://kff.org/medicare/fact-sheet/the-medicare-prescription-drug-benefit-fact-sheet/#endnote_link_165022–4.

[288] Morning Consult, National Tracking Poll, conducted 1–11 July 2016: http://http://medicaretoday.org/wp-content/uploads/2016/07/2016-Senior-Satisfaction-Survey-Fact-Sheet.pdf.

2010 Report, and the 2011 Wyden-Ryan plan all put forward this model of reform as it is designed to ensure security and affordability for seniors now and into the future.[289] All three recognize two fundamental truths: the current path of Medicare is unsustainable, and it is unacceptable for Washington to allow the program to fail current or future beneficiaries. Each proposal further developed the policy with the intent of preserving Medicare over the long term without reducing health care access or quality.

The policy continues to garner bipartisan support today. Even former-President Obama's fiscal year 2017 budget proposal included a similar reform to introduce a competitive bidding structure into the Medicare Advantage program. His proposal failed, however, to offer the benefits of more choice and lower costs achieved through the competitive bidding structure to all beneficiaries.

Following these examples, CBO performed an analysis of two variations of premium support that established a defined government contribution using different formulas. CBO determined that a Medicare Program following the premium support model that based the contribution level on an average of bids submitted by competing plans would result in savings for both beneficiaries and the program. Moreover, it would set up a carefully monitored exchange for Medicare plans. Health plans that chose to participate in the Medicare exchange would agree to offer insurance to all Medicare beneficiaries, to avoid cherry-picking, and to ensure that Medicare's sickest and highest-cost beneficiaries received coverage.[290] A patient-centered Medicare program would also adopt these protections to guarantee better health, better value, and better choice for America's seniors, and allow all those in traditional, fee-for-service Medicare the same opportunity as new retirees to remain there or transition into the improved program beginning in 2024.

This resolution envisions giving seniors the freedom to choose plans best suited for them, guaranteeing health security throughout their retirement years. Further, it resolves the concerns regarding Medicare's long-term sustainability, while also lowering costs for beneficiaries. With the adoption of patient-centered improvements, this program would preserve the positive aspects of traditional Medicare, while modernizing the program to reflect the changes to health care delivery in the 21st century.

Promoting Personal Digital Advance Care Plans. In keeping with expanding patient-centered care, this resolution supports the use of readily available advance care plans. Administering medical treatment often requires patient consent. When informed consent cannot be obtained due to life-threatening emergencies or impaired de-

[289] National Bipartisan Commission on the Future of Medicare, *Building a Better Medicare for Today and Tomorrow,* 16 March 1999: http://thomas.loc.gov/medicare/bbmtt31599.html; Bipartisan Policy Center, Restoring America's Future, November 2010: http://bipartisanpolicy.org/wp-content/uploads/sites/default/files/BPC%20FINAL%20REPORT%20FOR%20PRINTER%2002%2028%2011.pdf.; and Senator Ronald L. Wyden and Representative Paul D. Ryan, *Guaranteed Choices to Strengthen Medicare and Health Security for All: Bipartisan Options for the Future,* 15 December 2011: http://budget.house.gov/uploadedfiles/wydenryan.pdf.

[290] Congressional Budget Office, *A Premium Support System for Medicare: Analysis of Illustrative Options,* 18 September 2013: http://www.cbo.gov/sites/default/files/09–18-PremiumSupport.pdf.

cision-making, precious time is lost in determining who has the legal authority to act on behalf of a critical patient. Consequently, the patient's wishes may not ultimately be fulfilled. Digital advance care plans allow individuals to thoughtfully consider their treatment options, on their schedules, and with their loved ones—rather than making urgent decisions under emergency room pressure, where time is of the essence. This resolution respects the patient's voice, whatever it says, and supports its primacy in the health care delivery process.

Implement a Unified Deductible and Reform Supplemental Insurance. This resolution strengthens the Medicare Program through another bipartisan proposal. The outdated and fragmented fee-for-service arrangement would be streamlined into one benefit, unifying the separate parts of the program, that would provide coverage for both hospital and physician services. Additionally, the reform would provide common sense financial protections for America's seniors and reform supplemental insurance policies. This proposal, which was also supported by a number of bipartisan commissions including Breaux-Thomas, Domenici-Rivlin, and Simpson-Bowles, would allow the Medicare benefit to operate more like private health insurance coverage.[291, 292, 293]

With this reform, Medicare will have a single, annual deductible for medical costs and include a catastrophic cap on annual out-of-pocket expenses—an important aspect of the private health insurance market to safeguard the sickest and poorest beneficiaries that is currently absent from Medicare. These reforms build in further protections for beneficiaries and for the preservation of the Medicare Program for future generations.

Means Test Premiums for High-Income Seniors. Under current law, high-income beneficiaries are responsible for a greater share of the premium costs for Medicare's Part B and Part D programs, or the optional coverage for physician services and prescription drug coverage respectively. Medicare Advantage enrollees receiving coverage for these benefits similarly assume a share of the costs. Parts B and D must account for all additional program costs net of beneficiary premiums from general revenues because these components of the Medicare Program do not have a dedicated income source like the 2.9-percent payroll tax that funds most of the Part A benefits. Consistent with several bipartisan proposals, including former-President Obama's fiscal year 2017 budget, this resolution assumes additional means testing of premiums in Medicare Parts B and D for high-income seniors, including full responsibility of premium costs for individuals with annual income exceeding $1 million.

Equalize the Eligibility Age with Social Security. One of the Nation's greatest achievements of the 20th century was the dramatic increase in the average life expectancy. As Americans' health im-

[291] National Bipartisan Commission on the Future of Medicare, op. cit., 16 March 1999; Bipartisan Policy Center, op. cit., November 2010.

[292] Bipartisan Policy Center, op. cit. November 2010.

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

proves, extending their lives, many enjoy the benefits of employment later in life. To further ensure Medicare's long-term sustainability, this resolution recommends a gradual increase of the Medicare eligibility age to correspond with that of Social Security.

Streamline Support for Graduate Medical Education. All Americans benefit from a strong physician workforce. Since the creation of the Federal health care programs, Federal funds have supported physician training. The congressional report from the Social Security Amendments of 1965 comments on the need for Federal funds to support hospitals in the education and training of physicians, nurses and other medical personnel, "until the community undertakes to bear such education costs in some other way * * * "[294] Instead, the level of Federal support has grown over time, and the complexity of the payment formulas linked to a hospital's Medicare inpatient volume has made accountability and oversight next to impossible. The financing structure also props up an antiquated system that fails to recognize the rapidly changing care delivery model and the demographic shifts within the population—meaning the number of physicians is insufficient and cannot meet the Nation's needs either in terms of specialty or geography. Distributing funds directly to hospitals favors traditional acute care institutions and discourages physician training in various clinical or lower cost settings of care, including children's hospitals, safety net hospitals, ambulatory surgical centers, and so on.[295] The call for reform to enhance accountability, transparency, and flexibility in graduate medical education has been advanced by the Institute of Medicine, the Medicare Patient Advisory Commission, the American Enterprise Institute and the Heritage Foundation.[296] This resolution recommends that support for medical education should accurately reflect the costs of training future physicians and be streamlined into a single payment, providing greater freedom and flexibility to encourage teaching institutions and States to develop innovative approaches to medical education.

Establish an Uncompensated Care Fund. Since 1986, Medicare has provided additional financial support to hospitals that serve a significant population of low-income patients in the form of a disproportionate share hospital [DSH] payment. This funding was intended to ensure access for low-income patients and those unable to afford the costs of care. Hospitals, in addition to receiving a Medicare DSH payment, may also receive a Medicaid DSH payment so long as they meet certain requirements. This has led to some States engaging in improper fund transfers in order to gain additional Federal support of State Medicaid budgets through the Federal Medical Assistance Percentage.

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[294] Committee on Finance, U.S. Senate, Social Security Amendments of 1965 (H.R. 6675), Report to the Committee on Finance, U.S. Senate (Rept. 404), 30 June 1965: https://ssa.gov/history/pdf/Downey%20PDFs/Social%20Security%20Amendments%20of%201965%20Vol%202.pdf.

[295] Institute of Medicine of the National Academies, *Graduate Medical Education that Meets the Nation's Health Needs,* 29 July 2014: http://www.nap.edu/read/18754/chapter/1#xi

[296] Ibid.; Medicare Payment Advisory Commission, *Does it Cost More to Train Residents or to Replace Them?,* September 2013: http://www.medpac.gov/documents/contractor-reports/sept13_residents_gme_contractor.pdf?sfvrsn=0; American Enterprise Institute, *Improving Health and Health Care: An Agenda for Reform,* December 2015: https://www.aei.org/wp-content/uploads/2015/12/Improving-Health-and-Health-Care-online.pdf; John O'Shea, *Reforming Graduate Medical Education in the U.S.,* The Heritage Foundation, 29 December 2014: http://www.heritage.org/research/reports/2014/12/reforming-graduate-medical-education-in-the-us.

Additionally, limiting DSH payments to only hospitals fails to recognize the abundance of uncompensated care that occurs outside of the hospital setting. Therefore, this resolution recommends converting the separate DSH payments into a single flexibility fund to support uncompensated care, to more appropriately and equitably distribute funds in a targeted manner that recognizes all providers serving low-income populations.

Reform Medical Liability Insurance. This resolution also advances the common sense curbs on abusive and frivolous lawsuits contained in H.R. 1215, the "Protecting Access to Care Act of 2017", as passed by the House on 28 June 2017. Medical lawsuits and excessive verdicts increase health care costs, result in reduced access to care, and contribute to the practice of defensive medicine. When mistakes happen, patients have a right to fair representation and fair compensation. The current tort litigation system, however, too often serves the interests of lawyers while driving up costs due to expenses associated with the practice of defensive medicine. The costs of defensive medicine are often overlooked, but add a considerable burden to overall health care spending. According to a study published in 2010—apparently the most comprehensive available—more than 30 percent of health care costs, or approximately $650 billion annually, were attributable to defensive medicine.[297] Even if the costs are only a fraction of this projection, such expenses are unnecessary and unsustainable for the Medicare Program and America's seniors. Therefore, this resolution supports several changes to laws governing medical liability.

MEDICAID, THE AMERICAN HEALTH CARE ACT, AND RELATED PROGRAMS

Function Summary: Direct Spending

The center of all health care policy assumed in this budget resolution is the patient. This requires placing the emphasis on real Americans' health needs—not on Washington's ideas about what those needs may be. Health care in America is a complex and dynamic set of interactions that employs more than $3 trillion of the Nation's resources and represents about one-fifth of the economy; it is a sector in which the participants themselves—patients, care-providers, and insurers—are clearly best suited to establish effective and efficient means of delivering such a uniquely valued service.[298]

Yet for decades, Federal policymakers have relentlessly sought to systematize health care to meet their ideological and bureaucratic aims. When the Federal Government sets the standards of health care, or determines the required contents of health coverage—and it cannot do one without the other—this necessarily limits the options available to consumers, suffocates innovation, and spikes costs. Such an approach must assume that a population of 323 million—living in a wide range of geographical and climatic settings,

[297] Jackson Healthcare, Physician Study: *Quantifying the Cost of Defensive Medicine,* 2010: http://www.jacksonhealthcare.com/media-room/surveys/defensive-medicine-study-2010.aspx.

[298] Centers for Medicare and Medicaid Services, *National Health Expenditures 2015 Highlights:* https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/downloads/highlights.pdf.

and possessing diverse cultural backgrounds and values—all require roughly the same set of health care services. The government's increasing imposition distorts the medical market, drives up prices, requires tedious regulations, and undermines Americans' liberty in this most important and intimate realm: their health. The House of Representatives recently passed the "American Health Care Act" [AHCA] in a critical first step toward restoring health decisions to patients.[299]

Washington's progressively expanding involvement in the health care sector stems from the belief that government can centrally manage the entirety of the Nation's diverse, personal health needs. This notion has led to the creation of Medicare (discussed previously), Medicaid, and the Affordable Care Act.[300] Of these, Medicaid constitutes the majority of direct spending in this category (Function 550 in Table 3). The totals for fiscal year 2018 are $517.8 billion in budget authority and $490.0 billion in outlays. Over 10 years, the budget projects direct spending of $5.1 trillion in budget authority and $5.0 trillion in outlays for all components of this function combined.

The Affordable Care Act has led to higher insurance premiums and deductibles; has limited consumers' choices of doctors and health plans; has deprived millions of the coverage they had; and has imposed taxes aimed at compelling people to purchase health coverage they do not want. Insurance markets are collapsing, and total national health care spending is projected to more than double during the next three decades.

The ACA established a system of four tiers of insurance plans—described as bronze, silver, gold, and platinum—that forces insurers to construct their coverage plans according to the demands of Washington, not the marketplace. These tiers mandate the actuarial value of benefits insurers must cover in their plans rather than letting insurers design plans for a broader variety of patient needs—thus sharply restricting the available choices. The AHCA unravels this tier system by repealing the Obamacare actuarial value requirements. This budget supports the sort of bold reform that infuses the insurance market with the flexibility that will lead to greater patient choice and higher quality care.

Obamacare's resulting limited options are so unsatisfying that enrollments under the law are about half of what was projected when it was enacted, and 19.2 million Americans have chosen to face its individual mandate tax penalty rather than buying coverage they did not want.[301] To the extent Obamacare may have expanded health coverage, it has not enhanced access to affordable health *care.* Due to higher premiums and deductibles, many who have obtained ACA coverage cannot use it because their out-of-pocket medical expenses are too high. Recent reports showed that 50 percent of Obamacare customers were cutting back on care to

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[299] H.R. 1628, the "American Health Care Act of 2017", 115th Congress: 1st Session, 20 March 2017.

[300] The Affordable Care Act consists of the two related measures enacted in March 2010 that constituted the health care legislation: the Patient Protection and Affordable Care Act (Public Law 111–148), and the Health Care and Education Reconciliation Act of 2010 (Public Law 111–152).

[301] Internal Revenue Service Commissioner John A. Koskinen updated members of Congress regarding 2016 tax filings related to Affordable Care Act provisions, 9 January 2017: https://www.irs.gov/pub/newsroom/commissionerletteracafilingseason.pdf.

help manage their health costs. This compares to 33 percent among the general insured population.[302] In other words, enrollees cannot afford to use their Affordable Care Act coverage.

The AHCA serves as a fundamental *transformation* of health care policy toward a better strategy for true reform. To put this another way: "It makes no sense for one Federal agency to dictate the contents of every American's health insurance plan."[303] The "American Health Care Act" unravels Obamacare's tier system by repealing its actuarial value requirements. Thus the AHCA removes a bureaucratically imposed design from the health care market.

A key component of this strategy involves the restoration of federalism in health care—giving States more flexibility to handle health care arrangements for their distinctive populations. "States have been in the business of regulating health insurance for decades. They should be empowered to make the right tradeoffs between consumer protections and individual choice, not regulators in Washington."[304] Under the AHCA, States will have the opportunity to assist high-risk individuals or fund innovation programs to care for their unique patient populations.

The "American Health Care Act" provides a portable, advanceable tax credit that evolves with an individual's health care needs. The legislation's reforms will make more options available for individuals and families, who will be free to choose the health plan that best meets their needs. Protections and access to care for individuals with pre-existing conditions will continue. Further, by increasing the amount of money that can be placed in Health Savings Accounts, coupled with other reforms, the policies will allow individuals and families to save and spend their health care dollars the way they want.

The analysis by the Congressional Budget Office and the Joint Committee on Taxation [JCT] projects stability in the non-group health insurance market. These agencies estimate grants from the AHCA's Patient and State Stability Fund would exert substantial downward pressure on premiums in the nongroup market and would help encourage insurers' participation in the market."[305] Although the new tax credits would be structured differently from current subsidies, the analysis notes, the other changes would "lower average premiums enough to attract a sufficient number of relatively healthy people to stabilize the market."[306] Further, CBO and JCT agree the Federal Invisible Risk Sharing Program "would result in lower premiums for health insurance coverage in the nongroup market and would encourage insurers to continue to sell insurance in that market."[307] In addition to these efforts to restore patients' rights and inject stability into the now-precarious health

[302] GfK, "To Reduce Health Costs, 50% of ACA Exchange Customers Are Cutting Back on Care—GfK Study," 27 October 2016: http://www.gfk.com/en-us/insights/press-release/to-reduce-health-costs-50-of-aca-exchange-customers-are-cutting-back-on-care-gfk-study/.

[303] The Speaker's Health Care Reform Task Force, *A Better Way: Our Vision for a Confident America—Health Care,* 22 June 2016, p. 12.

[304] *A Better Way* op. cit., p. 12.

[305] Congressional Budget Office, "Cost Estimate for the 'American Health Care Act', as passed by the House of Representatives on May 4, 2017," 24 May 2017: https://www.cbo.gov/system/files/115th-congress-2017–2018/costestimate/hr1628aspassed.pdf, p. 14.

[306] Ibid., p. 5.

[307] Ibid., p. 14.

insurance market, the "American Health Care Act" will reduce the Federal deficit by $118.7 billion, if enacted.[308]

This budget supports the sort of bold reform that infuses the insurance market with the flexibility that will lead to greater patient choice and higher quality care. The resolution's approach to health care builds on the "American Health Care Act", and revolves around the following goals:

- Lowering costs;
- Providing more choices;
- Restoring patient control; and
- Ensuring universal access to quality care.

The illustrative options for health care outlined in this report follow this guidance, while allowing for a stable transition that does not disrupt people's current coverage, or the insurance market.

Because the AHCA removes the individual mandate penalty and enables people to choose coverage that best suits their individual needs—or, as the case may be, to choose not to have coverage at all—a greater number of Americans will elect to have coverage outside Obamacare's restrictive definitions. Many Americans will choose catastrophic plans, mini-medical plans, expanded Health Savings Accounts, or as-yet-undefined plans purchased with the new AHCA tax credits. CBO does not count these in its model for "comprehensive" health plans, and therefore treats individuals who might purchase them as uninsured. This is a key reason for the decline in coverage, relative to current law, CBO projects for the "American Health Care Act". The analysts simply do not account for alternative forms of legitimate insurance that may arise in a less restricted market

CBO's capacity for estimating coverage, however, is an emerging field. The agency is limited in its ability to predict behavior and therefore the number of people truly covered by a range of insurance options. CBO's coverage estimates are narrow in scope, and cannot account for the variety of plan options detailed in this section. CBO itself considers this a "challenge," and explains the problem in two separate blog posts that the analysts cite in their multiple iterations of the score for the "American Health Care Act".[309] Even so, CBO predicts that "more people who would otherwise be uninsured would enroll in nongroup coverage in states making changes to regulations, because of the resulting lower premiums."[310]

Another major policy area reflected here—the largest component of Function 550—is Medicaid. Medicaid is a crucial component of the American safety net. It provides a fundamental level of security for low-income Americans who struggle with long-term illnesses and disabilities. These individuals are unable to perform substan-

[308] Ibid.

[309] See: Congressional Budget Office, "Challenges in Estimating the Number of People With Nongroup Health Insurance Coverage Under Proposals for Refundable Tax Credits", Blog Post, 20 December 2016: https://www.cbo.gov/publication/52351, and, Congressional Budget Office, "How Does CBO Define and Estimate Health Insurance Coverage for People Under Age 65?", Blog Post, 20 December 2016: https://www.cbo.gov/publication/52352.

[310] CBO Cost Estimate for AHCA, 24 May 2017, p. 31.

tial gainful activities; they require society's help. Medicaid is often the only option for people in these difficult circumstances.

Medicaid is also a vital program for low-income children, parents, pregnant women, and seniors. The social safety net should catch these individuals when they fall. On the other hand, for those who are able-bodied, it should serve as a springboard to help them get back up. For many, though, Medicaid's promises are empty, its goals are unmet, and its dollars are wasted. Sick individuals cannot get appointments, and new beneficiaries cannot find doctors, making Medicaid synonymous with poor access and little care. Medicaid patients often have a hard time accessing care at all. A survey in *The Washington Post* found that fewer than one out of every two physicians now accept Medicaid as a form of coverage.[311]

In fact, according to a study conducted by a team of renowned economists from the Massachusetts Institute of Technology, Harvard, and Dartmouth, Medicaid's value to its recipients is significantly lower than the government's spending on the program.[312] In addition, doctors who provide services to Medicaid patients are severely under-reimbursed,[313] a problem made worse by adding more individuals to the system.[314] GAO found that provider payments for Medicaid are about 30 percent to 65 percent lower than what private insurers pay providers.[315] This contributes to the difficulty Medicaid patients have in finding a doctor. Without reform, Medicaid will fail to deliver on its promise of providing a sturdy health care safety net for the Nation's most vulnerable.

Furthermore, Medicaid spending is not sustainable. Spending in the program's first 50 years far exceeded expectations, and the trend is projected to continue in the future. According to the CBO, since 1980, Medicaid spending has increased by more than 2,600 percent, and by 300 percent of gross domestic product. In just the past 15 years, Medicaid spending has increased by 200 percent, or 66 percent as a share of GDP. Last year alone, Medicaid spending grew by $19 billion; this single year's increase was more than the entire Federal share of Medicaid spending for the program in 1980, at which time the cost was $14 billion. The CBO projects Federal spending on this program to be $389 billion in fiscal year 2017. This amount is expected to grow by 67 percent over the next 10 years, reaching $650 billion by fiscal year 2027.[316]

This number, however, masks the full cost of Medicaid, because it represents only the Federal share of spending. States also pay a significant portion of Medicaid costs, and their spending on the program is expected to follow these upward trends as well. Accord-

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[311] Jenny Gold, Wonkblog, "In cities, the average doctor wait-time is 18.5 days," *The Washington Post,* 29 January 2014: https://www.washingtonpost.com/news/wonk/wp/2014/01/29/in-cities-the-average-doctor-wait-time-is-18–5-days/?utm_term=.9938b8a1686f.

[312] Amy Finkelstein, Nathaniel Hendren, and Erzo F.P. Luttmer, *The Value of Medicaid: Interpreting Results from the Oregon Health Insurance Experiment,* June 2015, pp. 2, 40, 41: http://economics.mit.edu/files/10580. Furthermore, the study found that Medicaid does not have a "statistically significant impact on mortality or physical health measures" for recipients.

[313] The Henry J. Kaiser Family Foundation, "Medicaid-to-Medicare Fee Index," Accessed 8 January 2016: http://kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/.

[314] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* Underling Baseline Projections for Medicaid. In 2016, the average number of people enrolled in Medicaid, on a monthly basis, was 76 million, making Medicaid the largest health care provider in the country.

[315] Government Accountability Office, GAO–14–533, "Medicaid Payment: Comparisons of Selected Services under Fee-for-Service, Managed Care, and Private Insurance," July 2014.

[316] Congressional Budget Office, op. cit., p. 13, and p. 96.

ing to the most recent data available from the Centers for Medicare and Medicaid Services, total State Medicaid spending is expected to rise from about $212.5 billion in fiscal year 2016 to $369.8 billion in fiscal year 2025.[317] This means that at the end of the 10-year window, taxpayers will spend about $1 trillion annually on Medicaid through Federal and State expenditures. According to the CMS Actuary's most recent annual report, by fiscal year 2025, Medicaid is projected to have 81.6 million enrollees.[318]

Medicaid's current funding structure (the Federal Medical Assistance Percentage [FMAP]) creates perversely encourages States to expand the program while providing little incentive to save. For every dollar a State government spends on Medicaid, the Federal Government traditionally has paid an average of 57 cents. Expanding Medicaid coverage during boom years is tempting for States because they pay less than half the cost. Conversely, there is little incentive to restrain Medicaid's growth because State governments only save an average of 43 cents for every dollar worth of coverage they rescind. The program's expansion under Obamacare exacerbates this challenge, with the Federal Government covering 95 percent of every dollar spent on a State's additional Medicaid population in 2017.[319] CBO estimates former President Obama's health care law will increase Federal spending for Medicaid and State Children's Health Insurance Program [SCHIP] by more than $1 trillion over the 2018–2027 period. This sharp increase is due to the millions of new beneficiaries the Affordable Care Act drives into these programs.

In contrast, the "American Health Care Act" seeks to minimize the strain on the Medicaid Program to preserve resources for those most in need. Currently, Medicaid subjects enrollees to second-rate care—if they can get care at all. The expansion under the ACA only served to exacerbate this problem, as well as to discourage work and self-sufficiency.

The AHCA's Medicaid reforms provide greater State flexibility while modernizing the program for the 21st Century. Significant reforms will ensure resources are available for the vulnerable populations Medicaid is intended to serve: children, pregnant women, the aged, and the disabled. A reformed payment structure will give States the latitude and control to meet their varied needs. Indeed, even after AHCA's allegedly deep "cuts" in Medicaid, the program's spending would continue to grow, rising from $389 billion in 2017 to $466 billion in 2026 (the final year of CBO's most recent cost estimate). Federal Medicaid spending will still total $4.09 trillion over the 10-year period, even after reform. What AHCA will do is slow the growth of Medicaid spending, making the program sustainable for the long term so it can protect the most vulnerable in American society.

While the AHCA presents a promising change of course for America's health care sector, this budget envisions additional steps toward a fully patient-centered system. Congress must pass further

[317] Office of the Actuary, Centers for Medicare and Medicaid Services, *2016 Actuarial Report on the Financial Outlook for Medicaid.* This reflects the most recent data available. The 2017 Actuarial report will be released this summer.

[318] Ibid., p.21.

[319] This percentage began at 100 percent and will decrease over time, falling to 90 percent of the costs for a State's additional Medicaid population in 2020 and thereafter.

legislation, and the administration must implement significant regulatory reform, to achieve this goal.

Illustrative Direct Spending Policy Options

For all the reasons given above, the budget resolution calls for major reforms of the Medicaid Program and further steps in the repeal and replacement of the Affordable Care Act. To clear the way for patient-centered health care in America, the budget supports the AHCA and efforts to continue down the path it started.

Americans should have more choices in coverage options are available so they can pick a plan that best fits their unique health care needs. A critical initial action is eliminating Obamacare's burdensome one-size-fits-all mandates and regulations that are driving up the price of insurance and limiting options. Encouraging a robust, competitive insurance market would reduce costs, restore flexibility, and provide Americans more options to choose the coverage they want for themselves and their families.

Those who have a severe injury or illness should also have access to quality and responsive care. To guarantee affordable coverage, patient-centered health care would provide protections for patients with pre-existing conditions, reward those who maintain health coverage, and give States—who are better equipped to respond to the needs of their communities—more control over regulating insurance. Finally, patient-centered health care must break down costly and burdensome barriers to innovation so that life-saving technologies and treatments are reaching patients in need. By moving health care into the 21st Century, America can build on the remarkable advancements that have already been made, which make delivery of care more effective, efficient, and affordable.

These principles—affordability, accessibility, quality, choices, innovation, and responsiveness—provide the roadmap to health care that actually works for patients and providers. They promote a responsive network that puts health care decisions in the hands of individuals, families, and their doctors, not Washington. The budget resolution includes a policy statement that describes in greater detail the contours of such a patient-centered approach.

The House committees responsible for the program changes in these areas are Energy and Commerce, Ways and Means, Education and the Workforce, Judiciary, Natural Resources, House Administration, and three Appropriations Subcommittees: Agriculture, Rural Development, Food and Drug Administration and Related Agencies; Labor, Health and Human Services, Education, and Related Agencies; and Legislative Branch. These panels have full authority over the programs in their jurisdictions; they will determine the exact parameters of structural Medicaid reform, as well as those for other policies flowing from the fiscal assumptions in this budget resolution. Nevertheless, meaningful Medicaid reform and other measures to slow the growth of Federal spending, while also providing recipients with a benefit that helps improve health outcomes, are critical. One set of potential approaches is outlined below.

TOWARD PATIENT-CENTERED HEALTH CARE

Repeal the Remainder of the ACA and Repair Its Damage. This budget encourages additional action—through both administrative and legislative channels—to repair the market damage and patient suffering caused by the ACA. The Obamacare legislation contains more than 1,400 instances in which it grants the Department of Health and Human Services broad discretion in determining Federal health care policy. Apart from subjecting individuals' medical care to the dictates of government bureaucrats, this constitutes a dangerous expansion of the administrative state. The budget supports a rollback of the vast regulatory authority granted to the Executive Branch. Such a rollback would likely promote economic growth as well as patient choice.

The ACA expanded Washington bureaucracy through a number of new programs. Many of these programs either duplicated existing efforts or expend taxpayer dollars with no accountability. Still others created new programs exemplifying the ideology of "Washington knows best." The Prevention and Public Health Fund, though intended to support prevention and public health activities, provided the administration with access to $15 billion that could be accessed without restraint, and was raided to supplement the costly ACA exchanges.

The AHCA eliminates the Prevention and Public Health Fund, but there are additional similarly problematic programs. For example, Obamacare established the Patient-Centered Outcomes Research Institute to study the effectiveness of various medical treatments. It imposes a $2 fee for every covered life the epitome of bureaucracy in health care determining the cost-benefit of treatments for patients. The Centers for Medicare and Medicaid Innovation [CMMI] presents another example: CMMI was designed to test new payment models in Medicare and Medicaid, but the Obama Administration interpreted its authority beyond the ability to "test" payment models and announced it will "mandate" untested payment models that may adversely affect quality of care for Medicare and Medicaid patients. In the new administration, HHS Secretary Price has signaled his intent to restore the CMMI program to its original intent.

The most egregious program created under the Affordable Care Act, however, is the Independent Payment Advisory Board, a panel of 15 unelected, unaccountable bureaucrats charged with making coverage decisions on Medicare to decrease program spending levels without the authority of Congress.

Obamacare's failures are not mere glitches in an otherwise smooth-running operation. They are the predictable and inevitable result of a program that remains profoundly and fundamentally flawed. For all these reasons, this budget calls for full repeal of the Affordable Care Act, building on the efforts of the "American Health Care Act".

As mentioned earlier, however, repealing Obamacare is only the first step. The more important effort is to rethink health care fundamentally—to shed the arrogant illusion that Washington bureaucrats and technicians can somehow control and manage the many moving parts that interact to create what is known as health care in America. Instead of trying to box this immensely valuable service into an homogenous, government-run system, policymakers should enlist the creativity of all the participants—and also open the door to innovators from outside the field, who may be able to deliver unexpected insights—and reform health care from the ground up. This should start from the most fundamental relationship in medicine: the one between the patient and the doctor.

MEDICAID AND SCHIP

Repeal the Medicaid Expansion under the Affordable Care Act. The ACA's Medicaid expansion also binds the hands of local governments in developing solutions that meet the unique needs of their citizens. Obamacare exacerbates the already crippling one-size-fits-all enrollment mandates that have resulted in below-market reimbursements, poor health care outcomes, and restrictive service availability.

The ACA created major expansions in the Medicaid Program beginning in 2014. As noted previously, the Federal Government now pays a significantly larger share of the Medicaid expenses for individuals who are newly eligible for Medicaid due to the ACA, dramatically increasing Federal spending. Newly eligible beneficiaries also add pressure to already-strained State budgets, drawing limited resources away from the most vulnerable populations. According to CBO, approximately 12 million new individuals are enrolled in Medicaid under the ACA in 2017; this number is expected to grow to 17 million individuals by 2027 if the law is not reformed.[320]

While the AHCA begins reforming the Medicaid expansion, it allows States the option of continuing the expanded program for individuals up to 138 percent of the Federal Poverty Level [FPL]. The budget calls for repealing the ACA's Medicaid expansions. While it supports the AHCA's policy not to remove from the rolls anyone currently on the program, it does not support adding any new enrollees above the poverty line.

Refocus Medicaid Resources on the Truly Needy. The Federal Government and States share the cost of Medicaid, with the share of each derived from the FMAP formula.[321] This formula provides for a higher reimbursement rate to States with a lower per capita income, and a lower reimbursement rate for States with a higher per capita income.[322] To achieve this, a State's per capita income is compared to the National per capita income. As such, the Federal share of spending varies from State to State.[323]

Medicaid continues to grow at an unsustainable rate and contributes to the ballooning budget deficit. As such, Congress must make adjustments to ensure that taxpayer dollars are spent with pru-

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[320] Congressional Budget Office, *Federal Subsidies Under the Affordable Care Act for Health Insurance Related to the Expansion of Medicaid and Nongroup Health Insurance: Tables from CBO's January 2017 Baseline,* January 2017: https://www.cbo.gov/sites/default/files/recurringdata/51298–2017–01-healthinsurance.pdf.

[321] Section 1905(b) of the Social Security Act.

[322] The statutory formula is as follows:

$FMAP_{State} = 1—((\text{Per Capita Income}_{State})^2/(\text{Per Capita Income}_{U.S.})^2 * 0.45)$

[323] The FMAP discussed in this section refers to the traditional, or base, FMAP. For many populations, the FMAP rate is higher (for example, due to the ACA expansion or enhanced FMAP additions for select groups such as SCHIP enrollees or prisoners).

dence—that is, that dollars are spent in a way that they do the most good for the most people. Additionally, for States to gain greater flexibility in designing their Medicaid programs, they should be required to raise their stake in the programs' successes.

Under Obamacare's Medicaid scheme, the Federal Government reimburses States at a higher FMAP rate for enrollees above the poverty line than for those below it. This means that an able-bodied, working-age adult without dependents receives more taxpayer dollars for Medicaid than a sick, disabled child well below the poverty line.

For example, an adult with no physical or mental obstacles who has an income above the poverty line will bring the State a 95-percent FMAP in 2017, but a needy child below the poverty line could earn only a 50-percent FMAP.[324] The scheme was created as a perverse incentive under the ACA to entice States into adding more people to their Medicaid rolls, rather than finding ways to lift them out of poverty or near-poverty. With limited Federal resources and a growing strain on taxpayers, such a system is unsustainable—in addition to being unfair to those Medicaid was intended to serve. This disproportionate reimbursement incentive flagrantly abandons the most vulnerable in favor of advancing an ideology of government dependency.

This budget encourages reinserting parity into the Medicaid FMAP structure. The budget encourages returning for higher-earning Medicaid enrollees to the traditional FMAP. By restoring enrollees above the poverty line to the same match rate as those below the poverty line, the Federal Government removes the incentive for States to push resources away from the most impoverished. This would also preserve access to Medicaid for those most in need of society's help.

Put Medicaid on a Budget. The budget resolution supports the AHCA's model for transforming Medicaid from an open-ended benefit back to a quality safety net for the Nation's most vulnerable. States would have the option of choosing one of two possible designs: the per capita cap allotment or the optional block grant.

The AHCA strengthens and secures Medicaid by instituting a per capita cap, which converts the Federal share of Medicaid spending into finite funding amounts. The allotment is paired with reforms that allow States to design programs for their Medicaid enrollees, such as the ability to define the essential health benefits Medicaid must cover. Governors and State legislatures are closer to patients in their States and know better than Washington bureaucrats where there are unmet needs, as well as opportunities to cut down on waste, fraud, and abuse.

Even with the limited flexibility of Medicaid's current waiver program, States have developed innovative reforms that produce cost savings and quality improvements. For example, the Healthy Indiana Plan (implemented prior to the ACA) provided that State's residents who did not qualify for Medicaid with access to health benefits such as physician services, prescription drugs, inpatient and outpatient hospital care, and disease management—all without

[324] This traditional match rate is dependent on the State, as it is calculated based on each State's per-capita income. The statutory range is currently between 50% and 85%.

additional funding. Other States could alter eligibility requirements, for example, or move able-bodied adults off the Medicaid rolls. The savings generated could then be redirected toward additional protections for the most vulnerable populations, or to other State health care priorities.

All States should have the flexibility to adapt their Medicaid programs—to design their benefit packages in a way that best meets the needs of their State populations; to promote personal responsibility and healthy behaviors; and to encourage a more holistic approach to care that considers not only Medicaid beneficiaries' health conditions, but also their economic, social, and family concerns.

The per capita cap program design ensures protections for the most vulnerable by providing States with designated funding for those persons who are truly in need of care and support. Based on the four main eligibility categories as currently defined by the Federal Government in the Medicaid Program—the elderly, the blind and disabled, nondisabled adults, and children—a per-person payment amount would account for the average cost of care, per enrollee, in each of these four principal categories, and would be indexed to a predetermined growth rate. The Federal Government would then provide Medicaid funds to the States based on the total number of enrollees in category. This accounts for the variation in spending among the four different categories, helping target funds to the most vulnerable. Further, Federal law would provide the basic template for the program to provide accountability for the funds and help root out waste, fraud, and abuse.[325]

Promote State Flexibility. The optional block grant would encourage State innovation. Through this arrangement, both the Federal Government and the States would have budgetary certainty, which would create strong incentives for the States to manage the Federal funding wisely, while reducing costs.[326] Any spending that exceeded the amount provided to the State would have to be financed by the State. Conversely, the funding provided to States would not be reduced if they found innovative ways to reduce Medicaid costs. Under a traditional State Flexibility Fund, States could, for example, use money saved to support other welfare programs, including Temporary Assistance for Needy Families, Supplemental Security Income, and the Supplemental Nutrition Assistance Program (food stamps) if the need was greater in those areas. This option provided by the AHCA restores State prerogatives and increases the ability of States to tailor programs for their vulnerable populations.

If enacted, these "American Health Care Act" Medicaid reforms would improve the health care safety net for low-income Americans by giving States the ability to offer their Medicaid populations more options and better access to care. This kind of reform would ease the fiscal burdens on States. It also would provide States budget certainty, contribute to the long-term stabilization of the

[325] Committee on Oversight and Government Reform, *Uncovering Waste, Fraud, and Abuse in the Medicaid Program,* staff report 25 April 2012: https://oversight.house.gov/wp-content/uploads/2012/04/Uncovering-Waste-Fraud-and-Abuse-in-the-Medicaid-Program-Final-3.pdf.

[326] Letter from Keith Hall, Congressional Budget Office Director, to the Honorable Diane Black, Chairman of the U.S. House Committee on the Budget, 17 March 2017: https://www.cbo.gov/system/files/115th-congress-2017–2018/reports/52510-medicaidblockgrant.pdf.

Federal Government's fiscal path, and preserve the Medicaid safety net.

The budget also supports legislative efforts to promote State flexibility in Medicaid beyond structural reform. For example, States could be enabled to set reasonable cost-sharing standards for able-bodied adults. The Federal Government could improve program management and empower States simultaneously through a variety of other tools, including: allowing States to use contractors in eligibility processing, giving States flexibility regarding non-emergency transportation use, and promoting better oversight and transparency of the State-managed portions of Medicaid.

Apply a Work Requirement to Medicaid. The budget seeks to promote self-sufficiency through a work requirement for able-bodied adults enrolled in Medicaid. Such a proposal would aim to reinforce and strengthen the policy of the "American Health Care Act".

Under the policy, where applicable, able-bodied, working-age adults would remain enrolled in Medicaid only if they were actively seeking employment, participating in an education or training program, or doing community service. The policy would support Americans who are trying to get back on their feet while preserving resources for those who need help most.

Work provides a source of income and self-sufficiency. It also has been demonstrated as a valuable source of self-worth and dignity for individuals. In fact, employment and self-esteem are so closely tied together that a Gallup-Healthways Well-Being Index found "Unemployed adults and those not working as much as they would like are about twice as likely as Americans who are employed full time to be depressed." [327] Applying a work requirement to Medicaid would assist more people in transitioning out of poverty while also enhancing their self-respect, their self-reliance, and their courage and determination—much like what occurred with the highly successful Temporary Assistance for Needy Families Program as established in 1996.

Under this option, the policy would apply to Medicaid beneficiaries who are able-bodied, non-elderly adults without dependents. For children in foster care or living with relatives, the policy would treat non-parent custodians as parents in determining dependent status. The policy also would exclude pregnant women from the requirement—and provide a postpartum exemption period of at least 62 days (nine weeks) to cover mothers who suffer a miscarriage, whose infant dies during or shortly after birth, or who place their child with an adoptive or foster family.

Under such a policy, enrollees could be expected to work 30 hours per week, with 20 of the 30 hours attributable to "core work activities." Core activities would be defined as: private or public sector employment; work experience; on-the-job training; job-search or job-readiness assistance program participation; community service; or vocational training and education. Noncore activities that might be counted as the remaining 10 hours would be defined as:

[327] Alyssa Brown and Kyley McGeeney, *In U.S., Employment Most Linked to Being Depression-Free,* Gallup, 23 August 2013: http://www.gallup.com/poll/164090/employment-linked-depression-free.aspx.

job-skills training, job-related education, or satisfactory attendance at high school or in an equivalent course.

This policy would promote State flexibility by allowing States to define the criteria for qualifying community service, job-search and training programs, and unpaid work experience. It also would encourage States to perform case checks as they saw fit. States would have the authority to make determinations on hardship exemptions.

At the same time, because Medicaid is partly a federally funded program, the Federal Government has a responsibility to ensure taxpayer dollars are appropriately spent. Hence, under such a policy, States would certify that beneficiaries meet the minimum work requirement standards for an individual to enroll in the Medicaid Program. Enrollees not meeting work requirements for more than 63 days would be ineligible for benefits, barring an exemption. The budget recommends a two-year roll-out period for States to acclimate to the new standards. To prevent fraud and abuse, States would conduct checks every six months, and the GAO or the HHS Inspector General would conduct annual audits of State programs to ensure proper reporting.

These requirements would help target resources toward the most vulnerable populations, while at the same time making Medicaid available for those on the precipice of poverty who are transitioning into economic stability.

Eliminate Waste, Fraud, and Abuse. The budget also advances several reforms to help root out waste, fraud, and abuse in the Medicaid Program. For example, Medicaid eligibility is determined by an individual's calculated Modified Adjusted Gross Income [MAGI].[328] Under current law, the MAGI does not include all forms of income. This budget proposes to expand the MAGI to count extra income, presenting a more accurate picture of eligibility. This will help target the limited Medicaid resources to those who are actually in need of them.

In addition, the budget recognizes several options that can be implemented in the short term to strengthen and preserve the Medicaid Program. The first is to reform the 1115 waiver process. One potential improvement would be requiring that waivers be budget-neutral in actual costs and to ensure that any new spending does not duplicate other Federal programs. Another would be allowing States to adopt previously approved waivers without having to go through the approval process again. Additionally, the budget encourages efforts recently initiated by CMS to streamline the waiver application process and assist States in creating programs that will be successful.

Furthermore, the budget supports implementation of recommendations from the Government Accountability Office to improve how the program functions and reduce fraud.

Reduce Risk Based on GAO Recommendations. The Government Accountability Office has designated Medicaid as high-risk since 2003, largely due to "concerns about the adequacy of fiscal over-

[328] Centers for Medicare and Medicaid Services, *MAGI: Medicaid and CHIP's New Eligibility Standards,* 30 September 2013: https://www.medicaid.gov/medicaid/program-information/downloads/modified-adjusted-gross-income-and-medicaid-chip.pdf.

sight." [329] According to GAO, State management of programs complicates oversight of payments and patient access to care, as the Federal Government must rely on State-provided data. Further, Medicaid experiences dramatic swings in enrollment and funding requirements based on economic upturns and downturns. These periods of higher enrollment lead to higher costs and less State revenue stability, which in turn contribute to greater risk for improper payments and poor access to services. Adding to this, CMS receives insufficient data on Medicaid programs from States. GAO describes the lack of accurate, timely data as an "overarching challenge" for oversight of the Medicaid program.[330] Often, available data is three years behind.

In its report on high risk programs, GAO provides five areas of Medicaid in need of improved oversight: financing and provider payment transparency and oversight, managed care payments and utilization oversight, growing expenditures for and oversight of large Medicaid demonstrations, monitoring and measurement of access to quality care, and growing expenditures for long-term care services.

This budget supports GAO's recommendations for reducing risk in the Medicaid sphere. Among them, GAO and this budget encourage a systematic review of Federal determinations of Medicaid eligibility. GAO and this budget also support improving the process for reviewing and approving Medicaid demonstrations, and making transparent the basis for spending limits approved by HHS for the demonstrations. Finally, based on testimony by Comptroller General Gene L. Dodaro, this budget proposes requiring greater reporting by States on Medicaid payments for uncompensated care, along with greater coordination between CMS and State auditors.[331]

Institute Parity for SCHIP. The State Children's Health Insurance Program provides coverage for otherwise-uninsured low-income children and pregnant women who do not qualify for Medicaid. These enrollees are above the poverty rate required for Medicaid coverage. For fiscal year 2017, 6.3 million children are projected to be enrolled in SCHIP on a monthly average.[332] CBO anticipates Federal outlays for the same year to total $14.5 billion.[333]

SCHIP is essential for children in the gap between Medicaid and private health insurance (those children whose parents cannot provide health care coverage but who are not impoverished). This budget supports the continuation of the program and urges Congress to extend its funding when it expires shortly. At the same time, the budget proposes using the forthcoming extension as an opportunity to prevent unfair practices that divert resources away from the most susceptible children.

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[329] Government Accountability Office, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others,* 15 February 2017, p. 560: http://www.gao.gov/assets/690/682765.pdf.

[330] GAO, op. cit., p. 563.

[331] Committee on the Budget, U.S. House of Representatives, hearing on "Failures of Fiscal Management: A View from the Comptroller General," 3 May 2017.

[332] Congressional Budget Office, *Detail of Spending and Enrollment for the Children's Health Insurance Program—CBO's January 2017 Baseline,* January 2017: https://www.cbo.gov/sites/default/files/recurringdata/51296–2017–01-chip.pdf.

[333] CBO, op. cit.

As with the ACA's unfair practice of favoring higher-income Medicaid enrollees over the poorest Americans, the Obama Administration unjustly favored higher-income SCHIP recipients over their poorer Medicaid counterparts. At present, States receive an enhanced FMAP for SCHIP enrollees, with an average increase of 15 percent over the State's Medicaid reimbursement rate per enrollee. Additionally, the ACA added an additional 23 percent FMAP increase for SCHIP. This places the combined enhanced Federal Medical Assistance Percentage rate for SCHIP such that the Federal Government covers 88 percent to 100 percent of the cost for each SCHIP beneficiary.[334] As such, the Federal Government provides a higher nominal amount for States to cover children above the poverty line than to cover those below it.

Under Obamacare, subsidies are available for individuals up to 400 percent of FPL.[335] As such, most of these children could be covered through the health care insurance market, rather than under SCHIP. If the AHCA is enacted, parents will have access to a portable, advanceable tax credit to purchase health care coverage for their children, as well, regardless of income. Thus, children and pregnant women would have access to plans that better fit their needs and provide broader access to care through expanded provider networks and tailored services. With these considerations, the requirement for enhanced funding for SCHIP no longer stands.

Taking these concerns together, children and pregnant women well above the poverty line, with no limit on income, and alternative access to care receive the greatest taxpayer assistance. Congress must take measures to correct this disparity, while preserving health care access for children and pregnant women who cannot access it without help. This budget proposes that Congress eliminate the enhanced 23-percent FMAP for SCHIP recipients in parity with the previously discussed option of returning Medicaid expansion enrollees to the traditional FMAP.

PRO-LIFE POLICIES

Defend Life and Promote Access to Health Care. This resolution supports the long-standing policy to ban Federal taxpayer dollars from funding elective abortions and calls for a 10-year cessation of Federal funding for Planned Parenthood. This year, President Trump signed into law H. J. Res. 43 under the authority of the Congressional Review Act.[336] This legislation overturns a December 2016 Obama Administration rule that forced States to provide Title X family planning grants to abortion providers. The Federal Government should not force States to provide funding to clinics such as Planned Parenthood that perform elective abortions. Similarly, the government should not force taxpayers to fund those clinics. The budget continues this protection by proposing to eliminate

[334] Baumrucker and Mitchell, op. cit., p. 17.

[335] HealthCare.gov, *Glossary: Federal Poverty Level,* last accessed 16 May 2017: https://www.healthcare.gov/glossary/federal-poverty-level-FPL/.

[336] Public Law 115–23, Providing for congressional disapproval under chapter 8 of title 5, United States Code, of the final rule submitted by Secretary of Health and Human Services relating to compliance with title X requirements by project recipients in selecting subrecipients, 115th Congress: 1st Session, 13 April 2017.

all Federal funding from Planned Parenthood and similar organizations.

The resolution promotes reinvesting the Planned Parenthood funding in community health centers [CHCs] to promote greater access to care for women, men, children, and the unborn. CHCs are nonprofit, community-based clinics that provide comprehensive care. There are 9,000 community health centers, which—unlike Planned Parenthood clinics—are required to be situated in underserved areas with high levels of poverty and infant mortality.[337]

This budget supports enhanced access to women's health care, while protecting taxpayers from funding abortion. For example, although Planned Parenthood advocates regularly claim that women receive mammograms at its facilities, none of the organization's 650 facilities actually offers mammograms. In contrast, CHCs are major providers of mammograms and other preventive services, particularly to women of color, Medicaid recipients, and the uninsured.

In 2015, CHCs provided health services to more than 20 million Americans, nearly 60 percent of whom were female. In contrast, Planned Parenthood served fewer than 3 million Americans the same year.[338] This budget makes efforts to ensure that taxpayer dollars do not go to the Nation's largest provider of abortions, but rather support the health centers that truly provide care to millions of women.

FEDERAL EMPLOYEE HEALTH BENEFITS

Reform the Federal Employee Health Benefit Program. Currently, Federal contributions to the Federal Employees Health Benefits Program grow by the average weighted rate of change in these programs. This budget supports restricting the growth in these plans to inflation for retirees.[339] The budget also proposes basing Federal employee retirees' health benefits on length of service. This option would reduce premium subsidies for retirees who had relatively short Federal careers. Together, these two reforms would bring health benefits for Federal retirees more in line with those offered in the private sector.

INCOME SUPPORT, NUTRITION, AND RELATED PROGRAMS

Function Summary

With the passage of his Great Society programs, President Johnson launched America's War on Poverty and greatly expanded the Nation's safety net. "Our aim," he promised, "is not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it." The President's intentions were widely accepted, and still are. A prosperous country, filled with a generous people, should be willing and able to help those of its citizens who are less well off. In-

[337] Elayne J. Heisler and Victoria L. Elliot, *Factors Relating to the Use of Planned Parenthood Affiliated Health Centers (PPAHCs) and Federally Qualified Health Centers (FHQCs),* Congressional Research Service, 18 May 2017.

[338] Heisler and Elliot, op. cit.

[339] The budget also restricts growth of the Federal Employees Health Benefits Program for current Members of Congress and their staffs. The cost savings from this proposal are reflected in the discretionary spending section of Function 550.

deed, voluntary charity is one striking demonstration of the American spirit. In 2015, charitable giving in America totaled $373.25 billion; that was more than the Federal Government spent on its major income security programs that year ($302 billion).[340]

Yet after a half century and trillions of Federal dollars spent, Washington's vast anti-poverty efforts have produced disappointing results. Two years after the war began, the poverty rate stood at 14.7 percent; in 2015, it was only modestly lower, at 13.5 percent.[341] Reflecting on the divergence between higher spending and disappointing results, in 1988 President Reagan noted: "The Federal Government declared war on poverty, and poverty won."

Today, the Federal Government continues to operate a patchwork of more than 90 welfare programs that lack any coordination in their efforts to help lift people out of poverty, for which spending by all levels of government exceeds $1 trillion. Multiple programs, overlapping services, and differing benefit structures often create significant disincentives to work, keeping many trapped in a cycle of poverty for years. While reforms during the 1990s reduced caseloads in Temporary Assistance for Needy Families [TANF] by more than two-thirds, and helped many cash welfare recipients find work and escape poverty, those reforms were limited in scope and affected only a small part of the safety net.

However well-intended, the current web of public assistance is more likely to entangle individuals in poverty rather than empowering them and their families to build lives of self-sufficiency. "[O]ur current system is broken," contends Larry C. Woods, Chief Executive Officer for the Winston-Salem Housing Authority, who has spent a career trying to assist America's most vulnerable. "Our approach is flawed. Our safety net is no longer a net, but a steel trap fostering dependency and cultivating generational poverty. It must change; and we must change it—and sooner rather than later."[342]

If America is going to cure poverty and prevent it, the effectiveness of anti-poverty programs must be measured by the number of individuals lifted out of poverty rather than the number of dollars being spent. What's more, if the government continues running unsustainable deficits and experiences a debt crisis, the poor and vulnerable will undoubtedly be the hardest hit, as the Federal Government's only recourse will be severe, across-the-board cuts.

Anti-poverty programs should promote self-sufficiency, not extended dependency. To that end, this budget proposes to continue the successful welfare reforms of the 1990s by improving work requirements for means-tested programs to help more people escape poverty and move up the economic ladder. It focuses resources in programs that deliver real results, restraining spending to reason-

[340] The National Philanthropic Trust [NPT], "Charitable Giving Statistics": https://www.nptrust.org/philanthropic-resources/charitable-giving-statistics (figures are the latest available; Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026,* January 2016, Table 3–2, p. 68. The comparison is not dollar for dollar. According to the NPT, the majority of philanthropic spending went to religion (32 percent), education (15 percent), human services (12 percent)grantmaking foundations (11 percent), and health (8 percent). The intent is simply to provide a measure of the magnitude of voluntary charity in America.

[341] Bernadette D. Proctor, Jessica L. Semega, and Melissa A. Kollar, Income and Poverty in the United States: 2015, United States Census Bureau, September 2016: https://www.census.gov/library/publications/2016/demo/p60–256.html.

[342] Testimony of Larry C. Woods, Chief Executive Office of the Winston-Salem Housing Authority, to the Committee on the Budget, U.S. House of Representatives, 28 October 2015.

able levels, reducing improper payments, and allowing States more ability to improve programs through policy innovation. It is focused on the following principles:

- Expect able-bodied adults receiving welfare to work or prepare for work in exchange for receiving benefits. Work—especially full-time work—is the surest way out of poverty. Many welfare programs provide benefits to alleviate immediate need, yet few expect able-bodied adults to work or assist them in finding and keeping jobs so they can move up the economic ladder. This budget proposes that able-bodied individuals receiving welfare benefits from a variety of programs be required to work or prepare for work in exchange for benefits, and that States be held accountable for engaging recipients in activities to help them find jobs and stay employed.
- Get incentives right when people move from welfare to work. The Nation's safety net should be designed to help those in need so they can get back on their feet and care for themselves and their families. Yet States and other service providers may lose money when someone leaves welfare for work, meaning they are better off failing than succeeding. Given the way the welfare system works now, it may not make sense for someone on welfare to work more because they can end up worse off financially. Under this budget resolution, committees across Congress would work together to get these incentives right, to make sure everyone is better off when someone leaves welfare for work.
- Focus welfare programs on outcomes, not inputs. The Federal Government often evaluates programs based on inputs, such as benefits paid, classes held, or people served. Yet very few, if any, programs are measured based on their results to assess whether they are really helping people out of poverty and dependency. To make sure taxpayer dollars are spent wisely, this budget would require committees overseeing welfare programs to work together to develop similar outcome measures for their programs and use funding structures that are focused on outcomes. Common outcome measures will allow Congress and the American people to better judge whether these programs are working and whether they should continue, need to be reformed, or should end. Focusing spending on outcomes allows greater flexibility in the operations of programs while ensuring families receive real help to climb the economic ladder.
- Preserve welfare benefits for those most in need. The American public is faced with a steady stream of reports revealing how welfare benefits are being paid to those who should never receive them. This frustrates taxpayers paying for these programs and reduces resources for those who truly need access to these benefits. Advances in technology have made it possible to more easily protect against fraud and abuse, and States are beginning to use these tools more frequently. The budget would implement these technological and administrative processes across means-tested programs to better protect taxpayer dollars allocated for these programs. By reducing abuse, these

welfare programs will be better focused on those who truly need help to move their families forward.

Finally, no set of government safety net programs can replace, or improve upon, nature's safety net: the family. For generation upon generation, the family has been the main source of comfort, security, and economic stability for the individual. It is where moral values and a sense of responsibility grow. The family reinforces the individual's place in the larger community. Government programs should recognize and support those who lose any connection to a family. At the same time, however, government should take care not to contribute to the dissolution of families. Government programs should aim to strengthen the family, the most important and enduring institution in society.

Social scientists across the political spectrum agree that children are better off with married parents.[343] Yet today, more than 40 percent of children are born to unwed mothers,[344] and the structure of anti-poverty programs places harsh anti-marriage penalties on those who currently depend on these programs when it is clear that "the married, two-parent family is one of the best weapons we have in the fight against poverty."[345] In 2014, the poverty rate for single mother-led families was almost five times the poverty rate for married-couple families, 30.6 percent and 6.2 percent, respectively.[346] This budget proposes to reduce, and wherever possible eliminate, the marriage penalties that have been unwittingly built into the current welfare system.

Most of the Federal Government's income-support programs are reflected in the direct spending components of Function 600, Income Security (see Table 3). These include Federal employee retirement and disability benefits (including military retirees); general retirement and disability insurance (excluding Social Security)—mainly through the Pension Benefit Guaranty Corporation—and benefits to railroad retirees; unemployment compensation; food and nutrition assistance, including food stamps and school lunch subsidies; and other income-security programs.

This last category includes: TANF, the government's principal cash welfare program; Supplemental Security Income [SSI]; and spending for the refundable portion of the Earned Income Tax Credit [EITC]. Agencies administering these and other programs in Function 600 include the Departments of Agriculture, Health and Human Services, Housing and Urban Development, the Social Security Administration (for SSI), and the Office of Personnel Management (for Federal retirement benefits).

For these programs, the resolution provides $423.7 billion in direct spending budget authority for fiscal year 2018, and $409.9 billion in outlays. The 10-year figures are $4.2 trillion in budget au-

[343] "They Do: The scholarly about-face on marriage," *The Boston Globe,* 26 April 2015: http://www.bostonglobe.com/ideas/2015/04/25/scholarly-kiss-for-wedded-bliss/INyenlyr0FIuWzaJDuFWGK/story.html.

[344] Centers for Disease Control and Prevention, *Births: Final Data for 2013,* National Vital Statistic Report Volume 64, Number 1, 15 January 2015: http://www.cdc.gov/nchs/data/nvsr/nvsr64/nvsr64_01.pdf.

[345] Robert L. Doar, Morgridge Fellow in Poverty Studies at the American Enterprise Institute, testimony to the Committee on the Budget, U.S. House of Representatives, 28 October 2015.

[346] Carmen DeNavas-Walt and Bernadette D. Proctor, United States Census Bureau, *Income and Poverty in the United States: 2014,* United States Census Bureau, September 2015: https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60–252.pdf.

thority and $4.1 trillion in outlays. The figures appear in Function 600 of Table 3.

The History and Development of Federal Anti-Poverty Programs

Before the New Deal, poverty relief was seen primarily as a responsibility of States, localities, and civil society. The Great Depression hit State budgets hard, while also increasing the demand for aid. The country experienced joblessness, homelessness, and deflation to previously unknown degrees. This combination resulted in direct intervention by Washington that forever redefined the relationship between the American people and their Federal Government.

In his 1935 State of the Union Address, President Roosevelt laid the foundation of the modern welfare state, declaring the Federal Government had a moral obligation to ensure a basic level of security for individuals. He warned, however, that Federal assistance ought to be focused and provide a pathway to self-sufficiency and independence. "The lessons of history," he noted, "confirmed by the evidence immediately before me, show conclusively that continued dependence upon relief induces a spiritual disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. It is inimical to the dictates of a sound policy. It is in violation of the traditions of America. Work must be found for able-bodied but destitute workers. The Federal Government must and shall quit this business of relief * * *. We must preserve not only the bodies of the unemployed from destitution but also their self-respect, their self-reliance, and courage and determination." [347]

That year saw the enactment of Social Security, which created, among other things, Aid to Dependent Children, (later renamed Aid to Families with Dependent Children [AFDC]). In 1946, President Truman signed into law the National School Lunch Program. He also proposed a plan for national health care

In 1953, Washington's role in public assistance expanded and became bipartisan with the establishment of the Department of Health, Education, and Welfare under President Eisenhower. President Johnson launched his Great Society programs starting in 1964. Among other things, the Food Stamp Act made permanent a pilot program and, a year later, Congress and the President enacted Medicaid as part of the 1965 Social Security Amendment. The Supplemental Security Income Program began operations in 1974, and in 1975 Congress created the Earned Income Tax Credit. By many important measures, however, the results of these efforts and others has been disappointing. In particular, the rising Federal spending commitment has not been matched with a falling poverty rate, increased self-reliance, or an improvement in other notable social indicators such as the health of the family.

In his 1988 State of the Union Address, President Reagan lamented: "With the best of intentions, government created a poverty trap that wreaks havoc on the very support system the poor need

[347] The American Presidency Project, President Franklin D. Roosevelt, *Annual Message to Congress,* 4 January 1935: http://www.presidency.ucsb.edu/ws/index.php?pid=14890.

most to lift themselves out of poverty: the family. Dependency has become the one enduring heirloom, passed from one generation to the next, of too many fragmented families."[348] This remains true today for many of the safety-net programs.

Welfare Reform

During the 1980s and 1990s, leaders began to recognize the shortcomings of many safety net programs, especially AFDC, and began to build reforms that focused on improving the lives of recipients. During the 1992 presidential race, Bill Clinton promised to "end welfare as we know it." Two years later, congressional Republicans' Contract with America included welfare reform as one of its 10 policy initiatives.[349]

These proposals were much needed. The number of families on AFDC peaked at 5.1 million in March 1994.[350] The subsequent 1996 welfare reform law replaced AFDC with TANF. Its key revisions to welfare policy included a capped allotment to States, work requirements, time limits on benefits, and State flexibility in the use of funds. Along with moving many from welfare to work, these reforms led to the single largest sustained reduction in child poverty since the onset of the Great Society.

Failures of the Current Government Safety Net

Notwithstanding the success of welfare reform, the current government safety net fails to achieve the most important sort of compassion: lifting those less well off into self-sufficiency. Federal assistance programs too often discourage work, and the intended beneficiaries become trapped in a system with little opportunity to build a prosperous life of their own.

BENEFIT CLIFFS AND DISINCENTIVES TO WORK

As recipients of public benefits find work or begin to earn more, their benefits phase out and their tax burdens rise. The combination of higher taxes and lost benefits can exceed the value of a dollar earned. Gary D. Alexander, former Secretary of Public Welfare for Pennsylvania, notes how various cliffs in anti-poverty programs can cause total household income to decline as wages increase.[351] A department examination of poverty programs concluded that the cliff effect can cause individuals earning $29,000 and $69,000 to have almost identical household incomes once taxes and benefit phase-outs are taken into account.

"Penalties to increased work effort, such as 'benefit cliffs' and high implicit marginal tax rates, are not just hypothetical," says Robert L. Doar, former commissioner of New York City's Human

[348] The American Presidency Project, President Ronald Reagan, *Address Before a Joint Session of Congress on the State of the Union,* 25 January 1988: http://www.presidency.ucsb.edu/ws/?pid=36035.

[349] Representative Newt Gingrich, "The Capitol Steps Contract and Cynicism in Washington, DC," the *Congressional Record,* 22 September 1994, vol. 140 (Washington: Government Printing Office, 1994), pp. H9526–H9527.

[350] Gene Falk, Congressional Research Service, *Temporary Assistance for Needy Families [TANF]: Size and Characteristics of the Cash Assistance Caseload,* 5 August 2014.

[351] Gary D. Alexander, the American Enterprise Institute, *Welfare's Failure and the Solution,* July 2012: http://www.aei.org/wp-content/uploads/2012/07/-alexander-presentation_10063532278.pdf.

Resources Administration and current fellow at the American Enterprise Institute [AEI]. "* * * In my experience, child care subsidies are especially disjointed and prone to large benefit cliffs that need to be mitigated. Policymakers must find ways to better coordinate programs so that these drop-offs in benefits are more rational and don't interfere with low-income Americans accepting a raise or working more hours." [352]

For many beneficiaries, the cliff effect compounds with the lack of work expectations in many programs, further reducing incentives to seek employment. The Obama Administration even claimed authority to waive the work requirements in TANF.

Where Federal policy has failed, non-government policy innovators are attempting to fill the void. For example, Woods is pursuing strategies to increase self-reliance in Winston-Salem housing programs: "In the City of Winston Salem, there are a growing number of agencies (public and private) that are discussing coordination of services, resource leveraging, collaborative partnerships, and data sharing all related to performance-based outcomes * * *. Our approach is designed to provide a positive and hopefully permanent exit strategy so families remain self-reliant.

"We call this approach 'Growing Families out of Poverty.' Unfortunately, under the current regulatory and statutory structure, we cannot fully implement our program. We have faced roadblock after roadblock restricting our ability to require or incentivize participation." [353]

Under Doar's management, New York City's anti-poverty programs made work expectations a major focus. "In New York, we were most successful at fighting poverty when we maintained the proper balance of strong work requirements and government assistance that supported—but did not replace—work." [354]

Civic organizations are also solving problems where Federal programs have disappointed. William C. McGahan, Founder of Georgia Works!, has developed a program in the heart of downtown Atlanta to help chronically homeless men overcome obstacles—criminal records, substance abuse, overdue child support, lack of proper identification, and so on—and assist them toward a path to becoming self-sufficient individuals reintegrated with their families, into the work place, and into society. "Unlike other programs that focus on singular issues faced by homeless individuals, the Georgia Works! methodology is comprehensive. The idea is to not only help eliminate the barriers to 'escaping' homelessness, but also to change the person so that homelessness does not re-occur." Each month, six to eight more men graduate to self-sufficiency.

Work not only provides a source of income and self-sufficiency, but also has been a demonstrated source of self-worth, pride, and dignity for individuals. In fact, employment and self-esteem are tied so tightly together that a Gallup-Healthways Well-Being Index found: "Unemployed adults and those not working as much as they would like are about twice as likely as Americans who are em-

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[352] Op. cit., Doar.
[353] Op. cit., Woods.
[354] Op. cit., Doar.

ployed full time to be depressed."[355] Protecting programs with existing work requirements from efforts to weaken them, and expanding them to other programs, will allow more people to escape poverty and to preserve their self-respect and self-reliance.

MARRIAGE PENALTIES

The structure of income support programs creates marriage penalties that cause individuals to have to choose between getting married or keeping benefits. "For several decades now, policymakers have created public tax and transfer programs with little if any attention to the sometimes-severe marriage penalties that they inadvertently impose. The expanded public subsidies thus put in place by lawmakers came at the expense of higher effective marginal tax rates, as program benefits often had to be phased out beginning at fairly low incomes to keep overall program costs in check. The combined effective marginal tax rates from these phaseouts and from regular taxes are very high—sometimes causing households to lose a dollar or more for every dollar earned and severely penalizing marriage. In aggregate, couples today face hundreds of billions of dollars in increased taxes or reduced benefits if they marry. Cohabitating or not getting married has become the tax shelter of the poor."[356]

In 2014, the poverty rate for single mother-led families was almost five times the poverty rate for married-couple families, 30.6 percent and 6.2 percent, respectively.[357] Yet today, more than 40 percent of children are born to unwed mothers,[358] and the structure of anti-poverty programs places harsh marriage penalties on those who currently depend on these programs even though it is clear that "the married, two-parent family is one of the best weapons we have in the fight against poverty."[359]

Furthermore, a recent AEI study found that marriage includes the far-reaching benefits of: greater economic growth, economic mobility, less crime, and less child poverty. The very first recommendation to "strengthen the economic and cultural foundations of marriage and family life" is an end to the marriage penalties in means-tested programs.[360] Reducing these penalties should be a major focus of improving poverty policy.

RIGID CENTRALIZATION

Washington's one-size fits all administration of means-tested programs limits State innovation and experimentation that might improve the programs to truly meet the needs of their residents.

[355] Alyssa Brown and Kyley McGeeney, Gallup, *In U.S., Employment Most Linked to Being Depression-Free,* 23 August 2013: http://www.gallup.com/poll/164090/employment-linked-depression-free.aspx.

[356] C. Eugene Steuerle, *The Widespread Prevalence of Marriage Penalties,* testimony before the District of Columbia Subcommittee on Appropriations, U.S. Senate, 3 May 2006: http://www.taxpolicycenter.org/UploadedPDF_Steuerle_050306.pdf.

[357] Op. cit., DeNavas-Walt and Proctor.

[358] Centers for Disease Control and Prevention, *Births: Final Data for 2013,* National Vital Statistic Report Volume 64, Number 1, 15 January 2015: http://www.cdc.gov/nchs/data/nvsr/nvsr64/nvsr64_01.pdf.

[359] Doar, op. cit.

[360] W. Bradford Wilcox, Joseph Price, Robert I. Lerman, American Enterprise Institute and Institute for Family Studies, *Strong Families, Prosperous States: Do Healthy Families Affect the Wealth of States?,* 2015: https://www.aei.org/wp-content/uploads/2015/10/IFS-HomeEconReport-2015-FinalWeb.pdf.

States lack the flexibility to improve the efficiency of their programs, though many governors have asked for a new approach. Federal mandates prevent States from finding new ways to make the programs more effective for beneficiaries while also deriving efficiencies and reducing costs.

Woods notes that "there is insufficient flexibility to allow agencies to tailor localized, common-sense approaches to problem solving. For example, laws prohibit residents' required participation in self-sufficiency programs." [361] If the State had the flexibility to require participation on a trial basis, such a program could test the improvements of the safety net in Winston-Salem. Greater flexibility for States would enable State and local governments to find innovative solutions for work disincentives, marriage penalties, and other flaws in current federal policy.

POOR TARGETING OF RESOURCES

The government's multiple programs across various departments, overlapping services, and differing benefit structures create significant penalties on work and marriage, keeping many trapped in a cycle of poverty for years. Duplication and fragmentation of programs make them difficult and time-consuming to navigate. Additionally, the incentives and disincentives are mismatched, often preventing resources from going to those most in need.

In housing programs, for example, resources are not targeted where they can do the most good. "In subsidized housing programs today, there is a stagnation of movement through the system," says Woods. "Non-elderly, able-bodied families are living in subsidized housing for unnecessarily lengthy periods, resulting in generational poverty and cumbersome waiting lists. These waiting lists prevent our agency from responding to individuals who face unexpected, temporary, situational poverty." [362]

WASTE AND FRAUD

Safety net programs are not immune to waste and fraudulent activity by bad actors. The aforementioned challenges contribute to this, but the Federal Government and States have also loosened eligibility and oversight. As a result, a portion of what resources are available is siphoned from those individuals who truly need them. This is not fair to individuals truly in need or to hardworking taxpayers supporting the programs.

Research by the Foundation for Government Accountability estimates that between 5 percent and 25 percent of spending on welfare programs has been wasted or spent on fraudulent activities.[363] In the Supplemental Nutrition Assistance Program, benefits reportedly have been exchanged for cash and other non-food goods and services, including illegal drugs.[364]

States and the Federal Government are both responsible for the current rates of waste and fraud. More than half of States have

[361] Woods, op. cit.

[362] Woods, op. cit.

[363] Josh Archambault, *Stop the Scam: Voters Know Welfare Fraud is a BIG Problem,* The Foundation for Government Accountability: http://solutions.thefga.org/solutions/stop-the-scam/.

[364] Government Accountability Office, *Supplemental Nutrition Assistance Program: Enhanced Detection Tools and Reporting Could Improve Efforts to Combat Recipient Fraud,* August 2014. http://www.gao.gov/assets/670/665383.pdf.

made use of waivers to roll back work requirements for able-bodied adults without dependents on SNAP. More than half of States have increased income limits and weakened, or altogether eliminated, asset tests, absurdly enabling millionaires to qualify for SNAP benefits.[365]

The integrity of the safety net rests with the Federal Government and the States. It is a disservice to America's most vulnerable individuals to allow waste and fraud to continue unchecked. While wasteful spending and fraudulent activity are not limited to safety net programs in the overall Federal budget, the harm and damage are felt more acutely by those Americans who would otherwise rely on these programs when they fall on hard times.

Illustrative Direct Spending Policy Options

The main committees responsible for funding programs under Function 600 are Ways and Means, Agriculture, Oversight and Government Reform, and Education and the Workforce. They will make final policy determinations on how to increase State flexibility, reduce improper payments, and reform programs to eliminate marriage penalties and work disincentives. Some potential policy options following these guidelines might include the following.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Strengthen Welfare Work Requirements. Welfare reforms in the 1990s led to substantial declines in poverty, increases in work, and decreases in government dependency. The TANF program was a central feature of these reforms. This budget calls for reforms to strengthen TANF work requirements so States will engage more recipients in activities leading to self-sufficiency. This should include ending States' ability to reduce work targets by spending more than required, as well as enforcing penalties against States that fail to meet work targets. This budget also calls for TANF reforms to provide states with more options to help people prepare to leave welfare for work, and to hold states accountable for their success in getting people off welfare and into jobs.

SUPPLEMENTAL SECURITY INCOME

Reform Supplemental Security Income. Welfare programs typically pay benefits on a sliding scale. Supplemental Security Income [SSI] is different, paying an average of $640 for each and every child in a household who receives benefits. This reform would create a sliding scale for children on SSI. Advocates for individuals with disabilities have expressed support in the past for such a step. In 1995, Jonathan M. Stein—the lead advocate attorney in the landmark 1990 Supreme Court Case expanding SSI eligibility for children and witness at a 27 October 2011 Ways and Means Subcommittee hearing on SSI—said the following about this proposal: "[W]e have a long list of reforms that we do not have time to get into, but we would say for very large families there should be some

[365] The Foundation for Government Accountability, *The Food Stamp Crisis:* http://thefga.org/download/solutions/food-stamps/Food%20Stamp%20Emergency.pdf.

sort of family cap or graduated sliding scale of benefits."[366] Additionally, Congress should review mental health categories in the children's SSI program, which have been the fastest growing categories of eligibility. This budget proposes a GAO recommendation that Continuing Disability Reviews be conducted every three years for children on the program who are deemed likely to improve upon initially receiving benefits. Additionally, benefits should be linked to school attendance except where the Social Security Administration finds medical cause.

NUTRITION PROGRAMS

Reform the Supplemental Nutrition Assistance Program. During the 114th Congress, the Agriculture Committee held 16 hearings examining the past, present, and future of SNAP and reported 15 key findings in December 2016. In addressing these findings, the Agriculture Committee has done an excellent job of exploring options for improving eligibility standards that ensure SNAP is meeting its intent of providing services to the most vulnerable. The committee of jurisdiction has considered reforming Broad-Based Categorical Eligibility to end the practice of making individuals eligible for SNAP simply by receiving a TANF brochure or being referred to a social service telephone number. The committee could also continue improving program integrity, including limiting SNAP account balances to reasonable levels and eliminating abuse of the Low Income Housing Energy Assistance Program. As was demonstrated by the welfare reforms of the 1990s, work requirements are central to ensuring that public assistance helps individuals transition to independence. Pairing reformed work requirements with consistent enforcement would lead to more sustainable, self-sufficient outcomes for SNAP recipients. Finally, the budget resolution encourages the committee to focus on reforms that will restore overall SNAP funding to sustainable levels while still providing States the flexibility to tailor the program to best meet the needs of their SNAP-eligible populations.

Better Target Child Nutrition Resources. The 2010 child nutrition reauthorization law allows schools with 40 percent qualifying students to provide meals free of charge to all students regardless of income. The Community Eligibility Provision simplifies program administration, but a higher threshold would better target program resources to lower-income households.

REFUNDABLE TAX CREDITS

Child Tax Credit Program Integrity. The budget would require individuals seeking the refundable child tax credit to submit a Social Security number to claim the credit. Under current law, a Social Security number is now required in order to claim children under the EITC.

Reform the Earned Income Tax Credit and Eliminate Marriage Penalties. The EITC is susceptible to fraud and abuse. According to the Internal Revenue Service, 24 percent of EITC payments

[366] Committee on Ways and Means, *Contract with America: Welfare Reform, Part 2,* hearing 2 February 1995 (Serial No. 104–44), Washington: Government Printing Office, 1995.

were issued improperly in fiscal year 2016 (about $16.8 billion). To reduce these errors in the EITC program, this budget proposes requiring verification of income before these benefits are paid and using the resulting savings to eliminate marriage penalties.

CHILD SUPPORT PROGRAMS

Allow State Flexibility for the Foster Care Program. Significant progress has been made among States, advocates, and Federal policymakers in developing proposals that would expand State flexibility in designing programs and pilot projects meant to better prevent child abuse and neglect. Such proposals would result in fewer children being removed from their homes, allowing more funds to be directed toward prevention efforts, as well as reducing the cost of the Nation's foster care system.

Implement Pay for Outcomes. H.R. 576, the "Social Impact Partnerships to Pay for Results Act", creates a model for Federal financing of social programs where payment is contingent on whether an independent analysis shows that the program achieved the desired goal. Expanding this concept to programs intended to reduce poverty would improve program outcomes while providing savings to taxpayers as funds would only be spent on programs that work.

Modernize Child Support Enforcement. Enacted in 1975, the Child Support Enforcement [CSE] program was created to secure child support payments from non-custodial parents for families who relied on both the Federal and State governments for welfare benefits. The CSE program was designed to reimburse the government for those welfare benefits, as well as assist families in attaining self-sufficiency. Today, however, two-thirds of CSE collections are for helping families who have never received cash welfare payments from the TANF program—those it was intended to help. To ensure the CSE program is targeted for those who are most in need, this budget proposes to return the annual user fee for non-TANF families to its original value and index it for inflation. In addition, the budget would better align the financial incentives for states by modifying the Federal matching rate and the criteria for states receiving incentive payments to ensure they are truly rewarding innovation and effectiveness. Finally, this budget would require all income support programs to coordinate efforts with the child support enforcement program.

CIVIL SERVICE

Reform Civil Service Pensions. This budget adopts a policy proposed by former President Obama's National Commission on Fiscal Responsibility. The policy calls for Federal employees, including members of Congress and staff, to make greater contributions toward their own defined benefit retirement plans. It would also end the "special retirement supplement," which pays Federal employees the equivalent of their Social Security benefit at an earlier age. This would achieve significant savings while recognizing the need for new Federal employees to transition to a defined contribution retirement system. The vast majority of private sector employees participate in defined contribution retirement plans. These plans put the ownership, flexibility, and portfolio risk on the employee as opposed to the employer. Similarly, Federal employees would have more control over their own retirement security under this option. President Trump's fiscal year 2018 budget calls for a phased-in increase to contributions federal employees pay into the Federal Employee Retirement System so that both employees and the government are contributing an equal amount.

FARM SUPPORT AND RELATED PROGRAMS

Function Summary: Direct Spending

Agriculture experienced a period of high market prices and incomes during the initial years of this decade, but national farm income has fallen sharply from 2013's record-high level. The U.S. Department of Agriculture [USDA] forecasts that farm income will be roughly flat in 2017 compared to last year.

The "Agricultural Act of 2014"—otherwise known as the Farm Bill—made a number of reforms to agricultural policies, most notably by eliminating Direct Payments which had cost taxpayers almost $91 billion over the past 18 years and were paid regardless of market conditions. While it is important to continue reforming agricultural programs, weather and market challenges continue to highlight the importance of maintaining a safety net for farmers. This is especially true when considering that other countries—primarily advanced, developing countries such as China—have dramatically increased trade-distorting support to their producers at the expense of America's farmers and ranchers. Further, it is worth noting that current law establishing the annual mandatory sequester pursuant to the Budget Control Act of 2011 affects agricultural programs significantly and indicates the need for Congress to review the sequester process to ensure all Federal programs are treated equitably.

Direct (or "mandatory") spending programs in this category (Function 350 in Table 3) include direct assistance and loans to food and fiber producers, export assistance, agricultural research, and other programs. The Committee on Agriculture has made commendable efforts to reduce overall direct spending here. The budget resolution calls for direct spending of $17.9 billion in budget authority and $16.7 billion in outlays in fiscal year 2018. The 10-year direct spending totals for budget authority and outlays are $127.0 billion and $121.4 billion, respectively.

Illustrative Direct Spending Policy Option

The Committee on Agriculture has complete authority to determine direct spending policies under its jurisdiction and nothing in this report is intended to predetermine or influence the committee's specific choices. The Committee on the Budget will work with the Agriculture Committee to ensure it has adequate flexibility to craft a farm bill that responds to the significant challenges facing America's farmers and ranchers. Among the options the Agriculture Committee may wish to consider is the following:

Reform Agricultural Programs. The Agriculture Committee is encouraged to continue reforming agricultural programs. Any additional savings would be coupled with significant benefits that will be realized from other provisions in this budget, including regulatory relief, fundamental tax reform, and stronger economic growth as the burden of Federal deficits is lifted from the economy.

BANKING, COMMERCE, POSTAL SERVICE AND RELATED PROGRAMS

Function Summary: Direct Spending

As with its annually appropriated programs, the Federal Government has used direct spending in commerce and housing in a way that moves from healthy and productive support for industry to over-subsidizing corporations and unfairly exposing taxpayers to risk. One example is Fannie Mae and Freddie Mac, which were placed into Federal conservatorship in 2008 and remain a part of the Federal Government. As a result, taxpayers remain exposed to Fannie's and Freddie's more than $5 trillion of outstanding commitments.

On a unified basis, the resolution provides $6.0 billion in direct spending budget authority and −$6.9 billion in outlays in this area in fiscal year 2018 (shown in Function 370 of Table 3, Commerce and Housing Credit). Reforms will be determined by the Committee on Financial Services, the Committee on Energy and Commerce, and the Committee on Oversight and Government Reform. Criteria the committees may wish to apply include promoting free enterprise and economic growth in a responsible way, scaling back corporate welfare, and protecting taxpayers from the risk of future bailouts.

Illustrative Direct Spending Policy Options

Specific policies affecting direct spending in this function will be determined by the Committee on Financial Services, the Committee on Energy and Commerce, and the Committee on Oversight and Government Reform. The resolution encourages continued reform in the areas discussed below, but the committees of jurisdiction retain complete flexibility in determining the policies to be adopted.

ON-BUDGET DIRECT SPENDING

Assume Provisions of the House-Passed Financial CHOICE Act. On 8 June 2017, the House of Representatives passed H.R. 10, the "Financial CHOICE Act", by a vote of 233–186. The legislation is the first comprehensive reform bill to replace the disastrous Dodd-Frank Act. CHOICE stands for "Creating Hope and Opportunity for Investors, Consumers, and Entrepreneurs," because the most basic element of resilient, reliable economic growth is allowing financial institutions and markets to invest in America without government regulators second-guessing every decision and driving up the cost of capital.

Congress passed Dodd-Frank in a zealous regulatory attempt to "fix" the causes of the 2008 financial crisis. Although dubbed "Wall Street Reform," the Dodd-Frank Act actually intensifies the problem of too-big-to-fail by giving large, interconnected financial institutions advantages that small firms will not enjoy. Dodd-Frank expands and centralizes power in Washington, exacerbating—not fixing—the root causes of the 2008 financial crisis. It contains layer upon layer of new bureaucracy sewn together by complex regulations, yet it fails to address key problems, such as Fannie Mae and Freddie Mac, that contributed to the worst financial unraveling in recent history.

The Financial CHOICE Act is built on seven key principles[367]:

1. Taxpayer bailouts of financial institutions must end and no company can remain too big to fail;
2. Both Wall Street and Washington must be held accountable;
3. Simplicity must replace complexity, because complexity can be gamed by the well-connected and abused by the Washington powerful;
4. Economic growth must be revitalized through competitive, transparent, and innovative capital markets;
5. Every American, regardless of circumstances, must have the opportunity to achieve financial independence;
6. Consumers must be vigorously protected from fraud and deception as well as the loss of economic liberty; and
7. Systemic risk must be managed in a market with profit and loss.

The Financial CHOICE Act is the legislative manifestation of many of the policies the Committee on the Budget has recommended for many years, and continues in this resolution. H.R. 10 would change the name of the Consumer Financial Protection Bureau [CFPB] to the Consumer Law Enforcement Agency [CLEA], and—in a highly significant step—subject the agency to congressional oversight through the appropriations process. Under the Dodd-Frank legislation, the CFPB is allowed to fund its operations from a portion of the yearly off-budget remittances made to the Treasury by the Federal Reserve. The CFPB is housed in the Federal Reserve but is completely autonomous. Its financing scheme made it totally unaccountable as well. CLEA would be subject to annual appropriations and required to adhere to government-wide standards of cost-benefit analysis. CLEA would no longer serve as a supervisory agency, but would remain responsible for enforcing specifically enumerated consumer protection laws.

The Financial CHOICE Act also repeals the Federal Deposit Insurance Corporation [FDIC] bailout fund, called Orderly Liquidation Fund. The Dodd-Frank Act created this fund to resolve "systemically important financial institutions," but the Committee on the Budget has long held this is simply a taxpayer bailout fund for large, interconnected financial institutions. The fiscal year 2018 budget resolution continues to recommend repealing this regime that only paves the way for future bailouts. Taking the lead on regulatory reform, President Trump's fiscal year 2018 budget also recommends an end to the Dodd-Frank Act bailout system.

[367] The Financial CHOICE Act, Creating Hope and Opportunities for Investors, Consumers, and Entrepreneurs—Executive Summary.

Subject All Federal Financial Regulators to Congressional Oversight. H.R. 10 would also subject certain other financial regulators to congressional appropriations. Current law allows most Federal financial regulators to levy fees on the businesses they regulate to pay for operations, shielding them from congressional oversight through annual appropriations. These agencies include: Federal Deposit Insurance Corporation, National Credit Union Administration, Federal Reserve Board of Governors [the Fed], and the Federal Housing Finance Agency. Not all financial regulators set their own budgets. The Securities and Exchange Commission is subject to Congressional oversight through appropriations. The Financial CHOICE Act would mirror the current Securities and Exchange Commission appropriations structure for all Federal financial regulators. The budget resolution supports this policy.

Terminate Separate Benefit and Payscales for Financial Regulators. Under current law, employees at the Fed and the CFPB have a separate retirement benefit arrangement. The fiscal year 2018 budget calls for a uniform system across the Federal Government and recommends these two agencies begin participating in the Federal Employees Retirement System and the Thrift Savings Plan.

Likewise, many Federal financial regulators are not subject to the Office of Personnel Management [OPM] General Schedule [GS] payscale. As a result, financial regulators pay employees far more than other federal employees employed at different departments and agencies. The fiscal year 2018 budget recommends Committees look at these sweetheart pay arrangements and move federal financial regulators to the more transparent GS payscale.

Reform the Universal Service Fund. The Universal Service Fund [USF] provides subsidized telecommunications services through four main programs: High-Cost Support, Schools and Libraries (E-rate), the Lifeline Program, and Rural Health Care. The USF is funded through mandatory contributions by carriers, who pass these costs to consumers as fees on subscribers' telephone bills. The Federal Communications Commission [FCC] maintains the USF's roughly $9 billion in net assets [368] not in the U.S. Treasury but in a private bank account, where they are not subject to the management and safeguards as other Federal programs. This budget resolution aims to reform burdensome programs and has identified Lifeline as a key example.

Lifeline—sometimes called "Obamaphones [369]—provides subsidies to about 12.3 million low-income Americans for telephone, wireless, and broadband service, at a cost of about $1.5 billion per year.[370] To be eligible, a household must have an income at or below the Federal Poverty Line or must participate in one of several safety net programs, such as Medicaid or the Supplemental Nutrition As-

[368] Government Accountability Office, *Additional Action Needed to Address Significant Risks in FCC's Lifeline Program,* May 2017. The $9 billion figure is as of September 2016.

[369] When launched in the mid-1980s, Lifeline covered only telephones. More recently, it has expanded to include broadband and wireless, and during former President Obama's tenure, many carriers also began offering free or low-cost cell phones, which came to be called "Obamaphones."

[370] Ibid. The program was created in the mid-1980s to promote telephone service for low-income households. Wireless service came to be included in the mid-2000s, and broadband in 2016.

sistance Program (food stamps). Yet due to a loosely monitored oversight arrangement, Lifeline is highly susceptible to fraud, waste, and abuse. According to a recently released report by the Government Accountability Office report, Lifeline has "limited abilities to detect and prevent ineligible subscribers from enrolling."[371] This is because its structure relies on more than 2,000 Eligible Telecommunication Carriers with the dual duties of receiving subsidies from the Federal Government and verifying subscriber eligibility for each subsidy. Thus, with little oversight and audit ability available, these carriers have a financial incentive to sign up as many subscribers as possible—regardless of program eligibility. Moreover, about 96 percent of low-income households already have phone service.[372]

In attempts to match subscriber to benefit data, GAO could not confirm whether roughly 1.2 million individuals—some 36 percent of the 3.5 million subscribers the agency reviewed—were actually eligible. Continued auditing by GAO of the National Lifeline Accountability Database, which consists of subscriber information from 46 States, has also found that subsidies totaling about $612,000 annually were duplicate payments. Even worse, GAO found that 6,378 individuals who were currently receiving benefits were deceased according to the Social Security Administration's Death Master File. In an undercover test using fictitious names and documentation, GAO gained approval for Lifeline service from 12 of 19 providers contacted.

While the FCC has taken steps to rectify some of Lifeline's internal controls, the agency's most significant reform plans—creation of a third-party national eligibility verifier, and an independent third party tasked with evaluating the Lifeline program's design, function, and administration—will not materialize until 2019 and 2020 respectively. Reforming this program would significantly reduce the burden on taxpayers.

Privatize the Business of Government-Controlled Mortgage Giants Fannie Mae and Freddie Mac. In 2008, the Federal Government placed Fannie Mae and Freddie Mac[373] into conservatorship to prevent them from going bankrupt. The Treasury has already provided $187 billion in bailouts to the Government-Sponsored Enterprises [GSEs], and taxpayers remain exposed to more than $5 trillion in Fannie Mae's and Freddie Mac's outstanding commitments as long as the entities remain in conservatorship. The Congressional Budget Office has recorded Fannie Mae and Freddie Mac as explicit financial components of the Federal budget, accounting for their liabilities as liabilities of the government. In contrast, the administration does not fully account for taxpayer exposure to Fannie Mae and Freddie Mac, leaving them off budget. Despite recent dividend payments by the two mortgage agencies, both enterprises continue to assume outsized risks that place taxpayers in jeopardy in the event of future downturns in the housing market. Regrettably, reductions in dividend payments from Fannie Mae and Freddie

[371] Government Accountability Office, *Additional Action Needed to Address Significant Risks in FCC's Lifeline Program,* May 2017.
[372] Ibid.
[373] Formally the Federal National Mortgage Association [FNMA] and the Federal Home Loan Mortgage Corporation [FHLMC].

Mac will increase the deficit as the Treasury has now come to rely heavily on these transfers.

This budget suggests ending the corporate subsidies and taxpayer bailouts in housing finance. It envisions the eventual elimination of Fannie Mae and Freddie Mac, winding down their government guarantee, and ending taxpayer subsidies. In the interim, this resolution seeks to remove distortions, thereby allowing an influx of private capital back into the housing credit marketplace and advancing various measures that would bring transparency and accountability to these two GSEs, which could include measures described in H.R. 2767, the "Protecting American Taxpayers and Homeowners Act of 2013" (113th Congress). Recognizing the need for housing finance reform, the Trump budget includes policies to improve the housing finance system while ensuring access to housing credit.

Incorporate Fair-Value Accounting Principles in the Credit Reform Act. Taxpayers are also vulnerable to bailing out another housing giant, the Federal Housing Administration [FHA]. The capital ratio of the FHA's Mutual Mortgage Insurance fund remained below the congressionally mandated 2-percent level for seven years. In fiscal year 2015, FHA finally reached its mandated 2-percent capital ratio. The fiscal year 2016 FHA Actuarial Report released on 15 November 2016 again shows FHA has achieved its statutory requirement of 2-percent. Nevertheless, FHA still provides guarantees on more than $1 trillion in outstanding loans.[374] Given the precarious financial position of FHA in recent years, it is incumbent upon Congress to ensure the forward progress continues. Furthermore, the government should adopt measures to control the assumption of risk by the FHA as other government-backed entities (such as Fannie and Freddie) are wound down. Right now, the government accounts for the risks carried by the FHA differently from the way it accounts for those of Fannie Mae and Freddie Mac. These differences simply encourage just such a shift in risk.

The cost of FHA-insured loans are scored by calculating the net present value of the cash flows associated with loans and discounting those flows using a risk-free marketable Treasury security rate. In contrast, the CBO uses fair-value accounting for Fannie Mae- and Freddie Mac-guaranteed loans. Fair-value accounting recognizes that adverse economic events such as market downturns can cause loan defaults to rise; hence it reflects the full financial risk incurred by taxpayers for backing these loans. In other words, the current budgetary treatment of FHA loans understates the full costs associated with them, thereby encouraging policymakers to shift risk from Fannie and Freddie to the FHA.

This resolution requires the CBO to provide supplemental estimates using fair-value scoring for federally-backed mortgages and mortgage-backed securities, regardless of which Federal agency is acting as the insurer or guarantor.

As the government reforms its role in the U.S. housing market, which this resolution supports, Fannie Mae, Freddie Mac, and FHA

[374] Actuarial Review of the Federal Housing Administration Mutual Mortgage Insurance Fund Forward Loans for Fiscal Year 2016, 15 November 2016.

loans should be treated with parity and full transparency. The current structure of the Federal housing finance system socializes potential losses in the housing market among all Americans. The housing-finance system of the future, however, should allow private-market secondary lenders to fairly, freely, and transparently compete, with the knowledge that they will ultimately appropriate risk for the loans they guarantee. Their viability will be determined by the soundness of their practices and the value of their services.

OFF-BUDGET DIRECT SPENDING

Reform the U.S. Postal Service. The U.S. Postal Service [USPS] is expected to be self-sustaining and was statutorily placed off budget in the Omnibus Budget Reconciliation Act of 1989, where it remains today. The mission of the USPS is to "* * * provide postal services to bind the Nation together through * * * correspondence of the people" and "provide prompt, reliable, and efficient services to patrons in all areas."[375] It boasts an iconic brand name, universal service, and certain competitive advantages with regard to market-dominant products. In recent decades, however, the USPS has faced financial instability stemming largely from reduced demand for its services and ever-growing unfunded pension and health care liabilities. Electronic mail is ubiquitous, while demand for paper mail has waned. From 2000 to 2016, for example, first-class mail volume dropped by 59 percent.[376] Further, USPS has suffered from inefficiencies in its business model. The organization faces financial problems that threaten its long-term viability and will ultimately lead to a taxpayer bailout.

The USPS is unable to meet its financial obligations through its own business-like operation and desperately needs structural reforms. Since fiscal year 2007, the USPS has run annual operating losses; in fiscal year 2016 it defaulted on another $5.8 billion payment to prefund the retirement health care of its employees.[377] In the Government Accountability Office's annual *High-Risk Series* report to Congress for 2017, it found that USPS "continues to face unfunded liabilities that have grown from 99 percent of USPS revenues in fiscal year 2007 to 169 percent of revenues in fiscal year 2016. These unfunded liabilities—totaling about $121 billion at the end of fiscal year 2016—consist mostly of retiree health and pension benefit obligations for which USPS has not set aside sufficient funds to cover."[378] According to GAO, "Congress and USPS need to agree on a comprehensive package of actions to improve USPS's financial viability."[379]

With declining mail volumes and increasing personnel costs, USPS has continued to give priority to parcel delivery as a value stream that may be able to make up for the loss in revenue from First Class Mail. According to the Postal Service's own research,

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[375] Public Law 91–375.

[376] United States Postal Service, "First-Class Mail Volume Since 1926": https://about.usps.com/who-we-are/postal-history/first-class-mail-since-1926.htm.

[377] Government Accountability Office, *U.S. Postal Service: Financial Challenges Continue,* testimony before the Senate Committee on Homeland Security and Governmental Affairs, 21 January 2016: http://www.gao.gov/assets/680/674728.pdf.

[378] Government Accountability Office, *High-Risk Series: An Update,* February 2013: http://www.gao.gov/assets/660/652133.pdf.

[379] Ibid.

while mail delivery volume to households has declined by 7 percent since 2012, package delivery has increased by 91 percent over the same window. While the Postal Service's parcel delivery market share has continued to grow, several questions remain regarding USPS's ability to accurately capture total costs associated with its parcel services. For the Postal Service to continue to associate a majority of its operational costs as "institutional" is an affront to Congress and an administration that holds transparency and accountability paramount.

The budget recommends broad-based restructuring of the Postal Service. It should provide USPS with the flexibility that any business needs to create a viable and sustainable business model. That model should allow the Postal Service to compete in a 21st-Century economy, and to respond to changing market conditions, including declining mail volume. Examples of the flexibility that should be considered have been included in several reform proposals approved by the House Committee on Oversight and Government Reform, including calls to modify both the frequency and type of mail delivery. Allowing the Postal Service the authority to expand the products and services it provides would aid in creating additional revenue. This budget also recognizes the need to reform compensation of postal employees who currently pay a smaller share of the costs of their health and life insurance premiums than do all other Federal employees, and to address the prefunding schedule for postal retiree health benefits established in the "Postal Accountability and Enhancement Act of 2006".

STUDENT LOANS, SOCIAL SERVICES, AND RELATED PROGRAMS

Function Summary: Direct Spending

Earning a college degree can bring marked, long-lasting benefits to individuals and society. Prospective and enrolled college students alike cite better employment prospects and financial security among their reasons for going to college.[380] In addition to gaining sought-after knowledge and skills, graduates tend to enjoy higher earnings over a lifetime, steady employment, and access to jobs that require advanced training.[381] They are also less likely to live in poverty or participate in public assistance programs.[382] In turn, such financial security can help individuals pursue professional and personal goals, such as launching a business, climbing the career ladder, starting a family, and saving for retirement or their children's education. Society benefits in numerous ways from an educated citizenry, not least of which is having a competitive workforce to contribute to economic growth.

America's higher education system gives students choices and an abundance of opportunity. Students can choose among two-year or

[380] New America, College Decisions Survey: Deciding to Go to College, https://www.newamerica.org/education-policy/edcentral/collegedecisions/, 28 May 2015, and Kaitlin Mulhere, "141,000 Freshman Say Their Major Reason for Attending College Is * * *," Time.com, http://time.com/money/4216707/college-freshman-survey-jobs-cost-student-protests/?iid=sr-link1.

[381] College Board, Education Pays, 2016, https://trends.collegeboard.org/sites/default/files/education-pays-2016-full-report.pdf.

[382] Ibid.

four-year programs at public, private, career and technical schools, and proprietary schools. They also can enroll in programs of study ranging from liberal arts, to math and the sciences, to business, or to career and technical training. Additionally, schools offer study abroad programs, externships with industry-specific employers, and other on-the-job training opportunities that teach valuable skills.

Innovation is increasing choice and access in the higher education system, entrepreneurs and existing institutions are building programs on new business models, increasing the supply of postsecondary education. Some providers have designed online courses and degrees, as a complement or alternative to traditional in-class instruction.[383] Others offer competency-based programs, in which students move through coursework at their own pace and earn credit based on what they learn, not the number of hours they spend in a classroom.[384] In some instances, such innovation has lowered costs in higher education. For example, Georgia Institute of Technology offers an online master's in computer science program for $7,000.[385] A traditional high school graduate can earn a bachelor's degree through the competency-based Texas Affordable Baccalaureate Program for a cost of $13,000 to $15,000.[386] These are just two examples of the innovation happening around the country.

These new business models and the choices they bring benefit students and, in particular, contemporary students, who now constitute the majority of those attending college.[387] These students are beyond the 18-to-21-year-old high school graduate age, and they may have full-time jobs and families. A technology-rich, flexible education experience can help them earn a degree in concert with their work schedules, family commitments, and geographic locations—removing those barriers. An affordable experience lowers a common barrier: high cost. Traditional high school graduates and contemporary college students both benefit from comparably lower-priced degree programs, because they do not have to borrow substantially and assume the associated risks.

Yet college affordability has been, and remains, a challenge for many students and their families. The Federal Government has provided substantial student aid, particularly through loans, since the 1960s, with the purpose of increasing college access and affordability—especially for low-income, disadvantaged students. Today it administers grant and loan programs, and authorizes the accrediting entities charged with monitoring institutions' quality. Yet

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[383] Michael B. Horn, Testimony before Senate HELP Committee, http://www.help.senate.gov/imo/media/doc/Horn5.pdf.

[384] Lindsey M. Burke and Stuart M. Butler, Ph.D., *Accreditation: Removing the Barrier to Higher Education Reform,* Heritage Foundation Backgrounder No. 2728, 21 September 2012: http://www.heritage.org/education/report/accreditation-removing-the-barrier-higher-education-reform.

[385] Kevin Carey, "An Online Education Breakthrough? A Master's Degree for a Mere $7,000," *The New York Times,* 28 September 2016: https://www.nytimes.com/2016/09/29/upshot/an-online-education-breakthrough-a-masters-degree-for-a-mere-7000.html?_r=0.

[386] The Texas Higher Education Coordinating Board, South Texas College, Texas A&M University-Commerce, and the College for All Texans Foundation jointly developed the Texas Affordable Baccalaureate Program. See Thomas Lindsay, Ph.D., Testimony before the House Budget Committee, 21 September 2016, p. 6:, http://budget.house.gov/uploadedfiles/written_testimony._thomas_k._lindsay._house_budget_cmte..docx.pdf.

[387] Committee on Education and the Workforce, *Views and Estimates for Fiscal Year 2018,* p.3.

Federal involvement in higher education has come with several disconcerting trends. Among them are:

- Rising college costs. College tuition is increasing well beyond inflation. For example, after accounting for inflation, published tuition and fees at public four-year schools are 3.1 times higher in the 2016–17 academic year than in 1986–87; 2.29 times higher at private four-year schools; and 2.43 times higher at public two-year schools.[388] There is debate over what is causing steady and robust tuition increases. Regulatory compliance costs may contribute, as may State budget constraints—though not at all types of institutions.[389] Another explanation holds that students' easy and expanded access to Federal aid has enabled schools to increase tuition rates. The New York Federal Reserve examined the relationship between expanded lending and tuition and found that on average, for every dollar increase in subsidized loans, tuition increased by up to 60 cents.[390] The researchers found a smaller but still positive pass-through effect on unsubsidized loans.
- Student debt. There is widespread concern that students are borrowing money they do not need and may have trouble repaying. Research shows defaults come most frequently from those who borrow less than $5,000.[391] The Federal Government holds most student loan debt; as of the second quarter 2017, its portfolio was $1.3 trillion, up from roughly $516 billion in fiscal year 2007.[392] One explanation for the increase is a greater number of students seeking a postsecondary credential. In addition, some Federal programs allow graduate students to borrow essentially unlimited amounts, and some lend essentially unlimited amounts to parents without expecting they will be able to repay. Students are permitted to borrow up to statutory annual and aggregate loan limits, and institutions of higher education are unable to limit them to borrowing less than these limits. Institutions and their financial aid administrators, for example, might otherwise believe it is in the students' best interest to limit the amounts they can borrow based on the level of credential or program of study they are pursuing, to prevent them from over-borrowing. As Federal lending consumes an ever-larger share of the student loan market, it crowds out private and other lenders that may have better products to meet individual borrowers' needs. There is also concern that as students struggle to pay back their stu-

[388] College Board, *Trends in Higher Education,* Published Tuition and Fees Relative to 1986–87, by Sector, https://trends.collegeboard.org/college-pricing/figures-tables/published-tuition-and-fees-relative-1986–87-sector.

[389] Preston Cooper, "State Budget Cuts Don't Explain Tuition Increases," *Forbes.com,* 14 September 2016: https://www.forbes.com/sites/prestoncooper2/2016/09/14/state-budget-cuts-dont-explain-tuition-increases/#2d88c37c47ca.

[390] The pass-through effect of subsidized loans was larger for private schools than public ones. See Federal Reserve Bank of New York, "Credit Supply and the Rise in College Tuition: Evidence from the Expansion in Federal Student Aid Programs," Staff Report, Revised 2017: https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr733.pdf?la=en.

[391] "Share of Defaulters and Three-Year Default Rate by Loan Balance," *Trends in Student Aid,* The College Board, 2016: https://trends.collegeboard.org/student-aid/figures-tables/share-defaulters-and-three-year-default-rates-loan-balance.

[392] Office of Federal Student Aid U.S. Department of Education, Federal Student Aid Portfolio Summary: https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls.

dent loan debt, they may delay important goals, such as buying a home or saving for retirement.[393]

- Complex, overlapping Federal aid programs. Students and parents navigate a confusing array of grants, loans, and loan repayment options when trying to figure out how to pay for college.[394] Each program has distinct eligibility criteria and terms. For example, nine loan repayment plans now exist, after the Obama Administration created new ones through the regulatory process. A borrower has some choice, but may be limited based on when he or she took out their loan. Comparing monthly payments and other features of the various repayment plans can be confusing and time-consuming. It is in the interests of students and taxpayers to have a simplified aid system.

College has become more expensive, and therefore less accessible for many Americans. Students face a dilemma: do not go to college and forego the lasting benefits, or take on sizeable debt and associated risks, such as having trouble repaying loans in a weak job market. Loans are even riskier for students who begin but do not complete a degree or certificate; these borrowers are much more likely to default on their loans than peers who finish their programs.[395]

Another pernicious problem lies with how the Federal Government accounts for—or measures the costs of—student loan programs and most other Federal loan and loan guarantee programs. It uses accounting procedures established by the Federal Credit Reform Act of 1990 [FCRA]. CBO explains the problem with this as follows: "FCRA accounting does not consider some costs borne by the government. In particular, it omits the risk taxpayers face because federal receipts from interest and principal payments on student loans tend to be low when economic and financial conditions are poor and resources therefore are more valuable."[396] Borrowers may have trouble repaying loans if they cannot find a job, or if wages are stagnant. Under FCRA, the government makes money on student loans and has a perverse incentive to issue more loans, regardless of the consequences for students, families, and taxpayers. The CBO projects that in 2018, the government will save 9 cents for every dollar in student loans under FCRA.[397] Alternate procedures, called fair-value accounting, account for such risks.[398] As a contrast to FCRA estimates, CBO projects the government

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[393] Federal Reserve, How Much Student Debt is Out There?, 7 August 2015: https://www.federalreserve.gov/econresdata/notes/feds-notes/2015/how-much-student-debt-is-out-there-20150807.html.

[394] *A Better Way:* https://abetterway.speaker.gov/_assets/pdf/ABetterWay-Poverty-PolicyPaper.pdf.

[395] College Board, Trends in Student Aid, "Two-Year Default Rates by Sector and Completion Status," https://trends.collegeboard.org/student-aid/figures-tables/two-year-default-rates-sector-and-completion-status.

[396] Congressional Budget Office, *Options to Change Interest Rates and Other Terms on Student Loans,* June 2013, p. 2: https://www.cbo.gov/sites/default/files/113th-congress-2013–2014/reports/44318-StudentLoans-1Column.pdf.

[397] Congressional Budget Office 29 June 2017 Baseline Projections for the Student Loan Program, 25 January 2017, https://www.cbo.gov/sites/default/files/recurringdata/51310–2017–06-studentloan.pdf.

[398] The Federal Government used fair-value accounting in estimating the Troubled Asset Relief Program.

will *spend* 12 cents for evfery loan dollar issued in 2018 under fair-value measures.[399]

The FCRA accounting regime discourages lawmakers from implementing certain reasonable policy changes. For example, subsidized and unsubsidized Direct Loans for undergraduates and graduates have borrowing limits. PLUS loan programs for graduate students and parents, by comparison, are limited only by the cost of attendance, as determined by the institution. Under FCRA, extending limits to PLUS loan programs would cost the government money.

Unrealistic assumptions in the accounting methodology cause the spending for this section of the resolution—which is bound by the same estimating conventions—to be negative: in fiscal year 2018, budget authority totals −$10.5 billion, and outlays are −$2.0 billion. As previously explained, these figures are misleading.

This resolution envisions a framework that uses Federal dollars more efficiently, accounts for student loans in a way that reflects their true cost, and invests in a sustainable higher education system that is good for students, institutions of higher education, and taxpayers. Student loans are a major component of direct spending in this category, shown as Function 500 in Table 3. Additionally, the function reflects numerous other programs supporting higher education, and some others that fund social services.

Illustrative Direct Spending Policy Options

The transformation of programs in this area will be determined primarily by the Committee on Education and the Workforce, which has complete flexibility in determining policies. Committee members may be guided by some of the principles described above. Potential policy options include those below.

EDUCATION

Repeal New Funding from the Student Aid and Fiscal Responsibility Act of 2010. During the debate on the "Student Aid and Fiscal Responsibility Act" [SAFRA], the CBO provided estimates showing that projected future savings from a government takeover of all Federal student loans decreased dramatically when market risk was taken into account. Since then, the National Commission on Fiscal Responsibility and the Pew-Peterson Commission on Budget Reform have recommended incorporating fair-value accounting for all Federal loan and loan-guarantee programs to enable a true assessment of their cost to taxpayers.

However, SAFRA exploited the higher non-adjusted savings projection to help subsidize the Affordable Care Act and to increase spending on several education programs. Although much of the funding allocations have already been spent, Congress could cancel some of the future spending by repealing expansions to some Federal income-based repayment programs. The Income-Based Repayment Program, created by the "College Cost Reduction and Access Act of 2007", and accelerated by the Obama Administration, is one example. In addition to rolling back the expansions and streamlining the number of repayment plans tied to a borrower's income, the Education and the Workforce Committee could consider lim-

[399] Congressional Budget Office June 2017 Baseline Projections for the Student Loan Program.

iting how much taxpayer-funded loan forgiveness the government offers under income-based repayment. The expansions could disproportionately benefit graduate and professional students who over-borrow and struggle to repay their loans; graduate and professional students would have considerable amounts of debt forgiven, at a steep cost to taxpayers. Moreover, the expansions could encourage students to borrow too much, which is the opposite signal policymakers should send.[400] One version of a reform to income-driven repayment plans appeared in President Trump's fiscal year 2018 budget, with the goal of streamlining the financing options students face. Congress should reform these programs to ensure they are meeting their intended goals, are designed to give students proper incentives, and are protecting taxpayer dollars.

Accept the Fiscal Commission's Proposal to Eliminate In-School Interest Subsidies for Undergraduate Students. The Federal Government focuses aid decisions on family income prior to a student's enrollment and then provides a number of repayment protections and, in some cases, loan forgiveness after a period of repayment. There is no evidence that in-school interest subsidies are critical to individual matriculation. Ending these subsidies for future graduates would create parity with graduate loans; with enactment of the "Budget Control Act of 2011", the Federal Government ceased to pay interest on graduate loans while borrowers are in school.

Simplify the Existing Higher Education Programs to Protect Students and Taxpayers. The current Federal aid system is unduly complicated. Students and their parents must wade through an array of six loans, nine loan repayment plans, as well as eight loan forgiveness programs and 32 options for loan deferment and forbearance.[401] As the House Education and the Workforce Committee describes it: "Many students, particularly first-generation and low-income students, are bogged down with the complexity of the current system, which ultimately deters them from accessing aid that will make college an affordable reality."[402]

Simplifying both the aid and repayment options available to students and parents is important. Actions taken by the committee of jurisdiction to reduce duplication and make the financing system less complicated could include ending the Public Service Loan Forgiveness [PSLF] Program and the Teacher Loan Forgiveness program, or limiting forgiveness under either program. The Government Accountability Office estimates the Teacher Loan Forgiveness Program is benefiting only 0.8 percent of people eligible; students may be unaware of the program or have difficulty understanding how it interacts with other loan repayment and forgiveness arrangements.[403] Borrowers who work full time in a public service job can have their loan balance forgiven after making 120 cumu-

[400] See American Enterprise Institute, *Balancing Risk and Responsibility: Reforming Student Loan Repayment,* 19 November 2015, p. 6–7.

[401] Committee on Education and the Workforce, Rep. Guthrie Opening Statement, Hearing on "Improving Federal Student Aid to Better Meet the Needs of Students," 21 March 2017: http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=401468.

[402] Committee on Education and the Workforce, *Budget Views and Estimates for Fiscal Year 2018,* 3 March 2017.

[403] Government Accountability Office, "Better Management of Federal Grant and Loan Forgiveness Programs for Teachers Needed to Improve Participant Outcomes," February 2015: http://gao.gov/assets/670/668634.pdf.

lative monthly loan payments (10 years) under a qualifying income-based plan, as part of the PSLF program. The first borrowers will be eligible for forgiveness in October 2017. The exact number who will seek debt relief in the coming years is unknown, as is the dollar amount of loan forgiveness, because borrowers can verify their employment and other requirements with the Department of Education at the end—after 10 years of payments. Public service in this program has a broad definition—so broad that the GAO estimates one-quarter of all workers are in public service.[404] As borrowers increasingly enroll in income-based repayment plans, not only will more borrowers potentially be eligible for loan forgiveness under those plans, but one can expect the taxpayer-funded debt relief through PSLF to increase. President Trump's fiscal year 2018 budget also proposed ending PSLF as part of a package of reforms to simplify student loan financing and repayment.

Phase out Underused TEACH Grants. The budget also assumes a consolidation of Federal grant aid for students to simplify the system and better target resources. One option would be to phase out the Teacher Education Assistance for College and Higher Education [TEACH] Grant Program. TEACH Grants are aimed at encouraging promising undergraduate and graduate students to teach in high-needs fields in low-income schools. Undergraduate students can receive up to $16,000, and graduate students can receive up to $8,000. They must teach subjects such as math, science, and foreign language for four years within eight years of graduating. If they do not complete the service requirement, their grants become loans with interest. The GAO has reported several troubling findings about TEACH grants: one-third of the grants have been converted to loans—some erroneously, the program has only a 19-percent utilization rate among eligible students, and the Department of Education does not yet adequately evaluate the program's effectiveness.[405]

SOCIAL SERVICES

Terminate the Duplicative Social Services Block Grant. The Social Services Block Grant is an annual payment sent to States—without any matching, accountability, or evaluation requirements—intended to help achieve a range of social goals, including by providing child care, health, and employment services. Most of these activities are also funded by other Federal programs designed to support these same services. States are given wide discretion in determining how to spend this money and are not required to demonstrate the outcomes of this spending, so there is no evidence of its effectiveness. The budget assumes the elimination of this duplicative spending.

[404] Government Accountability Office, Federal Student Loans: Education Could Do More to Help Ensure Borrowers Are Aware of Repayment and Forgiveness Options, August 2015, p. 27: http://www.gao.gov/assets/680/672136.pdf.

[405] Government Accountability Office, "Better Management of Federal Grant and Loan Forgiveness Programs for Teachers Needed to Improve Participant Outcomes." Factors ranging from securing and then maintaining a teaching position at a qualifying school for four years to completing necessary paperwork can make fulfilling the program requirements a challenge.

FEDERAL LANDS AND OTHER RESOURCES

Function Summary: Direct Spending

The fiscal year 2018 budget resolution continues to support policies that will make America's natural resources available to producers who can provide a fair return to taxpayers. In addition to receipts the Federal Government collects from royalties, rents, and bonus bids, increased economic activity on Federal land will create jobs and boost economic output.

Farm security, rural investment programs, and the Fish and Wildlife Service's Federal aid in wildlife restoration programs are among the largest direct spending programs in this category. The remaining funds are distributed among numerous smaller programs. The direct spending budget totals for these programs are $385 million in budget authority and $1.0 billion in outlays for fiscal year 2018; over 10 years, the figures are −$12.4 billion in budget authority and −$11.1 billion in outlays. (See Function 300 in Table 3.)

Oil and gas production on Federal land fell significantly under the Obama Administration, but the decline was more than offset by increased production on private lands. In fiscal year 2009, the U.S. produced 5.6 million barrels of oil per day, with production on Federal property accounting for 31 percent of the total.[406] By fiscal year 2015 (the most recent figures available), the U.S. produced 9.4 million barrels per day, but production on Federal lands represented only 21 percent of the total.[407]

Similarly, timber harvests on Federal land have declined for decades since peaking in the late 1980s and early 1990s. In fiscal year 1988, 14.6 million board feet of timber were harvested on Federal land, with a total value of roughly $2.5 billion (in 2013 dollars).[408] In fiscal year 2014 (again, the most recent available figures), only 2.4 million board feet were harvested, generating less than $150 million.[409] This dramatic reduction in economic activity in States and counties that have Federal lands within their borders has wreaked havoc on their ability to fund local services, such as schools.

One large culprit: The previous administration kept Federal lands under lock and key, while pressing its politically motivated climate change agenda. On 15 January 2016, the Obama Administration unilaterally imposed a moratorium on new leases for coal mined from Federal land.[410] This halt dealt another crushing blow to the coal industry. Mining on Federal lands accounts for 42 percent of the coal production in America, and approximately 34 percent of U.S. coal reserves is located on Federal lands.[411] The Bu-

[406] Marc Humphries, *U.S. Crude Oil and Natural Gas Production in Federal and Non-Federal Areas,* Congressional Research Service, 22 April 2016.
[407] Ibid.
[408] Katie Hoover, *National Forest System Management: Overview, Appropriations, and Issues for Congress,* Congressional Research Service, 29 January 2015.
[409] Ibid.
[410] Joby Warrick and Juliet Eilperin, "Obama Announces Moratorium on New Federal Coal Leases," *The Washington Post,* 15 January 2016: https://www.washingtonpost.com/news/energy-environment/wp/2016/01/14/obama-administration-set-to-announce-moratorium-on-some-new-federal-coal-leases/.
[411] Marc Humphries, *The Federal Coal Leasing Moratorium,* Congressional Research Service, 30 March 2017.

reau of Land Management estimated that nearly 1.9 billion tons of coal reserves in nine States would be placed off limits due to the Secretarial Order.

Moreover, Federal coal leases provide thousands of jobs as well as revenue for State and local communities. The moratorium was rescinded by Secretary Zinke on 29 March 2017.[412] This budget supports the Trump Administration's efforts to reverse the past eight years of Federal subjugation over domestic energy production and the communities who were devastated by former President Obama's Federal fiat. Domestic energy independence is a priority for the United States, and will have a far-reaching effect on not just the economy and American jobs, but foreign policy and international affairs as well.

The Federal Government owns "somewhere between 635 million and 640 million acres of land—almost a third of the United States."[413] The government cannot properly manage all this land and, as a result, Federal agencies struggle with a maintenance backlog estimated at $17 billion to $22 billion.[414] The budget resolution supports giving States and localities more control over the resources within their borders. This will lead to increased resource production and regulatory efficiency, while allowing States and localities to take advantage of the benefits of increased economic activity.

Illustrative Direct Spending Options

As it develops policies in these areas, the Committee on Natural Resources may wish to consider the factors above. Below are options that could emerge from such consideration.

Maintaining Existing Land Resources. As noted, the Federal Government already struggles with its $17-billion-to-$22-billion maintenance backlog, but the Obama Administration sought to acquire even more land. This budget keeps funding for land acquisition under congressional oversight, giving States and localities more control over the land and resources within their borders.

Expand Access to Federal Land for Timber Harvest. Timber harvest rates on Federal land have declined for nearly 30 years. As a result, the States and localities that depend on their share of the receipts have been shortchanged the funding they expected to receive to pay for schools and other local priorities. Increased timber harvests will generate economic growth in localities throughout the country, increase receipts to the Federal Government, States, and localities, and reduce the need for funding replacement programs, such as Secure Rural Schools.

Expand Onshore and Offshore Natural Resource Production. Despite the existence of abundant domestic resources, the Federal Government has adopted policies that hinder American production of oil and natural gas on Federal lands and in Federal waters. Breaking free of future dependence on energy supplies from coun-

[412] U.S. Department of the Interior, "Secretary Zinke Takes Immediate Action to Advance American Energy Independence, 29 March 2017: https://www.doi.gov/pressreleases/secretary-zinke-takes-immediate-action-advance-american-energy-independence.
[413] House Committee on Natural Resources, *Views and Estimates for Fiscal Year 2018.*
[414] Ibid.

tries whose interests differ from those of the United States requires producing more energy at home.

Unlocking domestic energy supplies in a safe, environmentally responsible manner will increase receipts from bonus bids, rental payments, royalties, and fees. The budget allows for greater access in areas such as Alaska, the Outer Continental Shelf, the Gulf of Mexico, and the Intermountain West.

Expanding the authority of the Department of the Interior to allow for leasing of helium and other critical gases will provide a new revenue stream for the United States and ensure a consistent supply for the Nation's medical, military, and technology industries.

OTHER DIRECT SPENDING

General Science, Space, and Technology

Almost all the government's science and technology funding is discretionary. Nevertheless, there is a small amount of direct spending within the National Science Foundation that funds the Directorate for Education and Human Resources [EHR]. The EHR focuses on science, technology, engineering, and math programs at all educational levels.

The resolution calls for $107 million in direct spending budget authority and $105 million in outlays in fiscal year 2018.The 10-year totals are $1.0 billion for both budget authority and outlays. The figures appear in Table 3, Function 250.

Community and Regional Development

The main direct spending component of this function (Function 450 in Table 3) is the National Flood Insurance Program [NFIP]. The NFIP reauthorization will expire 30 September 2017. The Committee on Financial Services says: "[T]here is little to no private sector alternative to the NFIP, exposing taxpayers to virtually all of the nation's insured flood risk. Forty-nine years after the NFIP's creation, given the dynamics of the market and the information now available, the Committee believes the biggest impediment to the development of a private flood insurance market is the subsidized monopoly of the NFIP. The Committee will explore legislative initiatives to facilitate the establishment of a private flood insurance market that serves the needs of all Americans and reduces the significant financial risk faced by taxpayers."[415] In January 2017, the NFIP announced another $1.6 billion is needed from taxpayers to cover flood insurance losses in 2016. This brings the total cumulative debt of the NFIP to $24.6 billion.

Other direct spending programs within the function include activities such as Community Development Financial Institutions, Rural Energy for America, the Bureau of Indian Affairs and Indian Education, and activities of the Gulf Coast Restoration Trust Fund. The resolution calls for −$767 million in direct spending budget authority and −$975 million in outlays in fiscal year 2018. The 10-

[415] Committee on Financial Services, U.S. House of Representatives, *Views and Estimates,* 3 March 2017.

year totals for direct spending budget authority and outlays are −$10.7 billion and −$10.3 billion, respectively.

A potential savings option here is to reduce energy subsidies for commercial interests. The budget recommends spending reductions for rural green-energy loan guarantees. These loan guarantees come with Federal mandates that channel private investments into financing the administration's preferred interests at taxpayers' expense.

Financial Management

The remaining categories chiefly concern major non-programmatic financing mechanisms for the Federal Government. Net Interest, for example, represents payments resulting from the government's prior borrowing. Allowances is a placeholder function for budgetary effects that the Congressional Budget Office [CBO] has not yet assigned to other specific categories. Undistributed Offsetting Receipts represents payments to the government that are recorded as negative budget authority and outlays. These three functions round out the spending components of the budget overall.

NET INTEREST

Function Summary

As the government runs chronic deficits, it continues running up interest costs. These payments provide no benefits, and finance no government service or operations. They are simply excess costs resulting from a history of spending beyond the government's means. According to the Congressional Budget Office, if government programs are not reformed, net interest payments are projected to nearly triple over the next decade, rising from $270 billion this year to $768 billion in 2027. During this time, the Federal Government will reach a point at which it spends more on interest payments than it does on national defense, Medicaid, education, and infrastructure, among others. Interest on the debt will become the government's third largest program, following only Social Security and Medicare.

These costs are reflected in this category (Function 900 in Tables 1 and 3), which presents the interest paid for the Federal Government's borrowing minus the interest received by the Federal Government from trust fund investments and loans to the public. It is a mandatory payment, in the true sense of the word, with no policy options and no discretionary components.

Reducing interest costs will require sustained spending restraint. This budget resolution provides such restraint, and it reduces net interest by $628 billion over 10 years compared with the CBO baseline.

Summary of Net Interest Payments

The resolution calls for $295.3 billion of direct spending for net interest payments in fiscal year 2018. Over 10 years, interest payments are expected to total $4.6 trillion.

On-budget direct spending—or net interest payments unrelated to Social Security—sum to $376.8 billion in fiscal year 2018 and

$5.3 trillion over 10 years. The on-budget figure is larger than the budget Function 900 total, because the former is offset by off-budget interest payments to the Social Security Trust Fund. These off-budget payments are presented as negative numbers, because they reflect money coming into, rather than flowing out of, the Treasury. Off-budget direct spending is −$81.5 billion in fiscal year 2018 and −$669 billion over 10 years.

ALLOWANCES

Function Summary

The Allowances categories represent place-holders for certain budgetary effects to which CBO has yet to assign to a specific budget function. In the case of this resolution, there are two presented as Function 920 and 990 in the summary tables. The particulars of the categories are described below.

Function 920

In August 2011, the former President Obama and Congress enacted the Budget Control Act [BCA] of 2011 (Public Law 112-25), which provided for significant spending reductions, enforced by statutory spending caps and an automatic enforcement procedure. The BCA did not specify a distribution of spending reductions in specific budget functions other than for National Defense (Function 050) and Medicare (Function 570), even though the law does require reductions in non-defense and non-Medicare areas of the budget. At the time of its January 2017 baseline release, the Congressional Budget Office did not provide forward-looking, function-level information on what non-defense and non-Medicare reductions are under the terms of the BCA. The CBO has, instead, assigned the non-defense and non-Medicare reductions required by the BCA to Function 920.

In Function 920, the budget resolution includes reductions of $499.2 billion in budget authority and $450.8 billion in outlays over 10-years to reflect the impact of the BCA on non-defense and non-Medicare spending.

Function 990

The CBO baseline for Function 990 includes reductions of $10.3 billion in budget authority and $9.7 billion in outlays over 10 years, to reflect the impact of an across-the-board cut contained in the fiscal year 2017 continuing resolution. The budget resolution recommends no changes in this function, leaving it instead at the CBO baseline levels.

UNDISTRIBUTED OFFSETTING RECEIPTS

Function Summary

Offsetting receipts to the Treasury are recorded in this category as negative budget authority and outlays. Receipts appearing here are either intra-budgetary (a payment from one Federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some kind of business transaction with the government). The main types of receipts presented are the payments Federal agencies make to employee retirement and health care funds; payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf; and payments by those who bid for the right to buy or use public property or resources, such as the electromagnetic spectrum. The category also contains an off-budget component that reflects the Federal Government's share of Social Security contributions for Federal employees.

All transactions in this area are recorded as direct spending and appear in Function 950 of Table 3. On a unified basis, the resolution calls for −$100.5 billion in budget authority and outlays in fiscal year 2018 (the minus sign indicates receipts flowing into the Treasury). Over 10 years, budget authority and outlays total −$1.2 trillion.

On-budget amounts are −$83.2 billion in budget authority and outlays for fiscal year 2018, and −$1.0 trillion in budget authority and outlays over 10 years.

Off-budget amounts are −$17.3 billion in budget authority and outlays for fiscal year 2018, and −$200.0 billion in budget authority and outlays over 10 years. The major program in the off-budget category is Federal agency matching payments for retirement contributions on behalf of Federal employees to the Federal Old Age and Survivors and Disability Insurance Trust Fund—or Social Security. The budget resolution recommends no policy changes to the off-budget portion of Function 950.

Illustrative Policy Options

Federal Real-Property Sales and Management. The Federal Government's management, maintenance, and ownership of real property continues to plague the Nation's fiscal health. While the General Services Administration [GSA] is the primary authority tasked with managing this portfolio, the sheer size of the government's real estate and property management footprint is impossible to ascertain in real time. Adding to the burden, the GSA is not equipped to manage this portfolio of buildings, structures, and leases. As an agency, GSA lacks significant authorities to rein in the desires of other agencies and departments to continue leasing buildings and other real estate when adequate federally owned property is already available. The Federal real-property inventory is so massive that the report accounting for it lags two years behind the current budget year. Complex procedural requirements, lack of organization, and delayed data reporting provide agencies with few incentives to dispose of unneeded properties and even fewer repercussions for holding onto these properties indefinitely. Real-property management has been on the Government Accountability Office's list of "high risk" government activities since 2003. According to the most recent Federal Real Property Profile, from fiscal year 2015, the Federal Government owns more than 273,000 buildings and 496,000 structures, with a total of over 2.8 billion square footage.[416]

The government has a poor track record for real-estate asset sales. The fiscal year 2015 report shows that of the 14,400 assets the Federal Government disposed of in that year, 2,369, or almost 20 percent, were disposed of by way of demolition. Just more than 1 percent were disposed of through a sale. Many assets were conveyed, or given away, at below-market value or for free.[417]

The House Committee on Oversight and Government Reform has worked tirelessly to bring accountability, transparency, and actionable solutions to fix the Federal real-property portfolio. The "Federal Property Management Reform Act of 2016", which became law in December 2016, established a Federal Real Property Council tasked with reforming the current Federal property management system, and updating the current practices that have been unable to provide accurate and up-to-date metrics on the Federal Government's real estate investments.[418] Using these reforms as a foundation, the resolution urges the Office of Management and Budget to streamline the asset-sale process; loosen regulations for the disposal and sale of Federal property to eliminate red tape and waste; set enforceable targets for asset sales; and hold government agencies accountable for the buildings they oversee and leasing practices of non-governmental real estate. If these actions are done correctly, the Federal Government could save billions of dollars from selling unused government property and realize savings from forcing agencies to utilize government real property before entering into outside leases.

Federal Land. Currently, the Federal Government owns nearly 650 million acres of land—almost 30 percent of the land area of the United States. In addition to Federal real-property sales, this resolution supports examining Federal lands, in consultation with State and local communities, to identify where certain lands may be more efficiently managed, thus reducing the burden on the Federal government. Excluded from this policy are National Parks, wilderness areas, wildlife refuges, and wild and scenic rivers.

Reduce Strategic Petroleum Reserve Through Asset Sales. The The Strategic Patroleum Reserve was created following the energy crisis of 1973 when the Organization of Petroleum Exporting Countries members proclaimed an oil embargo. Since then the U.S. has significantly reduced its dependence on overseas oil. Furthermore, the recent expansion of U.S. oil supplies allows the Federal Government to safely draw down the number of barrels it holds in reserve.

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[416] General Services Administration, Summary of Fiscal Year 2015 Federal Real Property Profile Open Data Set: https://www.gsa.gov/portal/getMediaData?mediaId=129426.

[417] General Services Administration, FY2015 Federal Real Property Profile (FRPP) Open Data Set: https://www.gsa.gov/portal/getMediaData?mediaId=132270.

[418] Public Law 114–318.

REVENUE AND TAX REFORM

The U.S. tax code is notoriously complex, patently unfair, and highly inefficient. Its complexity distorts decisions to work, save, and invest, which leads to slower economic growth, lower wages, and less job creation. This budget proposes to address these problems with a reformed pro-growth tax code that is simpler and fairer—one that cuts out confusion and lowers rates for families and workers. A revamped tax code could raise just as much revenue as does the system in place today, *without* the harmful tax policies embedded in current law. A restructured and more efficient tax code would also spark greater economic growth and job creation. Congress and the President have an opportunity to open the door for a tax code that is among the most competitive in the world. That means more businesses being able to choose to stay here in America, rather than being driven by the tax code to move offshore.

The budget resolution's revenue projections—$3.542 trillion in fiscal year 2018 and $41.953 trillion through 2027—are built on a tax reform model derived from the principles below.

The Challenge

The current tax code is needlessly complex. It is estimated that individuals, families, and employers spend more than 8.9 billion hours and $409 billion a year trying to negotiate a labyrinth of special rules, deductions, and tax schedules. [419] Since 2001, there have been more than 5,800 changes made to the tax code. Many of the major changes made over the years have carved out special preferences, exclusions, or deductions for various activities or groups. These tax breaks sum to roughly $1.4 trillion per year (see the tax expenditures table that follows this discussion). [420] To put that figure in perspective, the government *collected* about $1.5 trillion in individual income taxes last year.

As the tax code has grown in complexity, the Internal Revenue Service [IRS] has increased its funding requests to support an army of tax examiners and agents. To cite just one example, the Treasury Department requested more than $402 million in fiscal year 2017 simply to administer the tax elements of the Affordable Care Act. Ways and Means Committee Chairman Kevin Brady (R–TX) envisions that, under the House's *A Better Way* tax reform proposal, most Americans will be able to do their own taxes on a simple form, roughly the size of a postcard. The plan also redesigns the IRS to have a single focus—customer service.

[419] The Speaker's Tax Reform Task Force, *A Better Way: Our Vision for a Confident America—Tax,* 24 June 2016.
[420] National Taxpayer Advocate, *Annual Report To Congress 2016.*

The large amount of tax preferences that pervade the code end up narrowing the tax base. A narrow tax base requires much higher tax rates to raise a given amount of revenue. Standard economic theory shows that high marginal tax rates dampen incentives to work, save, and invest, which reduces economic output and job creation. Lower economic output, in turn, drains off the intended revenue gain from higher marginal tax rates.

The top tax rate has risen and fallen dramatically throughout U.S. history, with little effect on tax revenue as a share of the economy. For instance, the top U.S. tax rate for individuals has been as high as 90 percent and as low as 28 percent. Income tax revenue has remained fairly steady, despite these sharp rate swings. It turns out that the biggest driver of Federal revenue is not higher tax rates, but economic growth. A sizable majority of economists point out that a broad base and low rates are key in a tax system that fosters economic growth and competitiveness. Legislators on both sides of the aisle agree on this basic principle.

One hallmark of the U.S. economy is the role of smaller, unincorporated businesses. Roughly half of U.S. active business income and half of private sector employment are derived from business entities (such as partnerships, S corporations, and sole proprietorships) that are taxed on a "pass-through" basis. This means income derived from a business is passed through to the business owner, who pays taxes on it at the individual income tax rate. Small businesses, in particular, tend to choose this form for Federal tax purposes, and the top effective Federal tax rate on such small business income can reach nearly 45 percent. For these reasons, sound economic policy requires lowering marginal rates on these pass-through entities.

The U.S. has the highest corporate income tax rate in the industrialized world, at 35 percent, not including State and local taxes. The tax itself raises relatively little revenue: only about 10 percent of total Federal tax revenue comes from taxing corporate income. Furthermore, corporate income is taxed twice: first at the corporate entity level, as it is earned, and also at the shareholder level, when corporations distribute earnings. The current tax structure discourages investment and job creation, distorts business activity, and puts American businesses at a competitive disadvantage against foreign competitors. Policymakers should consider options to limit double taxation when comprehensive tax reform is considered. Any tax that raises little revenue, yet creates many economic distortions is particularly ripe for reform.

A high corporate tax rate hinders American competitiveness by making the U.S. a less desirable destination for investment and jobs. Decisions about where to locate a business and make investments are becoming more sensitive to country tax rates, as global integration increases. Foreign investment is important to an economy, because it is a key source of funding to finance innovation and jobs. Many countries have been lowering their business tax rates to increase their competitiveness. The U.S. continues to risk falling behind as it maintains a high tax rate while other countries lower theirs. The U.S. corporate tax constrains economic growth and job creation, because it deters potential investment. Also, the U.S. tax rate differential with other countries fosters a variety of complicated multinational corporate behaviors intended to avoid the tax—profit shifting, corporate inversions, and transfer pricing—which have the effect of moving the tax base offshore, destroying American jobs, and decreasing corporate revenue.

The structure of U.S. international taxation is also out of sync with the international standard used by the majority of other countries, putting U.S. businesses operating abroad at a competitive disadvantage. Most countries operate under a so-called "territorial" system of international taxation, whereby their businesses operating abroad are only subject to the tax of the country where they do business. The U.S. has an antiquated "worldwide" system of international taxation, in which U.S. multinational businesses operating abroad pay both the foreign-country tax and U.S. corporate taxes when profits are repatriated. They are essentially taxed twice. This puts them at an obvious competitive disadvantage.

Reforming the U.S. tax code to an international system would boost the competitiveness of U.S. companies operating abroad and would also reduce incentives for tax avoidance.

Solution: Pro-Growth Tax Reform

Given the many problems with the current system, Congress should enact legislation that provides for a comprehensive reform of the U.S. tax code to promote economic growth, create American jobs, and increase wages. While the Committee on Ways and Means continues to develop specific policies, these aims can be achieved through revenue-neutral, fundamental tax reform that does the following:

- Simplifies the tax code to make it fairer to American families and businesses and reduces the amount of time and resources necessary to comply with tax laws;
- Lowers tax rates for individuals, and consolidates the current seven individual income tax brackets;
- Repeals the Alternative Minimum Tax;
- Reduces the corporate tax rate; and
- Transitions the tax code from a "worldwide" system to a "territorial" system.

Economists have shown that lowering overall rates and broadening the tax base would create greater economic growth and support more job creation by the private sector. A faster-growing economy would help reduce the budget deficit. According to the Congressional Budget Office [CBO], raising productivity growth by just 0.1 percentage point per year would reduce the deficit by $273 billion over the next decade.

This resolution calls for comprehensive tax reform and lays out several principles. As indicated, there are many good ideas on this front—growth-oriented tax plans that could strengthen the economy and support the Nation's spending priorities.

For instance, Representative Rob Woodall (R–GA) has a plan that would eliminate taxes on wages, corporations, self-employment, and capital gains in favor of a personal consumption tax providing the economic certainty that American businesses, entrepreneurs, and taxpayers desire. The plan also eliminates the gift and death taxes.

Representative Bob Goodlatte (R–VA) has also submitted legislation establishing a structure for a tax system that encourages job creation and a healthy economy. Without prescribing any specific tax system, it calls for a low tax rate for all Americans, tax relief for working individuals, protection for the rights of taxpayers, and a reduction in tax collection abuses. Additionally, under this legislation, the tax system would support savings and investment, and would not penalize marriage or families.

It is no secret that Washington has a spending problem, not a revenue problem. The tax expenditure table below shows just how complex the current tax code is—offering preferential tax treatment in the form of credits, deductions and exclusions to various categories of industries and individuals. The Joint Committee on Taxation estimates this spending through the tax code to cost the Federal Government $1.6 trillion in 2017.

CBO projects Federal revenue will exceed 18.0 percent of gross domestic product throughout the next decade, well above the 17.4-percent average annual level of the past half century. Nevertheless, spending will persistently outpace revenue, producing chronic and growing deficits. This is primarily due to the growing costs of health and retirement benefits. Therefore, Congress should reject proposals that seek to raise revenue with the introduction of a new and additional tax to finance out of control spending. Such proposals would discourage savings and investment and increase the costs of individual, family, and employee retirement accounts. The focus should be on restraining spending.

One way to relieve the ever-increasing burden of automatic spending is to encourage individuals and families to save. Maintaining and strengthening the critical role of the private sector in helping all Americans achieve retirement security is important. Tax reform that encourages taxpayers to save is pro-growth economic policy that would consequently enable individuals and families to rely less on the Federal Government.

Congress should consider these and the full range of pro-growth plans as it moves toward implementing the tax reform called for under this budget.

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2016–2020[1]

[Billions of dollars]

Function	Corporations					Individuals					Total 2016–20
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
National Defense:											
Exclusion of benefits and allowances to armed forces personnel	....	....	....	....	....	5.5	5.6	6.1	6.4	6.5	30.1
Exclusion of military disability benefits	....	....	....	....	....	0.3	0.3	0.3	0.3	0.3	1.3
Deduction for overnight-travel expenses of national guard and reserve members	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of combat pay	....	....	....	....	....	1.2	1.3	1.4	1.4	1.4	6.7
International Affairs:											
Exclusion of certain allowances for Federal employees abroad	....	....	....	....	....	1.3	1.3	1.4	1.4	1.5	6.8
Exclusion of foreign earned income:											
Housing	....	....	....	....	....	1.1	1.2	1.2	1.2	1.2	5.9
Salary	....	....	....	....	....	6.6	7.0	7.5	8.0	8.5	37.6
Inventory property sales source rule exception	1.7	1.8	1.8	1.8	1.8	....	....	....	....	....	8.9
Deduction for foreign taxes instead of a credit	0.3	0.3	0.3	0.3	0.3	....	....	....	....	....	1.5
Interest expense allocation:											
Unavailability of symmetric worldwide method*	−1.2	−1.2	−1.2	−1.1	−1.1	....	....	....	....	....	−5.8
Separate grouping of affiliated financial companies	0.4	0.4	0.4	0.4	0.5	....	....	....	....	....	2.1
Apportionment of research and development expenses for determination of foreign tax credits	0.1	0.2	0.2	0.2	0.3	....	....	....	....	....	1.0
Special rules for interest-charge domestic international sales corporations	0.9	0.9	1.0	1.0	1.0	....	....	....	....	....	4.8
Tonnage tax	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Deferral of active income of controlled foreign corporations	102.7	119.0	121.8	120.5	123.1	....	....	....	....	....	587.2
Deferral of active financing income	9.1	9.4	9.7	9.9	10.3	....	....	....	....	....	48.5
General Science, Space, and Technology:											
Credit for increasing research activities (Code section 41)	9.4	9.8	10.3	10.9	11.4	1.0	1.0	1.1	1.2	1.3	57.5
Expensing of research and experimental expenditures	2.0	2.0	2.0	2.0	2.0	0.1	0.1	0.1	0.1	0.1	11.0
Therapeutic research credit	0.1	0.1	....	....	....	0.1	0.1	....	....	....	0.5
Energy:											
Credit for energy-efficient improvements to existing homes	....	....	....	....	....	0.5	0.4	....	....	....	0.9
Credit for holders of clean renewable energy bonds (Code sections 54 and 54C)[2,3]	([4])	([4])	([4])	([4])	([4])	([4])	([4])	0.1	0.1	0.1	0.6
Exclusion of energy conservation subsidies provided by public utilities	....	....	....	....	....	([4])	([4])	([4])	([4])	([4])	0.1
Credit for holders of qualified energy conservation bonds[2,3]	....	....	....	....	....	([4])	([4])	([4])	([4])	([4])	0.3
Energy credit (section 48)	2.3	2.5	2.5	2.5	2.7	0.3	0.2	0.1	0.1	0.1	13.6
Solar	2.2	2.4	2.4	2.4	2.6	0.2	0.2	0.1	0.1	0.1	12.3
Geothermal	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])
Fuel Cells	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])	([4])

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2016–2020[1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2016–20
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
Microturbines	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Combined heat and power	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Small wind	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Geothermal heat pump systems	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Credits for electricity production from renewable resources (section 45):.											
Wind	3.1	4.0	4.8	5.2	5.4	0.2	0.2	0.3	0.3	0.3	23.7
Closed-loop biomass	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Geothermal	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Qualified hydropower	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Small irrigation power	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Municipal solid waste	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.4
Open-loop biomass	0.1	0.2	0.2	0.3	0.3	(4)	(4)	(4)	(4)	(4)	1.2
Special rule to implement electric transmission restructuring	−0.2	−0.2	−0.2	−0.2	−0.2	....	....	....	....	....	−1.0
Credits for investments in clean coal facilities	0.2	0.2	0.2	0.2	0.2	....	....	....	....	....	1.0
Coal production credits:											
Refined coal	(4)	(4)	(4)	(4)	(4)	....	....	....	....	....	0.1
Indian coal	(4)	(4)	(4)	(4)	(4)	....	....	....	....	....	0.1
Credits for alternative technology vehicles:											
Other alternative fuel vehicles	(4)	(4)	(4)	(4)	(4)	....	....	....	....	....	0.1
Residential energy-efficient property credit	....	....	....	....	....	1.1	1.0	0.4	0.4	0.4	3.2
Credit for plug-in electric vehicles	0.2	0.3	0.3	0.4	0.4	0.1	0.4	0.5	0.5	0.6	4.4
Credit for investment in advanced energy property	0.2	0.2	0.1	0.1	(4)	0.1	0.1	0.1	0.1	0.1	0.8
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.7
Expensing of exploration and development costs, fuels:											
Oil and gas	1.4	1.2	1.1	1.0	0.9	0.4	0.4	0.4	0.3	0.3	7.4
Other fuels	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.6
Excess of percentage over cost depletion, fuels:											
Oil and gas	0.7	0.8	0.9	0.9	1.0	(4)	(4)	(4)	(4)	(4)	4.3
Other fuels	0.2	0.2	0.2	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.9
Amortization of geological and geophysical expenditures associated with oil and gas exploration	0.1	0.1	0.1	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.6
Amortization of air pollution control facilities	0.5	0.8	0.9	1.0	1.0	....	....	....	....	....	4.2

Depreciation recovery periods for energy-specific items:											
Five-year MACRS for certain energy property (solar, wind, etc.)	0.2	0.2	0.2	0.2	0.6	0.1	0.1	0.1	0.1	0.2	2.0
10-year MACRS for smart electric distribution property	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
15-year MACRS for certain electric transmission property	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
15-year MACRS for natural gas distribution line	0.2	0.2	0.2	0.1	0.1	....	....	....	....	....	0.8
Exceptions for publicly traded partnership with qualified income derived from certain energy-related activities	....	....	....	....	....	0.9	1.0	1.0	1.0	1.0	4.9
Natural Resources and Environment:											
Special depreciation allowance for certain reuse and recycling property	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Expensing of exploration and development costs, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.5
Excess of percentage over cost depletion, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.5
Expensing of timber-growing costs	0.3	0.3	0.3	0.3	0.3	(4)	(4)	(4)	(4)	(4)	1.6
Special rules for mining reclamation reserves	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.2
Special tax rate for nuclear decommissioning reserve funds	0.2	0.3	0.3	0.3	0.3	....	....	....	....	....	1.4
Exclusion of contributions in aid of construction for water and sewer utilities	(4)	(4)	(4)	(4)	(4)	....	....	....	....	....	0.2
Exclusion of earnings of certain environmental settlement funds	(4)	(4)	(4)	(4)	(4)	....	....	....	....	....	0.1
Amortization and expensing of reforestation expenditures	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	1.3
Capital gains treatment for qualified timber income (including coal and iron ore)	....	....	....	....	....	0.3	0.4	0.4	0.4	0.4	1.9
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Agriculture:											
Expensing of soil and water conservation expenditures	(4)	(4)	(4)	(4)	(4)	0.1	0.1	0.1	0.1	0.1	0.6
Expensing of the costs of raising dairy and breeding cattle	(4)	(4)	(4)	(4)	(4)	0.2	0.1	(4)	(4)	(4)	0.4
Exclusion of cost-sharing payments	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of cancellation of indebtedness income of farmers	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Income averaging for farmers and fishermen	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Five-year carryback period for net operating losses attributable to farming	(4)	(4)	(4)	(4)	(4)	0.1	0.1	0.1	0.1	0.1	0.4
Expensing by farmers for fertilizer and soil conditioner costs	(4)	(4)	(4)	(4)	0.1	0.1	0.1	0.1	0.1	0.2	0.9
Cash accounting for agriculture	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Commerce and Housing:											
Housing:											
Deduction for mortgage interest on owner-occupied residences	....	....	....	....	....	59.0	63.6	72.4	78.7	83.4	357.0
Exclusion of income attributable to the discharge of principal residence acquisition indebtedness	....	....	....	....	....	2.3	1.2	....	....	....	3.5
Deduction for premiums for qualified mortgage insurance	....	....	....	....	....	1.0	0.8	....	....	....	1.7
Deduction for property taxes on real property	....	....	....	....	....	31.2	33.3	36.4	38.5	40.5	180.0
Exclusion of capital gains on sales of principal residences	....	....	....	....	....	29.2	32.1	33.4	34.9	36.8	166.3
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing [5]	0.4	0.4	0.4	0.4	0.4	0.9	1.0	1.0	1.1	1.1	7.1
Credit for low-income housing	7.9	8.2	8.6	9.0	9.6	0.3	0.3	0.4	0.4	0.4	45.1

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2016–2020[1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2016–20
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
Credit for rehabilitation of historic structures	0.7	0.7	0.8	0.8	0.9	0.2	0.2	0.2	0.2	0.2	4.8
Credit for rehabilitation of structures, other than historic structures	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1	0.1	0.1	0.3
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.3	0.3	0.3	0.3	0.3	0.7	0.8	0.8	0.9	0.9	5.6
Depreciation of rental housing in excess of alternative depreciation system	0.4	0.4	0.4	0.4	0.4	4.0	3.8	3.7	3.6	3.5	20.7
Other business and commerce:											
Exclusion of interest on State and local government small-issue qualified private activity bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.4	2.2
Carryover basis of capital gains on gifts	....	....	....	....	....	2.5	2.0	3.2	4.5	4.9	17.0
Deferral of gain on non-dealer installment sales	6.8	6.7	6.7	6.7	6.7	1.7	1.4	1.2	1.2	1.2	40.3
Deferral of gain on like-kind exchanges	11.1	11.4	11.7	12.2	12.7	5.9	6.0	6.2	6.4	6.6	90.2
Expensing under section 179 of depreciable business property	34.2	24.1	17.9	12.9	8.2	53.0	37.4	27.8	20.0	12.7	248.2
Amortization of business startup costs	(4)	(4)	(4)	(4)	0.1	(4)	(4)	(4)	0.1	0.1	0.4
Reduced rates on first $10,000,000 of corporate taxable income	3.0	3.1	3.1	3.3	3.4	....	....	....	....	....	15.9
Exemptions from imputed interest rules	(4)	(4)	(4)	(4)	(4)	0.6	0.7	0.7	0.7	0.8	3.5
Expensing of magazine circulation expenditures	0.2	(4)	(4)	(4)	(4)	0.1	(4)	(4)	(4)	(4)	0.3
Special rules for magazine, paperback book, and record returns	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.2
Completed contract rules	0.9	0.9	1.0	1.0	1.1	0.1	0.1	0.1	0.1	0.1	5.5
Cash accounting, other than agriculture	0.3	0.3	0.3	0.3	0.3	1.9	1.9	2.0	2.0	2.1	11.5
Credit for employer-paid FICA taxes on tips	0.5	0.5	0.5	0.5	0.6	1.0	1.0	1.0	1.1	1.1	7.8
Deduction for income attributable to domestic production activities	14.5	14.6	14.7	14.9	15.3	5.5	5.5	5.6	5.7	5.8	102.1
Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Reduced rates of tax on dividends and long-term capital gains	....	....	....	....	....	130.9	133.6	135.9	137.3	139.9	677.7
Surtax on net investment income*	....	....	....	....	....	−28.4	−29.3	−30.3	−31.1	−32.5	−151.6
Exclusion of capital gains at death	....	....	....	....	....	32.9	33.8	35.6	37.7	39.6	179.4
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion for gain from certain small business stock	....	....	....	....	....	1.1	1.2	1.3	1.3	1.3	6.2
Distributions in redemption of stock to pay various taxes imposed at death	....	....	....	....	....	(4)	(4)	(4)	0.1	0.1	0.2
Exclusion from UBTI of certain payments to controlling exempt organizations	(4)	(4)	(4)	(4)	(4)	....	....	....	....	....	0.1
Inventory methods and valuation:											
Last in first out	1.3	1.4	0.1	1.4	1.4	0.2	0.2	0.2	0.2	0.3	8.1
Lower of cost or market	0.1	0.1	0.1	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.4

Specific identification for homogeneous products	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of gain or loss on sale or exchange of brownfield property	(4)	(4)	(4)	(4)	(4)	....	....	....	....	....	0.1
Income recognition rule for gain or loss from section 1256 contracts	(4)	(4)	(4)	(4)	(4)	1.0	1.0	1.0	1.1	1.1	5.4
Net alternative minimum tax attributable to net operating loss limitation*	−0.5	−0.5	−0.5	−0.5	−0.5	−0.1	−0.1	−0.1	−0.1	−0.1	−3.0
Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.1
Depreciation of equipment in excess of the alternative depreciation system [6]	17.3	25.1	17.6	7.6	−21.1	7.1	10.3	7.2	3.1	−8.6	65.7
Financial institutions:											
Exemption of credit union income	2.6	2.7	2.9	3.0	3.2	....	....	....	....	....	14.4
Insurance companies:											
Small life insurance company taxable income adjustment	(4)	(4)	(4)	(4)	(4)	....	....	....	....	....	0.0
Special treatment of life insurance company reserves	3.2	3.3	3.3	3.3	3.4	....	....	....	....	....	16.5
Special deduction for Blue Cross and Blue Shield companies	0.4	0.4	0.4	0.5	0.5	....	....	....	....	....	2.2
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	2.4	2.6	2.6	2.6	2.6	....	....	....	....	....	12.8
Proration for property and casualty insurance companies	0.4	0.4	0.4	0.4	0.5	....	....	....	....	....	2.1
Transportation:											
Exclusion of employer-paid transportation benefits (parking, van pools, and transit passes)	....	....	....	....	....	5.1	5.3	5.4	5.6	5.7	27.2
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities	(4)	(4)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of interest on State and local government qualified private activity bonds for high-speed intercity rail facilities	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities	0.3	0.3	0.3	0.3	0.3	0.7	0.7	0.7	0.8	0.8	5.1
Provide a 50 percent tax credit for certain expenditures for maintaining railroad tracks	0.2	0.1	....	....	....	....	....	....	....	....	0.2
Community and Regional Development:											
Empowerment zone tax incentives	0.2	0.1	(4)	(4)	(4)	0.1	0.1	(4)	(4)	(4)	0.4
New markets tax credit	1.2	1.2	1.2	1.2	1.1	(4)	(4)	(4)	(4)	(4)	5.9
District of Columbia tax incentives	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Credit for Indian reservation employment	(4)	(4)	....	....	....	(4)	(4)	....	....	....	0.1
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities	0.1	0.1	0.1	0.1	0.1	0.3	0.4	0.4	0.4	0.4	2.5
Recovery zone economic development bonds [2,3]	(4)	(4)	(4)	(4)	(4)	0.2	0.2	0.2	0.2	0.2	0.9
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.5	0.5	0.5	0.5	0.5	....	....	....	....	....	2.6

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2016–2020[1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2016–20
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
Disaster Relief:											
National disaster relief	[Estimate contained in other provisions]										
Education, Training, Employment, and Social Services:											
Education and training:											
Deduction for interest on student loans	....	....	....	....	....	2.2	2.3	2.4	2.5	2.6	11.9
Exclusion of earnings of Coverdell education savings accounts	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of scholarship and fellowship income	....	....	....	....	....	3.5	3.7	3.9	4.1	4.4	19.5
Exclusion of income attributable to the discharge of certain student loan debt and NHSC and certain State educational loan repayments	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of employer-provided education assistance benefits	....	....	....	....	....	1.2	1.2	1.3	1.3	1.3	6.3
Exclusion of employer-provided tuition reduction benefits	....	....	....	....	....	0.3	0.3	0.3	0.3	0.3	1.6
Parental personal exemption for students aged 19 to 23	....	....	....	....	....	4.3	4.5	4.5	4.7	4.9	23.0
Exclusion of interest on State and local government qualified private activity bonds for student loans	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.5	0.5	0.5	3.1
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	1.0	1.0	1.0	1.1	1.1	2.6	2.8	2.9	3.1	3.2	19.8
Credit for holders of qualified zone academy bonds [2,3]	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.5
Deduction for higher education expenses	....	....	....	....	....	0.4	0.1	....	....	....	0.5
Deduction for teacher classroom expenses	....	....	....	....	....	0.2	0.2	0.2	0.2	0.3	1.2
Deduction for charitable contributions to educational institutions	0.9	0.9	0.9	1.0	1.0	9.3	9.6	9.9	10.2	10.5	54.2
Credits for tuition for post-secondary education [3]	....	....	....	....	....	18.4	19.6	20.0	20.0	20.1	98.2
Exclusion of tax on earnings of qualified tuition programs:.											
Prepaid tuition programs	....	....	....	....	....	....	....	0.1	0.1	0.1	0.2
Savings account programs	....	....	....	....	....	0.7	1.0	1.1	1.3	1.4	5.5
Qualified school construction bonds [2,3]	([4])	([4])	([4])	([4])	([4])	1.1	1.2	1.3	1.4	1.5	6.5
Employment:											
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	3.0	3.1	3.2	3.3	3.5	16.1
Exclusion of benefits provided under cafeteria plans [7]	....	....	....	....	....	31.3	32.8	33.9	34.7	36.0	168.8
Exclusion of housing allowances for ministers	....	....	....	....	....	0.8	0.8	0.8	0.8	0.8	4.1
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	7.7	7.8	8.0	8.2	8.4	40.2
Exclusion of employee awards	....	....	....	....	....	0.3	0.4	0.4	0.4	0.4	1.9
Exclusion of income earned by voluntary employees' beneficiary associations	....	....	....	....	....	2.5	2.5	2.6	2.7	2.8	13.1
Special tax provisions for employee stock ownership plans (ESOPs)	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.6	1.7	1.7	15.5

Deferral of taxation on spread on acquisition of stock under incentive stock option plans*	−1.1	−1.2	−1.2	−1.2	−1.3	0.4	0.3	0.3	0.3	0.3	−4.5
Deferral of taxation on spread on employee stock purchase plans*	−0.2	−0.2	−0.2	−0.2	−0.2	(4)	(4)	0.1	0.1	0.1	−0.7
Disallowance of deduction for excess parachute payments (applicable if payments to a disqualified individual are contingent on a change of control of a corporation and are equal to or greater than three times the individual's annualized includible compensation) [8]*	−0.3	−0.3	−0.3	−0.3	−0.3	....	....	....	....	....	−1.4
Limits on deductible compensation [8]*	−0.7	−0.8	−0.9	−1.0	−1.0	....	....	....	....	....	−4.3
Work opportunity tax credit	1.4	1.6	1.7	1.8	1.1	0.1	0.1	0.1	0.1	0.1	8.2
Social services:											
Credit for children under age 17 [3]	....	....	....	....	....	55.0	54.6	54.2	53.6	53.1	270.5
Credit for child and dependent care and exclusion of employer-provided child care [3,9]	....	....	....	....	....	4.2	4.3	4.4	4.4	4.5	21.7
Credit for employer-provided dependent care	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of certain foster care payments	....	....	....	....	....	0.4	0.4	0.4	0.5	0.5	2.2
Adoption credit and employee adoption benefits exclusion	....	....	....	....	....	0.3	0.3	0.4	0.4	0.4	1.8
Deduction for charitable contributions, other than for education and health [10]	1.9	2.0	2.0	2.1	2.1	41.5	42.8	44.1	45.2	46.6	230.5
Credit for disabled access expenditures	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.3
Health:											
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [11]	....	....	....	....	....	155.3	164.7	173.0	180.6	189.5	863.1
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare	....	....	....	....	....	2.7	2.9	3.0	3.1	3.3	15.0
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare	....	....	....	....	....	0.9	1.0	1.0	1.1	1.2	5.2
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	....	....	....	....	....	5.7	5.9	6.4	6.8	6.4	31.2
Deduction for medical expenses and long-term care expenses	....	....	....	....	....	10.0	10.1	10.9	12.1	13.4	56.6
Exclusion of workers' compensation benefits (medical benefits)	....	....	....	....	....	5.0	5.1	5.2	5.3	5.4	26.1
Health savings accounts	....	....	....	....	....	2.2	2.5	2.9	3.4	4.0	15.0
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities	0.7	0.7	0.7	0.7	0.7	1.8	1.9	2.0	2.1	2.2	13.5
Deduction for charitable contributions to health organizations	1.1	1.1	1.1	1.1	1.2	4.4	4.5	4.6	4.7	4.9	28.7
Credit for purchase of health insurance by certain displaced persons [3]	....	....	....	....	....	(4)	(4)	(4)	(4)	(4)	0.2
Credit for orphan drug research	1.3	1.7	2.1	2.6	3.2	(4)	0.1	0.1	0.1	0.1	11.2
Tax credit for small businesses purchasing employer insurance [3]	0.2	0.1	0.1	0.1	0.1	1.2	0.8	0.6	0.7	0.7	4.7
Subsidies for insurance purchased through health benefit exchanges [3]	....	....	....	....	....	41.3	55.8	68.9	77.9	82.7	326.6
Income Security:											
Exclusion of amounts received under life insurance contracts	2.2	2.3	2.3	2.4	2.4	22.2	22.8	23.3	23.9	24.5	128.3
Exclusion of workers' compensation benefits (disability and survivors payments)	....	....	....	....	....	2.9	3.1	3.2	3.3	3.3	15.8
Exclusion of damages on account of personal physical injuries or physical sickness	....	....	....	....	....	1.7	1.7	1.7	1.8	1.8	8.6
Exclusion of special benefits for disabled coal miners	....	....	....	....	....	(4)	(4)	(4)	(4)	(4)	0.1

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2016–2020[1]—Continued

[Billions of dollars]

Function	Corporations 2016	Corporations 2017	Corporations 2018	Corporations 2019	Corporations 2020	Individuals 2016	Individuals 2017	Individuals 2018	Individuals 2019	Individuals 2020	Total 2016–20
Net exclusion of pension contributions and earnings:											
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans")	....	....	....	....	....	7.1	8.6	13.9	16.3	17.1	63.0
Defined benefit plans	....	....	....	....	....	58.6	70.4	83.4	97.9	114.0	424.3
Defined contribution plans	....	....	....	....	....	90.4	102.0	115.3	129.8	146.1	583.6
Individual retirement arrangements:											
Traditional IRAs	....	....	....	....	....	15.2	16.1	17.1	18.2	19.3	85.8
Roth IRAs	....	....	....	....	....	7.3	8.1	8.9	9.7	10.6	44.6
Credit for certain individuals for elective deferrals and IRA contributions	....	....	....	....	....	1.4	1.4	1.4	1.4	1.4	7.0
Exclusion of other employee benefits:											
Premiums on group term life insurance	....	....	....	....	....	4.1	4.2	4.3	4.4	4.5	21.5
Premiums on accident and disability insurance	....	....	....	....	....	4.2	4.4	4.6	4.8	5.0	23.1
Additional standard deduction for the blind and the elderly	....	....	....	....	....	3.4	3.6	3.7	3.9	4.2	18.7
Deduction for casualty and theft losses	....	....	....	....	....	0.4	0.4	0.4	0.4	0.5	2.1
Earned income credit [3]	....	....	....	....	....	73.0	73.4	74.4	75.6	77.0	373.4
Phase out of the personal exemption for the regular income tax, and disallowance of the personal exemption and the standard deduction against the alternative minimum tax*	....	....	....	....	....	−16.1	−17.1	−18.0	−18.8	−19.9	−89.8
Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty	....	....	....	....	....	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of disaster mitigation payments	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.2
ABLE accounts [12]	....	....	....	....	....	(4)	(4)	(4)	(4)	(4)	0.1
Social Security and Railroad Retirement:											
Exclusion of untaxed Social Security and railroad retirement benefits	....	....	....	....	....	38.4	40.2	42.5	45.0	47.8	213.8
Veterans' Benefits and Services:											
Exclusion of veterans' disability compensation	....	....	....	....	....	8.3	8.4	8.2	9.4	9.8	44.1
Exclusion of veterans' pensions	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of veterans' readjustment benefits	....	....	....	....	....	1.7	1.7	1.7	1.9	2.0	9.0
Exclusion of interest on State and local government qualified private activity bonds for veterans' housing	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.3
General Purpose Fiscal Assistance:											
Exclusion of interest on public purpose State and local government bonds	9.8	10.1	10.3	10.6	10.9	25.9	26.6	29.1	29.8	31.6	194.7
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes	....	....	....	....	....	65.4	69.3	74.1	78.0	82.0	368.8
Build America bonds [2,3]	....	....	....	....	....	3.2	3.2	3.2	3.2	3.2	16.0

Interest:											
Deferral of interest on savings bonds	....	....	....	....	....	1.3	1.3	1.3	1.3	1.3	6.4

Note: Details may not add to totals due to rounding. An "*" indicates a negative tax expenditure for the 2016–2020 period.

[1] Reflects legislation enacted by December 15, 2016.
[2] Estimate includes an outlay to State and local governments. For the purposes of this table outlays are attributed to individuals.
[3] Estimate includes refundability associated with the following outlay effects:

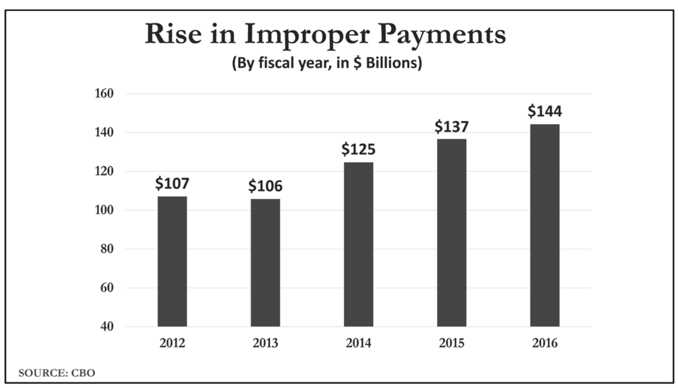
	Corporations					Individuals					Total 2016–20
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
Credit for holders of clean renewable energy bonds	....	....	....	....	....	([4])	([4])	([4])	([4])	([4])	0.2
Credit for holders of qualified energy conservation bonds	....	....	....	....	....	([4])	([4])	([4])	([4])	([4])	0.3
Recovery zone economic development bonds	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	0.8
Credit for holders of qualified zone academy bonds	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.3
Credits for tuition for post-secondary education	....	....	....	....	....	6.4	6.4	6.8	6.8	6.9	33.3
Qualified school construction bonds	....	....	....	....	....	1.1	1.2	1.3	1.4	1.5	6.4
Credit for children under age 17	....	....	....	....	....	32.8	32.7	32.7	32.5	32.4	163.1
Credit for child and dependent care and exclusion of employer-provided child care	....	....	....	....	....	0.9	0.9	0.9	0.9	0.9	4.5
Credit for purchase of health insurance by certain displaced persons	....	....	....	....	....	([4])	([4])	([4])	([4])	([4])	0.1
Tax credit for small businesses purchasing employer insurance	([4])	([4])	([4])	([4])	([4])	0.1	0.1	([4])	([4])	([4])	0.4
Subsidies for insurance purchased through health benefit exchanges	....	....	....	....	....	0.1	0.1	([4])	([4])	([4])	0.4
Earned income credit	....	....	....	....	....	63.9	64.2	64.8	65.8	66.8	325.5
Build America bonds	....	....	....	....	....	3.2	3.2	3.2	3.2	3.2	16.0

[4] Positive tax expenditure of less than $50 million.
[5] Estimate includes effect of credit for interest on certain home mortgages (Section 25).
[6] Includes bonus depreciation and general acceleration under MACRS.
[7] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.
[8] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008.
[9] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.
[10] In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rules.
[11] Estimate includes employer-provided health insurance purchased through cafeteria plans and TRICARE medical insurance, which are also includedin other line items on this table.
[12] Estimate does not include outlays due to Medicaid.

ADDRESSING IMPROPER PAYMENTS

It is no secret that waste and mismanagement are all too common throughout the government, at both the State and Federal level. The extent of government-wide payment errors is higher than most think. These “improper payments” are defined as any government payment made in an incorrect amount (mostly overpayments), to the wrong individual or entity, or for the wrong reason. According to the Government Accountability Office [GAO], these payments totaled a stunning $144.3 billion in 2016, up from $107.1 billion in 2012. Worse, this figure likely *understates* the full extent of the problem; 18 government programs deemed susceptible to improper payments did not even submit error estimates last year, according to GAO. Thus, the estimated total may very well represent a floor rather than a ceiling.[421]

FIGURE 7

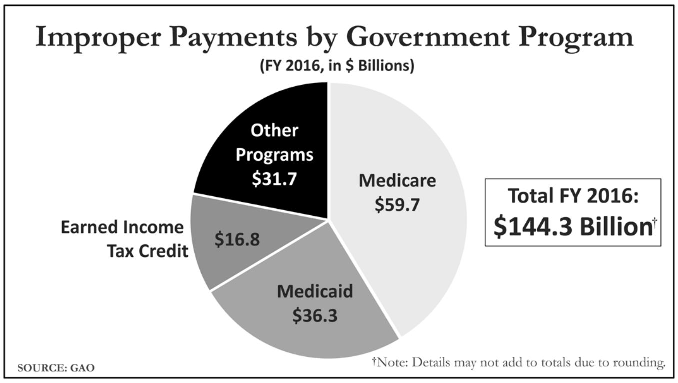


These payment errors occur widely throughout government, including 112 government programs across 22 agencies, GAO reports. More than 75 percent of the problem, however, lies with three large programs: Medicare, Medicaid and the Earned Income Tax Credit [EITC]. In fact, the EITC program has an estimated payment error rate of 24.0 percent, meaning that nearly one in four dollars that leaves the Treasury for this program is deemed to be incorrect. Other notable government programs with improper payment problems include Unemployment Insurance [UI], Direct Student Loans, and the National School Lunch Program. One example of an improper payment would be a UI check going to someone who has already returned to work. Another example would be an EITC pay-

[421] Government Accountability Office, briefing to the House Budget Committee, 29 March 2017.

ment going to an individual who has earned income above the program's qualifying amount.[422]

FIGURE 8



Congress has passed legislation over the years to try to address the problem of improper payments. The Improper Payment Information Act [IPIA] was enacted 2002, requiring agencies to report a formal estimate of improper payments throughout their programs and how they might be prevented. Subsequently, however, the data showed annual payment error numbers continued to rise. In 2010, Congress expanded upon IPIA by passing the Improper Payments Elimination and Recovery Act [IPERA], which tried to make agency reviews of this problem more thorough and comprehensive. For instance, IPERA sought to improve agency methodologies for estimating improper payments. It also required agencies to identify the specific causes of improper payments, as well as the actions they were taking to reduce and recover improper payments. The Inspector General of each agency is charged with annually reviewing the agency's actions to determine compliance with IPERA requirements.[423]

The results have not been encouraging. GAO has found that 15 of the 24 Chief Financial Officers Act agencies failed to comply with the criteria in IPERA in 2015. According to the House Oversight and Government Reform Committee, nine Federal agencies have *never* complied with the requirements in IPERA.[424]

In December 2012, Congress passed the Improper Payments Elimination and Recovery Audit Improvement Act [IPERIA],[425] which further built upon the structure established by previous legislation. IPERIA requires the Office of Management and Budget to identify for greater oversight "high priority" government programs that are particularly susceptible to improper payments. Agencies with such programs must submit annual reports on the steps they

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[422] Ibid.

[423] Committee on Oversight and Government Reform, U.S. House of Representatives, *The Improper Payments Elimination and Recovery Act: An Analysis of Five Years of Data,* October 2016: https://oversight.house.gov/report/improper-payments-elimination-recovery-act-analysis-five-years-data/.

[424] Ibid.

[425] Enacted 10 January 2013, Public Law 112–248.

are taking to prevent or recover improper payments.[426] This legislation also created the so-called "Do Not Pay" initiative, a centralized, data-matching service for agencies to use to help to verify an individual's program eligibility before a payment is made.[427] This web-based system comprises six databases, included the Social Security Death Master File and the Treasury's Debt Check Database.[428] Although this was an important first step, experts agree that Do Not Pay should be expanded to include other data sources beyond those listed in the statute, such as the National Directory of New Hires.[429]

Despite these legislative efforts, tangible progress on reducing improper payments remains elusive. Late last year, the Congressional Research Service summarized its view of the impact of the various legislative initiatives, stating that "the data show that over time, while individual programs have reduced their improper payment rates and amounts, *there has been no sustained progress on a government-wide basis, and several programs with billions of dollars in annual improper payments have seen no substantial improvement."* [430]

Many agencies seem to still follow a "pay and chase" model for addressing improper payments. The agencies focus on "getting the checks out the door," only to determine after the fact that many were improper. This determination sparks a laborious and sometimes costly process to recoup such payments. GAO believes one key to curbing improper payments is to prevent them from being made in the first place. In GAO's words: "[S]trong preventive controls can serve as the frontline defense against improper payments." [431] One such control is "up-front eligibility validation through data sharing." [432] Agencies need access to the broadest and most accurate databases available, and they need to systematically leverage this information to ensure their payments are accurate and going to the correct persons or entities. GAO has also provided agencies with numerous program-specific recommendations over the years for bolstering internal controls to reduce improper payments. Nevertheless, agencies are not obligated to act on these recommendations. GAO has made nearly 130 recommendations over the past five years that the various agencies have not fully acted upon.

Reducing Improper Payments: '50 Percent Within 5'

As discussed above, the legislative initiatives in recent years have produced little progress in reducing improper payments; the majority of government agencies are not even complying with the requirements of those laws. Similarly, GAO has produced a plethora of good, program-specific recommendations to promote more efficient financial management, but many agencies have failed to in-

[426] Congressional Research Service, *Improper Payments Legislation: Key Provisions, Implementation, and Selected Proposals in the 114th Congress,* 7 December 2016.
[427] Government Accountability Office, *Addressing Improper Payments and the Tax Gap Would Improve the Government's Fiscal Position,* 1 October 2015.
[428] Op. cit., Congressional Research Service.
[429] Op. cit., Committee on Oversight and Government Reform.
[430] Op. cit., p. 12 (italics added), Congressional Research Service.
[431] Op. cit., p. 28, Government Accountability Office.
[432] Ibid., p. 28.

stitute them in their operations. Clearly, something is not working and there is not a proper incentive structure for agencies to become better stewards of taxpayer dollars.

This budget resolution proposes the establishment of an independent commission to find tangible solutions to reduce government-wide improper payments by the end of the year. Such a commission would be akin to the Bowles-Simpson Commission of 2010 that was charged with putting the government back on a sustainable fiscal path by reducing deficits and debt over time.

This new commission would be charged with finding ways to tangibly reduce government-wide improper payments by 50 percent within the next five years. This timeframe recognizes that this problem is complex and there is not one silver-bullet solution that could be implemented overnight. Rather, the commission should methodically solicit input from experts within government, such as GAO, and the private sector to determine the best ways to tackle this problem. In recent testimony before the House Budget Committee, Office of Management and Budget Director Mulvaney affirmed this level of improper payment reduction was attainable. Speaking about reducing government-wide improper payments, Director Mulvaney said it was "reasonable * * * to go as high as 40 or 50 percent in that. I think that's a goal that you should shoot for."[433]

No matter how useful the solutions, it will be incumbent upon the agencies to implement them—and the Committee supports the Trump Administration's efforts in this area. In addition, the commission should be required to develop a tighter system of agency oversight to ensure agencies comply with commission recommendations and are achieving the reduction goal over time. This could include penalties and funding reductions for agencies that fail to meet the established target. Where States play a large role in administrating a government program, such as Medicaid, incentives should also be established to reduce their improper payments. For instance, States with Medicaid improper payment rates that exceed the national average of the previous five years could face penalties for doing so.

Reducing government-wide improper payments is no easy task. It will take innovative and comprehensive solutions and an incentive structure to make sure agencies act upon them. Nevertheless, even reducing these improper payments by half would save the government, and taxpayers, hundreds of billions of dollars over the budget window.

[433] Mick Mulvaney, Director of the Office of Management and Budget, testimony before the Committee on the Budget, U.S. House of Representatives, 24 May 2017.

UNAUTHORIZED SPENDING PROGRAMS

Another form of effectively automatic Federal spending goes toward programs that are no longer, or never were, authorized by Congress. In January 2016, the Congressional Budget Office [CBO] reported: "Lawmakers appropriated about $310 billion for fiscal year 2016 for programs and activities whose authorizations of appropriations have expired and whose appropriations could be identified." For perspective, $310 billion in unauthorized appropriations constituted more than 26 percent of all discretionary spending for fiscal year 2016. That is, more than a quarter of the taxpayer dollars Congress appropriated were neither reviewed nor authorized to be spent. This reflected 256 laws that Congress has not reauthorized, says CBO.[434]

When CBO produced its report in January, it could not cite a comparable figure for the current year, fiscal year 2017, because most of the government's activities at that time were funded under a temporary continuing resolution that expired on 28 April 2017.[435] (Congress has since enacted appropriations for the balance of the year, but CBO does not expect to update its report on unauthorized spending for this year.) Nevertheless, CBO identified $648.7 billion in appropriations whose authorizations would expire by the end of the fiscal year, 30 September 2017 (see Table 9 and Table 10). In failing to authorize these programs, Congress misses a key opportunity to conduct oversight of existing programs and Executive Branch agencies.

By regularly failing to reauthorize these programs—or by failing to prevent the reappropriation of expired authorizations—Congress shirks its legislative responsibility to exercise spending discretion. The Constitution endows the Legislative Branch with the power of the purse.[436] Congress abdicates this power when it permits programs to continue operating without the check of regular order budgeting.

This budget resolution strongly supports efforts to reverse this bias toward higher spending and reassert Congress's constitutional authority over fiscal policy.

[434] Congressional Budget Office, *Unauthorized Appropriations and Expiring Authorizations,* 15 January 2016.

[435] Only one regular appropriations bill for the year—the Military Construction, Veterans Affairs, and Related Agencies Appropriations Act (Public Law 114–223)—has been enacted. Consequently, CBO cannot assess most of the government's full-year funding.

[436] Constitution of the United States, Article I, Section 9, Clause 7.

TABLE 9.—SUMMARY OF AUTHORIZATIONS OF APPROPRIATIONS EXPIRING ON OR BEFORE 30 SEPTEMBER 2017, BY APPROPRIATIONS SUBCOMMITTEE

Appropriations subcommittee	Authorizations of appropriations [a]	Appropriations Authorized (in millions of dollars) [b]
Agriculture/Rural Development	7	171
Commerce/Justice/ Science	10	68
Defense	1	583,626
Energy/Water Development	3	19,425
Homeland Security	9	9,515
Interior/Environment	3	4
Labor/HHS	10	8,915
Mil. Con./VA	12	9,907
State/Foreign Operations	10	270
Transportation/HUD	8	16,764
Total	73	648,669

Source: Congressional Budget Office, Expired and Expiring Authorizations, 13 January 2017.

[a] Number of explicit authorizations of appropriations within the jurisdiction of each appropriations subcommittee that expire on or before 30 September 2017.

[b] Amounts specified in statute, a conference report, or other legislative history.

TABLE 10.—SUMMARY OF AUTHORIZATIONS OF APPROPRIATIONS EXPIRING ON OR BEFORE 30 SEPTEMBER 2017, BY HOUSE AUTHORIZING COMMITTEE

House committee	Authorizations of appropriations [a]	Appropriations authorized (in millions of dollars) [b]
Armed Services	6	611,532
Education and the Workforce	5	4,928
Energy and Commerce	14	4,216
Foreign Affairs	10	270
Homeland Security	2	11
Judiciary	6	44
Natural Resources	2	4
Science, Space, and Technology	4	21
Transportation and Infrastructure	14	25,990
Veterans Affairs	10	1,653
Total	73	648,669

Source: Congressional Budget Office, Expired and Expiring Authorizations, 13 January 2017.

[a] Number of explicit authorizations of appropriations within the jurisdiction of each House committee that expire on or before 30 September 2017.

[b] Amounts specified in statute, a conference report, or other legislative history.

Background

Congress from early on distinguished between funding bills—appropriations—and other kinds of legislation. Although not required by the Constitution, the distinction "was reflected in the designation of measures containing budget authority for more than one purpose as 'supply bills,' highlighting their purpose as supplying funds to carry out government operations already established in law."[437] The distinction can be generally explained as follows. An *authorization* may be described as "a statutory provision that defines the authority of the government to act," whereas an *appropriation* can be described as "a statutory provision that permits a federal agency to incur obligations and make payments from the

[437] Jessica S. Tollestrup, Congressional Research Service, *Spending on Unauthorized Programs,* testimony to the Committee on the Budget, U.S. Senate, 3 February 2016.

Treasury for specified purposes, usually during a specified period of time."[438]

This separation serves as the foundation for the two-step process under which congressional committees operate. Just after the Civil War, and running through the end of the 19th century, the structure of House and Senate Committees embraced the distinction. Up to that point, budgetary matters fell to the Committee on Ways and Means in the House and the Committee on Finance in the Senate. After the war, the two Chambers separated spending and revenue authority, giving the former to the newly created Appropriations Committees. Then, starting in the 1870s, the authorizing committees seized control of roughly half of government spending, further reinforcing the two-step process of authorizing and appropriating.

During the 1920s, Congress began including explicit provisions in bills that authorized specific amounts for future appropriations of programs authorized.[439] This practice enabled authorizing committees to exert more control over funding decisions carried out by appropriators.

Significance of the Breakdown

Even if this two-step process of authorizations and appropriations may lengthen the time needed to fund agencies and programs, there are sound reasons for separating the two, and Congress should follow its own regular order of budgeting. Congress designed a two-step paradigm wherein program funding must undergo scrutiny on two distinct levels before taxpayer dollars can be committed. Without this full consideration, the practice of funding unauthorized programs also has the effect of converting a range of discretionary programs into another form of automatic spending.

The two-step authorization-appropriation process loses legitimacy each time an unauthorized program persists without express congressional consent. When Congress releases appropriations without clear reauthorization, it effectively gives priority to those select programs. As such, outdated grant programs receive spending priority over vital functions such as defense spending and military readiness, which do undergo the regular appropriations process. By bypassing regular order, unauthorized appropriations function as a secondary stream of direct spending. This unauthorized stream has no legal justification.

The Failure of Current Rules

The House and Senate have had rules restricting the consideration of appropriations for programs that have never been authorized or whose authorizations have expired. In 1837, Congressional Research Service notes, the House first promulgated formal rules prohibiting any appropriations for "any expenditure not previously authorized by law." "These rules were motivated, at least in part, by concern over the increasing delays in enacting appropriations

[438] Ibid.
[439] Ibid.

due to the inclusion of 'debatable matters of another character.'"[440] That arrangement, however, has broken down. While the Congress continues to maintain similar prohibitions,[441] these rules are regularly waived.

In the 114th Congress, the House waived its own Rule XXI(2)(a), which prohibits unauthorized appropriations, 14 separate times.[442] Each instance that Congress waives this rule, it relinquishes its hold on the Federal purse strings, and at the same time, furthers the bias toward unchecked spending. Furthermore, waiving these rules calls into question the credibility of the budget, as the action bypasses Congressional scrutiny of spending.

Potential Reforms

During the 114th Congress, the House Budget Committee developed a method to address unauthorized spending in its "Proposed Rewrite of the Congressional Budget Process."[443] The draft proposal would reduce the statutory discretionary spending limits, or caps, by the amount appropriated for unauthorized programs exceeding a certain level. The level would be determined with consideration given to the amount of lapsed time since the latest authorization expired.

This budget includes a policy statement that each authorizing committee should review all programs with unauthorized appropriations and reauthorize those deserving continued funding.

Another proposal for addressing the problem is H.R. 2174, the "Unauthorized Spending Accountability Act of 2017", introduced by Representative Cathy McMorris Rogers (R–WA), Chair of the House Republican Conference.[444] The legislation would put all unauthorized programs on a path to sunset in three years, and require any new authorizations to include a sunset clause.

Conclusion

To unwind this pattern of reckless spending, Congress must proactively reclaim its authority over the Federal purse strings. Unauthorized appropriations move the country toward the trend of higher spending. This budget makes the case for moving away from higher spending and returning to fiscal responsibility.

The budget supports efforts to eliminate the practice of unauthorized spending. Requiring new authorizations to have sunset provisions and scheduling reauthorizations for expired and expiring programs are prudent steps. Nevertheless, like the budget resolution itself, no proposal can succeed without proper enforcement. That is a fundamental requirement of fiscal responsibility.

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[440] Ibid., citing Asher C. Hinds, *Hinds' Precedents of the House of Representatives of the United States* (Washington: Government Printing Office, 1907–1908), vol 4, § 3578.

[441] These prohibitions are currently located in House Rule XXI(2)(a) and Senate Rule XVI(1).

[442] Committee on Rules, U.S. House of Representatives, "Survey of Activities of the House Committee on Rules for the 114th Congress," 2 January 2017: https://www.gpo.gov/fdsys/pkg/CRPT–114hrpt905/pdf/CRPT–114hrpt905.pdf.

[443] Committee on the Budget, U.S. House of Representatives, "Proposed Rewrite of the Congressional Budget Process: Discussion Draft: Description and Rationale," 30 November 2016: http://budget.house.gov/uploadedfiles/bpr-longsummary-30nov2016.pdf.

[444] H.R. 2174, the "Unauthorized Spending Accountability Act of 2017", 115th Congress: 1st Session, 26 April 2017.

‘HIGH–RISK’ FEDERAL PROGRAMS AND ACTIVITIES

Every two years, at the beginning of each Congress, the Government Accountability Office [GAO] publishes an updated list of government programs and activities considered at high risk for waste, fraud, abuse, and mismanagement. The 2017 report, on which the discussion below is based, identifies 34 high-risk programs across a wide range of agencies.[445] Among the more prominent are the following: Medicare; Medicaid; Federal disability programs; Pension Benefit Guaranty Corporation insurance programs; the National Flood Insurance Program; and veterans’ health care.

The Medicare Program

Medicare was designated as a high-risk program by GAO in 1990 due to its size, complexity, and susceptibility to mismanagement and improper payments. In 2016, Medicare was projected to spend $696 billion and provide health care coverage to more than 57 million beneficiaries. More than 1 million health care providers, contractors, and suppliers—including private health plans, physicians, hospitals, skilled nursing facilities, durable medical equipment suppliers, ambulance providers, and many others—receive payments from Medicare.

Every year, Medicare pays more than a billion claims submitted by these health care providers. According to the Congressional Budget Office [CBO], in fiscal year 2016, Medicare outlays totaled more than was spent on defense ($579 billion) and almost double the Federal spending on Medicaid ($365 billion in net outlays). Medicare spending in 2016 accounts for approximately 17.8 percent of the approximately $3.9 trillion in Federal outlays. The majority of fee-for-service claims are handled by private insurers called Medicare Administrative Contractors [MACs]. They process Medicare claims for nearly 70 percent of the program’s total beneficiaries, about 37.5 million people in the fee-for-service program. Taken together, they process more than 1.2 billion Medicare fee-for-service claims annually at a value of more than $360 billion in benefits.

CBO projects that, in just 10 years (in 2026) under current law, Medicare spending will reach $1.3 trillion. The Medicare Trustees 2016 report stated that, under current law, Medicare’s cost as a percentage of gross domestic product would rise to 5.6 percent by 2040. For these reasons, even small changes can have large effects

[445] Government Accountability Office, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others,* 15 February 2017: http://www.gao.gov/products/GAO–17–317.

of the overall spending of the Medicare Program. It is critical that Medicare be closely monitored to ensure that accurate payments are made for services.

The Medicaid Program

GAO has designated Medicaid as high-risk since 2003, largely due to “concerns about the adequacy of fiscal oversight.” State flexibility complicates oversight of payments and patient access to care. Medicaid experiences dramatic swings in enrollment and funding requirements. Periods of higher enrollment, higher costs, and less State revenue stability contribute to risk for improper payments and poor access to services.

The Centers for Medicare and Medicaid Services [CMS] has insufficient data on Medicaid from States. GAO describes the lack of accurate, timely data as an “overarching challenge” for oversight of the Medicaid Program. Often, available data are three years behind. GAO lists five key areas in Medicaid needing improved oversight:

- *Financing and provider payment transparency and oversight.* CMS needs better information to determine whether expenditures are appropriate and to ensure States continue to contribute their shares.
- *Managed care payments and utilization oversight.* GAO could not fully assess utilization patterns for managed care patients in 19 States, as the data was either unavailable or unreliable.
- *Growing expenditures for and oversight of large Medicaid demonstrations.* Medicaid demonstrations have grown to a third of Medicaid spending and result in billions of dollars expended for costs not otherwise approved.
- *Monitoring and measurement of access to quality care.* Data suggests that Medicaid enrollees have a hard time accessing preventative, oral, and mental health services. More conclusive reporting is needed.
- *Growing expenditures for long-term care services.* Personal care services are among the highest at risk for improper payments (including for services billed but never provided).

Federal Disability Programs

Like Medicaid, Federal disability programs were designated high risk in 2003. GAO reports three of the Federal Government’s largest disability programs—two run by the Social Security Administration [SSA] and one by the Department of Veterans Affairs [VA]—allocated about $256 billion in cash benefits to more than 20 million people in fiscal year 2015, but are struggling to make timely decisions about who is eligible for benefits.

The workload problems are most evident in appeals, GAO reports. Between 2012 and 2015, the number of appeals increased by 30 percent at the SSA and 34 percent at the VA. Workloads for these agencies are likely to remain a challenge as the population ages and large numbers of service-members are expected to transition out of the military in the next several years.

In addition, the SSA and the VA rely on outdated criteria to determine whether individuals qualify for benefits, according to GAO. While these agencies reported efforts to update their rules, they continue to emphasize individuals' medical conditions without sufficiently considering whether improvements in workplace accommodations or "assistive technologies" would make it possible for them to work.

GAO found another 45 disability programs across nine different Federal agencies "that provide a patchwork of employment supports to people with disabilities." These programs, GAO reported, "lack a unified vision, strategy, or set of goals to guide their outcomes."

Pension Benefit Guaranty Corporation Insurance Programs

The Pension Benefit Guaranty Corporation [PBGC] runs two pension insurance programs: one for single-employer pensions and one for multi-employer pensions. Single-employer pension plans are sponsored by one employer and cover eligible workers employed by the plan sponsor. Multi-employer plans are collectively bargained plans to which more than one company makes contributions.

PBGC covers roughly 40 million current workers and retirees in 24,000 private-sector pension programs. In fiscal year 2016, PBGC had a net accumulated financial deficit of $79.4 billion, an increase of $44 billion since 2013. GAO has identified the single-employer program as "high risk" since 2003 and the multi-employer program since 2009. PBGC projects the multi-employer program will be insolvent by 2025. Since 2013, the deficit in the multi-employer program, comprising about 1,400 plans, has increased by more than 400 percent.

In December 2014, Congress increased premiums for PBGC-covered multi-employer plans to try to address the looming insolvency, but the increase has had little impact.

Flood Insurance

The National Flood Insurance Program [NFIP] has appeared on the GAO high-risk list since 2006. According to the GAO, the NFIP program does not collect enough premiums both to cover its insured losses and to repay taxpayers. Furthermore, the NFIP has never collected enough premiums to cover "catastrophic loss years" and will likely need more taxpayer bailouts in the future.

Indeed, the "NFIP's overall rate-setting structure was not designed to be actuarially sound in the aggregate," GAO says, "nor was it intended to generate sufficient funds to fully cover all losses. Instead, Congress authorized the Federal Emergency Management Agency [FEMA], which manages the NFIP, to borrow from Treasury, within certain limits, when needed. "Until the 2005 hurricanes," GAO says, "FEMA had used its authority to borrow intermittently and was able to repay the loans. As of March 2016, FEMA owed Treasury $23 billion, up from $20 billion in November 2012. FEMA made a $1 billion principal repayment at the end of December 2014—its first such payment since 2010."

In 2016, the NFIP had 5 million policies collecting $3.3 billion in premiums on $1.2 trillion of insurance in force. As of mid-April

2017, the NFIP owed $25 billion to taxpayers. Since 2010, NFIP has repaid only $1 billion to taxpayers. In January 2017, the NFIP announced it would need $1.6 billion more from taxpayers to cover losses incurred in 2016.

The NFIP runs on outdated information technology, policy and risk management systems. As a result, the NFIP cannot accurately price its policies to reflect the risk of flooding for each property and policy.

In 2012, Congress passed a long-term reauthorization of the NFIP: the "Biggert-Waters Flood Insurance Reform Act of 2012" (Public Law 112–141). The NFIP authorization expires on 30 September 2017.

Veterans Administration Health Care

The VA health care system was placed on GAO's high-risk list in 2015, for its inability to ensure allocated resources are being used in a "cost-effectively and efficiently to improve veterans'" health care access, safety, and quality. VA has problems with the reliability, transparency, and consistency of its budget estimates for medical services, as well as weaknesses in tracking obligations for medical services and estimating budgetary needs for future years. The budget troubles were evident in June 2015, when the VA requested additional funds from Congress due to VA officials' failure to project a fiscal year 2015 funding gap of about $3 billion in its medical services.

Although VA's budget and the total number of medical appointments provided have substantially increased for at least a decade, there have been numerous reports in this same period—by GAO, VA's Office of the Inspector General, and others—of VA facilities failing to provide timely health care. VA's lack of medication continuation policy is an example of the administration's risk. The failure of the VA, the Department of Defense, and community providers to promptly communicate important clinical information, such as medication, can increase the risk of adverse health effects and/or result in harm to veterans.

Other programs and activities on GAO's 2017 "high-risk" list:

Strengthening the Foundation for Efficiency and Effectiveness

- Strategic human capital management.
- Managing Federal real property.
- Funding the Nation's surface transportation system.
- Modernizing the U.S. financial regulatory system and the Federal role in housing finance.
- Restructuring the U.S. Postal Service to achieve sustainable financial viability.
- Management of Federal oil and gas resources.
- Limiting the Federal Government's fiscal exposure by better managing climate change risks.
- Improving the management of IT acquisitions and operations.

- Improving Federal programs that serve tribes and their members.
- U.S. Government environmental liabilities.

Transforming Department of Defense [DOD] Program Management

- Supply chain management.
- Weapon systems acquisition.
- Financial management.
- Business systems modernization.
- Support infrastructure management.
- Approach to business transformation.

Ensuring Public Safety and Security

- Ensuring the security of Federal information systems and cyber-critical infrastructure, and protecting the privacy of personally identifiable information.
- Strengthening Department of Homeland Security management functions.
- Ensuring the effective protection of technologies critical to U.S. national security interests.
- Improving Federal oversight of food safety.
- Protecting public health through enhanced oversight of medical products.
- Transforming the Environmental Protection Agency's processes for assessing and controlling toxic chemicals.
- Mitigating gaps in weather satellite data.

Managing Federal Contracting More Effectively

- The Department of Energy's contract management for the National Nuclear Security Administration and Office of Environmental Management.
- National Aeronautics and Space Administration acquisition management.
- DOD contract management.

Assessing the Efficiency and Effectiveness of Tax Law Administration

- Enforcement of tax laws.

GOVERNMENT WASTE, FRAUD, AND ABUSE

Compounding the problem of mounting Federal deficits and debt is the wasteful spending that constantly seeps out of Federal bureaucracies. Despite numerous reforms and fiscal commissions tasked with reducing government bloat, taxpayers are forced to continue funding Federal programs and activities that are unnecessary, obsolete, or just plain ridiculous. The following examples highlight just some of the more egregious and wasteful ways the government spends taxpayers' dollars. Many such items were initially cited in work published by Senators Jeff Flake (R–AZ) and Lankford (R–OK), whose offices annually compile summaries of the most questionable spending activities of the Federal Government. Their "waste books" are titled *The Farce Awakens* (Senator Jeff Flake, 2015); *PORKémon Go* (Senator Jeff Flake, 2016); *Federal Fumbles* (Senator James Lankford, 2015); *Federal Fumbles Vol. 2* (Senator Lankford, 2016). Below is a sampling from these works, which contain a variety of additional examples that illustrate the extent to which the Federal Government throws away taxpayers' money at unnecessary, wasteful, and even fraudulent spending. (All the items are annually appropriated, discretionary spending, unless otherwise indicated.)

The items are organized below by budget function categories.

Function 050: National Defense

Spaceport to Nowhere. The Alaska Aerospace Development Corporation [AADC] was established as an independent State agency in 1991 to build "space-related economic development" in Alaska. The Department of Defense [DOD] and Air Force opposed the AADC funding request to build a rocket launching site in Alaska, because the military already had rocket launch sites throughout the country. Nevertheless, DOD employees and defense contractors arranged an illegal scheme to fund the launch site in Alaska, and received kickbacks worth $1.6 million for steering $350 million to contractors. (*PORKémon Go,* 2016, p. 5–9)

It's a PR Problem. Federal contracts for advertising and public relations average $1 billion per year, with DOD paying 60 percent of overall public relations contracts, amounting to $626.2 million last year. DOD also employs the largest number of public relations staff. According to a Pew Research Center poll, 32 percent of Americans have "a favorable impression of the federal government," with 68 percent having an unfavorable impression. (*PORKémon Go,* 2016, p. 46–47)

High-Priced Gasoline. According to the Special Inspector General for Afghanistan Reconstruction, the Department of Defense spent

$43 million to build "the world's most expensive gas station" in Afghanistan to distribute natural gas, which few Afghan cars run on. The contract to build the gas station was estimated to cost the Federal Government less than $3 million. In the end, DOD spent $43 million for the construction and supervising of the operation for the station. (*The Farce Awakens,* 2015, p. 32–34)

Function 150: International Affairs

Lights, Camera, Action. The State Department announced a partnership with a non-profit arts organization to create "Global Media Makers"—an international film exchange program in which the U.S. will bring 12 to 18 international film and video professionals to the U.S. to educate them; at a cost to taxpayers of $1 million. (*Federal Fumbles Vol 2,* 2016, p. 77)

Shocked. The State Department signed two contracts to build office and living buildings near the U.S. Embassy of Kabul at a cost of $793 million. Once completed it was discovered that due to contractor negligence, potentially lethal levels of electrical current were flowing through the buildings without proper insulation and protection. (*Federal Fumbles Vol 2,* 2016, p. 36)

Function 250: General Science, Space, and Technology

Save the Mudskipper. The National Science Foundation [NSF] spent $1.5 million on grants to the University of California-San Diego Institution of Oceanography to study the fitness levels of mudskippers on a treadmill; bluegills in treadmill-like swim tunnels; and the effect of oxygen and PH levels on the performance of rockfish. (*PORKémon Go,* 2016, p. 17)

Icelandic Culture. The NSF spent $500,000 in multiple grants to determine the connection among religion, politics, and cemeteries in 12th-century Iceland. Additional NSF grants this year for Iceland studies included volcanoes, "calcium and strontium isotope geochemistry of weathering," the flow of water from Denmark to Iceland, and the spread of flies at a lake in Iceland. (*Federal Fumbles Vol. 2,* 2016, p. 9)

Function 270: Energy

Carbon Capture Comes up Empty. The Department of Energy [DOE] has spent hundreds of millions of dollars to capture man-made carbon dioxide [CO_2]. The Summit Power Group LLC's Texas Clean Energy Project was expected to capture CO_2 emitted during the production of energy from coal. The compressed gas would then be used for "enhanced oil recovery," which pushes more crude oil out of the ground. The project is six years behind schedule and has cost the DOE $450 million. (*PORKémon Go,* 2016, p. 37)

Function 300: Natural Resources and Environment

Dirtbag Beach. The Downtown Montauk Emergency Stabilization Project required the Army Corps of Engineers to spend $8.4 million to plow away the beach's natural dunes and construct a wall made up of 14,000 1.7-ton geotextile bags holding orange, non-beach sand to protect against erosion. Waves of protestors assembled to halt the project and many have questioned whether the town has "destroyed the beach in order to save it." (*PORKémon Go,* 2016, p. 52–55)

What's Upstream? A lobbying campaign in Washington State titled "What's Upstream" was paid for with a portion of a $12-million Environmental Protection Agency [EPA] grant to the Northwest Indian Fisheries Commission. "The effort, which disparaged farmers as 'polluters of our waterways,' included a website and advertisements on billboards, buses, and the radio." EPA records show the campaign was used to lobby the State to implement tougher regulations than even allowed under the Federal Clean Water Act. (*PORKémon Go,* 2016, p. 64–67)

Duck, Duck, Goose? For almost 20 years, the U.S. Fish and Wildlife Service [FWS] has used a method to count sea ducks that it either knew or suspected was ineffective. FWS has offered a $180,000 grant for an outside group to develop an effective way to count and tag sea ducks. (*Federal Fumbles Vol. 2,* 2016, p. 11)

Minecraft: The Federal Video Game Edition. The EPA's Environmental Education grant provided $36,700 in Federal funds to a group in Massachusetts to develop a Minecraft video game customized specifically for the Berkshires to engage children in "environmental conservation." (*PORKémon Go,* 2016, p. 100–101)

Function 350: Agriculture

Fast and Furious. At the U.S. Department of Agriculture [USDA] Wildlife Services' National Wildlife Research Center in Ohio, nearly $118,000 has been spent on studies trying to determine the speed an automobile must be traveling to hit a bird before it can fly to safety. (*PORKémon Go,* 2016, p. 102–103)

Cornhusker, Kick Back. Using Agriculture and Food Research Initiative Grant funding from the USDA's National Institute of Food and Agriculture, University of Nebraska football fans were provided with "Ultimate Tailgating Packages" that included a koozie, aprons, and other tailgating "essentials." The project was part of a larger grant linking scientific research to outreach and education. (*The Farce Awakens,* 2015, p. 97–98)

Function 370: Commerce and Housing Credit

World Tour. "The U.S. Small Business Administration's State Trade and Export Promotion program pays for international trips, design of international marketing products and campaigns, and export trade show exhibits for small businesses. These include excursions to international fashion shows, air shows, and wine fairs" at a cost to taxpayers of $18.9 million. (*PORKémon Go,* 2016, p. 125–126)

Function 400: Transportation

The Fast Track to Nowhere. More than $3.1 billion in grants, including stimulus funds, have been dedicated to constructing a high-speed rail line between San Francisco and Los Angeles. The project, however, has experienced tens of billions of dollars in cost overruns and a series of delays. (*PORKémon Go,* 2016, p. 24–26)

Reefer Madness. Colorado's Department of Transportation [CDOT] used a National Highway Traffic Safety Administration grant to install a 28-foot tall, 3–D billboard of a wrecked car shaped like a marijuana joint. The billboard is an effort to educate people about the danger of driving under the influence of marijuana. The total cost, $35,000, included $16,600 that CDOT paid to the advertising agency that designed the billboard. (*PORKémon Go,* 2016, p. 48–49)

Tax Dollars at 'Work.' An audit of the Lake Sumter, FL Metropolitan Planning Organization found $892,000 in misspent funds over four years, with the money going to fund "golf tournaments, a music and wine festival, holiday wine glasses, and a private boat cruise." More than $100 million goes to this local planning entity every year, in the form of Federal and State grants. (*PORKémon Go,* 2016, p. 96–99)

App-Solute Failure. The Transportation Security Administration contracted with IBM to enhance their software systems, which included $47,400 for an iPad app that randomly directs airline passengers to enter the left or right line at an airport security screening station. (*Federal Fumbles Vol. 2,* 2016, p. 98)

Function 450: Community and Regional Development

Tastes Good, Good for Whom? The USDA provided $250,000 in Value-Added Producer grants to Ocean Spray to produce and ship three new juice drinks. Ocean Spray's current annual sales are around $2 billion. (*Federal Fumbles Vol 2,* 2016, p. 21)

K–9 Clothier. A total of $210,000 in Federal funding via Community Development Block Grants [CDBGs] went to Maine Stitching Specialties. "The company designs dog vests and accessories for L.L. Bean and Orvis, including leashes and collars as well as the collar kerchief." (*The Farce Awakens,* 2015, p. 38–39)

Got Yogurt? The Michigan Economic Development Corporation allocated $76,886 in CDBG funds for the Yogurtopia Building Façade project this year. Yogurtopia offers a variety of more than 50 flavors of yogurt. (*The Farce Awakens,* 2015, p. 175)

Function 500: Education, Training, Employment, and Social Services

How the Cookie Crumbles. Using a $150,000 Institute of Museum and Library Services grant, the Oregon Museum of Science and Industry organized a series of "Gingerbread Adventures" workshops. Participants still had to purchase tickets for the various workshops. (*PORKémon Go,* 2016, p. 50–51)

Here's Johnny! The National Endowment for the Arts [NEA] provided a $70,000 grant to the Minnesota Opera to perform an adaption of Stephen King's novel *The Shining.* "Despite the show's financial success, taxpayers were still haunted with the production's costs." (*PORKémon Go,* 2016, p. 114–115)

The Most Interesting Man in the World. The Smithsonian Institution, which receives about 60 percent of its annual budget from the Federal Government, announced an American Brewing History Initiative that will research home brewing and its history. Included in the initiative is a "beer historian," which the Smithsonian announced is a three-year position that pays $64,540 annually. (*Federal Fumbles Vol. 2,* 2016, p. 58)

A Government Solution. The Department of Labor provided almost $30 million in National Emergency Grants to help 6,835 laid-off workers retain jobs. Out of the near 7,000 displaced workers, only 1,231 participated. Of those, just 357 found jobs with assistance from the program. (*PORKémon Go,* 2016, p. 112)

Function 550: Health

Tooth Terror. The National Institute of Health [NIH] provided $3.5 million in grants to West Virginia University to determine why people are scared of the dentist. (*PORKémon Go,* 2016, p. 116–117)

Kappa Tappa Kegga. The NIH's National Institute on Alcohol Abuse and Alcoholism provided $5 million in grants to Brown University to study drinking at fraternities. The studies' findings were on the drinking culture of campus Greek life. (*PORKémon Go,* 2016, p. 20–23)

Pay First, Ask Questions Later. The Centers for Medicare and Medicaid Services have paid more than $3 million in improper payments to barred providers who are kicked out of Medicaid or Medicare for cause (fraud, poor quality, or conviction for a crime). These providers are prohibited under Federal law from participating in the programs in other States, but the Congressional Budget Office estimates barred providers still collect $3 million in mandatory spending, annually, under Medicaid and Children's Health Insurance Program. (*PORKémon Go,* 2016, p. 109–110)

Up in Smoke. More than $5 million dollars, provided by the NIH, was used for parties thrown for hipsters where the organizers hoped to convince millennials not to smoke, and to take a stand against tobacco corporations. If the party failed, the participants were paid $100 to quit smoking. Researchers found these "events" did not change smoking rates. (*The Farce Awakens,* 2015, p. 11–13)

Function 600: Income Security

Lifestyles of the Rich and Federally Subsidized. In 2015, the Department of Housing and Urban Development [HUD] paid $104 million to subsidize housing for 25,000 families that exceed the HUD maximum income threshold. "For example one New York City family living in a public housing apartment had a November 2013 annual household income of $497,911, more than seven times the low-income family threshold of $67,100 in New York City." (*Federal Fumbles,* 2015, p. 71)

Slumlord Millionaires. HUD officials blocked Tennessee housing officials from conducting safety inspections at a subsidized housing development operated by Global Ministries Foundation [GMF], which has received more than $60 million annually to provide low income housing in Memphis. “Residents at GMF reported living in deplorable conditions with broken pipes, exposed electrical sockets, and infestation with roaches, bedbugs, and rodents.” (*The Farce Awakens,* 2015, p. 67–70)

Taxpayer U-Haul. HUD spends $2 million annually to pay relocation and travel expenses for HUD employees. “In all, nearly $2.9 million has been spent since 2013 to move about 125 HUD employees. The average cost paid per employee relocated is nearly $23,000.” (*The Farce Awakens,* 2015, p. 74)

Function 650: Social Security

Lost in Translation. The Social Security Administration [SSA] is spending millions of mandatory dollars paying Social Security Disability Insurance benefits to hundreds of Puerto Ricans because they do not speak English. The official language of Puerto Rico is Spanish, as enacted by the territorial government of Puerto Rico. “The SSA policy contradicts a 1987 court ruling. A U.S. District Court upheld a U.S. Court of Appeals decision ‘that, for the most part, it is the ability to communicate in Spanish, not English, that is vocationally important in Puerto Rico.’” (*The Farce Awakens,* 2015, p. 130–131)

Function 700: Veterans Benefits and Services

Costly Outreach. Federal contracts for advertising and public relations average $1 billion per year, with the Department of Veterans Affairs [VA] having the largest percentage increase in public relations staff over the past decade. VA public relations staff grew from “144 employees in 2006 to 286 in 2014,” and the department currently spends nearly $24 million per year in advertising and public relations. (*PORKémon Go,* 2016, p. 46–47)

Total Recall. The Madison VA Medical Center in Wisconsin purchased two robots at a cost of $313,000 each, only to sell them back to the manufacturer for less than $2,000 each after leaving them unused for two years. The robots were acquired to assist with the distribution of supplies throughout the VA facility. (*PORKémon Go,* 2016, p. 120–121)

Function 750: Administration of Justice

Show Me the Money. The Department of Justice [DOJ] has used settlements with defendants, particularly defendant corporations, to compel payments of mandatory funds to third-party groups without permission from Congress. “Here is how this works: DOJ prosecutes a person or company, generally larger companies. Then when that company reaches a settlement with the government that includes fines or payments, DOJ induces the company to pay at least part of the fine to an outside group instead of to the government.” (*Federal Fumbles Vol. 2,* 2016, p. 42)

Knock on Wood. Nearly $1.2 million dollars were spent to purchase, install, and then remove a giant wooden sculpture from the Federal Bureau of Investigation’s Miami field office. The sculpture caused severe allergic reactions that hospitalized at least a dozen staffers, including the facility's nurse. (*PORKémon Go,* 2016, p. 94–95)

Function 800: General Government

You've Got Mail. The Internal Revenue Service [IRS] has spent more than $12 million for "an e-mail archiving system that the IRS has never used. While the IRS has been paying subscription and renewal fees over the past two years beginning in June 2014 for the service, the software to activate the program was never even deployed, according to a review by the Treasury Inspector General for Tax Administration." (*PORKémon Go,* 2016, p. 88–89)

Campaign Cash. The Presidential Election Campaign Fund is an antiquated leftover from the scandal-plagued Watergate era. It was created to limit the influence of big money in presidential campaigns by enticing candidates to accept free money in exchange for limiting private donations and campaign spending. In 2016, Martin O'Malley was the only major party candidate to accept public, mandatory funding. (*PORKémon Go,* 2016, p. 27–29)

The Big Picture. During renovation of the Federal courthouse in Los Angeles, CA, the General Services Administration paid almost $1 million for a single picture of Yosemite Falls in Yosemite National Park. The picture was to be cut into six pieces and hung in the atrium of the courthouse. (*Federal Fumbles Vol. 2,* 2016, p. 35)

BUDGET PROCESS REFORM

Since the adoption of the Congressional Budget Act in 1974, the budget process has been amended several times, adding complexity and confusion to an already complicated exercise. The process has become so cumbersome, frustrating, and ineffective that Congress now frequently abandons it in favor of manufactured, ad hoc procedures. This deterioration only weakens Congress's power of the purse, and thus its capacity to govern. In addition, fiscal conditions have changed dramatically over the past 43 years, including the inexorable growth of automatic spending as a share of the total budget and the recent explosion of government debt that threatens to overwhelm the budget and the economy.

Incremental, piecemeal fixes will not correct these deep and fundamental failings in the budget process. What is needed is a thorough rewrite of congressional budget practices. Following an extensive series of hearings and working papers, the House Budget Committee has developed the attached discussion draft describing a proposed overhaul of the process.

During the 114th Congress, the Committee on the Budget conducted extensive research in the practices of congressional budgeting. The examination included several hearings and a series of working papers. The aim was to develop a deeper understanding of the nature of congressional budgeting and its role in governing. The following discussions—updated from their original publication in 2016—reflect some of the major considerations in that exploration.

Reclaiming Constitutional Authority Through the 'Power of the Purse'

Choosing priorities and allocating financial resources is the most fundamental way for a legislature to shape governing policies. Moreover, a government's budgeting process is central to determining the kind of governing system a country has. Hence, a vigorous practice of budgeting is fundamental to Congress's policymaking authority under Article I of the Constitution.

The United States Federal Government is not a parliamentary system. To the extent Congress cedes control of the budget, the Executive Branch—which is independent of Congress—gains power, undermining the Constitution's carefully drawn balance of powers. The Founders established this constitutional system precisely to prevent such concentrations of power, which could ultimately threaten individual freedoms. Therefore, the budget process must strive to reinforce Congress's constitutional authority and the U.S. Government's arrangement of three separate but coequal branches.

BUDGETING AND GOVERNING

Most discussions of budget process reform focus on the practical mechanisms of budgeting, and evaluate the budget's constitutional role only secondarily, if at all. In truth, however, the budget is a principal means of policymaking and of exercising constitutional government. "[T]he budget is much more than a matter of dollars. It finances federal programs and agencies and is a vital means of establishing and pursuing national priorities. In a fundamental sense, the federal government is what it spends." [446]

As one scholar put it a century ago: "The budget in practically all current discussions is treated as an incidental or a minor thing. It is regarded primarily as a matter of finance or of accounting procedure. It is viewed too often merely as a question of the manipulation of figures. While as a matter of fact instead of being a secondary thing it is of the first importance; instead of being a subordinate thing it is a fundamental thing; instead of being merely the manipulation of figures it is decisive in its relation to the health, education and welfare of all the citizens and residents of the state or nation concerned." [447]

[446] Allen Schick, *The Federal Budget: Politics, Policy, Process*—Third Edition (Washington, DC: Brookings Institution Press, 2007), p. 14.

[447] Edward Augustus Fitzpatrick, *Budget Making in a Democracy* (New York: The MacMillan Company, 1918), p. vii.

CONSTITUTIONAL AUTHORITY FOR THE 'POWER OF THE PURSE'

Although America's Founders had little sense of formalized budget practices, they knew control over spending and taxation was one of the most powerful instruments of government—one that had to rest with the legislature. "Centuries of struggle in England between Parliament and the Crown over the power of the purse culminated in the principle that the government's authority to tax and spend must be conferred by legislation. It took centuries to implant this principle in England, but by the time the American colonies were waging war for their independence, its acceptance on this side of the Atlantic was a basic tenet of limited, democratic government." [448]

Indeed, budgeting plays a critical role in maintaining the constitutional order itself: "When you have decided on your budget procedure you have decided on the form of government you will have as a *matter of fact.* Make the executive the dominating and controlling factor in budget-making and you have, irrespective of what label you put on it, an autocratic actual government. If, recognizing the large part the executive or the administration may play in budget-making, you give the dominating and controlling influence to the representatives of the people elected to the legislature, you have, irrespective of what label you put on it, a democratic or a representative actual government." [449]

The most often-cited source of Congress's power of the purse is the constitutional requirement that Federal spending can occur only pursuant to an appropriations act (Article I, Section 9). In fact, however, the congressional budgeting authority lies in several provisions of the Constitution:

- Article I, Section 7, First Clause: "All Bills for raising revenue shall originate in the House of Representatives; but the Senate may propose or concur with Amendments as on other Bills."
- Article I, Section 8, First Clause: "The Congress shall have the Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States;"
- Article I, Section 8, Second Clause: [The Congress shall have the Power] "To borrow money on the credit of the United States;"
- Article I, Section 9, Seventh Clause: "No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time."
- Amendment XVI: "The Congress shall have the power to lay and collect taxes on incomes, from whatever source derived

[448] Op. cit., p. 10, Schick.
[449] Op. cit., p. viii, Fitzpatrick.

> without apportionment among the several States, and without regard to any census or enumeration."[450]

Notwithstanding this authority, the Constitution prescribes no particular budgeting procedures. Those came about from practices that started from the beginning of the republic and evolved over time, eventually leading to formal budget laws and rules in the House and Senate.[451] This tangle of laws and procedures has contributed to the complexity of today's budget process, making budgeting itself more difficult.

HOW CURRENT BUDGET PRACTICES UNDERMINE CONGRESS'S AUTHORITY

When adopted in 1974, the Congressional Budget Act sought to reassert legislative control over budgeting after several years of discord between Congress and both Presidents Johnson and Nixon. Nevertheless, as the process has unfolded, various procedures, or failures in budget practices, have come to actually erode Congress's policymaking authority. In some cases, Congress has ceded power, in concrete ways, to the Executive Branch. The following discussion presents some examples.

The President's Budget

Until the early 20th century, the Federal Government had no formal or comprehensive budgeting procedure. Generally, agency heads would visit their respective committees of jurisdiction on Capitol Hill and submit their budget requests, with no overall coordination by the White House, and the committees would determine how much to provide.

This was a period of legislative dominance over budgeting. "The various requests were compiled by the Treasury in an annual *Book of Estimates,* but little effort was made to coordinate spending by individual agencies or to ensure that they totaled to an acceptable amount and were in accord with national policy."[452] Congress controlled not only the totals, but also individual spending items by making detailed appropriations. Perhaps surprisingly, throughout this period—during which balanced budgets were the fiscal norm in peacetime—Congress maintained fiscal stability without a formal budget plan to coordinate expenditures and revenues. "As long as the government was small and its financial needs modest, a national budget was not necessary for producing acceptable outcomes."[453]

By the early 20th century, the stability had begun to break down. Between 1894 and 1915, Federal spending doubled in nominal terms, producing chronic deficits. "Spending exceeded revenues in 11 of the 17 years from 1894 to 1910."[454] World War I (then known as The Great War) caused spending to soar, from $726 million in 1914 to $19 billion five years later. "The public debt fol-

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[450] See Committee on the Budget, U.S. House of Representatives, *A Compendium of Laws and Rules of the Congressional Budget Process,* Committee Print Serial No. CP–1, August 2015, p. 580–582.
[451] Ibid.
[452] Op. cit., p. 14, Schick.
[453] Ibid., p. 13.
[454] Ibid., p. 14.

lowed a similar trend in those five years, escalating from $1 billion to $26 billion."[455] That was about 33 percent of gross domestic product [GDP] at the time. (Today, the Federal Government's publicly held debt is 77.5 percent of GDP, and gross debt—including amounts owed to government accounts—is about 106 percent of GDP.[456])

Progressive reformers at the time—favoring "experts" over politicians—encouraged a more centralized, administrative form of government. They expressed this impulse, in part, by proposing an organized practice of Federal budgeting, situated in the Executive Branch. This led to the Budget and Accounting Act of 1921.[457] The measure contained the following main elements:

- It required the President to submit to Congress every year a comprehensive budget reflecting all the agencies' requests.
- It created the Bureau of the Budget (renamed the Office of Management and Budget in 1971), originally situated in the Treasury Department.
- It also created the General Accounting Office (now the Government Accountability Office) to provide congressional oversight of Executive Branch fiscal activities.

The arrangement was consciously modeled on that of the United Kingdom. "A simile—be like Britain—justified recommendations for budget hierarchy in the United States."[458] Thus, the Budget and Accounting Act imposed on the U.S. Constitution's arrangement of three separate but coequal branches a budget procedure designed for a parliamentary system of government. In effect, it attempted to straddle the constitutional separation of powers.

The President's budget never had any legislative authority—it still does not—but it provided the President a platform to spell out a national agenda. Although actual spending and taxation still could result only from acts of Congress, congressional action on fiscal matters was piecemeal. Only the President's budget reflected an overall view of the government. President Franklin D. Roosevelt understood the value of this instrument for shifting control of government and policy to the Executive Branch. "[T]he seeds of a new form of governing had been sown. The initial change can be seen in the New Deal, which brought significant new interventions in the national economy and the creation of the entitlement programs that threaten our fiscal stability today. FDR recognized the constitutional significance of this shift when he moved the Bureau of the Budget (established under the 1921 Budget and Accounting Act) from the Treasury to the new Executive Office of the President, establishing that henceforth control of the budget would be key to controlling and directing the new form of American government."[459]

[455] Ibid., p. 14.
[456] Congressional Budget Office, *Updated Budget Projections: 2016–2026,* March 2016.
[457] Public Law 67–13, 42 Stat. 20, enacted 10 June 1921.
[458] Aaron B. Wildavsky, *The New Politics of the Budgetary Process* – Third Edition (New York: Addison-Wesley Educational Publishers Inc., 1997), p. 35.
[459] Matthew C. Spalding, *Congress, Budget Control, and Constitutional Self-Government,* testimony to the Committee on the Budget, U.S. House of Representatives, 25 May 2016. President Roosevelt moved the Bureau of the Budget in his 1939 government reorganization plan.

After World War II, presidents consciously expanded the use of the budget to express their policy agendas. "During the 1950s and 1960s, it became customary for the president to prepare a legislative program in tandem with the annual budget. The president used the budget to propose spending initiatives, which shaped Congress's agenda and media coverage. * * * This was the age of the 'imperial presidency,' a term coined by scholars to characterize the extent to which the president dominated national policy. The budget was one of his chief tools, enabling him to formulate programs, promote spending initiatives, and preside over a new burst of governmental expansion that culminated in the Great Society legislation enacted in 1964 and 1965." [460]

By the second half of the 1960s, budgetary conflict became more common. "[T]he simultaneous pressures on expenditures of social programs and the Vietnam War strained the budget. Faltering economic growth ended the fiscal dividend, and with it the politics of accommodation among advocates of social spending, defense spending, more or less balanced budgets, and tax reductions. The legacy of earlier policies—entitlements, indexing, tax cuts, Keynesian economics, federal credit—was now visible in the changed composition and dynamics of the federal budget. This budget was much less flexible, far more difficult to control, and extraordinarily vulnerable to breakdown as underlying the old order collapsed." [461] President Nixon provoked Congress even further by impounding funds not merely for fiscal management, but to thwart congressional policy aims. In 1974, lawmakers therefore adopted the "Congressional Budget and Impoundment Control Act". It was intended to restore congressional power over budgeting, and at least theoretically, it did: Individual spending and tax bills would now be written pursuant to the congressional budget resolution—a new instrument created under the Budget Act—rather than the President's budget. "The budget resolution augmented the wholly decentralized approach that had existed to that point, in which individual committees considered pieces of the budget, but the Congress never considered the budget as a unified whole." [462] Because the congressional budget resolution was the formal vehicle of fiscal policy, the President's actions—limited to signing or vetoing spending and tax bills—became piecemeal. Nevertheless, the President's budget still came first in the process, and was considered the start of budget development (both are still the case today). Most experts refer to the congressional budget as a "response" to the President's, not as the main blueprint for fiscal policy.

The Dominance of Automatic Federal Spending

The problem of automatic government spending traces as far back as the post-Civil War period. For the first 75 years of the republic, both spending and revenue were handled by the House Committee on Ways and Means and the Senate Committee on Finance. After the Civil War, the House and Senate carved out separate Appropriations Committees to handle spending matters. "The

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[460] Op. cit., p. 17, Schick.
[461] Op. cit., p. 68, Wildavsky.
[462] Philip G. Joyce, testimony to the Committee on the Budget, U.S. House of Representatives, on "Reclaiming Congressional Authority through the Power of the Purse," 25 May 2016.

arrangement allowed for unified control of spending in one committee. Yet, it did not have authority to control all spending—the size of pensions and other permanent appropriations (together constituting over half the budget) were determined by other committees." [463]

That problem returned and worsened with the dawn of President Johnson's Great Society. Most of the Federal Government's automatic spending—formally known as "direct" or "mandatory" spending [464]—flows from effectively permanent authorizations. Programs funded this way—mainly entitlements—pay benefits directly to groups and individuals without an intervening appropriation. They spend without limit. Their totals are determined by numerous factors outside the control of Congress: caseloads, the growth or contraction of GDP, inflation, and many others. To put it simply, spending in these programs is uncontrolled and uncontrollable—because it is designed to be.

In 1965, Washington's automatic spending, including interest payments (a mandatory payment in the true sense of the word), represented about 34 percent of the budget. By 1974, when the Congressional Budget Act was adopted, it had swollen to nearly 49 percent of total spending. By 2016, direct spending programs and interest payments had surged to more than two-thirds of the budget,[465] and will reach 81 percent by 2040.[466] Automatic spending is the sole source of Federal spending growth as a share of the economy and the main driver of government debt. (See further discussion of automatic spending below.)

Even these figures, however, fail to fully capture the pervasiveness of the problem. Control of spending, properly understood, means the power to spend *or not to spend* taxpayer money. Automatic/mandatory spending destroys Congress's ability *not* to spend. By design, automatic spending requires a Presidential signature to turn off—the very opposite of the constitutional provision that spending can occur only pursuant to positive legislation appropriating funds. It should be Congress, not the President, deciding whether or not money is spent. Yet even if Congress passes legislation to alter the course of any automatic spending program, the President can veto the change. Unless both Chambers of Congress can muster a two-thirds supermajority to overrule the President, automatic spending will continue on its current path. With two-thirds of the budget no longer in the control of Congress, the so-called "power of the purse" has been effectively ceded to the Executive Branch.

Abandoning the 'Regular Order'

On numerous occasions, Congress has failed to follow normal, basic budget procedures. In the five years ending in fiscal year 2016, the House and Senate had produced only one budget resolution conference report, and had finished none of its regular appro-

[463] Op. cit., p. 30, Wildavsky.
[464] Section 250 of the "Balanced Budget and Emergency Deficit Control Act of 1985" defines "direct spending" as "(A) budget authority provided by law other than appropriations Acts; (B) entitlement authority; and (C) the Supplemental Nutrition Assistance Program."
[465] Op. cit., Table 1, Congressional Budget Office.
[466] Ibid., Table 1.

priations bills on time. In the past 10 years, Congress wrapped up just five of 120 regular appropriations on schedule. These lapses resulted in continuing resolutions of varying magnitudes and amounts, lasting well after the start of the fiscal year, and sometimes late in the calendar year, just as Members are leaving Washington for the Christmas and New Year's holidays. Sometimes these lapses of appropriations—coupled with impasses between Congress and the White House—have resulted in temporarily shutting down agencies and activities considered non-essential for health, safety, or national security.

Although lawmakers themselves are ultimately responsible, the current process allows them to postpone politically sensitive bills until a late-year or post-election rush, with no immediately apparent consequences. Furthermore, the process lacks incentives to ensure timely consideration of regular appropriations, leading to increasingly frequent use of omnibus spending bills.

This breakdown of the "regular order" diminishes Congress's policymaking authority in several ways.

- First, the simple inability of Congress to follow its own budget procedures is a *de facto* failure to exercise its governing authority.
- Second, in recent years, the total discretionary spending amounts have been decided not through the budget or appropriations, but in *ad hoc,* short-term budget agreements negotiated among a few Members of Congress and the administration, often behind closed doors. This cedes to the Executive Branch partial authority to determine aggregate spending levels—a decision that, under the Congressional Budget Act, belongs solely to Congress.
- Third, adopting huge omnibus spending bills means Members are forced to take a single vote up or down on a trillion-dollar package. They cannot differentiate their votes on individual preferences; it is a take-it-or-leave-it proposition for the entire discretionary budget.
- Fourth, such legislation may contain important policy choices heavily influenced by the administration. This was the case with the "Bipartisan Budget Act of 2013"—which followed a two-week partial shutdown of government activities in October—and the "Bipartisan Budget Act of 2015". In these measures, the administration demanded that every increase in defense discretionary spending had to be matched dollar-for-dollar by increases in non-defense discretionary spending, and Congress accepted.

These budgeting failures also corrode Congress's authority in the eyes of the public. "I have no specific evidence concerning precisely how all of the recent talk about government shutdowns, 'fiscal cliffs,' and late budgets has translated into a specific loss of public faith in the Congress. But it can't have helped. If the Congress is viewed only as a source of gridlock, it not only invites unilateral executive action, but reinforces the notion that the President can get things done and the Congress cannot. I would therefore conclude that timely adherence to the budget timetable not only makes the government work better and cost less, it also strengthens the Congress as an institution."[467]

User Fees and Collections

According to the Office of Management and Budget, the Federal Government will collect an estimated $356.2 billion in user fees in 2017.[468] A user fee typically reflects optional business-like transactions between private parties and the government rather than compulsory taxes. These fees, which are booked as offsets to spending rather than as revenue, arguably mask the true size and scope of government activity.

Equally important, an estimated $231.8 billion of these collections will be credited directly to expenditure accounts and can be spent when they are collected, without further congressional action.[469] This weakens congressional oversight and accountability. In some cases, the practice prevents Congress from influencing agency behavior because the agencies can essentially operate through fee collections, without appropriations. In other cases, such as in the Asset Forfeiture Fund, user fees are seen as fostering incentives for potential abuse, because the more assets an agency seizes, the larger its budget becomes.

RESTORING CONSTITUTIONAL GOVERNMENT

Piecemeal, incremental fixes to the current budget process will no longer suffice to restore the practice of congressional budgeting. A complete rewrite of the Congressional Budget Act is needed, built on the following principles: exercising constitutional government by reinforcing Congress's power of the purse; promoting and sustaining fiscal responsibility; restoring congressional control of spending and taxing; improving oversight and facilitating orderly decision-making; and reflecting the true costs of government programs.

For Congress to reclaim its full authority under Article I of the Constitution, this rewrite of the Budget Act must reach deeper than practical or mechanical elements. It should aim not just at fixing current problems in the budget process—of which there are many—but at actually enhancing constitutional government. Among the considerations that can help guide the process are the following:

Limiting Government

The principle of limited government runs throughout the Constitution, but is clearly stated in the Tenth Amendment: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." In other words, the Federal Government may not expand beyond the powers expressly defined in the Constitution.

The most readily available means of implementing this principle is the control of spending. If the Constitution was intended to pro-

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[467] Op. cit., Joyce.

[468] Office of Management and Budget, *Analytical Perspectives: Budget of the U.S. Government—Fiscal Year 2017,* p. 213.

[469] Ibid., p. 215.

vide a framework for a limited government, limiting spending is one of the best ways to achieve it. Spending is how government does what it does, the reason government taxes and borrows. Hence, spending is the root cause of every other fiscal consequence. Total spending also is one of the best measures of the size and scope of government and its burden on the economy.[470]

Controlling spending is therefore a principal means of limiting government and should be a focus of the budget process. To limit spending is to limit government itself and to validate the principle that "budgeting is governing."

Enhancing Congress's Policymaking Role

Budgeting should be viewed as more than a mechanical or accounting process. It should strengthen Congress's constitutional role as the policymaking institution of the Federal Government. Therefore, the budget resolution—the only legislative vehicle that views the government comprehensively—should define the priorities guiding its allocation of resources. It should reflect the delegation of powers between the Federal and State governments as envisioned in the Constitution. Embracing these principles gives meaning to the budget resolution as an instrument for governing, and provides coherence to the spending and tax bills that follow.

Congress also must return to a regular and systematic practice of budgeting. This should include passing separate appropriations bills, as the budget process intends, and developing methods of regaining control over automatic spending programs. The best incentive for budgeting, of course, is simply a firm commitment by lawmakers to fulfill their legislative obligations. Nevertheless, the budget process can provide incentives to support that commitment, and a rewrite of the Budget Act should strive to create them.

Reinforcing the Balance of Powers

The Congressional Budget Act of 1974 made the budget a *concurrent* resolution—not requiring the President's signature—for a reason. The President still prepares his budget—an expression of his own agenda, his own priorities and policy proposals—independently of Congress. The President also has the important budgeting role of either signing or vetoing the spending and tax bills that implement the congressional budget. Through veto messages, he can encourage, but not compel, changes in those measures.

The United States Government is not a parliamentary system, and its budgeting procedures—so central to governing—should not be designed that way. The budget process should reinforce the Constitution's arrangement of three separate, coequal branches of government by separating powers, not combining them. Preventing a concentration of power in any one branch is essential to preventing the emergence of an autocratic government. The congressional budget should assertively define the allocation of resources in a way that aligns with Congress's vision of national priorities. Congress also should periodically review all spending, including direct spending programs.

[470] See Douglas J. Holtz-Eakin, testimony in hearing, *Economic Effects of Long-Term Federal Obligations,* Committee on the Budget, U.S. House of Representatives, 24 July 2003.

Controlling the Administrative State

The vast expansion of the Executive Branch has led to an ever-growing role of government in American society—through regulation rather than legislation. The Progressive impulses that promoted this trend relied largely on policy "experts," shielded from political influence.

In their regulatory capacities, these bureaucrats have come to assume authorities of all three branches of government: legislative, executive, and judicial. Thus, America's constitutional government has increasingly become an administrative state largely run by unelected career government employees. "In fact, the vast majority of 'laws' governing the United States are not passed by Congress but are issued as regulations, crafted largely by thousands of unnamed, unreachable bureaucrats."[471]

"Whether the regulatory agencies are 'executive agencies,' 'executive departments,' 'federal departments,' or 'independent regulatory commissions' is irrelevant. In whatever form they may take, the myriad agencies and departments that make up this administrative state operate as a 'fourth branch' of government that typically combines the powers of the other three and makes policy with little regard for the rights and opinions of citizens."[472] (See further discussion of regulatory budgeting elsewhere in this report.)

In addition to taking firmer control of the regulatory process itself, Congress could address this problem through budgeting. "Reversing the trend of a diminishing legislature and the continued expansion of the executive falls largely to Congress, which must rebuild itself to control the operations of government, break the administrative state, and provide a robust check on the modern executive * * * This will be a battle that must be fought on many fronts, but a crucial piece of that effort will be reviving the power of the purse as a tool to help return lawmaking powers to Congress and restore fiscal responsibility."[473]

CONCLUSION

No single activity consumes as much of Congress's time as budgeting—choosing priorities and allocating financial resources accordingly. These are among the most fundamental ways for a legislature to shape governing policies. Moreover, the budget process amounts to a direct exercise of the form of government a country has. In the United States, the budget system is essential to maintaining the Federal Government's arrangement of three separate but coequal branches. The budget process must reinforce basic constitutional principles.

The Founders granted Congress the principal role in formulating national policy, and created a separate, independent Executive Branch to execute it. It is not a parliamentary structure; it consists of three coequal branches, each with distinct powers. The budget

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[471] Jonathan Turley, "The Rise of the Fourth Branch," *The Washington Post,* 26 May 2013, http://articles.washingtonpost.com/2013–05–24/opinions/39495251_1_federal-agencies-federal-government-fourth-branch.

[472] Joseph Postell, *From Administrative State to Constitutional Government,* Heritage Foundation Special Report No. 116, 7 December 2012, p. 5: http://www.heritage.org/research/reports/2012/12/from-administrative-state-to-constitutional-government.

[473] Op. cit., Spalding.

process should not merely accommodate the constitutional system, but should actively strive to enhance it. Strengthening Congress's Article I authority should be a central consideration of budget process reform.

The Importance of Fiscal Goals

When policymakers and the public have a consensus about the broad guidelines of government's fiscal policy, that understanding naturally leads to incremental budgetary targets that discipline spending and taxation. For much of America's early history, the standard was the balanced budget. Since that principle was abandoned, no other norm has emerged to take its place, and fiscal policy has been adrift.

An alternative to the balanced budget standard is "fiscal sustainability"—but its definition is elusive. It may refer to a stable or declining ratio of debt to gross domestic product; limiting deficits as a percentage of the economy; establishing spending or revenue targets; or several other options. Whatever standard is defined, it is not enough that it be economically and fiscally defensible; it must be *politically* compelling to ensure the public's acceptance. The congressional budget process should then be constructed to achieve that goal.

THE BALANCED BUDGET PRINCIPLE

Through most of America's early history, policymakers broadly accepted the aim of balancing the Federal budget in peacetime—and they often succeeded. During the Nation's first century-and-a-half, the budget was balanced roughly two-thirds of the time (see Figure 9).[474] "Most of the exceptions were during wartime, when a surge in federal spending led to deficits. But the deficits were small and short-lived; when the war ended, budgetary balance was restored. Deficits were also occasioned by adverse economic conditions; these, too, tended to disappear when the economy recovered."[475] Even with two major wars in the 20th Century, along with the Cold War and other conflicts, Congress achieved balanced budgets in 31 fiscal years. Since World War II, the budget has been balanced in 12 fiscal years: 1947–1949; 1951; 1957–1958; 1960; 1969; and 1998–2001. The Federal Government has run deficits every year since 2001.[476]

For many, the belief in balancing budgets was merely common sense: Government simply should not outspend its resources. As President Truman put it: "There is nothing sacred about the pay-

[474] *Historical Statistics of the United States: Colonial Times to 1970,* 93rd Congress, First Session, H. Doc. 78, part 2, Y 335–38.

[475] Allen Schick, *The Federal Budget: Politics, Policy, Process*—Third Edition (Washington, DC: The Brookings Institution, 2007), p. 10. Data drawn from the *Historical Statistics of the United States:* Colonial Times to 1970, 93rd Congress, First Session, H. Doc. 78, part 2, Y 335–38.

[476] Office of Management and Budget, *Budget of the U.S Government: Fiscal Year 2017*—Historical Tables.

as-you-go idea except that it represents the soundest principle of financing that I know."[477] For others, however, balancing budgets reflected a moral commitment, as described by Nobel Laureate James M. Buchanan: "Politicians prior to World War II would have considered it to be immoral (to be a sin) to spend more than they were willing to generate in tax revenues, except during periods of extreme and temporary emergency. To spend borrowed sums on ordinary items for public consumption was, quite simply, beyond the pale of acceptable political behavior. There were basic moral constraints in place; there was no need for an explicit fiscal rule in the written constitution."[478]

FIGURE 9

Instances of Balance Federal Budgets

(By fiscal year)

Time Period	Number of Balanced Budgets
1791-1939	
1791-1840	35
1841-1890	36
1891-1939	23
20th Century	
1901-1950	22
1951-2001	9
2001-2016	0

Sources: *Historical Statistics of the United States: Colonial Times to 1970*, 93rd Congress, First Session; Allen Schick, *The Federal Budget: Politics, Policy, Process* – Third Edition

In any case, the balanced budget norm provided an overarching guideline for the Federal Government's fiscal policy. Although John Maynard Keynes published his economic theory in the 1930s—saying deficit spending could be justified at times for promoting economic growth and employment—it was not until the 1960s that deficits became politically acceptable. Even then, President Johnson insisted on balancing his final budget (for fiscal year 1969), notwithstanding the costs of the Vietnam War and his ambitious Great Society programs.

After that, however, policymakers grew increasingly tolerant of deficits. "We have gone from trying to achieve balanced budgets at least over a business cycle to trying to keep peacetime deficits no

[477] Harry S. Truman, *Memoirs of Harry S. Truman,* two volumes (Garden City, NY: Doubleday & Company, 1956), 2:41 quoted in Herbert Stein, *The Fiscal Revolution in America* (Chicago: University of Chicago Press, 1969), p. 207, and Aaron B. Wildavsky, *The New Politics of the Budgetary Process—Second Edition* (New York: HarperCollins Publishers Inc., 1992), p. 71. Before it was diluted into a rationalization for merely managing budget deficits, "pay-as-you-go" referred to balancing budgets.

[478] James M. Buchanan, "Clarifying Confusion About the Balanced Budget Amendment," *National Tax Journal,* Vol. 48, No. 3, September 1995, p. 347.

larger than the rate of growth in the economy."[479] Due to this tolerance, the Federal Government has run deficits—often of substantial magnitude—for all but four of the past 45 years, and the one brief stretch of surpluses resulted mainly from an unexpected surge in economic output (and consequently tax revenue) in the late 1990s. In recent years, annual deficits have soared to greater than $1 trillion, so that nearly 40 percent of the government's spending was financed with borrowed money. Although deficits have declined in recent years, they still range near a half trillion dollars annually and are projected to rise again later in the decade, driven mainly by a surge of direct spending largely due to the retirement of the baby-boom generation.[480] The government's publicly held debt has swollen as well. It now matches roughly three-fourths of the entire economy—higher than at any time in the past 65 years—and it continues to rise (see further discussion below).

The erosion of the balanced budget standard has also deprived policymakers of the only consensus norm for fiscal policy they ever had, and nothing has replaced it. Today, the only guideline is the modern, relativistic pay-as-you-go concept, which merely ratifies existing deficits as the measure of budgetary rectitude—no matter how large those deficits might be. Thus, the proponents of the Affordable Care Act could boast the health care program was fiscally "responsible" because it did not increase deficits—which already exceeded a trillion dollars a year—while it recklessly added trillions of dollars to government spending.

Although some budget experts consider the balanced budget concept a kind of quaint anachronism, no other standard has come to replace it, and the lack of any budgetary norm has left fiscal policy adrift. "Without an effective and enforced fiscal goal, policymakers can always choose to borrow for any tax cut or spending initiative. Policymakers are not forced to prioritize or determine if something is worth the cost * * * Having a goal—whether it is balancing the budget by a certain date, or getting the debt to a specific level or share of the economy in a certain amount of time—forces policymakers to show their preferred paths for achieving the goal, which in turn would lead to the discussion of the various trade-offs or different approaches. That is supposed to be a core principle of budgeting."[481]

Several alternatives for a fiscal goal have been offered, backed by economically sound reasoning. A key question, however, is whether alternative standards can gain a compelling *political* consensus as well as an economic one.

OTHER FISCAL NORMS AND TARGETS

What is the Right Target?

Before choosing fiscal goals, one must first answer: "What is the ultimate purpose of Federal budgeting?" It is possible to conceive

[479] David M. Walker, former Comptroller of the United States, *Budget Reforms and Mandatory Spending,* testimony to the Committee on the Budget, U.S. House of Representatives, 9 June 2016.

[480] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017.

[481] Maya C. MacGuineas, *Setting a Fiscal Goal,* testimony before the Committee on the Budget, U.S. House of Representatives, 15 June 2016.

of numerous activities worthy of government expenditure—military readiness, income and health security, a competitive workforce, and many others. Yet most would argue the main point of budgeting is to ensure the government's financial sustainability over time, even if national priorities change; other targets are secondary.

What is 'Sustainability'?

Naturally, that assumption begs the question of what "fiscal sustainability" means. Since early on, the question mostly has been connected with debt. Many of America's early political leaders associated government debt with corruption and thought it undermined checks and balances, threatening liberty.[482]

Today, government debt remains a key measure of fiscal sustainability. While some debt is acceptable, when its growth exceeds that of the overall economy, it puts the country on a dangerous fiscal path. Debt service costs begin to absorb an increasing share of national income, and the government must borrow an increasing amount each year both to fund its ongoing services and to make good on previous debt commitments. Ultimately, this dynamic drains national savings and crowds out private investment, leading to a decline in economic output and a decline in a country's standard of living.

For this reason, economists caution that government debt in excess of about 60 percent of the economy is not sustainable for an extended period. When debt is growing faster than a country's economy indefinitely, that country over time faces an increased risk of economic stagnation, a sovereign debt crisis, or both. "Higher debt levels serve to increase interest rate risk, can create a drag on economic growth, and can result in a loss of confidence in the dollar and a loss of global currency market share. The uncertainty over how the future fiscal gap will be addressed results in fewer investments, less economic growth, and fewer employment opportunities. The related uncertainty also undercuts the ability of states, municipalities, companies, non-profits, [and] individuals to plan for the future." [483]

The Federal Government currently stands at risk of such a debt crisis. Gross Federal debt—which includes funds owed to the Social Security Trust Fund and other Federal accounts—has roughly doubled in the past eight years, to $19.9 trillion in January this year, and CBO projects it will exceed $30 trillion in just 10 years.[484] Additionally, the share of debt known as "debt held by the public"—the amount owed to outside investors—is projected to reach $14.8 trillion, or 77.5 percent of GDP, at the end of fiscal year 2017. Over the next 10 years, it will surge to $25.0 trillion, or 88.9 percent of GDP, by far the highest level of debt since just after World War II.[485] "For comparison, such debt has averaged 40 percent of GDP over the past 50 years. During only one other period in U.S. history—from 1944 through 1950, because of the surge in federal spending during World War II—has that debt exceeded 70 percent

[482] Chris Edwards, book review in the *Cato Journal,* Vol. 35, No. 2 (Spring/Summer 2015).
[483] Op. cit., Walker.
[484] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* Table 1–4, p. 29.
[485] Ibid.

of GDP."[486] After that, the debt outlook worsens further. "If current laws generally remain unchanged, federal debt [held by the public] as a percentage of GDP would reach unprecedented levels because the gap between spending and revenues would continue to widen. CBO projects that debt would rise to 89 percent of GDP by 2027, and eight years later, in 2035, it would surpass the peak of 106 percent recorded in 1946. By 2047, federal debt would reach 150 percent of GDP—significantly larger than the average of the past five decades—and it would be on track to grow even larger."[487]

Moreover, unlike the government's post-war debt, which resulted from temporary surges of war spending, today's debt results from runaway spending in *permanent* government programs—specifically the Federal Government's direct spending programs. The growing debt already threatens to crowd out other government programs. Under current trends, by 2027—just 10 years from now—the government's interest payments will exceed funding for national defense, Medicaid, education, transportation, and many other activities. Interest will become the government's largest spending program, with only Social Security and Medicare being greater.

The growing debt presents broader hazards as well. "The widely acknowledged drivers of the long-term debt—health and retirement programs for aging populations, and borrowing costs—will begin to overtake higher than average tax revenue and steady economic growth by the middle of the decade, and grow ever inexorably upwards until creditors effectively refuse to continue to finance our deficits by charging ever higher interest payments on an increasingly large debt portfolio. This crisis state is more pernicious than mere stabilization of the debt at a high level, which would suppress economic growth as financing the debt crowds out other productive investment. Rather, unchecked accumulation of debt would precipitate a fiscal crisis that would upend world financial markets and do lasting harm to the nation's standard of living."[488]

OPTIONS FOR PRIMARY FISCAL GOALS

The Balanced Budget

Forty-nine of the 50 American States have balanced budget requirements, although some exclude capital spending. Citizens, businesses, interest groups, and others readily understand this concept because they must follow it in their own financial activities. Yet despite the wide acceptance of a balanced budget as a fundamental principle, there are important differences in how one defines "balance."

Cash Balance. At the Federal level, a balanced budget primarily means cash expenditures do not exceed cash receipts.[480] In this framework, capital expenditures for roads, bridges, planes, and

[486] Congressional Budget Office, *The 2017 Long-Term Budget Outlook,* March 2017, p. 3.
[487] Ibid.
[488] Douglas J. Holtz-Eakin, *The Need for Budget Process Reforms,* testimony before the Committee on the Budget, U.S. House of Representatives, 15 June 2016.
[489] Some components of the Federal budget, such as credit programs, are treated on an accrual basis. By and large, however, the budget is cash-based.

buildings are treated as full budgetary expenditures in the year they are financed.

A principal virtue of maintaining cash balance is that it precludes the accumulation of debt. Presumably it can also head off long-term fiscal problems, such as those the Federal Government now faces, because it addresses spending pressures year by year rather than allowing them to accumulate. On the other hand, maintaining simple annual cash balances does not account for mounting pressures from factors such as demographics and longer-term government obligations. Consequently, it may give an illusion of fiscal stability while simply failing to face potential longer-term crises.

Some also argue that a cash balance is difficult to achieve during times of slow or negative economic growth, when demands on government assistance programs, called "automatic stabilizers," are greater.

Accrual-Based Balance. An alternative to the cash-based model is full accrual accounting, in which capital expenses are recognized over the lifetime of the asset. For example, instead of booking the full expense of a new building in the year it was financed, an accrual-based system would recognize 1/30th of the building's cost each year for the next 30 years. This is the accounting system used by most businesses, States, and in the everyday lives of citizens.

Under an accrual-based system, the budget is not "cash-balanced" in years in which borrowing is used to finance long-term capital needs. Instead, "balance" is defined as ensuring *operating expenditures* do not exceed revenue. A fundamental accounting requirement of this system is that operating expenditures are defined to include the principal and interest that is necessary to pay down capital needs over the lifetime of capital assets. Under this system, a balanced operating budget usually leads to fiscal sustainability even if borrowing still occurs for capital needs. An operating budget that is not balanced signals trouble and a likely deviation from a fiscally sustainable path.

Clearly, a sound definition of "capital" is crucial to ensuring a workable accrual-based budget. Generally Accepted Accounting Principles typically define capital as long-lived assets whose lifetime exceeds one year or more. Some argue that softer assets such as "human capital," job training, development grants, and other less tangible public goods should also be treated as capital assets. The risk of widening the definition of capital, however, is that as more items become eligible for borrowing and fewer things are considered as operating expenses, a balanced operating budget becomes less likely to ensure a sustainable debt load. Put another way, the temptation in an accrual arrangement is to define an ever-growing list of popular items as "investments," and thereby justify chronic deficit spending.

Under either of the balanced-budget scenarios described above, budget reformers will need to define what a Federal balanced budget truly means if that concept is ever to be adopted as the primary fiscal target.

Sustainable Debt Level

The other widely discussed primary fiscal target, implied by the discussion above, is a sustainable debt level, usually defined as the ratio of debt to gross domestic product. This metric is popular among economists and budgeteers because it indicates a nation's financial flexibility and a government's ability to finance basic operations. The higher the debt level as a share of the economy, the less flexibility a government has to respond to emergencies such as wars, natural disasters, or severe economic downturns. Similarly, the higher the debt level, the more government revenue must be diverted to pay principal and interest, making less resources available for basic services.

A debt level at 60 percent of GDP has international recognition as a sustainable norm; it is the standard employed under the Maastricht Treaty that formed the European Union. Nevertheless, there is scant evidence that this specific number leads to predictable economic results, either good or bad, as even proponents of the debt-to-GDP measure acknowledge: "There is no magic number, but we need to set a realistic, yet ambitious goal that will convince credit markets we are serious about addressing the debt." [490]

Spending Growth Limitation

An alternative to fixed targets of some sort would be a more dynamic concept, such as limiting the rate of increase in overall Federal spending to less than the economy's growth. This might be described as ensuring the economy outgrows the government. The aim might face problems similar to that of a cash-balanced budget in difficult economic times, when demands on government assistance programs are greater. On the other hand, if the approach could be maintained for the most part, it would almost surely lead to balanced budgets, or something close, and the resulting benefits of declining debt and shrinking debt service. This is because Federal tax revenue generally grows faster than GDP. Therefore, if Congress held spending at less than GDP growth—or even equivalent to it—revenue would overtake spending, creating balanced budgets.

Time Period for Achieving Primary Fiscal Goals

Any primary fiscal goal, whether it be a balanced budget, a debt-to-GDP ratio, or something else, needs a time period over which the goal will be measured and enforced. For example, should the target be enforced each fiscal year or should it be evaluated over a period of years? Should it align with economic cycles of growth, unemployment, or other conditions? The answers to these questions will affect the practicality, effectiveness, and ultimately the durability of fiscal targets.

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[490] Committee for a Responsible Federal Budget, *Stabilize the Debt: An Online Exercise in Hard Choices,* FAQ page.

SECONDARY FISCAL TARGET OPTIONS

Spending and Revenue Caps

Secondary fiscal targets do not speak directly to fiscal sustainability, but they can have a profound impact on the type of government under which citizens live. Chief among these are spending and revenue targets. For example, some proposals would cap spending and revenue at a certain level of GDP. Fiscal targets such as these will influence whether Americans live under an ever-expanding government or a more limited one, but fiscal sustainability is at least theoretically possible either way.

"Spending targets could be divided further among major types of spending, perhaps with separate limits on discretionary and mandatory spending or possibly dividing further with separate targets for health entitlements and other major categories of mandatory spending. Establishing separate spending and revenue goals would allow fiscal rules to target the cause of any violation of debt or deficit targets—if the debt or deficit target was missed because spending exceeded the target, fiscal rules would focus on corrective action on the spending side and if the goal was not met because revenues fall short of the target fiscal rules would focus corrective action on the revenue side."[491] These kinds of fiscal targets more properly belong in a budget resolution or in statute with periodic sunset dates so that Americans can regularly express their preference for the type of government they want. Whichever they ultimately choose, however, the primary fiscal target of the budget should be long-term sustainability.

Deficit Ratios

A popular fiscal target is a deficit-to-GDP ratio of no larger than 3 percent, as employed in the European Union (see further discussion below). The level of 3 percent is chosen because deficits at that level or below usually result in a stable debt-to-GDP ratio as long as the economy is growing at near 3 percent. (Since 2010, the U.S. economy has been growing at only slightly better than 2 percent annually, adjusted for inflation, and is projected to continue at about that rate assuming current policies remain unchanged.) This specific fiscal target may be considered a secondary measure because its main purpose is to maintain a certain debt-to-GDP level, which is the primary concern.

Spending Caps for Discretionary Spending, Direct Spending Programs, and Other Categories

At various times, the budget has included spending caps for discrete categories such as total discretionary spending, national defense, and non-defense domestic programs. These caps have been relatively successful at containing spending growth in limited areas, but they have not resulted in overall fiscal sustainability. Recent discussions have turned to whether to impose caps on major direct spending categories, because there is nearly universal rec-

[491] Op. cit., MacGuineas.

ognition that these programs are growing shares of the budget and are the main drivers of rising debt levels.

Committee Spending Allocations

A little-known feature of the Federal budget is the spending allocations provided to each authorizing committee as part of the congressional budget resolution. These allocations reflect spending assumptions within the budget. Although the Congressional Budget Act provides points of order to enforce these allocations, such provisions are typically waived. Thus, there are no real consequences for breaching them. A reformed budget process should rethink how to make these spending allocations more effective.

HOW ARE TARGETS CODIFIED?

Ensuring a fiscal target will be met raises questions of where it should be codified. A primary fiscal target that speaks to sustainability should be a constitutional requirement, or at the very least codified in statute. An amendment to the Constitution stands the best chance of enduring and actually achieving the intended outcome. If ratified, a constitutional amendment would enjoy broad-based public support, a basic understanding and awareness among citizens, and an expectation that government has a fundamental responsibility to live within its means. It would provide citizens not only with electoral control over the budget, but also legal recourse if government failed to abide by its constitutional duty—though admittedly there are many unanswered questions about how courts could enforce fiscal targets.

Secondary fiscal targets that do not deal directly with fiscal sustainability are best codified in statute, a budget resolution, or House/Senate rules.

EXCEPTIONS TO FISCAL TARGETS

Inevitably, national emergencies or other unexpected events will cause the budget to veer from the agreed-to fiscal targets. There should be flexibility built into the targets and their associated enforcement mechanisms to accommodate certain such episodes. These exceptions, however, should not be routine. Instead, they should be rare and reflect national consensus on true emergency needs that justify a temporary suspension of fiscal norms. Such exceptions should possibly require super-majority votes and a plan to restore fiscal norms, including paying down any debt accumulated during such an emergency.

ENFORCEABILITY

Ultimately, fiscal targets are only as good as the will to enforce them. Primary fiscal targets need an enforceable guarantee; otherwise they will not be taken seriously and ultimately will be ignored. Regrettably, most means of enforcing fiscal targets are blunt and do not easily help rationalize national priorities. That is because the main way to enforce fiscal targets is by automatic spending or revenue triggers. For example, under the existing discretionary spending caps, an across-the-board spending cut (a sequester) must be ordered if Congress appropriates more funding than is statutorily allowed.

Another possible statutory control is to automatically end authority for certain programs to operate under specific circumstances. Tying these to budget criteria, however, could prove challenging.

A non-statutory control to enforce fiscal targets is to withhold scheduling of legislation unless certain conditions are met. For example, the Congressional Budget Act does not allow appropriations bills to be considered before the 15th of May unless a budget resolution has been adopted. Similarly, the House Leadership has created Cut-As-You-Go protocols under which it will not schedule bills that authorize higher direct or discretionary spending unless offset by other reductions. The Leadership and Rules Committee also will often withhold scheduling bills or amendments that have budget violations. These non-statutory tools, however, can easily be waived and have proved ineffective in ensuring fiscal sustainability over the long term.

WHAT ARE OTHER COUNTRIES DOING?

European Union

The European Union [EU] implemented five "convergence criteria" in 1992 through the Maastricht Treaty for new member states to meet before joining (see Figure 2). These criteria were established to maintain price stability in the Eurozone and to ensure no shock to a new member's economy, allowing for easy adoption of the euro as a single currency.

FIGURE 10

European Union Five Convergent Criteria

What is measured?	Price stability	Sound public finances	Sustainable public finances	Durability of convergence	Exchange rate stability
How is it measured?	Consumer price inflation rate	Government deficit as percent of GDP	Government debt as percent of GDP	Long-term interest rate	Deviation from a central rate
Convergence criteria	Not more than 1.5 percentage points above the rate of the three best performing Member States	Reference value: not more than 3 percent	Reference value: not more than 60 percent	Not more than 2 percentage points above the rate of the three best performing Member States in terms of price stability	Participation in ERM II for at least two years without severe tensions

Source: European Commission

The five convergence criteria are still applied today and are measured by the consumer price inflation rate; a government's deficit as a percent of GDP, which may not exceed 3 percent; government debt as a percent of GDP, which may not exceed 60 percent; a long-term interest rate; and the deviation from a central exchange rate. The five convergence criteria function as a fiscal safety net for the Eurozone by maintaining fiscal stability.

Ireland

In 2011, Ireland established a Fiscal Advisory Council that independently assesses, and publicly comments on, whether the government is meeting budget targets and goals. This watchdog council is successful in bringing transparency to government decision-making regarding spending. As stated on its website, the Irish Fiscal Advisory Council's mandate consists of the following:[492]

- To endorse, as it considers appropriate, the macroeconomic forecasts prepared by the Department of Finance on which the Budget and Stability Programme Update are based.
- To assess the official forecasts produced by the Department of Finance. These are the macroeconomic and budgetary forecasts published by the Department twice a year—in the Stability Programme Update in the spring and in the Budget in the autumn.
- To assess whether the fiscal stance of the Government is conducive to prudent economic and budgetary management, with reference to the EU Stability and Growth Pact [SGP]. The SGP is a rule-based framework that aims to coordinate national fiscal policies in the economic and monetary union.
- To monitor and assess compliance with the budgetary rule as set out in the Fiscal Responsibility Act. The budgetary rule requires that the Government's budget is in surplus or in balance, or is moving at a satisfactory pace towards that position.
- To assess, in relation to the budgetary rule, whether any non-compliance is a result of "exceptional circumstances." This could mean a severe economic downturn and/or an unusual event outside the control of Government which may have a major impact on the budgetary position.

New Zealand

In 1994, New Zealand passed the Fiscal Responsibility Act, which used transparency as the main tool to maintain sound fiscal policy and prevent future debt. For example, the Act requires the government to obtain permission from the Parliament before incurring a deficit. Such a request must include the following: the cause for the projected deficit; how long the government is expected to be in debt as a result; the projected amount of accumulated debt that will be incurred; and a plan on how and when the government will repay the debt.

The Act has reportedly succeeded in enforcing fiscal responsibility: "The net result of these requirements is that no government has sought permission to go into debt, and the country has a his-

[492] Irish Fiscal Advisory Council: http://www.fiscalcouncil.ie/about-the-council/.

tory of balanced budgets where surpluses are a regular feature of government fiscal management." [493]

CONCLUSION

For most of America's history, running through the 1950s, Federal budget policy was guided by the principle of balancing the budget. Congress did not always succeed in doing so, but the standard helped maintain a fiscal discipline. When deficits did emerge—usually during wars or other economic emergencies—they were usually eliminated after the crisis passed. Consequently, when the government did accumulate large debts, they were typically paid down fairly swiftly.

The loss of the balanced budget norm has left fiscal policy adrift. In recent years, the absence of sound budget control has contributed to historically high levels of government debt that show no sign of abating. The situation is even more alarming with the retirement of the baby-boom generation now under way, and the inexorable growth of Federal retirement programs that will result.

An essential step for regaining control of the budget is to establish a consensus about the goal of fiscal policy. If not a balanced budget, then some other standard must be developed that provides fiscal and economic sustainability and commands broad political acceptance. The Federal budget process should then drive fiscal policy toward that goal.

[493] The Honorable Maurice P. McTigue, testimony before the Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, U.S. Senate, 26 June 2008.

The Need to Control Direct Spending

The prevalence of direct spending in the Federal budget (also known as mandatory spending) threatens to overwhelm fiscal policy and the economy. More than two-thirds of Federal spending (including interest payments) runs on effectively permanent authorizations, and Congress sets no limits on the totals. This form of spending—mostly for the government's major benefits programs, such as Social Security, Medicare, Medicaid, welfare programs, and the like—is the sole cause of spending growth as a share of the economy, and the main contributor to the government's mounting debt—which has reached its highest levels since just after World War II, and continues to grow.

When the Congressional Budget Act was written in 1974, its authors did not anticipate automatic spending and chronic deficits would become so dominant. Over the years, additional measures were developed to gain control of this spending—such as "pay-as-you-go" and sequestration—but have proved inadequate.

Washington's direct spending programs have grown cumbersome and costly. Worse, they are failing the very people they were intended to serve. Budget procedures can drive the needed reforms by creating or enhancing incentives and disciplines that drive reform. A central aim of a new budget process must be to gain control of the government's automatic spending.

THE DOMINANCE OF AUTOMATIC SPENDING

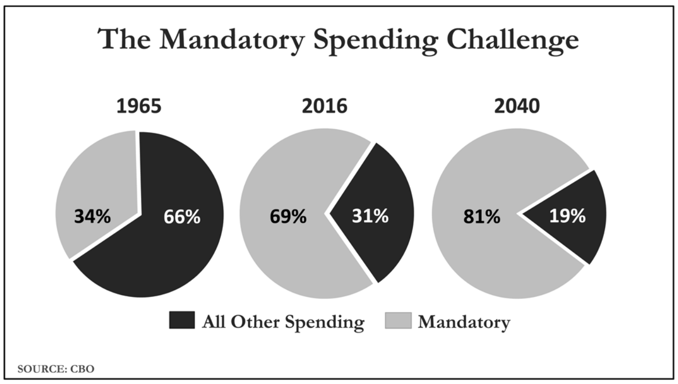
Over the past 50 years, the Federal budget has increasingly become dominated by automatic spending. This form of spending—formally called "direct" or "mandatory"[494]—flows from effectively permanent authorizations, and Congress does not limit the totals. In 1965, at the dawn of President Johnson's Great Society, Washington's automatic spending, including interest payments (a mandatory payment in the true sense of the word), represented about 34 percent of the budget. By 1974, when the Congressional Budget Act was adopted, it had swollen to nearly 49 percent of total spending. By 2016, direct spending programs and interest had surged to more than two-thirds of the budget,[495] and will reach 81 percent by 2040.[496] (See Figure 11.) Automatic spending is the sole source of Federal spending growth as a share of the economy and the

[494] Section 250(C)(8) of the "Balanced Budget and Emergency Deficit Control Act of 1985" (as amended) defines "direct spending" as: "(A) budget authority provided by law other than appropriations acts; (B) entitlement authority; and (C) the Supplemental Nutrition Assistance Program."
[495] Op. cit., Table 1, Congressional Budget Office.
[496] Ibid., Table 1.

main driver of government debt. (See further discussion of direct spending below.)

Programs funded this way pay benefits directly to groups or individuals without an intervening appropriation. They spend without limit. Their totals are determined by numerous factors outside the control of Congress: caseloads, the growth or contraction of gross domestic product [GDP], inflation, and others.

FIGURE 11



To put it simply, spending on these programs is unrestrained because it is designed to be. Any reform of the congressional budget process must include procedures for reining in this automatic spending. Otherwise fiscal policy will continue to run out of control, overwhelming the budget and the Nation's economy.

SPENDING AND DEBT

Figures by the Congressional Budget Office [CBO] confirm that excessive spending, not a shortage of tax revenues, is the cause of the government's growing debt problem. CBO's latest estimates show Federal tax revenue in 2018 will reach about 18.1 percent of GDP, well above the 17.4-percent average of the past 50 years. Total spending, however, will be about 20.5 percent of GDP,[497] and will continue to outpace revenue over the next 30 years.[498]

CBO projects that while tax revenue will average a historically high level of 19.3 percent of GDP annually for the decade of 2038 through 2047, the government's programmatic spending—that is, excluding interest—will average 22.8 percent a year. Adding interest costs boosts the annual spending average to 28.0 percent of GDP.[499]

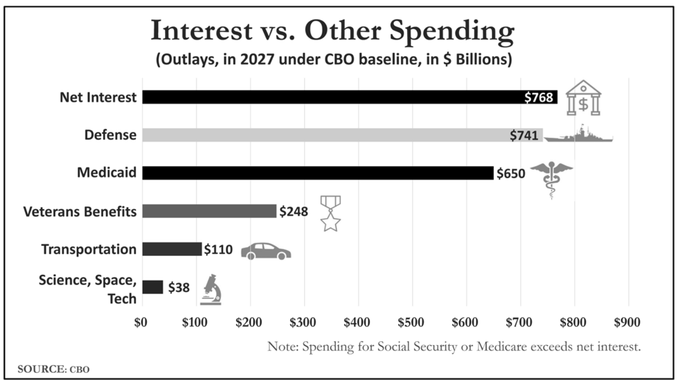
Rising interest costs will also crowd out other activities, as increasing shares of government spending go not to support government programs, but simply to pay debt service. Under current trends, by 2027—just 10 years from now—the government's interest payments will exceed funding for national defense, Medicaid,

[497] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017, Table 1–1, p. 10.
[498] Congressional Budget Office, *The 2017 Long-Term Budget Outlook,* March 2017, Table 1, p. 2.
[499] Ibid.

education, transportation, and many other activities (see Figure 12). Interest will be the government's third-largest program, with only Social Security and Medicare greater.

A significant difference from the past, however, is that the previous record debt resulted from large but temporary surges of war spending; future debt is projected to result from permanent government spending programs. "It is clear that our Federal fiscal challenge is so great that unlike after World War II, we will not be able to grow our way out of the problem. It is also clear that we will not be able to reduce our Federal public debt to GDP to a reasonable and sustainable level without addressing mandatory spending programs and engaging in comprehensive tax reform." [500]

FIGURE 12



As noted previously, the government's chronic and growing deficits will push debt above its already historically high levels. Gross Federal debt—which includes funds owed to the Social Security Trust Fund and other Federal accounts—has roughly doubled in the past eight years, to $19.9 trillion in January this year, and CBO projects it will exceed $30 trillion in just 10 years.[501] Additionally, the share of debt known as "debt held by the public"—the amount owed to outside investors—is projected to reach $14.8 trillion, or 77.5 percent of GDP, at the end of fiscal year 2017. Over the next 10 years, it will surge to $25.0 trillion, or 88.9 percent of GDP, by far the highest level of debt since just after World War II.[502] "For comparison, such debt has averaged 40 percent of GDP over the past 50 years. During only one other period in U.S. history—from 1944 through 1950, because of the surge in federal spending during World War II—has that debt exceeded 70 percent of GDP." [503]

After that, the debt outlook worsens further. "If current laws generally remain unchanged, federal debt [held by the public] as a percentage of GDP would reach unprecedented levels because the gap between spending and revenues would continue to widen. CBO

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[500] The Honorable David M. Walker, *Budget Reforms and Mandatory Spending,* testimony before the Committee on the Budget, U.S. House of Representatives, 9 June 2016.

[501] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* Table 1–4, p. 29.

[502] Ibid.

[503] Congressional Budget Office, *The 2017 Long-Term Budget Outlook,* March 2017, p. 3.

projects that debt would rise to 89 percent of GDP by 2027, and eight years later, in 2035, it would surpass the peak of 106 percent recorded in 1946. By 2047, federal debt would reach 150 percent of GDP—significantly larger than the average of the past five decades—and it would be on track to grow even larger."[504]

To call these fiscal patterns "unsustainable" is to say they will not, *in fact,* be sustained. Unless Congress acts, automatic Federal spending will overwhelm the budget and bury the country in debt. That will force wrenching program changes and spending cuts, or ever-growing levels of taxation, suffocating taxpayers and the economy.

TRENDS IN AUTOMATIC SPENDING PROGRAMS

CBO reports that total non-interest mandatory spending in fiscal year 2016 was $2.429 trillion, and will grow to $4.305 trillion by 2027, reflecting an average annual growth rate of 5.3 percent—faster than both CBO's projection of 2016 nominal economic growth of 2.9 percent and CBO's longer-term projection of economic growth of 3.9 percent. Within overall non-interest mandatory spending, Medicare and Social Security are projected to continue growing faster than the economy as a whole, with Social Security expected to grow from $910 billion in 2016 to $1.7 trillion in 2027 and Medicare expected to grow from $692 billion in 2016 to $1.4 trillion in 2027.[505]

Over the next decade, the major means-tested direct spending programs are expected to grow by 4.3 percent per year—from $745 billion in 2017 to $1.1 trillion in 2027. Over just the past 10 years, these programs have grown from $385 billion in 2007 to $720 billion in 2016.[506]

Several factors contribute to these increases. Most recently, the 2008 recession caused significant increases in spending on low-income programs. Spending is projected to remain at elevated levels for several programs—most notably, the Supplemental Nutrition Assistance Program, [SNAP] (formerly known as food stamps). Over the past 10 years, SNAP increased by an average of 7.3 percent annually, ballooning from $35 billion in 2007 to $73 billion in 2016. While this amount is projected to decline slightly over the next 10 years, it remains elevated compared to prerecession levels.[507]

Other programs have also seen large increases. Supplemental Security Income [SSI] was created as a needs-based program that provides cash benefits to aged, blind, or disabled persons with limited income and assets. When the program began, the majority of payments went toward the aged. As it matured, however, a much greater percentage of beneficiaries were under age 18 or between the ages of 18 and 64. Over the past decade, spending on SSI has grown by 4.4 percent per year.[508]

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[504] Ibid.
[505] Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027,* January 2017.
[506] Ibid.
[507] Ibid.
[508] Ibid.

The largest means-tested program in the Federal budget is Medicaid, the Federal-State low-income health program. Medicaid spending– and its related State Children's Health Insurance Program [SCHIP]—doubled from $197 billion in 2007 to $382 billion in 2016. Going forward, the Congressional Budget Office projects Federal Medicaid and SCHIP spending to reach $656 billion in fiscal year 2027. Absent reform, Medicaid will not be able to deliver on its promise to provide a sturdy health care safety net for society's most vulnerable. Because of the flawed incentives in this program, Medicaid grew at 7.4 percent a year over the past 10 years, and it is projected to grow 5.3 percent a year over the next 10 years. This level of growth is clearly unsustainable.

EXISTING CONTROLS ON AUTOMATIC SPENDING

Reconciliation

The most readily available mechanism for driving reform of automatic spending programs is budget reconciliation. It is an optional process, used far too seldom, in which the budget resolution can call for reforms of direct spending programs (and tax laws) by requiring one or more authorizing committees to achieve savings in programs within their respective jurisdictions. A principal advantage of budget reconciliation is that it is not subject to a filibuster in the Senate; a reconciliation bill can pass with a simple majority of 51 Senators. In addition, Senate debate on a reconciliation bill is limited to 20 hours (10 hours on conference reports), and amendments must be germane.

A complication of the process, however, is that in the Senate the provisions in a reconciliation bill are restricted to budgetary matters. This requirement, known as the "Byrd Rule" (Section 313 of the Congressional Budget Act of 1974), prohibits "extraneous" provisions from reconciliation bills. Extraneous provisions include any that would cause an estimated deficit increase beyond the 10-year budget window compared to what deficits would have been otherwise. Among other things, the Byrd Rule gives the Senate leverage to strike House provisions the Senate does not favor. In addition, the definition of "extraneous" provisions is highly subject to interpretation by the presiding officer, who relies on the Senate's Parliamentarian.[509]

The use of reconciliation has changed over the years. Originally, under the 1974 Budget Act, Congress was to adopt two budget resolutions a year. The first, in the spring, would set advisory levels to guide the work of authorizing and appropriating committees; the second, in September, would establish binding levels. If economic or fiscal conditions had changed by then—or if fiscal outcomes differed from earlier projections (possibly because of new legislation)—the second resolution would contain instructions calling for changes that would reconcile actual spending and revenue with the binding levels of the second budget resolution. In the early 1980s, Congress ceased adopting two resolutions, so reconciliation was used in the "earlier" (and sole) budget resolution in the spring, if

[509] The rule, authored by Senator Robert C. Byrd (D–W.Va.)—a strong advocate for Senate prerogatives—was adopted in 1985 and amended in 1990.

at all. The time frame for reconciliation was also extended to cover multiple years.

From 1980 through 1997, reconciliation was used mostly to reduce deficits by restraining direct spending programs—ranging from farm subsidies to student loans to welfare—and increasing revenue. The major policy reforms in President Reagan's first budget were enacted through the "Omnibus Budget Reconciliation Act of 1981". (His first round of tax cuts, the Economic Recovery Tax Act of 1981, did not employ reconciliation.) The extension of health coverage benefits occurred through the "Consolidated Omnibus Budget Reconciliation Act of 1985". Other reconciliation measures included the "Budget Enforcement Act of 1990"; the implementation of President Clinton's first budget in 1993; a welfare reform bill in 1996 titled the Personal Responsibility and Work Opportunity Reconciliation Act; and the "Balanced Budget Act of 1997".

In 2001 and 2003, Congress and President Bush used reconciliation to enact his tax cuts, overcoming a threatened Senate filibuster. Because of this, however, the Byrd Rule limited the tax reductions to 10 years, leading to automatically scheduled tax increases that were averted in January 2011 and again in January 2013. In the latter case, Congress and the President agreed to extend most of the Bush-era tax policies, but did allow tax increases on certain upper-income taxpayers.

In the fiscal year 2010 budget resolution (S. Con. Res. 13), Democratic majorities in the House and Senate made a significant change in the use of reconciliation. Instead of employing the procedure for deficit reduction, the resolution called for token savings of $1 billion from each of several committees, allowing them to use reconciliation to adopt their major health coverage overhaul. This step became necessary in the end, because the two Chambers could not agree on a single health insurance measure. Consequently they adopted two laws, one modifying the other, to constitute the Affordable Care Act [ACA], or Obamacare.[510] Republican Majorities used a similar technique in the fiscal year 2016 budget resolution conference report (S. Con. Res. 11) to employ reconciliation for repealing the Affordable Care Act (H.R. 3762, the Restoring Americans' Healthcare Freedom Reconciliation Act of 2015). They did so as well with the fiscal year 2017 budget resolution (S. Con. Res. 3).

Pay-As-You-Go

For most of the Nation's history, the concept of pay-as-you-go meant balancing the budget—that is, limiting spending to what the government collected in revenue. In 1990, however, policymakers converted pay-as-you-go into a rationalization for maintaining or managing deficit spending, rather than reducing or preventing it. This new interpretation of "pay-as-you-go" was adopted in the "Budget Enforcement Act of 1990" [BEA] (Title XIII of Public Law 101–508), which sought to rescue Congress and the President from a pending fiscal crisis due to the "Balanced Budget and Emergency Deficit Control Act of 1985" (Title II of Public Law 99–177). The

[510] The Affordable Care Act consists of two measures: the Patient Protection and Affordable Care Act (Public Law 111–148), and the Health Care and Education Reconciliation Act of 2010 (Public Law 111–152).

law required Congress to meet specific, declining deficit targets each year, with the aim of achieving a balanced budget by 1991. Congress and the President could not meet the target for fiscal year 1991, and consequently faced automatic, across-the-board spending cuts under a process called "sequestration." To avoid that outcome, they agreed to a compromise package of spending restraints and tax increases, backed by a new set of budget disciplines, including pay-as-you-go.[511]

The new version of pay-as-you-go (typically called pay-go or PAYGO) is not to reduce or eliminate deficits, but simply to prevent them from getting larger. "PAYGO is budget-speak for 'do no harm' or 'don't make deficits worse.'"[512] The practice requires that the estimated costs of any new direct (or mandatory) spending initiatives be offset by direct spending reductions elsewhere, or tax increases, or a combination of the two. These costs are measured against whatever the estimated baseline deficit is at the time, no matter how large. Any costs or savings from new direct spending or tax legislation are tallied on a "scorecard" that estimates their effects over five years and 10 years. If all the legislation in a given session of Congress causes a net deficit increase, the Office of Management and Budget imposes sequestration to make up the difference.

The statutory pay-as-you-go provision under the BEA ran through 1997, and then was extended through the end of fiscal year 2002. It officially terminated on 2 December 2002 with the enactment of Public Law 107–312, which fixed the remaining balances on the pay-as-you-go scorecard at zero. From time to time after that, attempts were made to restore pay-as-you-go in law, but they proved unsuccessful—although the principle remained in House and Senate rules. Pay-as-you-go was restored by the Statutory Pay-As-You-Go Act of 2010, enacted on 12 February 2010 (Public Law 111–139).[513]

Proponents contend pay-as-you-go has provided an important restraint on deficit spending, and in many cases prevented new legislation from being considered because its authors could not identify sufficient offsets for new spending: "[S]tatutory PAYGO proved a highly effective deterrent to deficit-increasing legislation in the 1990s—at least until the surplus was achieved in 1998. The effects of PAYGO were not visible to the public or the press because they involved spending and tax proposals that never saw the light of day."[514] "Clearly, PAYGO will not by itself balance the budget or address our long-term fiscal challenges, but it will help to bring discipline back to the budgeting process. PAYGO puts the brakes on policies that increase the deficit and it provides hurdles Congress has to clear before enacting new mandatory spending or tax cut policies."[515]

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[511] Robert Keith, *The Statutory Pay-As-You-Go Act of 2010,* Congressional Research Service, 2 April 2010, p. 1.

[512] Alice M. Rivlin, *Statutory PAYGO: An Important First Step Toward Fiscal Responsibility,* testimony to the Committee on the Budget, U.S. House of Representatives, 25 June 2009.

[513] Op. cit., p. 1-3, Keith.

[514] Op. cit., Rivlin.

[515] Maya C. MacGuineas, President, Committee for a Responsible Federal Budget, testimony before the Committee on the Budget, U.S. House of Representatives, 25 July 2007.

On the other hand, critics contend pay-as-you-go has little benefit because it does not cut into the government's already unsustainable path of spending. "Paygo does not place any constraint on the natural (and inexorable) growth of entitlement spending that occurs under current law. Rather, it puts a big hurdle in the way of across-the-board tax cutting that might be promoted in a pro-growth economic agenda. * * * Paygo is the embodiment of the view that fiscal responsibility entails 'paying for' newly enacted spending commitments. That's very different from the view that sound fiscal policy focuses on spending control to allow private actors to keep and use as many of their own resources as possible." [516]

Put another way, instead of reinforcing the clear fiscal goal of balanced budgets, pay-as-you-go actually *ratifies* existing deficits, however large, as the measure of budget "discipline." Under this notion, Congress and President Obama in 2010 could justify trillions of dollars in new spending for the Affordable Care Act because it was offset on paper by estimated savings in other programs (including Medicare) and tax hikes (many of which were of questionable credibility). This was termed "fiscally responsible" because it did not increase deficits that *already exceeded $1 trillion a year.* Interestingly, once the ACA was enacted, the Congressional Budget Office noted it could no longer track the deficit-reduction components of the legislation because they occurred in existing programs. "In cases where the new [ACA] laws affected an existing flow of spending or revenues—such as Medicare outlays or income tax receipts—their effects will not be separately identifiable. Therefore, comparing all elements of the laws' ultimate impact with the amounts estimated at the time of their enactment will not be possible." [517] CBO later explained this is a problem with all alleged deficit-reducing measures: "[T]he problem is common to all legislation that changes existing federal programs or tax provisions with results that cannot be clearly distinguished from what would have occurred under previous law." [518]

Other Procedural Restraints on Automatic Spending

Many other procedural restraints on automatic spending exist. Section 302(f) of the Congressional Budget Act limits new direct spending to the amounts allocated by the budget resolution to a given authorizing committee. It is enforced by a point of order, though the enforcement is usually waived by the rule for consideration of the legislation. The Cut-As-You-Go rule (Clause 10 of House Rule XXI) is a more focused version of pay-as-you-go. It requires that any legislation increasing direct spending be offset by commensurate reductions in direct spending only (not revenue); it is enforced by a point of order. Finally, the Long-Term Direct Spending rule (Section 3 of House Resolution 5, *The Rules of the House of Representatives for the 115th Congress*) prohibits the con-

[516] James C. Capretta, *The Budget Act at Forty: Time for Budget Process Reform,* the Mercatus Center at George Mason University, March 2015.

[517] Congressional Budget Office, *The Budget and Economic Outlook: An Update,* August 2010, Box 1–1.

[518] Congressional Budget Office, "Answers to Questions for the Record Following a Hearing on the Budget and Economic Outlook for 2014 to 2024 Conducted by the Senate Committee on the Budget," 10 June 2014.

sideration of legislation that would increase direct spending by $5 billion or more in any of four consecutive 10-year periods following the initial 10-year budget window. It is also enforced by a point of order.

POTENTIAL ADDITIONAL CONTROLS ON AUTOMATIC SPENDING

The budget process cannot by itself bring about the fundamental reform of direct spending programs needed to put them on a sustainable fiscal course. Nevertheless, budget procedures can provide tools and incentives that can drive program reform. Among proposals discussed are the following.

Caps on Direct Spending

One possible means of controlling automatic spending is to place ceilings on total direct spending amounts, similar to caps on annually appropriated (discretionary) spending. Theoretically, the caps might allow direct spending programs to continue paying out benefits, as they do now, but then impose sequestration if the ceiling were breached. Because of the potentially wrenching impact of such abrupt funding reductions, the cap would presumably create an incentive for Congress to develop more gradual program adjustments and spending restraints.

The ceilings could be designed in several different ways. For instance, there could be one cap on all direct spending. Alternatively, different caps could be applied to groups of direct spending programs: the major health programs, income security, and so on. Ceilings could be imposed on certain large entitlement programs, such as Medicare or Medicaid. Another option would be to design limits such that Federal spending would increase at a rate slower than the growth of gross domestic product. Because tax revenue tends to grow slightly faster than the economy, this would mean revenue would outpace spending, reducing deficits and eventually leading to balanced budgets.

Caps are a blunt instrument when applied to direct spending programs, because they may force indiscriminate cuts in benefits to eligible individuals or groups. As noted previously, the spending totals for direct spending programs are simply whatever results from all these payments; Congress does not set lump sum amounts or limits on the totals, as it does with discretionary spending. On the other hand, that is precisely the problem with these benefit programs: they spend without limit, which is why their spending is spinning out of control. Caps on these programs could reverse that problem. The biggest challenge would lie in determining what happens if a ceiling is reached, and how to execute the enforcement of the cap or caps.

Sunset Provisions

Another way of addressing direct spending is to eliminate the effectively permanent nature of their authorizations, ensuring they expire periodically. Presumably, the reauthorization procedure would force Congress to reconsider these programs from time to time, to conduct oversight, and perhaps promote reforms and limit their funding.

It is uncertain how much actual reform and savings would result from such a practice, but at least it would cause Congress to re-evaluate these programs on a regular basis.

Long-Term Budgets for Major Direct Spending Programs

The Brookings-Heritage Fiscal Seminar in 2008 advocated long-term budgets for the three major direct spending programs, Social Security, Medicare, and Medicaid. The argument for this approach was that because many people rely heavily on entitlements and plan their lives around them, the programs should not undergo frequent changes. "The three major entitlement programs should be budgeted for longer periods (for example, 30 years) but be subjected to review every five years. These five-year reviews would allow reconsideration of the trade-offs between entitlement spending and other purposes and might cause adjustments in benefits, premiums, taxes, or all three." [519]

The long-term budget could be made the default spending plan, allowing Congress and the President to make modifications if they agreed to do so. In any case, the approach would encourage policymakers to make decisions, "rather than allowing some programs to have automatic status" with which they "steadily crowd out other priorities." [520]

Although many support applying a long-term perspective to direct spending programs, budgeting for the long term may be difficult because of the inherent difficulties with estimating economic and fiscal conditions over several decades.

Triggers

The Fiscal Seminar also proposed triggers for the major direct spending programs that would force action—automatic benefit cuts or revenue increases—when projected spending exceeded budgeted amounts. The trigger "could only be over-ridden by an explicit vote or enactment of alternative policies that would achieve budget outcomes similar to the automatic adjustments." [521]

An alternative would be a trigger leading to the formation of a commission that would make recommendations for adjusting the direct spending path, and holding an up-or-down vote on the recommendations. "The trigger process that forces an explicit vote when the long-run budget for any of these programs is exceeded will dramatize the importance of modernizing these entitlement programs to reflect increasing longevity, higher incomes, and the rising cost of medical care." [522]

Recent experience with such mechanisms, however, has not been encouraging. The "Medicare Prescription Drug, Improvement, and

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[519] The Brookings-Heritage Fiscal Seminar, *Taking Back Our Fiscal Future,* April 2008. In addition to the Brookings Institution and the Heritage Foundation, participation in the Seminar included representatives from various other research and policy organizations, including the American Enterprise Institute, the Concord Coalition, the Urban Institute, and the Progressive Policy Institute.

[520] Stuart M. Butler, testimony before the Committee on the Budget, U.S. House of Representatives, 9 June 2016.

[521] Op. cit., the Brookings-Heritage Fiscal Seminar.

[522] Ibid.

Modernization Act of 2003" required the Medicare trustees to report annually whether general revenue funding for Medicare would exceed 45 percent of program outlays in the current fiscal year or any of the subsequent six fiscal years. If such a determination occurred in two consecutive years, the President was required to submit a legislative proposal to lower the ratio to 45 percent.

The trustees issued such funding warnings in every one of their annual reports from 2006 through 2013, yet only once did a President submit corrective legislation. That was from President Bush in 2008, and the Democratic Majority in Congress did not act on it. President Obama never submitted such a proposal.[523]

CONCLUSION

The Federal debt has risen to historically high levels. It is driven to such perilous heights largely by automatic spending, mainly for government direct spending programs. The 1974 Congressional Budget Act did not anticipate the immense problem entitlement spending would become. Therefore, an imperative for budget process reform is to develop means of controlling automatic spending. To that end, Congress should explore various options, including the possibility of imposing caps, instituting sunset provisions, creating long-term budgets for the programs, and imposing trigger consequences. Controlling automatic spending must be a central feature of a new congressional budget process.

[523] Patricia A. Davis, Todd Garvey, Christopher M. Davis, *Medicare Trigger,* Congressional Research Service, 10 March 2014.

Making Budget Enforcement More Effective

The need for sound enforcement of spending and revenue is inherent in the practice of budgeting. A budget lacking enforcement is not a budget at all, and this dilutes Congress's constitutional "power of the purse." The Congressional Budget Act of 1974 has several enforcement provisions, and Congress has adopted additional rules and statutes over the years to enforce budgetary goals. Most of these have failed, however, due to poor design or because they can easily be waived or circumvented. The result has been a cluster of ineffective budgetary rules that only make the budget process more complicated. The necessity of developing better budget rules is clearly evident. Enforcement regimes can be strengthened by streamlining rules, plugging loopholes, and changing defaults and incentives. A key element in rewriting the Congressional Budget Act, therefore, is to develop successful and effective means of enforcing congressional budgets.

THE IMPORTANCE OF BUDGET ENFORCEMENT

In addition to laying out a formalized budget procedure for the House and Senate, the Congressional Budget Act of 1974 [Budget Act] provided a series of enforcement measures aimed at ensuring the spending and revenue levels in the budget resolution—the key legislative instrument created by the Budget Act—would be adhered to. In the 43 years since then, those provisions have been revised or expanded numerous times. Congress also has passed additional laws and rules intended to further enhance enforcement of the budget. The result has been a complex web of budget enforcement procedures that have complicated the process and yielded, at best, mixed results. While some provisions may have achieved their purposes, it cannot be said that Congress has the budget and fiscal policy fully under control.

The failure of budget enforcement mechanisms has at least two major consequences. First, it significantly reduces the effectiveness of the budget resolution and of congressional budgetary procedures generally; Congress thus loses control of fiscal policy. Second, in the process, Congress sacrifices some of its constitutional "power of the purse," ceding greater authority to the Executive Branch. A budget left unenforced is not an effective budget.

A key element in rewriting the Budget Act, therefore, is to develop successful and effective means of enforcing congressional budgets.

A SHORT HISTORY OF PRE–1974 FEDERAL BUDGETING

Prior to the Budget Act, Congress had a somewhat fragmented approach to budget enforcement through various legislation and reforms related to the budget process. Some of the key laws and efforts that laid the foundation for the 1974 Budget Act and today's budget process include the "Antideficiency Act of 1870" (amended in 1905 and 1906), the "Budget and Accounting Act of 1921", the "Legislative Reorganization Act of 1946", the 1967 President's Commission on Budget Concepts, and legislation regarding statutory spending limits and reductions proposed between 1967 and 1973.

The Antideficiency Act is one of the fundamental laws governing Federal expenditures. It prohibits the Federal Government from obligating funds in the absence of available appropriations.[524] There are limited exceptions, mainly "for emergencies involving the safety of human life or the protection of property."[525]

The "Budget and Accounting Act of 1921" established the executive budget process aimed at producing a better-coordinated system for making fiscal decisions within the government.[526] The act required an annual budget submission by the President to Congress, but did not alter congressional procedures for consideration of a Federal budget.[527] It created the Bureau of the Budget (now the Office of Management and Budget), originally situated in the Treasury Department. (In 1939, President Roosevelt moved the Budget Bureau to the White House as part of his government reorganization plan.) The law also created the General Accounting Office (now the Government Accountability Office) as an auditing arm of Congress.

The "Legislative Reorganization Act of 1946" included the first attempt at creating a formal congressional budget process, though the procedure was a small component of the measure. The legislation made fundamental reforms to congressional committees in addition to requiring Congress, early in a session, to agree to an overall budget plan that would guide consideration of budgetary legislation later in the session.[528] The legislation also established a Joint Committee on the Legislative Budget, tasked with reviewing the President's budget submission at the start of each session and reporting an annual legislative budget no later than 15 February that included total spending and revenue levels.[529] Congress attempted to report a legislative budget three times pursuant to this provision. On two occasions, Congress failed to agree to a budget; in a third, lawmakers exceeded the budget they had agreed to.[530] After that, Congress abandoned the practice.

On 3 March 1967, President Johnson appointed a commission of 15 individuals to review the Federal budget and its submission to

[524] 31 USC § 1341–1342, 1511–1519; Clinton T. Brass, Coordinator, *General Management Laws: A Compendium,* Congressional Research Service, Washington: updated 19 May 2004, p. 93, 95–96.

[525] 31 USC § 1342.

[526] James V. Saturno, Coordinator, *Introduction to the Federal Budget Process,* Congressional Research Service, 3 December 2012, p. 1.

[527] Ibid.

[528] Ibid.

[529] Ibid at p. 24–25.

[530] Ibid at p. 25.

Congress and the public.[531] In its report, the Commission presented 13 major recommendations to make the Federal budget a more understandable and useful fiscal policy document.[532] The Commission's report included recommendations on the use of "a unified summary budget statement," inclusion of all Federal Government and agency programs in the budget, use of accrual accounting methods instead of cash accounting for reporting expenditures and receipts, and inclusion of a "means of financing section based on the budget deficit or surplus."[533]

Between 1967 and 1973, Congress acted five times on legislation limiting Federal spending.[534] These legislative proposals were reductions in obligations and expenditures in the fiscal year 1968 continuing appropriations resolution (Public Law 90–218); the "Revenue and Expenditure Control Act of 1968" (Public Law 90–364), which raised taxes and made spending cuts; the Supplemental Appropriations Act for the fiscal year ending on 30 June 1969, which included spending limits (Public Law 91–47); the "Second Supplemental Appropriations Act, 1970", which included a spending limit on fiscal year 1970 budget outlays (Public Law 91–305); and a measure providing a temporary increase in the public debt along with spending limits (Public Law 92–599).[535] Additionally, Public Law 92–599 included a provision establishing a Joint Study Committee on Budget Control. The committee consisted of bicameral and bipartisan membership and was tasked with reviewing the Federal budget and improving Congress's control over fiscal policy.[536]

BASIC FLAWS IN CURRENT PRACTICES, AND POTENTIAL REMEDIES

Too Many Different Rules

A key problem with the current budget process is its complex array of dozens of budget rules (see separate discussions in this report on "Enforcing Budgetary Levels" and "Statutory Controls Over the Budget"). Part of the complexity results from rules being codified in multiple locations in various statutes and protocols. There are six major budget laws dealing with the congressional budget process, and an entire separate title of the U.S. Code dealing with the executive budget process. Second, the House and Senate have adopted their own budget rules that apply to each body separately. Finally, there are the budget resolutions themselves, and often the House and Senate cannot agree on a conference report.

Effective Rules versus Those Seldom Used

A perception exists that many of the points of order codified in the Budget Act are either dormant or infrequently used; these pro-

[531] Statement by the President Announcing the Appointment of a Commission to Study the Federal Budget: http://www.presidency.ucsb.edu/ws/index.php?pid=28677.

[532] *Report of the President's Commission on Budget Concepts,* October 1967.

[533] Ibid., p. 6–9.

[534] Committee on the Budget, United States Senate, S. Doc. 109–24, p. 28: http://www.budget.senate.gov/imo/media/doc/BudgetCommitteeHistory2.pdf; Allen Schick, *Congress and Money,* The Urban Institute (Washington: 1980), p. 32.

[535] Op. cit., p. 28, Senate Budget Committee, and op. cit., p. 42, Schick.

[536] Op. cit., p. 28, Senate Budget Committee, Public Law 92–599.

visions are frequently waived. The conclusion is difficult to prove, however, because most budget enforcement occurs informally, well in advance of bills reaching the floor.

Nevertheless, certain points of order are more effective than others, if enforced. The most effective are those in the Congressional Budget Act limiting the amount of new spending in appropriations and authorizing bills (Section 302(a) and Section 302(f)); establishing a revenue floor and overall total spending limits (Section 311); and preventing legislation with budgetary effects from being considered until a budget resolution has been adopted (Section 303). Preventing increases in direct spending in the current year, the budget year, and the four and nine subsequent years (House Rule XXI, Clause 10, known as Cut-As-You-Go) has proved effective. Nevertheless, some of these provisions are weakened by exceptions or loopholes. For instance, appropriations acts may be considered in the House after the 15th of May even if a budget resolution has not been adopted. Although the Cut-As-You-Go rule has instilled some limited spending discipline in the House, it still allows for near-term spending increases in exchange for promised future cuts, many of which never materialize.

House Rule Waivers

During the 114th Congress, budget rules were waived an estimated 42 times—a rate of more than 23 percent—for bills that were considered under a rule.[537] "One of the more troubling aspects of the current budget enforcement environment is how easy it is to waive budget protocols, often with little or no recognition by Members of Congress themselves, that we are agreeing to violate our own rules."[538]

Various ideas have been proposed for making rule waivers more difficult. One possibility is to prohibit Budget Act waivers to be included in blanket waivers in special rules considered by the House; separate votes and debate should be required. Another proposal would require supermajority votes to waive points of order against Budget Act violations. Applying budget rules more surgically rather than against consideration of entire bills would allow budget points of order to strike specific offending provisions rather than defeat entire bills; this could make more Members willing to use them during floor consideration.

Yet another option would be requiring a Congressional Budget Office [CBO] cost estimate of legislation to be considered at the *beginning* of a committee markup. (At present, estimates are produced only after a bill is reported from committee.) This would increase committee members' awareness of the budgetary effects they vote on—which they often do not know during markup—and would likely reduce the amount of legislation favorably reported with budget violations. Another possibility is having the Budget Committee publish a weekly bulletin of the budgetary effects of all leg-

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[537] Figures are estimates by the House Budget Committee majority staff.

[538] Chairman Tom Price, M.D., Committee on the Budget, U.S. House of Representatives, opening statement at the hearing, *Making Budget Enforcement More Effective,* 22 June 2016.

islation scheduled for consideration by the House, including an indication of budget rule violations.[539]

The Byrd Rule

The Byrd Rule (section 313 of the Congressional Budget Act) deals with a narrow set of budget enforcement provisions for reconciliation bills. Generally, it allows the Senate to strike from reconciliation measures provisions that do not have budgetary effects. The rule was intended to limit the scope of reconciliation bills because they are not subject to a filibuster in the Senate.[540] It has the additional effect, however, of preventing Congress from considering certain provisions needed to achieve savings, such as limits on appropriations and other budget controls.

Another concern with the rule is that it applies in the Senate only, giving that Chamber important leverage when negotiating with the House on final reconciliation legislation. These determinations are made by the Senate's presiding officer, who relies on the interpretation of the Senate Parliamentarian, a non-elected official. A reformed budget process could permit the inclusion of provisions that indirectly reduce spending, make the application of the rule more objective, and create a more even playing field for negotiating reconciliation bills.

The Failings of Section 401

The rules in Section 401 of the Congressional Budget Act were intended to aid Congress in controlling spending through the annual appropriations process. They imposed controls on four types of mandatory, or direct, spending: new entitlement authority, contract authority, credit authority, and borrowing authority. These rules, however, have not succeeded.

Section 401(a) of the Budget Act prohibits the consideration of any bill, joint resolution, amendment, or conference report that provides (1) new authority to enter into contracts under which the Federal Government is obligated to make outlays; (2) new authority to incur indebtedness; or (3) new credit authority, unless such measure is subject to the availability of appropriations. It is a strict rule because, similar to the House Cut-As-You-Go rule (see below) and statutory Pay-As-You-Go (see next section), a bill would violate Section 401(a) even if the budget resolution specifically assumed the increase in mandatory spending.

Section 401(b)(1) of the Budget Act prohibits the consideration of any bill, joint resolution, amendment, or conference report that provides new entitlement authority first effective in the current fiscal year. This point of order prevents Congress from prematurely increasing new entitlement authority before Congress agrees to a budget resolution for the forthcoming fiscal year.

Section 401(b)(2) requires the referral to the Committee on Appropriations of any reported authorization bill increasing entitlement spending in the forthcoming fiscal year if it exceeds the re-

[539] During the tenure of Chairman Jim Nussle (R-Iowa) (2001–2006), the House Budget Committee did produce such a bulletin, called *Budget Week.*

[540] The rule, authored by Senator Robert C. Byrd (D–W.Va.)—a strong advocate for Senate prerogatives—was adopted in 1985 and amended in 1990.

porting committee's 302(a) allocation. The Committee on Appropriations is then empowered to limit the total amount of new entitlement authority provided by that bill.

The well-intentioned rules under Section 401 of the Budget Act have proven ineffective. Congress has passed numerous bills that have increased one or more of the categories of direct or mandatory spending specified in Section 401. These increases in direct spending have included entirely new programs, expansions of existing programs, and increases in existing programs that occur under current law.

Statutory Budget Enforcement Rules

Arguably the most successful budget enforcement rules are those with binding statutory requirements that cannot be waived except through a new statute and are enforced by automatic spending cuts through a process known as sequestration (see "Statutory Controls Over the Budget" elsewhere in this report). A current and well-known example of this type of rule is the limitation on discretionary spending codified in the "Budget Control Act of 2011". These limits are enforced through a statutory requirement to sequester spending that exceeds the limits rather than by points of order against consideration in the House and Senate.

Sequestration is a blunt tool for enforcing budget rules, and a wide swath of programs—mainly direct spending programs, the main source of today's spending problems—are exempt. As a result, the process deepens the cuts in non-exempt programs, while failing to address the most significant budgetary challenges. In addition, most fee-funded programs are sequestered even though no taxpayer dollars are used to finance them. Users of these programs often mention the fundamental unfairness of cutting programs that are completely user-funded and that do not contribute to the deficit.

Efforts to reform the budget process should examine how to improve sequestration by exempting fewer programs, targeting programs that actually cause deficit spending, and providing better handling of user-financed programs.

OTHER ENFORCEMENT MODELS

The Base Realignment and Closure Commission

Many have recommended translating this model, widely considered successful, into a means of adopting policy reforms and budget disciplines. The independent Defense Base Realignment and Closure Commission [BRAC] was authorized to make recommendations as to which defense bases to close. The recommendations take effect, absent any further legislation, unless Congress passes, and the President signs, a joint resolution *disapproving* them. The joint resolution is considered under expedited procedures in both the House and Senate. The procedures prohibit amendments to the disapproval resolution.

Enacting a budget resolution in accordance with the BRAC system could eliminate the partisan politics that persist today. "In order to make the budget resolution meaningful and implementable, we must move from the party platform mentality to a governing platform."[541] By not voting on a bill except in the case of disapproval, Congress would, in effect, make the shift from partisan politics to a more effective governing style. There have been 10 rounds of base closures under BRAC. Congress considered seven disproval recommendations between 1989 and 2005, and none was enacted. Hence, the closure recommendations held.

The most important elements of this process are the creation of a commission to make the recommendations; congressional consideration of a disapproval joint resolution under expedited procedures; a prohibition on Congress amending the resolution; and automatic application of the recommendations unless Congress passes and the President signs a disapproval bill.

Super Committee and Sequestration

The "Budget Control Act of 2011" established statutory deficit reduction targets. It created a Joint Select Committee on Deficit Reduction (colloquially called the "super committee") to make recommendations as to how these targets were to be achieved. The Leadership agreed to consider any package of policies to achieve the required level of deficit reduction. A sequester was triggered in the event the super committee did not agree to a package of recommendations and absent any other legislative action. The sequester would achieve half the savings in defense programs and half in non-defense programs. The Joint Select Committee failed to agree on policy recommendations to meet the targets. Consequently, a sequester was triggered in 2013, and the discretionary limits for fiscal years 2014 through 2021 were lowered. Thus, the process did achieve a degree of spending restraint.

The key features of this model are that budget targets are enacted into law; a special bicameral committee considers a one-time package of proposals to meet those targets; the Leadership commits to bringing this legislation to the floor for consideration; and a sequester is triggered if the committee fails to agree on recommendations or if Congress and the President fail to agree on legislation to meet the targets.

Expedited Rescission

The House has previously considered legislation to provide a fast-track process for considering a President's proposed rescissions of previously appropriated budget authority. It was developed as an alternative to the "Line-Item Veto Act of 1996", which the Supreme Court found to be unconstitutional. Under an expedited rescission process, the President would submit to Congress a package of proposed rescissions each time an appropriations bill was enacted. The Congress then would be required to consider the proposed rescissions *en bloc,* or an alternative package of rescissions in the same amount and from the same law as proposed by the President. Interest in expedited rescissions waned as Congress adopted its own rules to control congressional earmarks.

An expedited rescission model could be extended beyond a process for reconsidering pork barrel discretionary spending to consid-

[541] G. William Hoagland, *Fulfilling the Budget Resolution and Enhancing Budget Enforcement,* statement before the Committee on the Budget, U.S. House of Representatives, 22 June 2016.

ering entirely new deficit reduction proposals that meet previously enacted targets. The model also could be extended to direct spending and conceivably certain targeted tax preferences. A major objection to this approach is that it relies on the President to initiate the rescission process and is therefore considered a serious abrogation of congressional power. Also, even if the Congress could substitute its own legislative proposals for those of the President, the House Leadership could simply override the expedited procedures for considering the bill with a simple rule passed by the majority of the House.

Automatic Continuing Resolution

The notion of an automatic continuing resolution [CR] is predicated on continuing resolutions that are annually enacted when Congress and the President fail to enact, by the beginning of a new fiscal year, the 12 regular appropriations bills necessary to fund the Federal Government. The flat level of funding that typically would occur under an automatic CR is supposed to provide an incentive to pass regular appropriations bills at levels Congress prefers. CRs are usually set at either the prior year's level or the lower of the House and Senate levels for the budget year. CRs can also be set at alternative levels. Under an automatic CR, if appropriations were not enacted at the beginning of a fiscal year, appropriations would automatically occur at a default level. Unlike a regular CR, legislation would not have to be enacted each time appropriations bills are not passed by the beginning of the fiscal year. As with a regular CR, the levels could be provided at the prior year's level, the lower of the House or Senate level, or at a level automatically reduced over time or until regular appropriations are enacted.

One reason for an automatic CR would be to prevent the shutdown of government agencies whose appropriations are not enacted by the start of the fiscal year (excluding agencies and activities considered "essential"). Such shutdowns are typically unproductive and destabilizing. On the other hand, a risk of such a measure is that it eases the pressure on lawmakers to finish their budget work on time. This might be addressed by building into the CR automatic, phased-in spending reductions that would squeeze programs and agencies and thereby encourage legislators to complete unfinished spending bills swiftly.

An automatic CR could not easily be adapted to mandatory programs because, unlike programs funded through discretionary appropriations, the appropriation is already in law and hence a lower funding level could not be triggered in the absence of legislative action. One approach might be to provide for a reduction in mandatory spending if programs are not reauthorized according to a predetermined schedule.

The Medicare Payment Advisory Commission

The Medicare Payment Advisory Commission [MedPAC] was established by the "Balanced Budget Act of 1997" to advise Members on both payments to private health care plans under Medicare and providers in the fee-for-services program. The Commission consists of 17 members appointed by the Comptroller General of the United States. The Commission issues two reports a year and advises on proposed regulations issued by the Secretary of the Department of Health and Human Services. Any reports and recommendations issued by MedPAC are strictly advisory; there is no requirement for Congress to consider them. Hence the Commission does not undermine congressional prerogatives. Congress has not adopted expedited procedures to consider MedPAC's recommendations. The Commission is subject to annual appropriations and therefore to oversight through the annual appropriations process.

Congress could establish a MedPAC-style commission to report to the Congress on potential policies to reduce the deficit, similar to what the Simpson-Bowles Commission did without a legal mandate. The commission could make recommendations to the Congress, upon which the Congress would have to act if they were to become law. Congress could determine whether the authorizing legislation would include expedited procedures for considering any of the commission's recommendations.

The Sustainable Growth Rate

The "Balanced Budget Act of 1997" established the sustainable growth rate [SGR] targets for physician services under Medicare as a means of controlling growth in these expenditures. If actual expenditures exceeded the targets, the fee schedule for reimbursing physician services was adjusted by a sufficient amount to bring expenditures in line with the targets. Adjustments in the fees were authorized to occur automatically, without further legislative action. There were no expedited procedures for Congress to consider changing the updates or imposing additional policies to meet the targets.

The SGR is generally viewed as having failed to constrain Medicare costs. Congress routinely passed, and the President signed, legislation pre-empting the negative updates (a practice known as the "Doc Fix"). The legislation generally offset the foregone savings with specific changes in physician payments and in other health-related programs. The SGR and the automatic adjustments in physician payments were repealed in April 2015, under the "Medicare Access and CHIP Reauthorization Act of 2015".

Executive Order on Entitlement Targets

In August 1993, President Clinton signed Executive Order 12857, which established entitlement targets and a process for monitoring them. The order established direct spending targets for fiscal years 1994 through 1997. The targets covered all direct spending other than interest and deposit insurance. If projected or actual direct spending exceeded or was projected to exceed the direct spending targets, the President was required to submit a special message to the Congress. The message would identify the overage and recommend increasing the targets, increasing taxes, reducing outlays to offset the overage, or taking no action to address it.

Limits on mandatory spending have often been considered, because uncapped entitlement programs are the principal contributor to the government's growing spending and debt. "Medicare, Medicaid, and Social Security * * * are the three that are forcing growth. Capping those, in some sense, would force the kind of political decisions that need to be made." [542]

President Clinton's aforementioned 1993 Executive Order was widely perceived as part of an effort by the administration to provide cover for Members who voted for the Omnibus Budget Reconciliation Act of 1993. The legislation was criticized at the time for disproportionately increasing taxes to achieve deficit reduction goals. The order was generally viewed as toothless because it was not enforced by sequestration and it explicitly stated the administration could increase the targets or recommend Congress take no action to reduce the overage.

The Unfunded Mandate Reform Act

The "Unfunded Mandate Reform Act of 1995" [UMRA] established a series of reporting requirements for legislation that would establish either an intergovernmental or private-sector mandate. The CBO was required to include in its regular cost estimates an estimate of unfunded mandates and a statement as to whether the mandate exceeded a specified threshold. In the House, it also established a point of order against bills that exceeded this threshold.

This model could be adapted to a regulatory budget. An additional unit could be established at the CBO to include in its cost estimates for all reported bills an estimate of the amount the bill would affect regulatory costs. These estimates could be purely advisory or could be part of a budgetary rule requiring that any legislation that increases regulatory costs be coupled with the elimination of an existing regulatory requirement.

Alternatively, this model could be used to enforce a regulatory budget, which would impose limits on regulatory costs. Any legislation that exceeded limits set forth in the budget resolution or some other legislative vehicle could be subject to a point of order, as are certain unfunded mandates under the UMRA. (See further discussion under "Regulatory Budgeting" elsewhere in this report.)

CONCLUSION

The Federal budget's high spending levels are not sustainable, and no matter how vigorously any budget plan strives to gain control of spending, it is inconsequential without functional enforcement regimens. Several measures have been adopted in the past, some more successful than others, but the need for more effective budget enforcement procedures remains. Various models, including the Base Realignment and Closure system, independent commissions, and sequestration or expedited rescissions, could prove to be useful alternatives. In any event, without sound enforcement, Congress loses control of spending and relinquishes its constitutional power of the purse.

[542] Barry B. Anderson, testimony before the Committee on the Budget, U.S. House of Representatives, 22 June 2016.

Alternative Approaches to the Federal Budget

In developing a new congressional budget process, it is worth considering alternative perspectives that can help inform legislators' decisions about fiscal priorities and policies. One example is examining how to link performance measures to the allocation of resources. Another is capital investments, which are currently accounted for in the same way as immediate consumption spending. There are other examples as well.

The discussion below considers some of these options. Whether or not they should become part of the congressional budget process is for elected lawmakers to determine. Examining them, however, can shed light on fiscal policymaking for the Federal Government.

PERFORMANCE–BASED BUDGETING

As Used by State Governments

Performance-based budgeting started in the States in the 1970s as an innovative way to examine how agencies were using public funds. It is an attempt to quantify and measure the success of agencies and programs. "This means moving away from funding an activity or program and instead focusing on funding the outcome desired by the government." [543]

Nearly all the States have experimented with some form of performance budgeting, with varying success, but all were seeking to improve performance, control costs, and focus finite resources on the most effective programs. Legislators or governors (the latter by executive order) required agencies to establish measurable outcomes in terms of their missions and objectives. The policymakers could then judge the agencies' success against these measurable outputs.

In 2013, the National Association of State Budget Officers [NASBO] conducted a survey in which 44 percent of respondents said their States used some form of performance budgeting, sometimes in concert with another method such as traditional line-item budgeting.[544] One study using data from 1970 through 1997 indicates performance-based budgeting reduced State spending by 1.3 percent as a share of State income and per capita spending by approximately 2 percentage points. Magnitudes vary among States

[543] Maurice P. McTigue, QSO, *Budget Process Reform: Utilizing Performance Information to Produce Better Outcomes,* statement to the Committee on the Budget, U.S. House of Representatives, 6 July 2006.

[544] Elaine S. Povich, "'Performance-Based Budgeting' Takes Off in States," Governing.com, 28 August 2014: http://www.governing.com/news/headlines/performance-based-budgeting-fad-Takes-off-in-states.html.

depending on the specific procedures used and the duration of performance budgeting.[545]

Nevertheless, a serious criticism of performance-based budgeting says agencies may set outcome criteria too low, thereby underperforming their potential but still meeting policymakers' expectations.[546] A second caveat is that some spending may actually increase with the use of performance budgeting, as high-performing programs receive greater funding even as poor performers are cut.

There is also the possibility of new programs being created because of the reduced cost of old programs.[547] In a study NASBO conducted in 2014, the organization cautioned that performance budgeting is a tool, not a silver bullet, and requires a high level leadership and agency buy-in to succeed. NASBO further concluded a statutory framework provides greater continuity in performance budgeting than executive actions.[548]

Texas and Minnesota are often cited as models for best practices in performance budgeting, but it is "not a panacea for making tough choices," cautions former Texas Budget Director Wayne R. Roberts. "Every line item has a powerful constituency. There are no accidents in budgets."[549] Put another way, performance budgeting may provide useful information about whether government programs are efficient or effective. It cannot, however, judge whether agencies or programs should exist, or what priority they should hold among a government's activities.

The Federal Experience

As part of its "Reinventing Government" initiative, the Clinton Administration introduced a form of performance budgeting for Federal agencies with the "Government Performance and Results Act of 1993" [GPRA]. The law requires agencies to develop mission statements and strategic plans with annual performance goals; to provide brief descriptions of how the goals are to be met and verified; and to prepare annual performance reports.[550]

In 2000, the Mercatus Center at George Mason University studied Federal vocational training programs using GPRA information and developed an analytic framework for identifying which programs accomplish their intended goals. The study concluded the performance budgeting framework was flexible enough to accommodate diverse values and judgments about policy priorities. It further stated calculations used in performance budgeting do not make decisions automatic, but they do give policymakers a clearer understanding of the effects of their decisions.[551] "[C]hanged procedures will not, on their own, improve budget decision-making if the legislature does not change its practices as well. But better budget

[545] W. Mark Crain and J. O'Roark, "The impact of performance-based budgeting on state fiscal performance," *Economics of Governance,* 2004: https://ideas.repec.org/a/spr/ecogov/v5y2004i2p167–186.html#author.

[546] Ibid, p. 168.

[547] Ibid, p. 180.

[548] National Association of State Budget Officers, *Investing in Results,* Summer 2014: http://www.nasbo.org/sites/default/files/pdf/NASBO%20Investing%20in%20Results.pdf.

[549] Ibid.

[550] Ibid.

[551] Jerry Ellig and Maurice P. McTigue, *Putting a Price on Performance: A Demonstration Study of Outcome-Based Scrutiny,* the Mercatus Center at George Mason University, 2000, p. 12.

processes that more starkly demonstrate the options available to appropriators—and the consequences of each of the options—may well change the incentives for appropriators." [552]

The law was updated with the "GPRA Modernization Act of 2010" [GPRAMA], signed by President Obama in 2011.[553] The update more closely aligns reporting with presidential terms and presidential budget proposals, and gives the administration's Office of Management and Budget [OMB] a stronger role in the process. It explicitly calls for consultations with Congress and requires the reporting to be available on the Internet. The law also provides Congress and outside stakeholders an opportunity to influence the manner and content of agency and OMB goal-setting and then assess their performance.[554]

The Government Accountability Office [GAO] finds implementation of GPRAMA has been uneven across the Federal Government, with some agencies improving their performance but with much work still to be done. The challenges, according to GAO, are:

- Performance information must be useful and used by agency managers;
- The Executive Branch needs to address cross-cutting (cross-agency) issues;
- Agencies struggle to link individual and agency performance to results;
- OMB and agencies have not clearly communicated reliable and complete financial and performance results.[555]

Lessons from the States and Other Countries

Different States and countries have had varying experiences with performance-based budgeting. States examined were Washington, Iowa, Virginia, Nevada, Oregon, Texas, Minnesota, Alabama, Connecticut, Colorado, North Carolina, Illinois, and Utah.[556] Countries studied were Canada, the United Kingdom, Australia, and Denmark.[557] Below is a short list of common results or lessons learned.

- Agency buy-in from senior managers is key to the successful implementation of performance budgeting, because elected officials and political appointees are transient.
- Leadership matters. Top leaders must actively participate in implementing performance budgeting to ensure agencies will actually use the information developed to inform funding and management decisions.
- Spending should be aligned with core government functions. That requires a detailed understanding of the relationship be-

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[552] Op. cit., McTigue.
[553] Public Law 111–352, 111th Congress.
[554] Congressional Research Service, *Changes to the Government Performance and Results Act: Overview of the New Framework of Products and Processes,* 29 February 2012, p. 1.
[555] Government Accountability Office, *Implementation of GPRA Modernization Act Has Yielded Mixed Progress in Addressing Pressing Governance Challenges,* 30 September 2015: http://www.gao.gov/products/GAO–15–819.
[556] Op. cit., p. 6–16, National Association of State Budget Officers.
[557] Organisation for Economic Co-Operation and Development, *Performance Budgeting in OECD Countries,* 2007: https://www.bmf.gv.at/budget/haushaltsrechtsreform/OECD_Studie_Performance_Budgeting.pdf?5b0ube.

tween resources expended and results achieved at the program level.

- A common framework is crucial for application of government-wide, results-based management.
- Performance budgeting requires clear expectations, regular evaluation and reassessment in light of experience, and public accountability.
- A systematic approach to program reviews, regularly scheduled, is essential for integrating performance information in the budget process.
- There must be a clear link between program outcomes and results for performance information to be useful in budgeting.
- Agencies or departments should not be penalized automatically for failing to meet outcome goals because external factors may have a significant impact on the outcome.
- Incentives matter. If agencies are allowed to keep savings they identify and redirect the funds, they have a greater incentive to collect and use data about the efficiency and effectiveness of their programs.

PORTFOLIO BUDGETING

The Portfolio Concept

Under the current budget process, spending decisions are organized by individual agencies, programs, or congressional committees, not in terms of comprehensive national goals and priorities whose underlying programs cut across these groups. Further, it focuses on spending, and does not always take into account the tax or regulatory policies in a program area. Critics argue the current arrangement is piecemeal and fragmented, and inherently favors the short-term and incremental. The effect is "little change and inadequate focus on national priorities or how to achieve them more efficiently."[558] For instance, there are roughly four dozen different Federal job training programs across several agencies, creating "a labyrinth of bureaucracy that consistently fails to produce substantial numbers of job placements."[559] While some populations, such as veterans, may benefit from programs targeted to their specific needs, most job-training programs are overlapping and duplicative.

Portfolio budgeting would look at the entire range of programs and seek better fiscal strategies for achieving their aims. In one respect, a portfolio might resemble the current arrangement of budget "functions." These categories do not align with government agencies or congressional committees. Instead, they transcend those organizations to view spending on major activities of the Federal Government, such as national defense, international affairs, transportation, and so on. Portfolios would take this arrangement another step, focusing on strategic priorities that "look broadly across

[558] F. Stevens Redburn and Paul L. Posner, *Portfolio Budgeting: How a New Approach to the Budget Could Yield Better Decisions,* The Brookings Institution, September 2015.

[559] Committee on the Budget, U.S. House of Representatives, Report on the Concurrent Resolution on the Budget—Fiscal Year 2017 (H. Con. Res. 125, Report 114–470).

a range of closely related programs, tax provisions, and regulatory policies affecting common policy goals.”[560]

“[T]he current process for developing the budget—because it is biased toward marginal, short-term changes and familiar policies and is piecemeal, fragmented, and stove-piped—is often blind to major shifts in the Nation’s economy and social structure. The result: it misses bigger, strategic options that could produce breakthrough gains in how resources could be used to achieve national goals. This is why it would be helpful to add a ‘portfolio budgeting’ approach to the current process. This would make room in the process for selective, deeper consideration each year of a few important policy objectives that cut across agency, program, and committee jurisdictions.”[561]

By taking into account all aspects of policy, the portfolio budgeting method would allow policymakers to evaluate programs and fiscal strategies more comprehensively. “Each year, for each selected policy objective, the full portfolio of spending, tax provisions, and other policies addressed to each selected goal would be compared with alternative strategies that use resources very differently with the aim of finding a new strategy to achieve a better result at lower cost. * * * This approach is designed to identify breakthrough gains in the productive use of resources.”[562]

Portfolio budgeting calls for a two-track system. The administration and Congress would continue to formulate budgets in some areas using the current budget process. They would apply the portfolio budgeting method for a select few major policy objectives each year, allowing an in-depth focus and analysis on the selected portfolios.

The portfolio process would follow this sequence:

- Selecting national priorities and goals, or portfolios;
- “Identifying the set of federal policies, spending programs, regulations, tax preferences, and other activities that constitutes the relevant *policy portfolio* for analysis and budgeting”;[563]
- Assessing the collective effects of programs and considering alternative policies and whether they could yield better results at a lower cost.

An Illustration

Consider Federal fiscal policy toward higher education. The Federal Government subsidizes the costs of tuition, books, fees, and other college expenses through loans, grants, and tax provisions. The goals of these policies and programs, which have a budget of more than $100 billion a year,[564] are to expand access to higher education, make college more affordable, and achieve and maintain the country’s economic competitiveness by maintaining an educated workforce.

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[560] Op. cit., Redburn and Posner.
[561] F. Stevens Redburn, statement to the Committee on the Budget, U.S. House of Representatives, 6 July 2006.
[562] Ibid.
[563] Op. cit., Redburn and Posner.
[564] Ibid, p. 2.

The portfolio budgeting approach would involve Congress in examining the entire education portfolio—cross-cutting committee jurisdictions and particular pieces of legislation—and asking questions about the effectiveness of the programs in relation to stated goals and the Federal Government's return on the investment. Then alternative approaches to achieving these goals in higher education could be analyzed to see if they produce a better return on Federal spending and actually meet the needs of the students served.

Pros and Cons

One fundamental benefit of the portfolio approach is that it would lead to re-evaluating the major categories of government fiscal policies, and perhaps reassessing whether government should be involved in so many things with so many programs.

An important consideration, however, is who would choose and create the portfolios, which would have a significant impact on setting the long-term policy agenda. The administration, by its nature and institutional structure, would appear to be well-suited for this task. On the other hand, establishing the portfolios would be an influential instrument for setting the national policy agenda. This is Congress's constitutional role, on which presidents over the past century have increasingly encroached. It may be more appropriate, therefore, for Congress to develop the portfolios, even if it requires expanding its own institutions such as the Congressional Budget Office.

Another risk lies in the portfolios' inclusion of both spending and tax provisions (known as "tax expenditures"). This would increase the temptation to treat tax provisions as identical to spending, so that eliminating a tax "expenditure"—a revenue increase—would be viewed as a spending reduction to offset higher spending elsewhere in the portfolio. This would be an out-and-out "tax and spend" result.

CAPITAL BUDGETING

What Is Capital Budgeting?

Capital budgeting is a system in which the expense associated with acquiring an asset is apportioned over the entire useful lifetime of the asset, rather than all at once when the initial acquisition occurs. For example, the expense of acquiring a new building would be reflected in the budget as something equivalent to an annual mortgage payment or a depreciation charge, and it would recur until the useful life of the asset was fully depleted. In a non-capital budgeting system, such as what is now used in the Federal budget, the entire cost of the building is recognized in the year it is acquired, and no subsequent expense would be recognized over the remaining years of the building's useful life.

How Capital Assets are Defined

Capital assets are defined broadly as those with a useful lifetime of more than one year, and usually at least two years.[565] Typical capital assets include things such as land, structures, and equipment; these are classified as physical capital. Capital assets may also include intellectual property such as patents, or long-term agreements such as exclusive rights to broadcast programming or distribution of a product. Some analysts suggest capital assets should also include less tangible items that are believed to produce long-term benefits, such as spending on research and development, education, job training, wellness, and intervention programs. Capital assets do not include items acquired for resale or in the ordinary use in operations such as materials and supplies.

How Congress Budgets for Capital

Congress does not have a capital budget—at least not one that resembles practices in the States and several other countries. While Congress does appropriate funds for capital assets, there is no unifying congressional budget strategy on the amount of resources that should be dedicated for long-term purposes, and no authoritative definition of what a capital asset is.

Because the congressional budget recognizes all capital costs "up front," it does not include future repayment of debt principal as a budgetary cost. This is done to avoid double-counting the cost of acquiring a capital asset; it must be recognized either all "up front" or all over time.

Despite a lack of information on overall capital spending at the congressional stage of the budget process, OMB provides some useful information about government-wide "investments," which it defines to include the following:

- Spending on physical capital;
- Grants to States for capital-related spending (mostly transportation); research and development;
- Education and training.

According to OMB, the Federal Government spent $489 billion on such investments in fiscal year 2015—about 13 percent of the overall Federal budget that year.

Is Congressional Budgeting Biased Against Capital Spending?

Some believe the entirely "up-front" recognition of capital expenses in the congressional budget creates a bias against capital spending—one that would be ameliorated by distributing costs over the useful life of the asset. This bias is most acute for capital items funded with discretionary appropriations,– which funds the majority of capital spending, because they are constrained by fixed statutory spending limits. Within the context of constrained discretionary appropriations, anything that causes a spending spike—

[565] The Office of Management and Budget has set two years as the minimum useful lifetime for capital assets for agency budget planning purposes. See Capital Planning Guide V 3.0, Supplement to Office of Management and Budget Circular A–11, p. 2.

such as capital-intensive acquisitions—are at a disadvantage vis-à-vis routine spending for operations expenses, which are recurring and typically smooth from year to year.

Current budget rules also may be causing greater-than-necessary spending for acquiring capital assets. This results from agencies' and authorizing committees' heavy preference for operating leases instead of capital leases or outright purchases for physical assets. Under current budget rules, operating leases are scored only for the cost of annual lease payments, whereas capital leases and outright purchases are scored for the full lifetime cost of the lease or purchase. Operating leases are a much more expensive option if the true intention of the agency is to remain in one location for a long period of time.

The Benefits of Capital Budgeting

An explicit capital budget would have the virtue of aligning the recognition of expenses in the Federal budget to the point in time when the benefits of the asset are actually consumed. It would also address an issue of fairness—the notion that future generations should help pay the costs of assets from which they benefit. Critics argue that future generations already do pay for the costs of acquiring capital assets, assuming they are financed with new borrowing, because repayment of principal and interest occurs in the future. Nevertheless, as mentioned above, principal repayments are not recognized as a budget expense under current budget rules; only interest is. Another potential benefit of a capital budget would be that it would better engage the Congress in thinking about an overall, government-wide capital planning strategy, rather than continuing with no overall plan and making capital decisions in isolation.

Depending on its implementation, capital budgeting can also lead to better management of capital assets among agencies. One real-world example was New Zealand's decision to include a "cost of capital" charge in the budgets for its agencies. This reform created incentives for New Zealand's agencies to dispose of unused and underused capital so that budgetary resources could be put to better use.

A capital budget might also bring Congress closer to achieving a balanced budget—though the definition of balance would differ from the current cash-based standard. Most States in the U.S. and other countries that have capital budgets define a balanced budget to mean a balanced "operating budget"; their capital budgets are separate and might or might not be balanced. If the Federal Government had implemented a capital budget and used OMB's definition of investments—which is admittedly broad—the results in fiscal year 2015 would have been an operating surplus of $57 billion rather than a deficit of $432 billion. Note the actual fiscal year 2015 *cash deficit* of $432 billion is the same, regardless of whether one employed a cash-based or capital budgeting-based system.

The Risks of Capital Budgeting

One of the main risks associated with capital budgeting would be an expansion or "loosening" of the definition of capital assets. Proponents of higher spending would be tempted to get more programs classified as "investments" to receive favorable budgetary treatment. The concept of long-term benefits—a central requirement of capital assets—is somewhat subjective; one could argue nearly all Federal spending somehow generates a long-term benefit. Social programs that deal with intervention and welfare assistance are prime examples of spending that could bestow long-term, albeit highly uncertain, benefits. Most entities that use capital budgeting exclude social programs.

Another risk is that capital budgeting can lead to increased borrowing, especially if there is an expectation that all capital assets should be financed with debt. Although capital spending can be financed from general or dedicated revenue sources rather than debt—the Federal Highway Trust Fund is one example—the question of future generations paying their fair share for benefits tends to sway the argument of how to finance capital assets toward using new borrowing. Changing the treatment of capital assets in the Federal budget would likely further complicate an already overly complex system.

What Other Countries Are Doing

Countries that have adopted capital budgets generally have done so as part of a larger shift from budgeting on a cash basis to an accrual basis.[566] The following describes two prominent examples—New Zealand and Australia—along with several examples of countries that abstained from accounting for capital spending on an accrual basis.

New Zealand. New Zealand is roughly the same area (land size) as Colorado, and is home to 4.5 million people[567]—several hundred thousand more than Los Angeles.[568] In 1984, New Zealanders elected a reform-oriented government that set about correcting various problems plaguing the country. This included seeking ways of improving how capital resources were used. Additionally, the government sought to improve the performance of the public sector and make more informed spending decisions. One problem was that spending decisions were not connected explicitly to stated, or expected, outcomes. The government established Purchase Agreements to try to connect the two. In the Purchase Agreements, what was expected from the spending– the defined outcome—was expressly laid out, making it easier to hold agencies accountable and force various programs to compete with one another.

In addition, Parliament committees began overseeing all programs in their respective jurisdictions. For example, the Education and Science Committee began directly overseeing all education programs, and it could determine which were working and which were not. Then the Parliament's appropriators had the necessary infor-

[566] Congressional Budget Office, *Capital Budgeting,* May 2008, p. 11: https://www.cbo.gov/sites/default/files/110th-congress-2007–2008/reports/05–08-capital.pdf.
[567] The World Bank, database on New Zealand, http://data.worldbank.org/country/new-zealand, accessed 29 June 2016.
[568] U.S. Census Bureau, 21 May 2015: http://www.census.gov/newsroom/press-releases/2015/cb15–89.html.

mation to shift how they allocated resources.[569] Key here is that the legislature, which has the authority to make spending decisions, was empowered and also required to take program performance into account.

FIGURE 13

Key Dates in New Zealand Public Finance

- 1989: The Public Finance Act 1989 specified requirements for accrual budgeting and financial reporting by departments. Government departments began to report in accordance with accrual accounting. Whole-of-government flows (for example, taxes and transfer payments) were still budgeted and forecast on a cash basis.
- December 1991: New Zealand became one of the first governments in the world to prepare consolidated financial statements on an accrual basis.
- 1994: The Fiscal Responsibility Act 1994 required accrual-based budgeted and actual information at the whole-of-government level. The government's first accrual-based fiscal forecasts based on Generally Accepted Accounting Principles were published in June 2004.

Source: Table copied from A Guide to the Public Finance Act, Treasury of New Zealand

In this shift to output-based budgeting, New Zealand also shifted to accrual budgeting. The key legislation related to this shift is the Public Finance Act, passed in 1989 and amended in 2004.[570] Subsequent acts built upon the Public Finance Act, as the country began implementing accrual budgeting (see Figure 13).

Output-based budgeting in New Zealand has similarities with performance- or evidence-based budgeting. It involves the purchasing of outputs, or specified goals (see discussion above), from government departments or outside sources, such as the private sector, if an activity has been contracted out to a non-government entity. The departments are then responsible for both operations and capital spending, which are considered inputs.

Accrual budgeting benefits both the New Zealand Parliament and the government departments. Departments can make informed decisions about how to deploy capital spending. For example, for one department it might make more sense to rent an office building than purchase the building to house its employees, or vice versa. The practice also gives the Parliament information about how departments are using capital resources, so lawmakers can decide how much to give to them in the future. The Parliament is able to keep tabs on whether or not a department is overcommitting itself and unable to keep its capital assets functioning properly.

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[569] Maurice P. McTigue, "Can Budget Process Reforms Produce Better Budget Outcomes?" the Mercatus Center at George Mason University, testimony before the Committee on the Budget, U.S. Senate, 12 April 2016: http://mercatus.org/sites/default/files/McTigue-Senate-Budget-Committee-Testimony-v1.pdf.

[570] Treasury of New Zealand, *A Guide to the Public Finance Act,* August 2005: http://www.treasury.govt.nz/publications/guidance/publicfinance/pfaguide/02.htm.

Australia. Effective in the 1999–2000 budget year, this country, with a population of more than 23.4 million people,[571] shifted from cash to accrual budgeting. It also began to display its agencies' financial statements using accrual accounting rather than the previously used cash accounting.[572] The government also required its agencies to produce Portfolio Budget Statements specifying both the outcomes they expected and the outputs they would produce. Put another way, the agencies must say what benefit they expect to provide to the public and what specific items will result from their spending. Interestingly, the Australian Parliament cites in its primer on the budget that the new way of presenting agency budgets was not transparent—at least not initially—even though that was a goal. The first budget in 1999–2000 provided little information, and only in subsequent years did the quality and quantity of the information improve.[573]

The new method does have other flaws. For example, if agencies' outcomes are vague or are not connected to more general, national goals, they are less effective and less meaningful. Outcome statements are sometimes subjective, as in "producing a better national transportation network." A more meaningful statement would be "increased mobility and reduced traffic congestion, measured in part by shorter commuting times and fewer accidents." As part of its budget process, Australia also requires each agency to produce statements showing operations, assets and liabilities, cash flow, and capital information. In particular, the assets and liabilities statement is used to get a picture of those things Australia owns that will provide future benefits and those liabilities, or obligations, that Australia must pay or, in the case of services, provide. The capital statement tells the government what kinds of assets the agencies are purchasing and how capital funds will be used.

Other Countries. Not all other countries who have weighed the benefits and costs of adopting accrual-based budgeting chose to follow through with the switch. Norway and Sweden, for example, chose not to change and instead continued with their practice of cash-based budgeting. Their rationale was that they could maintain more control over spending on capital activities through cash-based rather than accrual budgeting.[574] This decision is not unfounded. In addition to the risks of capital budgeting described previously, a country considering the switch would be wise to estimate whether capital budgeting would yield the spending outcomes they desired. One question would be whether the country wanted to incur additional debt to finance capital activities, and what limits on borrowing it might impose. Other countries that ultimately retired their separate capital budgets are Denmark, Finland, and the Netherlands.

[571] The World Bank, database on Australia: http://data.worldbank.org/country/australia, accessed 29 June 2016.
[572] Parliament of Australia, *Budget Guide:* http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/archive/BudgetGuide#Where%20to%20Start.
[573] Ibid.
[574] Congressional Budget Office, *Capital Budgeting,* May 2008, p. 12: https://www.cbo.gov/sites/default/files/110th-congress-2007–2008/reports/05–08-capital.pdf.

Lessons from the States

As in New Zealand and Australia, capital budgeting in the States offers a useful guide for connecting broader goals of government with specific capital spending. How States define capital budgeting is important to consider. According to NASBO: "[T]here is no uniform definition of capital expenditures across states or a single guideline regarding the optimum financing strategy for capital projects." [575]

Nevertheless, some common characteristics in what are considered capital projects do arise. "[T]hey are a nonrecurring expense for a physical asset that has a long-term life. Most states include construction, land acquisition, major renovations and repairs, major items of equipment, information technology systems, and funds or grants to local agencies of a capital nature." [576] Specific examples from various States include the following:

- Georgia defines capital spending as "the budgeting of the State's General Obligation Bonds and the expenditure of the bond proceeds for capital projects." [577]
- Kansas considers activities including new construction, remodeling, razing, acquisition, and the principal and debt service for a capital spending to be eligible capital expenses.[578]
- Other States list land acquisition, equipment, information technology, easements, vehicles and machinery, infrastructure, major renovations, and furnishings.
- Some States, such as Oregon and New Hampshire, require the item to have a useful life of a certain length, whether one year, five years, or even 20 years. Additionally, States may set cost thresholds for certain capital items—$500 in Ohio, at least $50,000 for furnishing and equipment in New Jersey, and major maintenance and repairs costing more than $250,000 in Vermont.
- All 50 States include capital construction in their definition, and all but three count land or site acquisitions. About half the States require the expenditure to be non-recurring, and half also require the asset to be physical in nature.

Looking at capital expenditures by program area is also useful. "Most capital spending by states is concentrated in two areas: transportation and higher education. Transportation accounted for over 63 percent, and higher education accounted for 12 percent of state capital spending in fiscal year 2015." [579] No States consider corrections activities to be capital, while 19 consider transportation as such.[580]

The source of the definition of capital expenditures also varies among States. In Arkansas, the definition can be found in the State

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[575] National Association of State Budget Officers, *Capital Budgeting in the States,* Spring 2014, http://www.nasbo.org/sites/default/files/pdf/Capital%20Budgeting%20in%20the%20States.pdf.

[576] John T. Hicks, *Capital Budgeting in the States,* statement before the Committee on the Budget, U.S. House of Representatives, 6 July 2016.

[577] Op. cit., Table 2, p. 8, National Association of State Budget Officers.

[578] Ibid.

[579] Op. cit., Hicks.

[580] Op. cit., Table 5, p. 14, National Association of State Budget Officers.

constitution, regulations, code, and statute. In Kentucky, the definition is solely in statute.[581] It is worth noting that intangibles, such as education and other human capital spending, are not considered as capital expenditures. By limiting the definition, States guard against understating the cost of spending on intangible activities for which it is difficult to measure any depreciation costs or life-cycle benefits.

A key to States' use of capital budgets is connecting them to a regular planning process related to long-term capital goals. Many States have found success in having a central planning agency manage capital projects. For some States, the job falls to their budget offices; in others it is in the Department of Finance or Administration. For other States, though, this activity is done at individual agencies. To be successful, States also have to connect their capital and operating budgets. They need to be able to know the budgetary effects of different capital projects to record them on their operating budgets, both in the current year and several years out.

Another important consideration is who is able to request capital spending in the States. In all 50 States, the agencies can make such a request, and in all but three, institutions of higher education can. In only eight States are private organizations eligible.[582]

When recording the budget transaction for capital expenditures, States focus on the costs and do not record any net benefits, which are difficult to define. Benefits, especially if they can be measured, certainly could be considered as part of States' capital planning. It is also important to note that States budget for the debt service arising from capital spending. Interestingly, States often book debt service as an operating expense and fund it out of general revenues. Sometimes a dedicated tax or fee is used to pay the debt service. To illustrate the point: 47 States use general revenues to pay debt service on capital costs, and 40 use specific taxes and fees. Similarly, 29 States use capital project-generated revenue, if it is available.[583] Further, to ensure they can cover the debt service, many States have established limitations on how much debt they can issue. Thirty-eight States have constitutional, statutory, or policy limits on total general obligation debt. These legal limitations augment natural constraints on States' borrowing from the municipal bond market and how much general revenue is available, as two examples.[584]

Incorporating Elements of Capital Budgeting Into the U.S. Federal Budget

Adopting a separate capital budget presents significant challenges. President Johnson's budget concepts commission recommended against capital budgeting, saying in part: "In periods of inflationary pressure the appearance of a balanced budget, with capital expenditures excluded, might pose a psychological barrier to adequate taxation. In any event, proponents of new spending pro-

[581] Ibid, Table 1, p. 7.
[582] Ibid, Table 17, p. 47.
[583] Ibid, Table 36, p. 99.
[584] Ibid, p. 83.

grams would be tempted to stretch the capital budget rules on inclusion, so that the immediate impact of the program in increasing the current deficit, or reducing the current surplus, would be less, and the program itself therefore less visible."[585]

Nevertheless, other capital-budget-related mechanisms or features could be incorporated into a reformed budget process. One approach could be to "charge" agencies for the cost of their capital assets each year, to encourage them to dispose of unused capital. U.S. Federal agencies have little incentive to liquidate capital assets, such as unused or underused land, equipment, or buildings. Scorekeeping rules contribute to the dilemma (in certain cases land disposition may be scored as costing, rather than saving, money), but in any case agencies are not motivated through budget means to relinquish assets they are not using.

In New Zealand, the government made it a priority to dispose of such assets. Any funds spent on maintaining a vacant building or on equipment that will not be used for the foreseeable future cannot be spent on acquiring or maintaining useful capital assets. These foregone benefits are one reason to give agencies incentives to clean house. The inherent misuse of taxpayer resources is another. New Zealand set up capital charges that function like a dividend. The agencies are fully funded for the assets they are using, but not for those they are not using. For example, a hypothetical agency may have assets it is using that require $100 million to be kept current. Yet it has other assets it is not using that cost $10 million to maintain annually. The agency would be funded for the gross quantity of assets being used—$100 million—but would have to pay for the assets it was not using. Thus it would have the incentive to liquidate those unused assets in a timely way to avoid paying for them.

Another option would be for Congress to devise criteria to evaluate one instance of capital spending relative to another, even if the capital activities are dissimilar. One way would be to determine an activity's rate of return, which could inform appropriations. Defining the rate of return could be difficult and politicized, but if done correctly it could make it more difficult and less attractive for Congress to fund capital activities of low value. Key to this approach would be making the rate of return criteria transparent. For example, one measure of defense or homeland security capital spending's rate of return would be how well it reduces risk and harm to the public. For transportation capital spending, it could be the decrease in traffic congestion or the increase in mobility in metropolitan areas and downtown urban cores. Various factors in each area's rate of return would be weighted differently. Then different defense, homeland security, or transportation programs/activities could be compared; Congress would have the information and could abandon unproductive activities while funding successful ones.

It would be important to clearly connect the information about capital spending's rate of return to the appropriations process. One option would be to require appropriators to explain in their supporting documents what they expect to get for the spending. The next year, they could examine whether that goal was met or not.

[585] *Report of the President's Commission on Budget Concepts,* October 1967, p. 33–34.

Connecting the two would also enable better congressional oversight. Under today's practice of Federal appropriations, the decision to spend is public, but the answer to the question of "why" spend on certain capital activities often is not visible.

Still another approach to getting better value for capital spending is to devise ways to hold the government accountable for its capability, or competence, in a given spending area. If it is not maintaining its capability or performing a service cost-effectively, then it could look to contracting out or otherwise getting out of a certain area altogether. Further, the appropriations process could be altered to require the committee to demonstrate it has used such performance information when appropriating funds. New Zealand made a widespread effort to seek competitive bids for government activities. The results were especially dramatic in the size of the civil service. For example, the Department of Transportation went from having 5,600 employees to having 53; the Forest Service went from 17,000 employees to 17; and the Ministry of Works went from 28,000 employees to one. While those individuals no longer had civil service jobs, the need for their skills still existed in the private sector.[586]

ZERO–BASED BUDGETING

Zero-based budgeting is a method of decision-making that requires each line item in a budget to be justified, considered, and approved during each budget cycle. Put simply, it requires each budget to be built from a "base of zero." This system is the opposite of incremental budgeting, in which only *new* budgetary items are considered and everything already approved in prior budgets becomes part of a permanent spending "baseline" that is automatically approved without new justification. Critics of incremental, "baseline" budgeting point out that automatically approving a certain baseline of spending does not adequately control costs or provide incentives for oversight.

While it is true that baseline concepts play a large role in the congressional budget process, it is also true that all discretionary appropriations are built, strictly speaking, from a zero-base starting point. Furthermore, the Congressional Budget Office scores all appropriations acts assuming a base of zero. On the other hand, CBO's baseline spending projections assume the current discretionary spending level, and then project it forward with built-in increases for inflation. For "direct" or "mandatory" spending, however, the budget does not start with a zero base. Indeed, all spending for such programs is permanent or subject only to occasional sunset dates, allowing them to operate as if a permanent baseline governed their behavior. Spending for these programs is subject to justification only when it is originally authorized or reauthorized. This contributes to the automatic and uncontrolled nature of this spending.

President Carter attempted to introduce zero-based budgeting in the late 1970s. By 1978 the Office of Management and Budget had

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[586] From a lecture by the Honorable Maurice P. McTigue, adapted for "Rolling Back Government: Lessons from New Zealand," *Imprimis,* Volume 33, Number 4, April 2004: https://imprimis.hillsdale.edu/rolling-back-government-lessons-from-new-zealand/.

developed procedures for using it,[587] but it was never implemented. Seventeen States have experimented with the concept. Florida and Oklahoma abandoned it. In the States, zero-based reviews are primarily an Executive Branch responsibility.[588]

CONCLUSION

In constructing a new congressional budget process, it is clearly worth considering options outside current structures. These might include incorporating performance measures of programs and agencies; evaluating the full range of policies employed to achieve national goals; distinguishing between operating and capital expenditures; and assuming a zero base as a starting point for spending decisions, to force a more rigorous demand for justifying programs. Policymakers may or may not choose to adopt such practices. Nevertheless, evaluating the practice of budgeting can illuminate limitations of today's procedures and inform decisions about what a restructured budget process should include.

[587] National Conference of State Legislatures, *Fiscal Brief: Zero-Base Budgeting in the States,* January 2012.
[588] Ibid.

Proposals for a Rewrite of the Congressional Budget Process

During the 114th Congress, the Committee on the Budget developed a series of proposals, based on the foregoing discussions, for developing a fundamental overhaul of the congressional budget process. The key recommendations are described below.

ENHANCE CONSTITUTIONAL AUTHORITY

Asserting Article I Congressional Powers

Move to a Calendar-Year Cycle. Change the fiscal year to start on January 1 (rather than the current October 1); adjust the budget timetable to the calendar year so the budget process corresponds with Congress's legislative schedule; and allow more time to complete appropriations bills and other legislative business. (See further discussion below.)

Changes in Budget Timetable. Change the budget timetable to correspond with the change in the fiscal year. Unlike current procedures, in which the President's budget submission drives the process, this timetable should require the administration's submission to occur after the House and Senate Budget Committees report their concurrent resolutions on the budget.

Unauthorized Programs. Establish a procedure to reduce discretionary spending by the amount of excess appropriations for unauthorized programs. This would set the expectation that unauthorized programs, or those with expired authorizations, will not continue to receive funding.

Views and Estimates. Make mandatory the requirement that authorizing committees submit *Views and Estimates* to their respective Budget Committees and require authorizing committees to include a list of programs needing reauthorization, and a zero-based justification for each program they propose to reauthorize.

Uniform Budget Rules and Procedures. Create a point of order against the consideration of a budget resolution that establishes different budgetary rules for the House and Senate.

House Budget Committee Tenure. Eliminate term limits for Budget Committee members, allowing them to build and maintain expertise on setting and enforcing national budget priorities.

Biennial Budgeting

Budget Resolution and Appropriations. Require annual budget resolutions that provide two-year spending allocations for six appropriations acts considered in the first year of the biennium; two-year spending allocations for the other six appropriations acts considered in the second year of the biennium; and all other appropriate levels for at least the next two biennia. The Government Accountability Office would submit a report four years after enactment evaluating the effectiveness of a biennial budget process and recommend to Congress whether to make the shift to biennial budgeting permanent.

Prohibition of Long-Term Continuing Resolutions. Create a point of order against the consideration of any legislation that continues appropriations for a period longer than 12 months.

STRENGTHEN BUDGET ENFORCEMENT

Adhering to Budget Rules

Restriction on Moving Spending and Tax Measures Before a Budget Resolution. Eliminate loopholes that allow the consideration of spending or tax legislation in the absence of a budget resolution.

Identifying Budget Waivers. Require that, in the House, any rule providing for the consideration of a bill or joint resolution must separately identify any waiver of a budget rule.

Striking Budget Waivers. Provide Members the ability to strike budget waivers in the rule providing for consideration of legislation.

Prohibition on the Use of Budget Gimmicks. Prevent congressional committees from using gimmicks, such as one-time savings from asset sales or timing shifts, to offset increases in spending.

Emergency Spending

Striking Emergency Designations. Permit any House or Senate Member to offer an amendment that strikes an emergency designation in any measure.

Emergency Spending and the Baseline. Prohibit inflation adjustments for emergency spending in calculating the baselines produced by the Congressional Budget Office and the Office of Management and Budget.

Two-Year Limit on Emergency Funding. Prohibit the consideration of any general appropriations bill or continuing resolution providing emergency spending for longer than two fiscal years.

Justification of Emergency Designations. Require the House and Senate Appropriations Committees and the President to provide justifications for any emergency designation.

Standardized Treatment of Emergency Spending. Establish a scoring rule for the treatment of the budgetary effects of emergency-designated provisions in legislation.

Government Accountability Office Report. Require the Comptroller General to submit a report reviewing recent use of the emergency designation.

REVERSE THE BIAS TOWARD HIGHER SPENDING

Reversing the Baseline Bias. Recast the CBO and OMB baselines to:

- Eliminate built-in discretionary inflation;
- Remove automatic extensions of expiring programs; and
- Remove the assumption that entitlement payments continue at current levels even if trust funds are insolvent.

Treatment of Trust Funds. Establish a scoring rule that prohibits any reduction in trust fund spending, or an increase in revenues or fees, from being counted toward offsetting unrelated, non-trust fund programs.

Cost Estimates Prior to Markup. Require CBO, when formally requested by the Chair of the authorizing committee or the Chair of the Budget Committee, to prepare a preliminary cost estimate for any bill scheduled for consideration by the applicable authorizing committee.

Debt Service Costs. Require the CBO Director to include, in the cost estimate for any legislation, an estimate of any change in debt service costs resulting from the measure.

Repeal of Statutory Pay-As-You-Go. Repeal the Statutory Pay-As-You-Go Act of 2010 and replace it with enforceable limits on direct spending.

CONTROL AUTOMATIC SPENDING

Binding Spending and Debt Limits. Establish a process for budget limits that have the force of law and are enforceable through automatic spending reductions.

Transitioning Direct Spending Programs to Discretionary Appropriations. Establish a commission to recommend converting direct spending programs to discretionary appropriations and create an expedited procedure for considering such recommendations.

Rule Against New Direct Spending Programs. Create a point of order against the consideration of any new direct spending program not included in the budget resolution.

Referral of Direct Spending Measures to House Budget Committee. Provide a limited referral to the House Budget Committee for bills that increase direct spending.

INCREASE TRANSPARENCY

Regulatory Budget

President's Budget Submission. Require the President's budget submission to include an analysis of the costs of complying with all current and proposed Federal regulations.

Regulatory Pay-As-You-Go. Prohibit any agency from adding new regulatory costs without eliminating existing regulatory costs by the same amount.

Regulatory Baseline. Require CBO and OMB to create a regulatory baseline that estimates total Federal regulatory costs.

Accountability and Public Accessibility

Annual Joint Session of Congress on the Fiscal State of the Union. Require the Comptroller General to present annually, to a Joint Session of Congress, the audited financial statements of the United States Government.

Citizens' Guide to the Budget. Require both the congressional budget resolution and the President's budget submission to include a citizens' guide, not more than five pages, summarizing the sources of Federal funds, how spending is distributed, a comparison of proposed spending levels with those of the current fiscal year, and other major budgetary matters.

ENSURE FISCAL SUSTAINABILITY

Long-Term Debt Limits

Setting Long-Term Debt Limits, and Enhanced Reconciliation. Establish long-term targets for debt as a percentage of gross domestic product [GDP] that are enforced through enhanced reconciliation or automatic enforcement procedures.

- The targets would be set to assume a decline from today's historically high levels to ensure the Federal Government will remain on a fiscally sustainable path.
- The proposal also calls for creating an enhanced reconciliation procedure that is automatically triggered if any debt target is exceeded. If a reconciliation bill curing the breach of the debt limit were not enacted, an automatic enforcement procedure would be triggered to ensure adherence to the target.

Reforms to the Debt Limit. Change the enforcement of the debt limit to track debt as a percentage of GDP—that is, the long-term debt targets mentioned above—rather than a fixed dollar level or suspension period of the debt limit as is done under current practice. A vote to increase the debt limit would not be required as long as the debt-to-GDP ratio remained below the targets established in law. If debt exceeded those targets, then the Secretary of the Treasury would be prohibited from new borrowing until a new debt limit was enacted.

Accrual Budgeting

Federal Insurance and Retirement Programs. Subject Federal insurance and retirement programs, excluding Social Security, to accrual budgeting, requiring Congress to budget up front for the full costs of such programs.

Fair-Value Accounting. Implement fair-value accounting principles to more accurately measure the costs of Federal credit programs by incorporating the cost of systemic market risk.

Other Reforms

Publication of Budget Justifications. Require any agency preparing and submitting written budget justification materials to any committee to also post the justification, as well as information regarding the process and methodology it used to compose it, on that agency's public website. Similarly, this proposal would require OMB to post budget justifications in a centralized location on its website.

Rule Against Long-Term Spending. Require the CBO Director to prepare an estimate of whether a proposed measure would cause a net increase in direct spending greater than $2.5 billion in any year in the next four decades beyond the budget window.

ADDITIONAL REFORMS

Macroeconomic Effects of Legislation. Require that any estimate for major legislation provided by CBO or the Joint Committee on Taxation also incorporate any budgetary effects it may have on changes in economic output, employment, and other macroeconomic variables.

National Commission on Budget Concepts. Establish a National Commission on Budget Concepts to review the concepts and definitions underlying the Federal budget and make recommendations to Congress and the President on potential revisions. Among its duties, the Commission would be charged with reporting on how Federal portfolio and capital budgets could be implemented and their implications with respect to balancing the budget.

REGULATORY BUDGETING

The restoration of sound budgeting for how the Federal Government spends taxpayer dollars is critical to the promotion of economic growth debt-reduction, federalism, and ordered liberty. So too is the introduction of budgeting for how the Federal Government directs others to spend: regulatory budgeting.

Excessive and unnecessary regulation is a hidden tax on Americans. It regressively taxes the poor, leaves displaced workers unemployed or in lower-paying jobs, and often inflicts concrete pain in search of illusory benefits. It is one of the biggest reasons America's growth rate failed to yield a sufficient recovery during the Obama years.

Growing research shows the cumulative burden of Federal regulation—and high regulatory uncertainty about what regulation may come next—drains America's economy of the growth it needs to reduce and eliminate Federal debt. Precious manpower and financial resources that productive sectors could otherwise spend on innovating, hiring new workers, and rolling out new products and services is wasted every day on compliance with extensive amounts of new regulation—and the enormous numbers of regulations already on the books.

All too often, this serves only the administrative state, not families in search of a living, the poor in search of opportunity, and workers in need of a job. Washington's regulatory bureaucracy rarely knows either the monetized costs or the monetized benefits of even new major regulations that it issues. Frequently, the benefits claimed for new regulation are not the direct benefits Congress directly sought when it passed the relevant regulatory statutes. Instead, they are purported "co-benefits"—side effects—that the bureaucracy argues serve some other end.

None of this can be afforded by an America that must rely on productive-sector growth to help pay down almost $20 trillion in Federal Government debt. None of it should be countenanced by a Nation founded on the principles of limited government and personal liberty.

Recognizing the need to rein in government red tape, on 30 January 2017, President Trump signed Executive Order 13771 on "Reducing Regulation and Controlling Regulatory Costs".[589] This Executive Order, for the first time, requires agencies to repeal two regulations for every new regulatory action proposed. The process, commonly referred to as "one in, two out," requires concrete regulatory reductions if an agency wants to issue new regulatory require-

[589] *Federal Register,* Vol 82, No. 22, 3 February 2017, p. 9339–9341.

ments. The President is also required to submit to Congress a regulatory budget alongside the normal fiscal budget submission.

Executive Order 13771 is consistent with the reform principles laid out in *A Better Way: Our Vision for a Confident America* [590] and the Committee on the Budget's discussion draft titled *Proposed Rewrite of the Congressional Budget Process.*[591] The discussion draft proposed establishing a simple "one in, one out" regulatory freeze, called "Regulatory Pay-Go," as a precursor to a full regulatory budget implemented by Congress. The Trump Administration's executive action is the first step toward facilitating long-term regulatory budgeting.

The initial challenges facing any regulatory budget or regulatory Pay-Go fall in two main areas: measurement and consistent implementation. Implementing guidance from the Office of Management and Budget [OMB] directs agencies to measure "opportunity costs to society" as defined in OMB Circular A–4. No other country has attempted to quantify and reduce "opportunity costs to society" through a regulatory budget. If successful, it would enable the Federal Government to create a lean, effective regulatory system that balances the need for smart regulation while allowing the economy to prosper. Any measuring formula must be accurate and consistently applied, and must bear out intended results of reducing regulatory costs.

An obstacle to Congress codifying a regulatory budget is the lack of account level data and retrospective reviews to create a reliable starting point. President Trump's Executive Order 13771 allows Congress to move ahead with codifying a regulatory budget because, in complying with the order, agencies will have the level of granular detail to create a reliable regulatory baseline.

Congress and the administration can work together to ensure regulatory transparency and compliance with statutory objectives.

On 24 February 2017, President Trump signed a second order relating to regulatory reform. Executive Order 13777, "Enforcing the Regulatory Reform Agenda",[592] would require each agency to designate an official at each agency to implement and oversee all executive orders relating to regulatory relief. This designated Regulatory Reform Officer is required to enforce agency compliance with Executive Order 13771 as well as previous executive orders carried forward by the Trump Administration. Executive Order 13777 further requires each agency to establish a Regulatory Reform Task Force. Each task force is responsible for finding those agency rules and regulations that inhibit job creation, are outdated, unnecessary or ineffective, or are inconsistent with other agency policy or regulations.

Taken together, these steps by the Trump Administration demonstrate a serious commitment to reforming the way the Executive Branch implements legislative requirement by Congress. Using his executive authority, President Trump is signaling a change in phi-

[590] Speaker Paul D. Ryan, *A Better Way Our Vision for a Confident America: The Constitution,* 16 June 2016.

[591] Committee on the Budget, U.S. House of Representatives, *Proposed Rewrite of the Congressional Budget Process Discussion Draft: Description and Rationale,* 30 November 2016.

[592] *Federal Register,* Vol. 82, No. 39, 1 March 2017, p. 12285–12287.

losophy for agencies from regulation makers to regulation managers.

In Congress, the House of Representatives has passed several bills to streamline the regulatory process and insure regulatory accountability is ultimately vested with Congress. On 5 January 2017, the House passed H.R. 26, the "Regulations from the Executive in Need of Scrutiny [REINS] Act" by a vote of 237–187. The legislation requires Federal agencies to submit for congressional approval major rules with costs to the economy exceeding $100 million. The REINS Act provides an expedited approval process. Similar REINS provisions have been included in other reform bills including H.R. 10, the "Financial CHOICE Act".[593]

The "Regulatory Accountability Act" passed the House of Representatives on 11 January 2017 by a vote of 238–183. The measure requires agencies to use the lowest cost rulemaking alternative that meets statutory objectives. The bill repeals both the Chevron and Auer doctrines which provide judicial deference to bureaucrats' statutory and regulatory interpretations.

While an important first step, executive actions must be reinforced by congressional action. As the first and ultimate source of legislative requirements, Congress must act to codify regulatory reforms pursued by the Administration. When regulation is needed, it can be done in more cost-effective ways. Before any regulation is implemented, Congress can budget for how much new regulation can sustainably be imposed on America's economy year by year. The undue brake on economic growth that Federal regulation sets must be controlled. It makes sense to do that using the kinds of budgeting tools available for reining in runaway Federal spending. To date, Congress has not adopted regulatory budgeting tools to manage the Federal regulatory footprint. Neither has it imposed robust statutory controls against Federal regulators' abilities to burden America's workers and economy with excessively expensive and insufficiently effective Federal regulations. The time has come to do both.

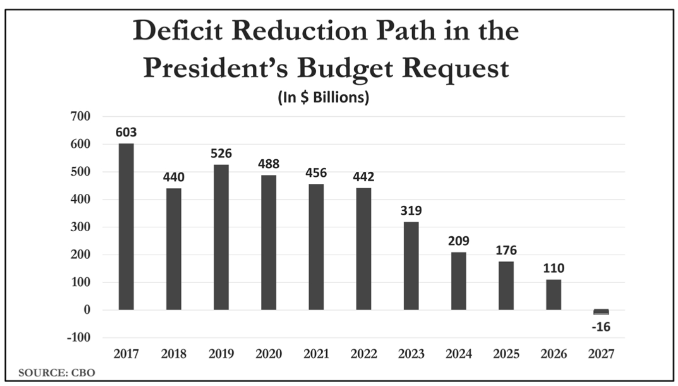
[593] More discussion on H.R. 10, the "Financial CHOICE Act" can be found in the section of this report titled, "Banking, Commerce, Postal Service, and Related Programs."

THE PRESIDENT'S BUDGET: A BRIEF SUMMARY

MAJOR COMPONENTS

Balances the Budget. The President's budget for fiscal year 2018 reduces deficits by $5.6 trillion over the course of the 2018–2027 period, achieving a surplus of $16 billion at the end of the decade, by slowing the rate of growth in Federal Government spending. It also reduces debt held by the public from 77.4 percent of gross domestic product [GDP] this year to 59.8 percent of GDP by the end of the decade.[594] Former President Obama never tried to balance the budget.

FIGURE 14



Defense and Non-Defense Discretionary. The President calls for increasing base defense discretionary spending by $54 billion in 2018 and reducing nondefense by the same. His budget proposes $603 billion in base defense discretionary spending in fiscal year 2018, and $462 billion for non-defense discretionary. Defense grows to $727 billion in 2027, while non-defense discretionary declines to $367 billion that year. (See Figure 2, next page).

For the Global War on Terrorism ("overseas contingency operations" in the administration's terms), the President's budget calls for a total of $77 billion—$65 billion for defense and $12 billion for non-defense.

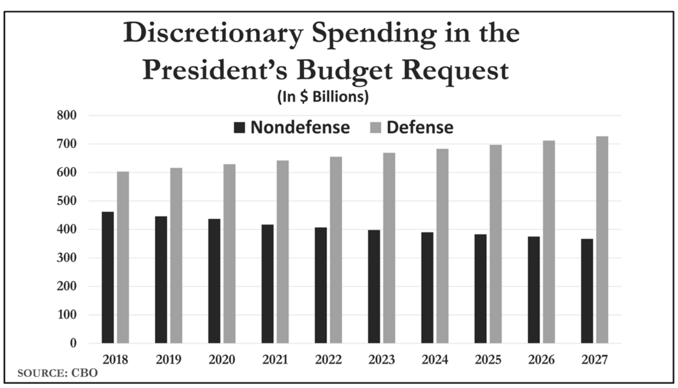
[594] These and all other figures for the President's budget are from the Office of Management and Budget and may not match those of the Congressional Budget Office.

Mandatory Savings. The budget achieves a net of $2.5 trillion in 10-year savings from direct spending proposals, including major program reforms summarized below.

Major Program Reforms. Key programs reforms assumed in the President's budget, and their 10-year budget effects, include the following:

- Repeal and replace Obamacare (net savings of $250 billion).
- Reform Medicaid and the State Children's Health Insurance Program (savings of $616 billion).
- Make no major changes in Medicare, but repeal Obamacare's Independent Payment Advisory Board and calls for medical liability reform.
- Make no reductions in core Social Security benefits.
- Reform the welfare system (saving $272 billion).
- Reform financial regulation and prevent taxpayer-funded bailouts (saving $35 billion).
- Reform Federal student loans (saving $143 billion).
- Reform disability programs (saving $72 billion).
- Reform entitlement benefits for Federal employees (saving $63 billion).
- Limit Farm Bill subsidies and make other agricultural reforms (saving $38 billon).
- Extend the current Veterans Choice program (increasing spending by $29 billion), offset by $43 billion in other veterans' program savings, for net deficit reduction of $15 billion over 10 years.

FIGURE 15



- Reduce improper payments government-wide (saving $142 billion).
- Support $1 trillion in private/public infrastructure program (net Federal spending increase of $200 billion).
- Establish a paid parental leave program (net spending increase of $19 billion).

- Make other spending reductions and program reforms (savings of $339 billion).

Interest Savings. The President's budget assumes $311 in savings on net interest over 10 years.

Tax Reform. President Trump's budget calls for revenue-neutral tax reform. Major components are the following:

- Reduce the current seven tax brackets to three: 10 percent, 25 percent, and 35 percent. The proposal also doubles the standard deduction (currently $12,700 for married couples filing jointly).
- Reduce the current business tax rate (corporate and pass-through) to 15 percent from the current 35 percent; establish a territorial tax system (taxes levied where business is conducted); and apply a one-time repatriation of money held offshore.
- Simplify the tax code by eliminating targeted tax breaks that mainly benefit the wealthiest taxpayers; protect the home ownership and charitable gift tax deductions; repeal the estate tax and the Alternative Minimum Tax

Economic Assumptions. Over the 2018–2027 period, the administration projects 2.9-percent average annual growth in real (inflation-adjusted) GDP based on the President's proposed policies, including spending and deficit reduction, tax reform, and regulatory reform. That rate is consistent with historical trends, slightly above 3.0 percent per year. By comparison, the Congressional Budget Office [CBO] projects average annual GDP growth of 1.9 percent, and the Blue Chip consensus of private forecasters 2.1 percent. The administration projects real GDP to rise, on a year-over-year basis, from 2.3 percent in 2017 (the same as CBO and the Blue Chip] to 3.0 percent in 2021, and remaining at that level through the rest of the decade. CBO's projection falls to 1.8 percent in 2021, then ticks up to 1.9 percent in 2022 and holds there through 2027. The Blue Chip dips to 2.0 percent in 2020 and remains in that range for the rest of the decade. Other economic assumptions in the administration's budget include:

- The unemployment rate rising slightly to 4.8 percent in 2021 and remaining at that level through 2027.
- Inflation, as measured by the consumer price index, reaching 2.6 percent this year and then falling to 2.3 percent per year for the rest of the decade.
- Interest rates on 10-year Treasury notes rising from 2.7 percent this year to 3.8 percent in 2020, then remaining at that level through 2027. These projected rates are higher than CBO's but are similar to Blue Chip over the budget window.

Macroeconomic Feedback. The budget also assumes $2.06 trillion in deficit reduction over 10 years due to the administration's pro-growth policies, including spending and deficit reduction, tax reform, and regulatory reform.

TABLE 11.—SUMMARY OF FISCAL YEAR 2018 BUDGET RESOLUTION

[As a percentage of GDP]

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Average 2018–2027
Deficit(+)/Surplus(−):											
Committee Recommendation	+2.4%	+2.4%	+2.0%	+1.7%	+1.6%	+1.2%	+0.7%	+0.6%	+0.3%	−0.0%	+1.3%
CBO	+2.4%	+2.9%	+3.2%	+3.6%	+4.2%	+4.2%	+4.1%	+4.5%	+4.8%	+5.0%	+3.9%
President's Budget	+2.2%	+2.5%	+2.2%	+2.0%	+1.8%	+1.3%	+0.8%	+0.6%	+0.4%	−0.1%	+1.4%
Debt Held by the Public:											
Committee Recommendation	77.0%	76.8%	75.9%	74.5%	72.7%	70.9%	68.5%	66.3%	63.8%	60.9%	n.a.
CBO	77.4%	77.9%	78.8%	79.9%	81.3%	82.6%	83.8%	85.3%	87.0%	89.0%	n.a.
President's Budget	76.7%	76.2%	75.1%	73.7%	72.2%	70.2%	67.8%	65.3%	62.7%	59.8%	n.a.
Outlays:											
Committee Recommendation	20.1%	20.1%	19.6%	19.3%	19.1%	18.7%	18.2%	18.2%	18.0%	17.8%	18.9%
CBO	20.5%	21.0%	21.3%	21.7%	22.3%	22.3%	22.3%	22.8%	23.1%	23.4%	22.1%
President's Budget	20.5%	20.7%	20.3%	20.0%	19.9%	19.4%	18.9%	18.9%	18.7%	18.4%	21.6%
Revenues:											
Committee Recommendation	17.7%	17.6%	17.5%	17.3%	17.0%	16.9%	16.7%	16.7%	16.7%	16.6%	17.1%
CBO	18.1%	18.1%	18.1%	18.1%	18.1%	18.1%	18.2%	18.2%	18.3%	18.4%	18.2%
President's Budget	18.3%	18.2%	18.1%	18.0%	18.1%	18.1%	18.2%	18.2%	18.3%	18.4%	18.2%

TABLE 12.—FISCAL YEAR 2018 HOUSE BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
FISCAL YEAR 2018 BUDGET RESOLUTION												
Total spending:												
BA	4,096,933	4,210,736	4,286,076	4,344,146	4,567,485	4,685,904	4,810,056	5,019,533	5,198,404	5,370,264	21,505,376	46,589,537
OT	4,024,170	4,184,625	4,263,701	4,371,392	4,560,681	4,662,535	4,771,559	4,976,995	5,172,531	5,344,567	21,404,569	46,332,757
On-budget:												
BA	3,232,597	3,286,018	3,299,573	3,290,186	3,441,975	3,483,686	3,528,872	3,655,413	3,746,208	3,824,652	16,550,350	34,789,180
OT	3,164,885	3,265,306	3,283,026	3,323,464	3,441,603	3,467,047	3,497,308	3,620,210	3,727,971	3,806,792	16,478,284	34,597,612
Off-budget:												
BA	864,336	924,717	986,503	1,053,959	1,125,510	1,202,219	1,281,184	1,364,120	1,452,197	1,545,612	4,955,026	11,800,357
OT	859,285	919,319	980,675	1,047,928	1,119,078	1,195,488	1,274,251	1,356,785	1,444,561	1,537,776	4,926,286	11,735,146

Revenues:												
Total	3,542,479	3,668,467	3,796,957	3,920,337	4,066,811	4,219,233	4,386,477	4,574,285	4,784,571	4,993,388	18,995,051	41,953,005
On-budget	2,670,356	2,767,357	2,870,414	2,963,953	3,077,586	3,195,139	3,325,690	3,475,784	3,642,629	3,811,687	14,349,666	31,800,595
Off-budget	872,123	901,110	926,543	956,384	989,225	1,024,094	1,060,787	1,098,501	1,141,942	1,181,701	4,645,385	10,152,410
Surplus/Deficit(−):												
Total	−471,691	−496,158	−436,744	−381,055	−393,870	−293,302	−175,082	−152,710	−87,960	8,821	−2,179,518	−2,879,752
Macroeconomic fiscal impact	10,000	20,000	30,000	70,000	100,000	150,000	210,000	250,000	300,000	360,000	230,000	1,500,000
On-budget	−494,529	−497,949	−412,612	−359,511	−364,017	−271,908	−171,618	−144,426	−85,342	4,895	−2,128,618	−2,797,017
Off-budget	12,838	−18,209	−54,132	−91,544	−129,853	−171,394	−213,464	−258,284	−302,619	−356,075	−280,901	−1,582,736
Debt held by the public (end of year)	15,399,966	15,971,804	16,477,150	16,920,847	17,371,706	17,720,326	17,949,306	18,156,356	18,299,466	18,345,826	n.a.	n.a.
Debt subject to limit (end of year)	21,059,756	21,720,619	22,263,387	22,717,657	23,120,068	23,414,924	23,577,205	23,665,687	23,701,446	23,484,672	n.a.	n.a.
PRESIDENT'S FY2018 BUDGET AS SUBMITTED [a]												
Total spending:												
BA	4,279,489	4,284,736	4,431,601	4,582,090	4,811,798	4,976,250	5,142,694	5,366,177	5,589,332	5,784,121	22,389,714	49,248,288
OT	4,094,450	4,339,564	4,470,079	4,616,682	4,831,744	4,933,301	5,073,222	5,305,694	5,527,346	5,708,455	22,352,519	48,900,537
On-budget:												
BA	3,407,261	3,352,526	3,435,375	3,522,074	3,679,846	3,766,583	3,850,359	3,989,535	4,123,820	4,227,206	17,397,082	37,354,585
OT	3,227,792	3,415,966	3,482,316	3,564,720	3,708,130	3,732,853	3,789,948	3,938,203	4,071,120	4,161,179	17,398,924	37,092,227
Off-budget:												
BA	872,228	932,210	996,226	1,060,016	1,131,952	1,209,667	1,292,335	1,376,642	1,465,512	1,556,915	4,992,632	11,893,703
OT	866,658	923,598	987,763	1,051,962	1,123,614	1,200,448	1,283,274	1,367,491	1,456,226	1,547,276	4,953,595	11,808,310
Revenues:												
Total	3,654,292	3,813,661	3,982,126	4,160,885	4,390,081	4,614,609	4,864,116	5,130,102	5,416,878	5,724,237	20,001,045	45,750,987
On-budget	2,762,138	2,882,385	3,010,308	3,134,084	3,308,822	3,481,718	3,672,677	3,879,500	4,101,053	4,345,727	15,097,737	34,578,412
Off-budget	892,154	931,276	971,818	1,026,801	1,081,259	1,132,891	1,191,439	1,250,602	1,315,825	1,378,510	4,903,308	11,172,575
Surplus/Deficit(−):												
Total	−440,158	−525,903	−487,953	−455,797	−441,663	−318,692	−209,106	−175,592	−110,468	15,782	−2,351,474	−3,149,550
On-budget	−465,654	−533,581	−472,008	−430,636	−399,308	−251,135	−117,271	−58,703	29,933	184,548	−2,301,187	−2,513,815
Off-budget	25,496	7,678	−15,945	−25,161	−42,355	−67,557	−91,835	−116,889	−140,401	−168,766	−50,287	−635,735
Debt held by the public (end of year)	15,353,047	15,957,363	16,509,025	17,023,615	17,517,470	17,886,953	18,149,815	18,378,925	18,541,270	18,575,195	n.a.	n.a.
Debt subject to limit (end of year)	21,095,075	21,844,415	22,510,291	23,123,214	23,658,420	24,084,273	24,425,178	24,655,504	24,798,681	24,694,793	n.a.	n.a.
DIFFERENCE												
Total spending:												
BA	−182,556	−74,000	−145,525	−237,944	−244,313	−290,346	−332,638	−346,644	−390,928	−413,857	−884,338	−2,658,751
OT	−70,280	−154,939	−206,378	−245,290	−271,063	−270,766	−301,663	−328,699	−354,815	−363,888	−947,950	−2,567,780

TABLE 12.—FISCAL YEAR 2018 HOUSE BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET—Continued

[In millions of dollars]

Fiscal year	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018–2022	2018–2027
On-budget:												
BA	−174,664	−66,508	−135,802	−231,888	−237,871	−282,897	−321,487	−334,122	−377,612	−402,554	−846,732	−2,565,405
OT	−62,907	−150,660	−199,290	−241,256	−266,527	−265,806	−292,640	−317,993	−343,149	−354,387	−920,640	−2,494,615
Off-budget:												
BA	−7,892	−7,493	−9,723	−6,057	−6,442	−7,448	−11,151	−12,522	−13,315	−11,303	−37,606	−93,346
OT	−7,373	−4,279	−7,088	−4,034	−4,536	−4,960	−9,023	−10,706	−11,665	−9,500	−27,309	−73,164
Revenues:												
Total	−111,813	−145,194	−185,169	−240,548	−323,270	−395,376	−477,639	−555,817	−632,307	−730,849	−1,005,994	−3,797,982
On-budget	−91,782	−115,028	−139,894	−170,131	−231,236	−286,579	−346,987	−403,716	−458,424	−534,040	−748,071	−2,777,817
Off-budget	−20,031	−30,166	−45,275	−70,417	−92,034	−108,797	−130,652	−152,101	−173,883	−196,809	−257,923	−1,020,165
Surplus/Deficit(−):												
Total	31,533	−29,745	−51,209	−74,742	−47,793	−25,390	−34,024	−22,882	−22,508	6,961	−171,956	−269,798
Macroeconomic fiscal impact	−10,000	−20,000	−30,000	−70,000	−100,000	−150,000	−210,000	−250,000	−300,000	−360,000	−230,000	−1,500,000
On-budget	28,875	−35,632	−59,396	−71,125	−35,291	20,773	54,347	85,723	115,275	179,653	−172,569	283,202
Off-budget	12,658	25,887	38,187	66,383	87,498	103,837	121,629	141,395	162,218	187,309	230,614	947,001
Debt held by the public (end of year)	46,919	14,441	−31,876	−102,769	−145,764	−166,628	−200,509	−222,569	−241,804	−229,369	n.a.	n.a.
Debt subject to limit (end of year)	−35,319	−123,795	−246,905	−405,557	−538,352	−669,349	−847,973	−989,818	−1,097,235	−1,210,122	n.a.	n.a.

[a] Figures for the President's budget are from the Office of Management and Budget and may not match those at the Congressional Budget Office.

SECTION–BY–SECTION DESCRIPTION

The concurrent resolution on the budget for fiscal year 2018 establishes an overall budgetary framework. As required under the Congressional Budget Act of 1974 [the Budget Act], this framework includes aggregate levels of new budget authority, outlays, revenues, the amount by which revenues should be changed, the surplus or deficit, new budget authority and outlays for each major functional category, debt held by the public, and debt subject to the statutory limit. This resolution also sets appropriate budgetary levels for fiscal years 2019 through 2027.

This resolution provides reconciliation instructions to authorizing committees to achieve specified amounts of deficit reduction. It is envisioned that the reconciliation process will be used both to reduce the deficit by $203 billion over 10 years and provide for comprehensive tax reform that will be deficit neutral. It includes rule-making provisions necessary to enforce the budget resolution, procedures for adjusting the budget resolution, provisions to accommodate legislation not assumed in the budget resolution, and certain policy assumptions underlying the budget resolution.

Section 1. Concurrent Resolution on the Budget for Fiscal Year 2018.

Subsection (a) establishes the budgetary levels for fiscal year 2018 and each of the nine ensuing fiscal years, 2019 through 2027. Section 301(a) of the Budget Act stipulates that the budget resolution establish budgetary levels for the fiscal year for which such resolution is adopted and for at least each of the four ensuing fiscal years.

In addition to the levels set forth in the fiscal year 2018 budget resolution, this report provides an allocation of discretionary budget authority and outlays, as required under section 302(a) of the Budget Act, to the Committee on Appropriations. The Committee on Appropriations, in turn, suballocates this allocation among its 12 subcommittees. These 302(b) suballocations serve as limits on the amount that can be appropriated for various programs, projects, and activities within the jurisdiction of its subcommittees.

This report also provides allocations of direct spending to each of the authorizing committees with jurisdiction over entitlements and other forms of mandatory spending. In addition to an allocation for fiscal year 2018, the authorizing committees receive an allocation of spending authority over the 10-fiscal-year period provided for by this budget resolution and may not, under section 302(f) of the Budget Act, spend more than the allocation for the budget year or over the 10-fiscal-year period.

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

TITLE I—RECOMMENDED LEVELS AND AMOUNTS

Section 101. Recommended Levels and Amounts.

Section 101, as required by section 301 of the Budget Act, establishes the recommended levels for revenue, the amount by which revenue should be changed, total new budget authority, total budget outlays, surpluses or deficits, debt subject to the statutory limit (the budget resolution does not change the actual debt limit), and debt held by the public.

The revenue level operates as a floor against which all revenue legislation is measured, pursuant to section 311 of the Budget Act. Similarly, the recommended levels of new budget authority and budget outlays serve as a ceiling for spending legislation. The surplus or deficit levels include only on-budget outlays and revenue and do not include most outlays and receipts related to the Social Security program and United States Postal Service operations.

Debt subject to the statutory limit generally refers to the portion of gross Federal debt issued by the Treasury Department to the public or another government fund or account. Debt held by the public is the amount of debt issued and held by entities or individuals other than the U.S. Government.

Section 102. Major Functional Categories.

Section 102, as required by section 301(a) of the Budget Act, establishes the budgetary levels for each major functional category for fiscal year 2018 and establishes these levels for each of fiscal years 2019 through 2027.

These major functional categories are the following:

050 National Defense
150 International Affairs
250 General Science, Space, and Technology
270 Energy
300 Natural Resources and Environment
350 Agriculture
370 Commerce and Housing Credit
400 Transportation
450 Community and Regional Development
500 Education, Training, Employment, and Social Services
550 Health
570 Medicare
600 Income Security
650 Social Security
700 Veterans Benefits and Services
750 Administration of Justice
800 General Government
900 Net Interest
920 Allowances
930 Government-Wide Savings
950 Undistributed Offsetting Receipts
970 Overseas Contingency Operations/Global War on Terrorism
990 Across-the-Board Adjustment

TITLE II—RECONCILIATION AND RELATED MATTERS

Section 201. Reconciliation in the House of Representatives.

Section 201 sets forth reconciliation instructions to 11 authorizing committees in the House of Representatives. These instructions are optional under section 301(b) of the Budget Act.

Subsection (a) specifies a deadline of 6 October 2017 for the instructed authorizing committees to submit reconciliation legislation to the Committee on the Budget.

Subsection (b) sets forth reconciliation instructions to 11 authorizing committees, pursuant to section 310 of the Budget Act, to achieve specified amounts of deficit reduction. The instructed committees have jurisdiction over direct spending for which savings are assumed in the budget resolution. The instructed committees and the amounts of reconciled savings are as follows:

Committee on Agriculture	$10,000,000,000
Committee on Armed Services	$1,000,000,000
Committee on Education and the Workforce	$20,000,000,000
Committee on Energy and Commerce	$20,000,000,000
Committee on Financial Services	$14,000,000,000
Committee on Homeland Security	$3,000,000,000
Committee on the Judiciary	$45,000,000,000
Committee on Natural Resources	$5,000,000,000
Committee on Oversight and Government Reform	$32,000,000,000
Committee on Veterans' Affairs	$1,000,000,000
Committee on Ways and Means	$52,000,000,000

This budget resolution follows the convention of not reconciling Senate committees and assumes that instructions to Senate authorizing committees will be incorporated in any final budget agreement.

The committees are instructed to achieve these specified amounts through deficit reduction rather than through changes in budget authority, outlays, or revenue.

The reconciled amounts act as a floor, not a ceiling, on the required savings for each committee. The targets are for the total of the 10-fiscal-year period of fiscal years 2018 through 2027. These targets will provide the committees maximum flexibility in the construction of savings.

A central tenet of the reconciliation process is that the authorizing committees determine their own policies as long as they meet their reconciliation targets. As such, the reconciled amounts may be based on policy assumptions in the budget resolution, but the authorizing committees can meet them with any combination of policies within their jurisdiction that achieves the required level of savings.

The Committee on Ways and Means is reconciled an amount of deficit reduction in lieu of specific changes in both direct spending and revenue because it has jurisdiction over both direct spending programs and most sources of revenue. It is the clear intent that the committee will include deficit neutral, comprehensive tax reform in its submission in addition to achieving $52 billion in deficit reduction over the period of fiscal years 2018 through 2027.

All reconciled committees are required to mark up legislation that meets their reconciliation targets and submit the legislation to the Committee on the Budget rather than reporting the legislation to the House.

Other than submitting their legislation to the Committee on the Budget, the authorizing committees are expected to follow regular order in complying with House and Committee rules related to markup procedures and reporting requirements.

The Committee on the Budget will then combine all of the submissions and report the bill to the House. Under section 310(b) of the Budget Act, the Committee on the Budget must report the submissions without substantive revision.

TITLE III—BUDGET ENFORCEMENT IN THE HOUSE OF REPRESENTATIVES

SUBTITLE A—BUDGET ENFORCEMENT

Section 301. Point of Order Against Increasing Long-Term Direct Spending.

Subsection (a) establishes a point of order against the consideration of any measure other than an appropriation measure, or amendment thereto or conference report thereon, that increases net direct spending by $2.5 billion over the long-term. The $2.5 billion threshold is a reduction from the $5 billion threshold applicable under section 3(h) of H. Res. 5 (115th Congress).

Subsection (b) requires the Congressional Budget Office [CBO], to the extent practicable, to prepare an estimate of whether a measure would cause a net increase in direct spending in excess of $2.5 billion over the long-term. The applicable periods for this section are any of the four consecutive 10-fiscal year periods beginning in fiscal year 2028.

Subsection (c) states that application of this section in the House shall not apply to any measure for which the Chair of the Committee on the Budget adjusts the allocations, aggregates, or other budgetary levels in this concurrent resolution.

Subsection (d) affirms the authority of the Chair of the Committee on the Budget to determine the estimates that are used to enforce this section. As a practical matter, the Committee on the Budget uses the estimates provided by CBO.

Subsection (e) provides that this section shall have no force or effect after September 30, 2018.

Section 302. Allocation for Overseas Contingency Operations/Global War on Terrorism.

Subsection (a) provides the Committee on Appropriations with a separate allocation for the purposes of Overseas Contingency Operations/Global War on Terrorism [OCO/GWOT] under section 302(a) of the Budget Act. This separate allocation is included in the 302(a) allocation tables in this report. It exempts the OCO/GWOT allocation from certain display requirements that apply to the overall 302(a) allocation.

Subsection (b) stipulates that this separate 302(a) allocation is the exclusive allocation for OCO/GWOT under section 302(b) of the Budget Act, and it permits the Committee on Appropriations to provide suballocations to its subcommittees as it does for its overall 302(a) allocation under section 302(b) of the Budget Act.

Subsection (c) stipulates that, for purposes of enforcing this separate allocation under section 302(f) of the Budget Act, the "first fiscal year" and the "total of fiscal years" refer to fiscal year 2018 only. This provision is necessary because the Committee on Appropriations' 302(a) allocation is only enforced one year at a time. It also effectively exempts the OCO/GWOT allocation from the requirement that the Committee on Appropriations must suballocate this separate allocation among its relevant subcommittees.

Subsection (d) provides that only appropriations designated for OCO/GWOT under the statutory spending limits will be counted against the separate OCO/GWOT allocation.

Subsection (e) ensures that the budget resolution levels are not inadvertently adjusted for any OCO/GWOT appropriations, because these appropriations are already accommodated in the separate OCO/GWOT allocation. It specifically provides that no adjustment will be made under section 314(a) of the Budget Act if an adjustment would be made under section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985 [Deficit Control Act of 1985].

Section 303. Limitation on Changes in Certain Mandatory Programs.

Section 303 reinforces the enforcement of the Committee on Appropriations' 302(a) and (b) allocations by limiting the extent to which Congress can use illusory savings to meet the overall limit on discretionary spending.

Subsection (a) defines the term "change in mandatory programs" as a provision that: (1) would have been estimated as affecting direct spending or receipts under section 252 of the Deficit Control Act of 1985 (as in effect prior to 30 September 2002) if such provision were included in legislation other than appropriations acts; and (2) results in a net decrease in budget authority in the budget year, but does not result in a net decrease in outlays over the total period of the current year, budget year, and all fiscal years covered under the most recently agreed to budget resolution.

Subsection (b) establishes a point of order against any provision in a bill or joint resolution, or amendment thereto or conference report thereon, making appropriations for a full fiscal year that proposes a change in mandatory programs that, if enacted, would cause the absolute value of all such changes in mandatory programs enacted in relation to a full fiscal year to be more than the amount specified under this section. The amounts under this subsection are as follows:

Fiscal Year 2018: $19,100,000,000
Fiscal Year 2019: $17,000,000,000
Fiscal Year 2020: $15,000,000,000

Subsection (c) stipulates that, for purposes of this section, budgetary levels shall be determined on the basis of estimates provided by the Chair of the Committee on the Budget.

Section 304. Limitation on Advance Appropriations.

Similar to the limit on changes in mandatory programs, the limit on advance appropriations is intended to ensure the integrity of the 302(a) and (b) allocations by limiting the amount of appropriations that can be appropriated in the years following the budget year, commonly referred to as "advance appropriations."

Section 304 establishes a limit on advance appropriations, defined as budget authority that first becomes effective in fiscal year 2019.

Subsection (a) establishes a general rule that prohibits the consideration of any general appropriation bill or bill or joint resolution continuing appropriations, or amendment thereto or conference report thereon, from making advance appropriations unless included on a list of exceptions in the report or joint statement of managers, as applicable, accompanying the budget resolution.

Subsection (b) provides exceptions to the general rule for two separate lists of accounts included in this report, one for miscellaneous accounts identified under the heading "Accounts Identified for Advance Appropriations" and one for veterans accounts under the heading "Veterans Accounts Identified for Advance Appropriations."

Subsection (c) sets an overall limit on miscellaneous accounts of $28,852,000,000 and a limit on veterans accounts of $70,699,313,000 on allowable advance appropriations.

Subsection (d) defines an "advance appropriation" as any new discretionary budget authority provided in a general appropriation bill or bill or joint resolution continuing appropriations for fiscal year 2018, or any amendment thereto or conference report thereon, that first becomes available for the first fiscal year following fiscal year 2018.

Section 305. Estimates of Debt Service Costs.

Section 305 authorizes the Chair of the Committee on the Budget to direct CBO to include an estimate of any change in debt service costs (whether an increase or decrease) in its cost estimates for pending legislation. These estimates are advisory; they will not be used to determine whether a measure complies with the limits established in the budget resolution and other budget rules. This requirement is not intended to apply to authorizations of discretionary programs or to appropriation bills, but is intended to apply to changes in the authorization level of appropriated entitlements.

The Chair intends to request such estimates for measures with a significant budgetary impact that would have a noticeable effect on debt service costs.

Section 306. Fair-Value Credit Estimates.

Subsection (a) directs CBO to include a supplemental fair-value estimate, if requested by the Chair, of any legislation modifying or establishing a loan or loan guarantee program. This applies to all loans and loan guarantees, regardless of program or policy area.

Subsection (b) directs CBO to include in all estimates of legislation establishing or modifying a loan or loan guarantee program for student financial assistance and housing (including residential mortgage). No request from the Chair of the Committee on the Budget is necessary.

Under both subsection (a) and (b), CBO is directed to provide such an estimate only if practicable.

Subsection (c) requires CBO to include, in its *The Budget and Economic Outlook: 2018 to 2027,* a comparison baseline projection for student financial assistance, housing (including residential mortgage) and other major credit programs on a fair-value and credit reform basis.

Subsection (d) permits the Chair of the Committee on the Budget to use the fair-value estimate provided pursuant to subsection (a) or (b) in determining whether legislation complies with the Budget Act and other budget rules.

Section 307. Estimates of Macroeconomic Effects of Major Legislation.

This rule is essentially identical to section 3112 of the conference report accompanying S. Con. Res. 11 (the Fiscal Year 2016 Concurrent Resolution on the Budget), which effectively superseded an earlier version of the rule set forth in clause 8 of House rule XIII. The only difference from its predecessor is that it fully applies to both the House and Senate.

Subsection (a) directs CBO and the Joint Committee on Taxation [JCT], as applicable and to the extent practicable, to incorporate in the cost estimates of major legislation the macroeconomic effects of such legislation during the 115th Congress.

Subsection (b) stipulates that these macroeconomic estimates are to include, also to the extent practicable, a qualitative assessment of the budgetary effects of major legislation in the 20-fiscal year period beginning after the last fiscal year of the most recently agreed to budget resolution and an identification of the assumptions and source data underlying the estimate.

Subsection (c) defines major legislation as: (1) legislation that causes a gross budgetary effect (before incorporating macroeconomic effects and not including timing shifts in any fiscal year covered by the budget resolution) equal to or greater than 0.25 percent of the current projected GDP of the United States for that fiscal year; or (2) is designated by the appropriate Chair of the Committee on Budget for all direct spending legislation or the Chair or Vice Chair of JCT for revenue legislation. Additionally, in the Senate, a treaty having a budgetary impact equal to or greater than $15 billion would also constitute major legislation.

The term "budgetary effects" is defined as changes in revenues, direct spending outlays, and deficits. The term "timing shifts" is defined as provisions that either: (1) cause a delay of the date in which outlays flowing from direct spending would otherwise occur from one fiscal year to the next fiscal year; or (2) cause an acceleration of the date on which revenues would otherwise occur from one fiscal year to the prior fiscal year.

Section 308. Adjustments for Improved Control of Budgetary Resources.

Section 308, long a feature of budget resolutions, is intended to remove a disincentive to subjecting existing mandatory programs to annual appropriations. It would effectively hold the Committee on Appropriations harmless for any such conversion and prevent the applicable authorizing committee from using savings that could otherwise be used to offset other increases in mandatory spending.

Subsection (a) permits the Chair of the Committee on the Budget to adjust the budget resolution to accommodate legislation that subjects an existing mandatory program to annual appropriations. The Chair would increase the 302(a) allocation to the Committee on Appropriations by the amount of the new discretionary program and reduce the 302(a) allocation of the authorizing committee that reported the legislation. These adjustments would be made upon enactment of the legislation.

Subsection (b) authorizes the Chair of the Committee on the Budget to make the adjustments under subsection (a) and affirms the Chair's authority to determine the estimates used to execute this section.

Section 309. Scoring Rule for Energy Savings Performance Contracts.

Section 309 estimates in today's dollars the net cash flows, both savings and costs, associated with any Energy Performance Contract [ESPC] or Utility Service Contract over the period of the contract, but not to exceed 25 years. This scoring rule would have the effect of capturing any long-term budgetary savings (and costs) resulting from these contracts. Under existing cash-based estimates, much of the savings from these contracts occur outside the budget window.

This section adheres to the principle that costs resulting from such contracts are direct spending if imposed by authorization legislation. It would not change the fact that Federal agencies would continue to cover contractual payments through annual, discretionary appropriations.

Subsection (a) requires the Director of CBO to estimate on a net present value basis any legislation that expands the Federal government's authority to enter into or modify an existing ESPC or Utility Service Contract.

Subsection (b) stipulates that the net present value is calculated as follows: (1) the discount rate must reflect market risk; (2) cash flows must include, whether mandatory or discretionary spending, payments to contractors under the terms of their contracts, payments to contractors for other services, and direct savings in energy and energy-related costs; and (3) the stream of payments must cover the period of the contracts but not to exceed 25 years.

Subsection (c) defines "covered energy savings contract" as either: (1) an energy savings performance contract authorized under section 801 of the National Energy Conservation Policy Act; or (2) a utility energy service contract as described in the Office of Management and Budget [OMB] Memoranda on Federal Use of Energy Savings Performance Contracting (M–98–13) or Federal Use of Energy Saving Performance Contracts and Utility Energy Service Contracts (M–12–21) or any successor to either memorandum.

Subsection (d) prohibits the House from counting, for purposes of budget enforcement, any savings resulting from the net present value calculation under this section.

Subsection (e) requires the estimated net present value of the budget authority provided by the legislation and outlays flowing therefrom to be classified as direct spending for budget enforcement purposes.

Subsection (f) expresses the sense of the House that the Director of OMB, in consultation with the Director of CBO, should separately identify the cash flows under subsection (b)(2) and include such information in the President's annual budget submission to Congress. It further clarifies that the Committee on the Budget should not apply this scoring methodology to other types of contracts.

Section 310. Limitation on Transfers from the General Fund of the Treasury to the Highway Trust Fund.

Section 310 stipulates that legislation that transfers funds from the general fund of the Treasury to the Highway Trust Fund will count as new budget authority and outlays equal to the amount of the transfer in the fiscal year the transfer occurs for purposes of budget enforcement.

Section 311. Prohibition on Use of Federal Reserve Surpluses as an Offset.

Section 311 provides that the proceeds from transfers of surpluses held by the Federal Reserve to the Department of the Treasury shall not be counted for purposes of budget enforcement. The Committee on the Budget views the transfer of the Federal Reserve's surpluses as essentially a timing shift and not a substantive change in the Federal government's fiscal posture and therefore should not be used to offset new financial obligations.

Section 312. Prohibition on Use of Guarantee Fees as an Offset.

Section 312 changes the scoring of certain fees imposed by government-sponsored enterprises from counting as budgetary savings for purposes of budget enforcement. The rule applies to both the Federal National Mortgage and the Federal Home Loan Mortgage Corporation. Under the rule, a committee may not offset spending or revenue legislation in the same or separate legislation with fee increases or extensions of such increases.

SUBTITLE B—OTHER PROVISIONS

Section 321. Budgetary Treatment of Administrative Expenses.

Subsection (a) provides that the administrative expenses of the Social Security Administration and the United States Postal Service are reflected in the allocation to the Committee on Appropriations even though both are technically off-budget. This language is necessary to ensure the Committee on Appropriations retains control over administrative expenses for these agencies through the annual appropriations process. This budgetary treatment of administrative expenses for these entities is based on the long-term practice of the House and Senate Committees on the Budget.

Subsection (b) requires administrative expenses to be included in the cost estimate for any relevant appropriations measure, which is used to determine if a measure exceeds the spending limits in the budget resolution.

Section 322. Application and Effect of Changes in Allocations and Aggregates.

Section 322 explains the mechanics of adjustments made to the budget resolution pursuant to the reserve funds in Title IV and other sections in this concurrent resolution.

Subsection (a) specifies the procedure for making adjustments to the levels established by the budget resolution for five reserve funds and other special procedures in this resolution. It provides that the adjustments apply while the legislation is under consideration and take effect upon enactment of the legislation. The Chair of the Committee on the Budget must submit any adjustments to the budget resolution for printing in the Congressional Record.

Subsection (b) clarifies that the adjusted levels in the budget are fully enforceable under the Budget Act and other budget rules.

Subsection (c) clarifies that the Chair of the Committee on the Budget is the ultimate arbiter of the cost estimates for legislation used to enforce the budget resolution and budget rules.

Subsection (d) clarifies that legislation for which an adjustment to the budget resolution is made, such as those in the reserve funds in Title IV, are not subject to clause 10 of rule XXI of the Rules of the House Representatives, commonly referred to as the House Cut-As-You-Go rule and the point of order on increasing long-term direct spending in section 301 of this concurrent resolution.

Subsection (e) permits the Chair of the Committee on the Budget to adjust the appropriate levels in this concurrent resolution to accommodate the disposition of pending reconciliation legislation.

Section 323. Adjustments to Reflect Changes in Concepts and Definitions.

Section 323 authorizes the Chair of the Committee on the Budget to adjust the appropriate aggregates, allocations, and other budgetary levels of this concurrent resolution for any change in budgetary concepts and definitions in accordance with section 251(b)(1) of the Deficit Control Act of 1985.

Section 324. Adjustment for Changes in the Baseline.

Section 324 authorizes the Chair of the Committee on the Budget to adjust the budgetary levels in this concurrent resolution to reflect changes from CBO's update to its baseline for fiscal years 2018 to 2027.

Section 325. Application of Rule Regarding Limits on Discretionary Spending.

Section 325 waives the point of order that would otherwise apply to an appropriation measure that exceeds the statutory limits on discretionary spending, as long as the measure is within the limits established pursuant to this budget resolution. This waiver is necessary because the budget resolution reflects security spending that is higher than the current statutory limits, and reflects non-security spending that is lower than the current statutory limits.

More specifically, this section provides that Section 314(f) of the Budget Act shall not apply in the House to any bill, joint resolution, or amendment or conference report, providing new budget authority for a fiscal year if it would not cause the Committee on Appropriations' 302(a) allocation to be exceeded.

Section 326. Exercise of Rulemaking Powers.

Section 326 affirms the adoption of this budget resolution is an exercise of the rulemaking power of the House and that the House has the constitutional right to change these rules.

TITLE IV—RESERVE FUNDS IN THE HOUSE OF REPRESENTATIVES

Title IV establishes five reserve funds for air traffic control, infrastructure, tax reform, and health legislation. Reserve funds are special procedures that provide the committee reporting specific legislation flexibility as to the timing and composition of offsets in the legislation. The mechanism for achieving the flexibility is through adjustments the Chair of the Committee on the Budget is authorized to make to the budget resolution to accommodate the legislation. In the absence of such adjustments, the relevant legislation might breach the budget resolution and be subject to points of order that preclude its consideration by the House.

Reserve funds generally impose conditions that must be met to qualify for the adjustment—the most frequent being that the legislation must be for a specified purpose and must be offset over a period of 10 years (fiscal years 2018 through 2027). The adjustments are generally made to the 302(a) allocation of the committee that reported the legislation and to the budget resolution's ceiling on spending (both new budget authority and outlays), as well as the floor on revenue.

Section 401. Reserve Fund for Commercialization of Air Traffic Control.

Subsection (a) permits the Chair of the Committee on the Budget to adjust, at a time the Chair deems appropriate, the 302(a) allocation to the Committee on Transportation and Infrastructure of the House of Representatives and other applicable committees, aggregates, and other appropriate levels in the budget resolution for legislation that commercializes the operations of the air traffic control system. To qualify for the adjustment, the legislation must reduce the discretionary spending limits under section 251(c) of the Deficit Control Act of 1985 by the amount appropriated to the Federal Aviation Administration for air traffic control. The adjustment under this section shall only be made upon enactment of such an aviation bill.

Subsection (b) provides that, to qualify for the adjustment, the legislation must establish a federally-chartered, not-for-profit corporation that: (1) is authorized to provide air traffic control services within U.S. airspace; (2) sets user fees to finance its operations; (3) may borrow from private capital markets to finance improvements; (4) is governed by a board of directors composed of a CEO and directors whose fiduciary duty is to the entity; and (5) becomes the employer of those employees directly connected to providing air traffic control services and who the Secretary transfers from the Federal Government.

Section 402. Reserve Fund for Investments in National Infrastructure.

Section 402 permits the Chair of the Committee on the Budget to adjust the allocations, aggregates, and other appropriate levels in the budget resolution for legislation that invests in national infrastructure to the extent that such legislation is deficit neutral over the period of fiscal years 2018 through 2027. The amount of the adjustment would be equal to the amount the legislation increases budget authority and outlays or reduces revenue.

Section 403. Reserve Fund for Comprehensive Tax Reform.

Section 403 permits the Chair of the Committee on the Budget to adjust the allocations, aggregates, and other appropriate levels in the budget resolution for comprehensive tax reform. Adjustments may be made for bills, joint resolutions, amendments and conference reports. The amount of the adjustment would be equal to the amount the legislation increases budget authority and outlays or reduces revenue. To qualify for the adjustment, the legislation may not increase the deficit over the period of fiscal years 2018 through 2027.

Section 404. Reserve Fund for the State Children's Health Insurance Program.

Section 404 permits the Chair of the Committee on the Budget to adjust the appropriate allocations, aggregates, and other appropriate levels in the budget resolution for legislation that extends the State Children's Health Insurance Program [SCHIP]. Adjustments may be made for bills, joint resolutions, amendments and conference reports. The SCHIP allotment is scheduled to expire at the end of fiscal year 2017.

Section 405. Reserve Fund for the Repeal or Replacement of President Obama's Health Care Laws.

Section 405 permits the Chair of the Committee on the Budget to adjust the allocations, aggregates, and other appropriate levels in the budget resolution for legislation that repeals or replaces any provision of the Patient Protection and Affordable Care Act (Public Law 111–148) or the health care related provisions of the Health Care and Education Reconciliation Act of 2010 (Public Law 111–152). Adjustments may be made for bills, joint resolutions, conference reports and amendments. The amount of the adjustment is equal to the amount the legislation increases budget authority and outlays or reduces revenue. The legislation need not be deficit neutral to qualify for an adjustment under this section.

TITLE V—POLICY STATEMENTS IN THE HOUSE OF REPRESENTATIVES

Section 501. Policy Statement on a Balanced Budget Amendment.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should propose a balanced budget amendment for ratification by the States.

Section 502. Policy Statement on Budget Process Reform.

Section 502 states it is the policy of this concurrent resolution that Congress should reform the congressional budget process. Congress should restructure its procedures for making budgetary decisions, and reassert its role as the Federal Government's spending authority by promoting prudent spending control, efficient action, and greater transparency. The specific reforms were developed during the course of hearings held by the Committee on the Budget during the 114th Congress.

Section 503. Policy Statement on Federal Regulatory Budgeting and Reform.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should consider legislation that implements regulatory budgeting and reform. Such legislation should require the President's budget submission to include an analysis of the costs of complying with current and proposed regulations; develop the institutional capacity of CBO to establish a regulatory baseline and estimate regulatory costs; codify the Trump Administration's regulatory pay-as-you-go requirements; and require Federal agencies to give notice and allow for comments on proposed guidance documents.

Section 504. Policy Statement on Unauthorized Appropriations.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should enact legislation that establishes a schedule for reauthorizing all Federal programs on a staggered, five-year basis, which would also prohibit Congress from funding programs above specified levels. These limits would be gradually reduced the longer a program remained unauthorized. The policy further states that this new rule would be strictly enforced.

Section 505. Policy Statement on Federal Accounting.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution to apply fair-value accounting for Federal credit programs to provide greater transparency.

Section 506. Policy Statement on Commission on Budget Concepts.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that Congress should enact legislation that establishes a Commission on Budget Concepts to review and revise budget definitions and concepts and create a more transparent Federal budget process.

Section 507. Policy Statement on Budget Enforcement.

Section 507 states it is the policy of this concurrent resolution that the House should enforce budget discipline. Such discipline includes: adopting the budget resolution before considering any spending or revenue legislation; enforcing rules preventing the authorization of new direct spending programs; complying with the discretionary spending limits of the Deficit Control Act of 1985; modifying scoring to encourage the commercialization of government activities; and discouraging the use of savings identified in the budget resolution as offsets for legislation.

Section 508. Policy Statement on Improper Payments.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that an independent commission should be established to find tangible solutions to reduce total improper payments by 50 percent within the next 5 years as well as develop a more-stringent system of agency oversight to achieve this goal.

Section 509. Policy Statement on Expenditures from Agency Fees and Spending.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should subject all fees paid by the public to Federal agencies to annual appropriations or authorizing legislation, with a share of these proceeds reserved for deficit reduction.

Section 510. Policy Statement on Promoting Real Health Care Reform.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that Congress should pursue health care reforms that put patients, families, and doctors in charge of medical care, and encourage increased competition and transparency in health care.

Section 511. Policy Statement on Medicare.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution to preserve Medicare for those in or near retirement and strengthen the program for future beneficiaries.

Subsection (c) sets forth the assumptions of this concurrent resolution for an improved Medicare program.

Section 512. Policy Statement on Combating the Opioid Epidemic.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should support, using available budgetary resources, essential activities, including rehabilitation, to reduce and prevent opioid abuse.

Section 513. Policy Statement on the State Children's Health Insurance Program.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should work in a bipartisan manner to reauthorize the SCHIP; consider establishing a Federal upper limit for SCHIP eligibility; target resources designated for SCHIP toward those most in need of Federal assistance; and require greater reporting by States of SCHIP data.

Section 514. Policy Statement on Medical Discovery, Development, Delivery and Innovation.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the the House should support the work of medical innovators through continued funding for the agencies that engage in life-saving research and development, and unleash the power of innovation by removing obstacles that impede the adoption of medical technologies.

Section 515. Policy Statement on Public Health Preparedness.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should, within available budgetary resources, provide continued support for research, prevention, and public health preparedness programs to ensure the Nation efficiently and effectively responds to potential public health threats.

Section 516. Policy Statement on Social Security.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution to ensure sustainable solvency of Social Security.

Subsection (c) states it is the policy of this concurrent resolution to reform the Disability Insurance program and work to address its looming insolvency before in occurs in 2028.

Subsection (d) states that any legislation improving the solvency of the Disability Insurance Trust Fund must also improve the long-term solvency of the combined Old Age and Survivors Disability Trust Fund.

Section 517. Policy Statement on Medicaid Work Requirements.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should pass legislation that encourages a work or service requirement for able-bodied, non-elderly, non-pregnant adults without dependents to receive Medicaid and gives States flexibility to determinate the parameters of such a requirement and perform regular case checks. The Government Accountability Office or Department of Health and Human Services Inspector General should also conduct annual audits of State Medicaid programs to ensure proper reporting and to prevent waste, fraud, and abuse.

Section 518. Policy Statement on Welfare Reform and Supplemental Nutrition Assistance Program Work Requirements.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the welfare system should reward work, provide tools to escape poverty, and expect working-capable adults to work or prepare for work in exchange for welfare benefits. The Supplemental Nutrition Assistance Program [SNAP] should also be reformed to improve work requirements to help more people escape poverty and move up the economic ladder.

Section 519. Policy Statement on State Flexibility in Supplemental Nutrition Assistance Program.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that SNAP should be reformed, based on the successful welfare reforms of the 1990s, to help those in need find gainful employment, escape poverty, and move up the economic ladder through improved work requirements and flexible funding for States.

Section 520. Policy Statement on Higher Education and Workforce Development Opportunity.

Subsection (a) sets out findings on higher education.

Subsection (b) states it is the policy of this concurrent resolution to promote affordability of higher education by targeting Federal financial aid, streamlining aid programs, and removing regulatory barriers.

Subsection (c) sets out findings on workforce development.

Subsection (d) states it is the policy of this concurrent resolution to improve workforce development by building upon the Workforce Innovation and Opportunity Act, enacted by Congress in 2014, by streamlining job training programs and allowing States to tailor programs to their constituencies.

Section 521. Policy Statement on Supplemental Wildfire Suppression Funding.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that Congress, in coordination with the administration, should develop a long-term funding mechanism allowing for supplemental wildfire suppression funding, and reforms that reduce hazardous fuel loads on Federal forests and lands that could decrease wildfires.

Section 522. Policy Statement on the Department of Veterans Affairs.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should require the Department of Veterans Affairs to conduct an audit of its programs named on the Government Accountability Office's "high-risk" list and report its findings to the Committee on Appropriations, the Committee on the Budget, and the Committee on Veterans' Affairs of the House of Representatives.

Section 523. Policy Statement on Moving the United States Postal Service on Budget.

Subsection (a) sets out findings.

Subsection (b) states it is policy of this concurrent resolution that all receipts and disbursements of the United States Postal Service should be included in the congressional budget and the budget of the Federal Government.

Section 524. Policy Statement on the Judgment Fund.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should enact legislation reclaiming its power of the purse over the Judgment Fund.

Section 525. Policy Statement on Responsible Stewardship of Taxpayer Dollars.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should be a model for the responsible stewardship of taxpayer dollars and identify any savings that can be achieved through greater productivity and efficiency in the operation and maintenance of House services and resources.

Section 526. Policy Statement on Tax Reform.

Subsection (a) sets out findings.

Subsection (b) states it is the policy of this concurrent resolution that the House should consider comprehensive tax reform legislation that promotes economic growth, creates American jobs, increases wages, and benefits American consumers, investors, and workers.

THE CONGRESSIONAL BUDGET PROCESS

The spending and revenue levels established in the budget resolution are implemented through two parallel but separate mechanisms: (1) allocations to the authorizing and appropriations committees that serve as limits on spending and tax legislation; and (2) when necessary, reconciliation directives to the authorizing committees to achieve a specified change in direct spending or revenue.

As required under Section 302(a) of the Congressional Budget and Impoundment Control Act of 1974 [Budget Act] (Public Law 93–344), the direct spending levels in the budget resolution are allocated to each House and Senate authorizing committee with direct spending authority. The resolution's discretionary spending levels are allocated to the Committee on Appropriations of each Chamber of Congress. These allocations are included in the report (or joint statement of managers for a conference report) accompanying the concurrent resolution on the budget. They are enforced through points of order (see the section of this report titled: "Enforcing Budgetary Levels").

For the authorizing committees, Section 302 of the Budget Act, as modified by the Balanced Budget Act of 1997 (Public Law 105–33), requires allocations of budget authority be provided in the report accompanying a budget resolution for the fiscal year for which it is adopted and at least the four ensuing fiscal years. The Committee on Appropriations receives an allocation for the budget year only. This budget resolution provides allocations of budget authority and outlays for fiscal year 2018 and each of the nine ensuing fiscal years, 2019 through 2027.

Committee on Appropriations—302(a) and 302(b) Allocations

302(a) Allocation. The Committee on Appropriations receives a lump sum of discretionary budget authority and corresponding outlays. It is usually included in the report accompanying a concurrent resolution on the budget, or joint statement of managers for a conference report, for the fiscal year for which the budget resolution is adopted. This allocation operates as a ceiling on the amount of discretionary budget authority that can be appropriated for that fiscal year. This budget resolution provides a 302(a) allocation to the Committee on Appropriations for fiscal year 2018, which commences on 1 October 2017.

302(b) Allocations. Once a 302(a) allocation is provided, the Committee on Appropriations is then required, in full committee, to divide the allocation among its 12 subcommittees. The amount each subcommittee receives constitutes its suballocation under Section

302(b) of the Budget Act. Each subcommittee's regular appropriations bill is capped at the level of its 302(b) suballocation and the bill is subject to a point of order if it exceeds this amount. Under Section 302(c) of the Budget Act, appropriations acts may not be considered on the floor of the House of Representatives before the 302(b) suballocations are made.

Although it would seem the sum of the 12 subcommittees' 302(b) suballocations must equal the Committee on Appropriations' 302(a) allocation, this has not always been the case. Under section 314 of the Budget Act, the Chairman of the Committee on the Budget may adjust the budget resolution levels for appropriations bills for continuing disability reviews, combatting health care fraud, and recovering from natural disasters. The Committee on Appropriations, however, does not always make corresponding adjustments to the appropriate 302(b) suballocations. The House is then left with unenforceable 302(b) suballocations because these suballcoations do not equal the total 302(a) allocation of the Committee on Appropriations and do not reflect the House's actions on the applicable appropriations bills. Without these adjustments to the 302(b) suballocations, the House can enforce only the overall 302(a) allocation, rendering the entire enforcement scheme useless. For example, even if 11 of the appropriations bills are over budget, the 302(a) allocation would be breached only by the last bill enacted.

The Committee on Appropriations should be granted greater flexibility in how to adjust its 302(b) suballocations. Recognizing it may sometimes be impracticable for the full Committee on Appropriations to convene and report out revisions to the 302(b) suballocations, the applicable rules should be modified to give the Committee on Appropriations maximum flexibility in making these adjustments. One approach would be to grant the Committee on Appropriations the authority to choose among the following options: acting as a full committee on each adjustment; empowering the Chairman of the Committee on Appropriations to unilaterally make the adjustment (as the Committee on the Budget does); or making the adjustment automatic based on the actual amount of appropriations provided in each bill.

Authorizing Committees—302(a) Allocations

The report accompanying the concurrent resolution on the budget, or the joint statement of managers for a conference report, allocates to each authorizing committee an amount of new budget authority along with the attendant outlays required to accommodate the direct spending within each authorizing committee's jurisdiction. If the budget resolution assumes increases in direct spending for new or expanded programs with no offsetting reductions in direct spending, authorizing committees may be allocated additional budget authority. Conversely, the allocation may reflect negative budget authority (relative to the projected current-law baseline) if the budget resolution assumes the enactment of legislation reducing direct spending.

Because the spending authority for these direct spending programs is multi-year or permanent, the allocations to the authorizing committees cover both the budget year and the entire period of the budget resolution. As noted, this budget resolution provides allocations for authorizing committees for fiscal year 2018, commencing on 1 October 2017, and fiscal years 2019 through 2027.

Unlike the Committee on Appropriations, each authorizing committee is provided a single allocation of new budget authority (divided between current law and expected policy action) not provided through annual appropriations. These committees are not required to file 302(b) suballocations. Bills first effective in fiscal year 2018 are measured against the level for that year included in the fiscal year 2018 budget resolution and also the 10-year period of fiscal years 2018 through 2027.

TABLE 13.—ALLOCATION OF SPENDING AUTHORITY TO HOUSE COMMITTEE ON APPROPRIATIONS

[In millions of dollars]

	2018
Base Discretionary Action:	
BA	1,132,249
OT	1,203,144
Global War on Terrorism:	
BA	86,591
OT	45,781
Current Law Mandatory:	
BA	1,017,791
OT	1,005,440

TABLE 14.—RESOLUTION BY AUTHORIZING COMMITTEE

[On-budget amounts in millions of dollars]

	2018	2018–2027
Agriculture:		
Current Law:		
BA	16,631	741,377
OT	15,639	731,563
Resolution Change:		
BA	−2,243	−209,852
OT	−1,991	−206,919
Total:		
BA	14,388	531,525
OT	13,648	524,644
Armed Services:		
Current Law:		
BA	164,662	1,790,474
OT	160,056	1,786,703
Resolution Change:		
BA	−1,651	−32,949
OT	−1,485	−32,601
Total:		
BA	163,011	1,757,525
OT	158,571	1,754,102
Financial Services:		
Current Law:		
BA	12,379	97,975
OT	−2,182	−17,010
Resolution Change:		
BA	−10,980	−124,012
OT	−10,695	−123,666
Total:		
BA	1,399	−26,037
OT	−12,877	−140,676
Education & Workforce:		
Current Law:		
BA	−3,389	22,153

TABLE 14.—RESOLUTION BY AUTHORIZING COMMITTEE—Continued

[On-budget amounts in millions of dollars]

	2018	2018–2027
OT	−7,955	−19,873
Resolution Change:		
BA	−16,809	−353,852
OT	−9,799	−326,214
Total:		
BA	−20,198	−331,699
OT	−17,754	−346,087
Energy & Commerce:		
Current Law:		
BA	436,628	6,418,926
OT	447,564	6,428,636
Resolution Change:		
BA	7,805	−1,652,820
OT	−24,661	−1,656,131
Total:		
BA	444,433	4,766,106
OT	422,903	4,772,505
Foreign Affairs:		
Current Law:		
BA	39,300	335,073
OT	30,641	312,277
Resolution Change:		
BA	0	0
OT	0	0
Total:		
BA	39,300	335,073
OT	30,641	312,277
Oversight & Government Reform:		
Current Law:		
BA	121,714	1,406,102
OT	119,858	1,370,668
Resolution Change:		
BA	−12,746	−281,830
OT	−12,746	−281,706
Total:		
BA	108,968	1,124,272
OT	107,112	1,088,962
Homeland Security:		
Current Law:		
BA	2,454	25,861
OT	2,521	26,766
Resolution Change:		
BA	−430	−25,270
OT	−193	−24,689
Total:		
BA	2,024	591
OT	2,328	2,077
House Administration:		
Current Law:		
BA	41	331
OT	13	107
Resolution Change:		
BA	0	0
OT	0	0
Total:		
BA	41	331
OT	13	107
Natural Resources:		
Current Law:		
BA	5,544	58,768
OT	5,864	59,904
Resolution Change:		
BA	−3,816	−60,417

TABLE 14.—RESOLUTION BY AUTHORIZING COMMITTEE—Continued

[On-budget amounts in millions of dollars]

	2018	2018–2027
OT	−3,171	−59,302
Total:		
BA	1,728	−1,649
OT	2,693	602
Judiciary:		
Current Law:		
BA	21,586	135,089
OT	16,401	147,778
Resolution Change:		
BA	−16,098	−67,078
OT	−1,528	−67,178
Total:		
BA	5,488	68,011
OT	14,873	80,600
Transportation & Infrastructure:		
Current Law:		
BA	76,388	734,774
OT	16,763	179,222
Resolution Change:		
BA	−241	−122,290
OT	−193	−3,066
Total:		
BA	76,147	612,484
OT	16,570	176,156
Science, Space & Technology:		
Current Law:		
BA	108	1,017
OT	106	1,017
Resolution Change:		
BA	0	0
OT	0	0
Total:		
BA	108	1,017
OT	106	1,017
Small Business:		
Current Law:		
BA	0	0
OT	0	0
Resolution Change:		
BA	0	0
OT	0	0
Total:		
BA	0	0
OT	0	0
Veterans Affairs:		
Current Law:		
BA	2,533	128,755
OT	5,336	133,378
Resolution Change:		
BA	−748	−49,022
OT	−748	−49,022
Total:		
BA	1,785	79,733
OT	4,588	84,356
Ways & Means:		
Current Law:		
BA	1,065,242	14,926,712
OT	1,063,476	14,920,121
Resolution Change:		
BA	−19,499	−800,344
OT	−19,108	−799,687

TABLE 14.—RESOLUTION BY AUTHORIZING COMMITTEE—Continued

[On-budget amounts in millions of dollars]

	2018	2018–2027
Total:		
BA	1,045,743	14,126,368
OT	1,044,368	14,120,434

RECONCILIATION

Section 310 of the Congressional Budget Act of 1974 [Budget Act] sets out a special procedure for making changes in direct spending, revenue, or the debt limit. Under the procedure, called *reconciliation,* a concurrent resolution on the budget may direct one or more authorizing committees to produce legislation making changes in any of these three categories, to bring their levels into compliance with the resolution's assumed changes in direct spending or revenue. To be valid, reconciliation directives must be included in a concurrent resolution on the budget adopted by both the House and Senate.

In general, reconciliation directives include the amount of budgetary change to be achieved; the time period over which such budgetary change should be measured; and a deadline by which the authorizing committees must report legislation. When more than one authorizing committee receives reconciliation directives, each committee considers legislation to comply with these directives as it would any other bill, but the legislative text and other materials are submitted to the Committee on the Budget instead of being reported to the House. The Committee on the Budget then combines the submissions, without substantive revision, into a single measure and reports it to the House. If only one authorizing committee received reconciliation directives, that committee reports its legislation directly to the House.

The Budget Committee's authority in this procedure is solely over the budgetary change each committee is to achieve. Nothing in the instructions predetermines, promotes, or assumes any specific policy change to be made under such instructions. The committees of jurisdiction have maximum flexibility in determining what policies they develop to achieve their budgetary targets.

In the House, the Committee on Rules reports a special rule governing the consideration of a reconciliation bill. Typically, the rule allows for two or three hours of general debate equally divided between majority and minority. The Committee on the Budget determines whether an authorizing committee has complied with its reconciliation directives and relies solely on the Congressional Budget Office's estimates when determining compliance. Under Section 310 of the Budget Act, authorizing committees must comply with reconciliation directives. If an authorizing committee fails to comply with its directives, the Committee on Rules may make in order amendments that achieve the required budgetary changes pursuant to Section 311(d)(5) of the Budget Act.

A reconciliation bill is a privileged measure in the Senate. Distinct from most Senate bills, debate is limited to 20 hours and requires only a simple majority to pass (51 votes) rather than the 60 votes otherwise required for cloture.

In the Senate, the "Byrd Rule" (Section 313 of the Budget Act) limits the content of a reconciliation bill. Under the Byrd Rule, provisions that are considered "extraneous" can be stricken from the bill if a point of order is raised. The provision may remain, however, if 60 Senators vote to waive the Byrd Rule. If a point of order is raised and the rule is not waived, a provision found to violate the Byrd Rule is removed from the bill or conference report and the measure is sent back to the House. The House may then pass the amended bill or conference report, amend it and send it back to the Senate, or decline to consider it.

This Concurrent Resolution on the Budget for Fiscal Year 2018, as reported by the Committee on the Budget, provides for such reconciliation legislation. It instructs 11 authorizing committees to submit changes in law necessary to achieve a minimum of $203 billion in net deficit reduction over the period of fiscal years 2018 through 2027.[595] Each authorizing committee must submit legislative text and associated material to the Committee on the Budget no later than 6 October 2017. The instruction to the Committee on Ways and Means has dual policy goals: to develop comprehensive, deficit-neutral reform of Federal taxation, and to achieve the designated amount of deficit reduction. Under the Congressional Budget Act, the budget resolution cannot dictate specific policy reforms. Consequently, this resolution does not expressly define the types of legislative provisions to be developed by the Committee on Ways and Means. Nevertheless, it is the intent of the resolution's reconciliation instructions that the Committee on Ways and Means will develop comprehensive deficit neutral tax reform legislation and report such legislative language to the Committee on the Budget.

Several features of these directives are important to note.

First, the principal goal of these instructions is to drive much-needed reform of the government's major benefit programs. As detailed throughout this report, many of these programs—along with being unnecessarily costly—are failing the very people they were intended to serve. Income support programs often lure their beneficiaries into a cycle of dependency, depriving them of opportunities to achieve self-sufficiency. The Medicaid Program delivers substandard care to the Nation's most vulnerable—if they can get health care at all. Medicare needlessly limits retirees' choices of health plans—and besides is on a course to bankruptcy. Maintaining this failed apparatus is unacceptable. These reconciliation directives start turning Federal benefit programs onto a different course. Reforming these programs will also make them more efficient. They will spend less than they would otherwise, and thereby help Congress toward the important goal of balancing the budget.

As noted above, however, nothing in the instructions predetermines in any way the policies to be adopted. Those decisions lie entirely in the hands of the committees of jurisdiction.

[595] Although a portion of these savings are viewed as offsetting the budget's increase in defense spending in fiscal year 2018, the defense spending is a one-year increase in discretionary spending. The reconciled savings here are entirely from permanent changes in law in direct spending programs.

Second, the instructions in this resolution represent the beginning of a process, not the totality of the overall fiscal plan. The total deficit reduction amount required is a first installment on the path toward balancing the budget by 2027. The government's chronic deficits and mounting debt developed over a number of years of profligate spending and aimless fiscal policy. It will be corrected only through a sustained commitment to spending restraint. The Committee assumes future budget resolutions will include further reconciliation instructions calling for additional savings until, step by step, the goal of balance is achieved. Moreover, the net deficit reduction directed here—along with the specific savings amount for each committee—are considered *minimums.* Committees are expected to achieve at least those savings amounts, and substantially more wherever possible.

Third, this down payment on balancing the budget is no trivial amount in itself. It would be, in fact, the largest enacted deficit reduction in 20 years—since the historic Balanced Budget Act of 1997. Of note: Unlike previous reconciliation measures that decade, the Balanced Budget Act contained no tax increases; all its savings resulted from slowing the growth of direct spending by what was then estimated at $424 billion over 10 years.[596] This was coupled with a tax *reduction* of an estimated $275 billion over 10 years.[597] The result of this combination? A plan intended to balance the budget by 2002 yielded surpluses within a year after enactment.

Fourth, whatever reforms the authorizing committees develop, they will entail permanent changes in policy, not merely one-time savings. Further, their fiscal benefits accumulate over time, so that the savings grow each year.

The specific committees receiving instructions in this resolution, and their minimum required savings amounts, are the following:

Authorizing committee	Minimum deficit reduction 2018–2027
Committee on Agriculture	$10 billion
Committee on Armed Services	$1 billion
Committee on Education and the Workforce	$20 billion
Committee on Energy and Commerce	$20 billion
Committee on Financial Services	$14 billion
Committee on Homeland Security	$3 billion
Committee on the Judiciary	$45 billion
Committee on Natural Resources	$5 billion
Committee on Oversight and Government Reform	$32 billion
Committee on Veterans' Affairs	$1 billion
Committee on Ways and Means	$52 billion

As noted previously, the instruction to the Committee on Ways and Means is intended for the development of comprehensive, deficit-neutral tax reform as well deficit reduction.

[596] Congressional Budget Office, *CBO Memorandum: Budgetary Implications of the Balanced Budget Act of 1997,* December 1997.
[597] See the Conference Report on the "Taxpayer Relief Act of 1997" (H.R. 2014), p. 807.

FIGURE 16

Recent History of Enacted Reconciliation Measures

Congress	Budget Resolution	Reconciliation Act	Impact on the Deficit[a]
107th	H. Con. Res. 83	"Economic Growth and Tax Relief Reconciliation Act of 2001"	Increased projected deficits by \$2.18 trillion over 2001-2011 (increased direct spending by \$92 billion; reduced revenue by \$1.26 trillion)
108th	H. Con. Res. 95	"Jobs and Growth Tax Relief Reconciliation Act of 2003"	Increased projected deficits by \$349.7 billion over 2003-2013 (increased direct spending by \$29.5 billion; reduced revenues by \$320.2 billion)
109th	H. Con. Res. 95	"Deficit Reduction Act of 2005; Tax Increase Prevention and Reconciliation Act of 2005"	Cumulative effect of two bills: Reduced projected deficits by \$29.9 billion over 2006-2015 (DRA of 2005 reduced direct spending by \$99 billion over 2006-2015; Tax Increase Prevention and Reconciliation Act reduced revenues by \$69.1 billion)
110th	S. Con. Res. 21	"College Cost Reduction and Access Act of 2007"	Reduced projected deficits by \$3.6 billion over 2007-2017 (no revenue effect)
111th	S. Con. Res. 13	"Health Care and Education Reconciliation Act of 2010"	Reduced projected deficits by \$143 billion over 2010-2019

[a] Impacts on the deficit are relative to the projected deficit as estimated by the Congressional Budget Office [CBO] at the time of passage. The figures reflect CBO's analysis of each measure as passed by Congress, except for the Health Care and Education Reconciliation Act. For that legislation, the deficit impact figure reflects CBO's estimate of 20 March 2010, which combined the proposed manager's amendment in the House of Representatives with H.R. 3590, the Patient Protection and Affordable Care Act.

ENFORCING BUDGETARY LEVELS

The congressional budget process contains various mechanisms for enforcing the concurrent resolution on the budget. These include provisions of the budget resolution, the Congressional Budget and Impoundment Control Act of 1974 [Budget Act] (Public Law 93–344), and the Rules and Separate Orders of the House of Representatives.

The Concurrent Resolution on the Budget

The concurrent resolution on the budget establishes overall limits on spending and revenue. The report accompanying the budget resolution (or the joint statement of managers for a conference report) contains allocations to congressional committees that are binding on Congress when it considers subsequent spending and tax legislation. Any legislation that breaches the levels set forth in the budget resolution is subject to points of order on the floor of the House of Representatives. The concurrent resolution on the budget is established pursuant to the Budget Act, which includes various requirements concerning its content and enforcement. In addition to setting targets for spending, revenue, deficits and debt, the budget resolution may include special procedures to execute and enforce congressional budgetary decisions.

The levels established in the budget resolution are not self-enforcing. Members of the House must raise points of order against legislation that breaches the allocations and aggregate spending levels established in the budget resolution. If a point of order is sustained, the House is precluded from further consideration of the measure. It has been the practice of the House to waive all points of order in the resolution, or "rule," that provides for House consideration of a bill.

Provisions of the Congressional Budget Act

Section 302(f). Section 302(f) of the Budget Act prohibits the consideration of legislation that exceeds a committee's allocation of budget authority. For authorizing committees, this section applies to the first fiscal year and the period of fiscal years covered by the most recently agreed to budget resolution. For appropriations bills, however, the test measures only the budget effects in the first fiscal year.

Section 303. Section 303 prohibits the consideration of spending and revenue legislation before the House has passed a concurrent resolution on the budget for a given fiscal year. If such a budget resolution has not been agreed to, legislation that changes revenue or increases budget authority in the applicable fiscal year violates

Section 303(a). Section 303(a) does not apply to budget authority and revenue provisions first effective in a year following the first fiscal year to which a budget resolution would apply or to appropriations bills after 15 May.

Section 311. Section 311 of the Budget Act prohibits the consideration of legislation that would exceed the overall limits on budget authority and outlays established by the concurrent resolution on the budget, or cause revenue levels to fall below the revenue floor in that resolution. If a measure would cause the aggregate spending levels of budget authority or outlays to exceed the ceiling established for the first fiscal year of a budget resolution, the measure violates Section 311. A measure also violates Section 311 if it would cause revenue to be lower than the revenue floor in the first fiscal year or the period of fiscal years covered by the most recently agreed to budget resolution. Section 311 does not apply to measures that provide budget authority but do not exceed a committee's 302(a) allocations.

Section 314(f). Section 314(f) prohibits the consideration of any bill, joint resolution, amendment, or conference report that would cause the statutory spending category limits established in Section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177) (as adjusted by procedures set out in Section 251A of that Act) to be exceeded.

Section 401(a). Section 401(a) of the Budget Act prohibits the consideration of any bill, joint resolution, amendment, or conference report that provides, unless subject to the availability of appropriations: (1) new authority to enter into contracts under which the Federal Government is obligated to make outlays; (2) new authority to incur indebtedness; or (3) new credit authority. It is a strict rule because, similar to the House Cut-As-You-Go rule (see below) and statutory Pay-As-You-Go (see next section), a bill would violate Section 401(a) even if the budget resolution specifically assumed the increase in direct spending.

Section 401(b). Section 401(b)(1) of the Budget Act prohibits the consideration of any bill, joint resolution, amendment, or conference report that provides new entitlement authority first effective in the current fiscal year. This point of order prevents Congress from prematurely increasing new entitlement authority before Congress agrees to a budget resolution for the forthcoming fiscal year.

Section 401(b)(2) requires the referral to the Committee on Appropriations of any reported authorization bill increasing entitlement spending in the forthcoming fiscal year if it exceeds the reporting committee's 302(a) allocation. The Committee on Appropriations is then empowered to limit the total amount of new entitlement authority provided by that bill.

The well-intentioned rules under Section 401 of the Budget Act have proven ineffective. Congress has passed numerous bills that have increased one or more of the categories of direct spending specified in Section 401. These increases in direct spending have included entirely new programs, expansions of existing programs, and increases in existing programs that occur under current law.

Budget-Related Provisions Under House Rules

Rule XIII, Clause 8. Rule XIII, Clause 8 requires the Congressional Budget Office and Joint Committee on Taxation to incorporate the macroeconomic effects of major legislation into official cost estimates used for budget enforcement and other rules of the House. The operation of this rule has been superseded by Section 307 of this resolution.

Rule XXI, Clause 7. Rule XXI, Clause 7 prohibits the consideration of a concurrent resolution on the budget containing reconciliation directives (pursuant to Section 310 of the Budget Act) that would cause a net increase in direct spending.

Rule XXI, Clause 10. Rule XXI, Clause 10 prohibits the consideration of legislation that increases direct spending over the applicable six-year period or 11-year period. If such spending is increased in either of these periods, then it must be offset by corresponding reductions in direct spending. If an amendment offered to a measure increases direct spending in either of these periods, then the amendment must also reduce net direct spending by at least the same amount. This rule is commonly referred to as Cut-As-You-Go.

Rule XXIX, Clause 4. Rule XXIX, Clause 4 specifies that the Chairman of the Committee on the Budget is responsible for providing authoritative guidance concerning the impact of a legislative proposition related to the levels of new budget authority, outlays, direct spending, and new entitlement authority.

Section 3 of the Separate Orders of House Resolution 5 of the 115th Congress. House Resolution 5 adopted the rules from the 114th Congress as the Rules of the House of Representatives for the 115th Congress and incorporated additional provisions related to the budget process.

Section 3(e) maintains the requirement, from the 112th, 113th, and 114th Congresses, that each general appropriations bill include a "spending reduction account." This account provides a recitation of the amount by which, through the amendment process, the House has reduced spending in other portions of the bill and indicates that those savings be counted toward spending reduction. It also provides that any amendment increasing spending relative to the underlying bill must include an offset of an equal or greater amount.

Section 3(h) requires that the Congressional Budget Office, to the extent practicable, prepare an estimate of whether a measure would cause a net increase in direct spending in excess of $5 billion[598] in any of the four consecutive 10-fiscal-year periods beginning with the first fiscal year occurring 10 fiscal years after the current fiscal year. It also establishes a point of order against consideration of any bill or joint resolution reported by a committee, or any amendment or conference report, that causes a net increase in direct spending in excess of $5 billion in any of the four consecutive 10-fiscal-year periods described above.[599] For purposes of Section 3(h), the levels of any net increase in direct spending shall be

[598] This budget resolution lowers the $5-billion threshold to $2.5 billion, Section 301(b).
[599] This budget resolution lowers the $5-billion threshold to $2.5 billion, Section 301(a).

determined on the basis of estimates provided by the Chairman of the Committee on the Budget. This point of order does not apply to any bill or joint resolution, or any amendment or conference report, that repeals the Patient Protection and Affordable Care Act and Title I and Subtitle B of Title II of the Health Care and Education Affordability Reconciliation Act of 2010; reforms the Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010;[600] or for which the Chairman of the Committee on the Budget adjusts the allocations, levels, or limits contained in the most recently adopted concurrent resolution on the budget.

Section 3(o) prohibits the consideration of any legislation that reduces the actuarial balance of the Federal Old-Age and Survivors Insurance Trust Fund unless such legislation improves the overall financial health of the combined Social Security Trust Funds.

[600] The exceptions for health care legislation are not included in the budget resolution.

STATUTORY CONTROLS OVER THE BUDGET

Since 1985, numerous statutory budget controls have been superimposed over the congressional budget process through the enactment of, and subsequent amendments to, the "Balanced Budget and Emergency Deficit Control Act of 1985" [Deficit Control Act] (Public Law 99–177). This law has been amended several times and generally serves as the primary vehicle for statutory controls over the budget.

The Balanced Budget and Emergency Deficit Control Act of 1985

The Deficit Control Act initially was intended to reduce deficits by establishing annual maximum deficit limits. These limits were enforced through "sequestration," which entailed automatic spending reductions in non-exempt discretionary programs and a relatively small number of direct spending programs. If the deficit targets were exceeded, a presidential sequestration order would be triggered within 15 days after the end of a session of Congress. The sequestration process remained in force for laws enacted through the end of fiscal year 2002.

The Budget Enforcement Act of 1990

The "Budget Enforcement Act of 1990" [BEA 1990] (Public Law 101–508) effectively replaced the maximum deficit limits originally established by the Deficit Control Act with annual limits on discretionary spending and controls over increases in the deficit. The deficit increases were calculated by adding together, for each fiscal year, increases in direct spending and reductions in revenues, and the controlling mechanism was termed "pay-as-you-go."

For discretionary appropriations, BEA 1990 established limits for three separate categories of spending: defense, international affairs, and domestic. These spending limits applied through fiscal year 1993, and then were combined into a single limit on all appropriations for fiscal years 1994 and 1995.

Under pay-as-you-go requirements, a sequester would be triggered if the cumulative effect of all newly enacted direct spending or revenue laws increased the deficit. As with the maximum deficit amounts before it, most spending defined as "direct" was exempt from any reductions. Other spending programs had limitations on the reductions. For example, spending reductions in the Medicare Program, under pay-as-you-go, were limited to 4 percent of the program costs. (The Budget Control Act of 2011, discussed below, changed this limit to 2 percent for most Medicare costs.)

The Omnibus Budget Reconciliation Act of 1993

The "Omnibus Budget Reconciliation Act of 1993" [OBRA 1993] (Public Law 103–66) extended a single limit on discretionary spending through fiscal year 1998. Any breach of the limit would cause a sequestration (again, an across-the-board cut in all non-exempt discretionary programs). Programs under these spending limits were held harmless for changes in inflation, emergencies, estimating differences between the Office of Management and Budget [OMB] and the Congressional Budget Office [CBO], and changes in concepts and definitions. OBRA 1993 also extended the pay-as-you-go enforcement procedures for legislation enacted through fiscal year 1998.

The Balanced Budget Act of 1997

As amended by OBRA 1993, the statutory limits on discretionary spending would have expired at the end of fiscal year 1998. The "Balanced Budget Act of 1997" [BBA 1997] (Public Law 105–33) modified these limits for fiscal year 1998 and extended them through fiscal year 2002. Similarly, the pay-as-you-go requirements were extended for legislation enacted through the end of fiscal year 2002. Although sequestration remained in effect through fiscal year 2002, it was turned off by Public 107–312, a bill "to reduce preexisting PAYGO balances", enacted 2 December 2002.

BBA 1997 also made numerous technical changes in both the congressional budget process and sequestration procedures that enforce the discretionary spending limits and pay-as-you-go requirements.

BBA 1997 established separate limits on defense and non-defense discretionary spending for fiscal years 1998 and 1999. These limits were combined into a single limit on discretionary spending in fiscal years 2000, 2001, and 2002. The separate discretionary spending limits were designed to prevent Congress and the President from shifting resources from one category to another.

BBA 1997 repealed automatic adjustments in the spending limits for changes in inflation and estimating differences between OMB and CBO on budget outlays. It retained adjustments for emergencies, estimating differences in budget authority, and continuing disability reviews; it added adjustments for the International Monetary Fund, international arrearages, and an Earned Income Tax Credit compliance initiative. The adjustments are made in the President's final sequestration report issued 15 days after the end of a session of Congress. Separate limits were subsequently enacted for certain transportation and conservation spending programs. While the transportation spending limit was ostensibly a limit on funding, it was primarily used to calculate the levels of spending that flowed from the Highway Trust Fund.

The Statutory Pay-As-You-Go Act of 2010

No further legislation was enacted to reestablish statutory controls on spending and revenue until 2010, when on 10 February of that year, the "Statutory Pay-As-You-Go Act of 2010" was signed as part of Public Law 111–139. This law permanently reinstated pay-as-you-go requirements. It also increased the statutory limit on the public debt and amended the base of programs subject to sequestration. It did not, however, re-impose the limits on discretionary spending.

The Budget Control Act of 2011

The main impetus for the "Budget Control Act of 2011" [BCA 2011] (Public Law 112–25), enacted on 2 August 2011, was to authorize an increase in the public debt limit before it was breached. It also set statutory controls on spending, and created a Joint Select Committee on Deficit Reduction to recommend policies achieving $1.5 trillion in deficit reduction through fiscal year 2021. As a fallback, the measure provided for an offsetting sequester to be achieved through the reestablishment of discretionary spending limits and a parallel mechanism for triggering a sequestration of direct spending programs.

The discretionary spending limits were reestablished for fiscal years 2012 through 2021. For the first two years of the legislation (fiscal years 2012 and 2013), these limits were divided into "security" and "non-security" categories.[601] For the remaining years, the limits were set as a single general discretionary category.

BCA 2011 included additional procedures that had the effect of altering the discretionary spending limits under Section 251(c) of the Deficit Control Act, mainly by extending the security and non-security categories through the end of the period. CBO estimated that the discretionary spending limits under BCA 2011 would reduce the deficit, including savings from debt service, by $917 billion over the 10-fiscal-year period of 2012 through 2021.

The legislation reported by the Joint Select Committee was to be considered under procedures limiting amendment and debate. Under BCA 2011, a sequester was established to offset any portion of $1.2 trillion in deficit reduction that was not achieved through the enactment of legislation reported by the Joint Committee. The Joint Committee failed to report proposals reducing the deficit by any amount, and no legislation to that purpose was enacted by the required deadline of 15 January 2012. As a result, the Joint Committee ceased to exist and the automatic spending reduction process was triggered.

The automatic spending reduction process prompted new discretionary spending based on the aforementioned "security" and "non-security" categories. A formula was used to calculate the sequestration order and was based on a number of factors, including reduced cost of debt service, the number of remaining fiscal years, and direct and discretionary spending; in fiscal year 2013, both direct and discretionary spending were affected.

[601] Section 102 of the Act defines the "security" category as comprising discretionary appropriations for the Department of Defense, the Department of Homeland Security, the Department of Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account, and all budget accounts in Function 150, International Affairs. All other discretionary appropriations were grouped together in the non-security category. These were replaced with "revised" security and non-security limits on spending for programs, which fall inside Function 050, Defense, and outside that function.

The American Taxpayer Relief Act of 2012

As part of an agreement to make permanent most tax policies first enacted in 2001 and 2003 but scheduled to expire at the end of 2012,[602] the "American Taxpayer Relief Act of 2012" [ATRA] (Public Law 112–240) was enacted. It included certain budget process provisions. ATRA reduced the BCA 2011 fiscal year 2013 sequester by $24 billion—from $109.33 billion to $85.33 billion for that fiscal year. It postponed the BCA 2011 sequester (under section 251(a) of the Deficit Control Act) by two months, from 2 January 2013 to 1 March 2013. It also postponed, until 17 March 2017, the Deficit Control Act sequester (a separate sequestration under Section 251(a) that normally occurs 15 days after the end of a session of Congress). Rather than require a sequester of a nominal amount for fiscal year 2013, as dictated by BCA 2011, the sequester triggered by the Deficit Control Act enforced spending limit categories and applied regardless of spending level relative to spending limits. It also reduced the defense and non-defense limits for fiscal years 2013 and 2014 by $4 billion and $8 billion, respectively. As required by ATRA, President Obama ordered the fiscal year 2013 BCA sequester on 1 March 2013.

The Bipartisan Budget Act of 2013

As a result of the budget negotiations between House Budget Committee Chairman Ryan and Senate Budget Committee Chairman Murray, the "Bipartisan Budget Act of 2013" [BBA 2013] (Public Law 113–67) increased the discretionary spending limits for fiscal years 2014 and 2015. The agreement provided $63 billion in sequester relief over two years, split evenly between defense and non-defense programs. BBA 2013 reset the fiscal year 2014 defense discretionary limit at $520.5 billion and non-defense discretionary spending at $491.8 billion. For fiscal year 2015, defense and non-defense limits were reset at $521.3 billion and $492.4 billion, respectively.

The sequester relief was fully offset by numerous direct spending reductions and non-tax revenues totaling $85 billion. These savings included the following: counting $28 billion in reductions stemming from a provision requiring the President to sequester the same percentage of mandatory budgetary resources in 2022 and 2023 as will be sequestered in 2021 under current law; amending the Mineral Leasing Act to deposit two-percent of certain payments made to States under the Act to the Treasury; restructuring aviation security service fees; increasing Pension Benefit Guaranty Corporation premium rates; and rescinding and permanently cancelling $693 million from the Department of Justice's Asset Forfeiture Fund, among other provisions.

[602] These tax policies were temporary because they were enacted under the budget reconciliation process. Section 313 of the Budget Act—known as the "Byrd Rule"—prohibits spending and tax legislation enacted in reconciliation from increasing the projected deficit outside the 10-year budget window compared to what it would have been without those tax policies. Consequently, those tax relief policies were required to expire.

The Bipartisan Budget Act of 2015

The "Bipartisan Budget Act of 2015" [BBA 2015] (Public Law 114–67) again increased the near-term discretionary spending limits and offset the increase through reductions in direct spending. BBA 2015 specifically increased the combined discretionary limits by $50 billion in fiscal year 2016 and $30 billion in fiscal year 2017, equally divided between defense and non-defense spending each year. These increases in the discretionary spending limits were offset through reductions in direct spending spread over a 10-year period. The savings included the following: establishing an overall rate of return for insurance providers under the Standard Reinsurance Agreement; authorizing the sale of 58 million barrels of oil from the Strategic Petroleum Reserve; raising premium rates for single employer pension plans; accelerating the due date for pension premiums; maintaining the 2016 Medicare Part B premium; and rescinding and permanently cancelling $746 million from the Department of Justice's Asset Forfeiture Fund, among other provisions. The measure also reduced spending by $14 billion in fiscal year 2025 by requiring the President to sequester the same percentage of direct spending in 2025 as will be sequestered in 2021.

Additionally, BBA 2015 increased the adjustments in the non-defense limits for appropriations for Social Security continuing disability reviews by $484 million through fiscal year 2021. The Act temporarily suspended the debt limit through 15 March 2017 and, for the Senate only, established the budget aggregates, 302 allocations, and other budgetary limits that normally would have been set as part of the fiscal year 2017 concurrent resolution on the budget.

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS

Accounts Identified for Advance Appropriations for Fiscal Year 2019

(SUBJECT TO A GENERAL LIMIT OF $28,852,000,000)

Labor, Health and Human Services, and Education

Employment and Training Administration
Education for the Disadvantaged
School Improvement
Career, Technical, and Adult Education
Special Education

Transportation, Housing and Urban Development

Tenant-based Rental Assistance
Project-based Rental Assistance

Veterans Discretionary Accounts Identified for Advance Appropriations for Fiscal Year 2019

(SUBJECT TO A SEPARATE LIMIT OF $70,699,313,000)

Military Construction, Veterans Affairs

Veterans Medical Services
Veterans Medical Support and Compliance
Veterans Medical Facilities
Veterans Medical Community Care

VOTES OF THE COMMITTEE

Clause 3(b) of House Rule XIII requires each committee report to accompany any bill or resolution of a public character, ordered to include the total number of votes cast for and against on each roll call vote, on a motion to report and any amendments offered to the measure or matter, together with the names of those voting for and against. Listed below are the roll call votes taken in the Committee on the Budget on the Concurrent Resolution on the Budget for Fiscal Year 2018.

On July 19, 2017, the Committee met in open session, a quorum being present.

The Committee adopted and ordered reported the Concurrent Resolution on the Budget for Fiscal Year 2018. The Committee on the Budget took the following votes:

1. An amendment offered by Representatives Wasserman Schultz, Yarmuth, Lee, Lujan Grisham, Moulton, Jeffries, Higgins, DelBene, Khanna, Jayapal, Jackson Lee, and Schakowsky to reject the "American Health Care Act."

The amendment would increase mandatory budget authority and outlays for Function 550 by the following amounts: $26.3 billion for fiscal year 2018, $21.7 billion for fiscal year 2019, $78.9 billion for fiscal year 2020, $126.1 billion for fiscal year 2021, $145.1 billion for fiscal year 2022, $164.5 billion for fiscal year 2023, $180.9 billion for fiscal year 2024, $195.2 billion for fiscal year 2025, $209.0 billion for fiscal year 2026, and $223.8 billion for fiscal year 2027.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays, reflecting the rejection of certain tax cuts and the reduction of tax expenditures in the "American Health Care Act."

The amendment was not agreed to by a roll call vote of 12 ayes and 21 noes.

ROLL CALL VOTE NO. 1

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)			
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)			
WOODALL (GA)		X		HIGGINS (NY)	X		

ROLL CALL VOTE NO. 1—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

2. An amendment offered by Representatives Jackson Lee, Yarmuth, Lee, Lujan Grisham, Jeffries, Higgins, Wasserman Schultz, Khanna, Jayapal, and Schakowsky to increase Medicaid spending and increase revenue by an equal amount.

The amendment would increase both mandatory budget authority and outlays for Function 550 (Health) each by the following amounts: $13.7 billion for fiscal year 2018, $34.3 billion for fiscal year 2019, $76.1 billion for fiscal year 2020, $107.9 billion for fiscal year 2021, $120.9 billion for fiscal year 2022, $130.5 billion for fiscal year 2023, $141.1 billion for fiscal year 2024, $151.8 billion for fiscal year 2025, $164.0 billion for fiscal year 2026, and $188.2 billion for fiscal year 2027.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays, reflecting the reduction of tax expenditures for high-income earners or certain corporate tax breaks.

The amendment was not agreed to by a roll call vote of 13 ayes and 21 noes.

ROLL CALL VOTE NO. 2

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		

ROLL CALL VOTE NO. 2—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ROKITA (IN) (Vice Chairman)		X		LEE (CA)			
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

3. An amendment offered by Representatives Boyle, Yarmuth, Lee, Lujan Grisham, Higgins, Khanna, Jayapal, Jackson Lee, and Schakowsky to insert a policy statement on preventing tax increases for low-income and middle-income families.

The amendment was not agreed to by a roll call vote of 13 ayes and 21 noes.

ROLL CALL VOTE NO. 3

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)			
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		

ROLL CALL VOTE NO. 3—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

4. An amendment offered by Representatives Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, Wasserman Schultz, Khanna, Jayapal, Jackson Lee, and Schakowsky to insert a policy statement on supporting equal increases in defense and non-defense funding.

The amendment was not agreed to by a roll call vote of 13 ayes and 21 noes.

ROLL CALL VOTE NO. 4

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)			
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		

ROLL CALL VOTE NO. 4—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

5. An amendment offered by Representatives Jeffries, Yarmuth, Lee, Lujan Grisham, Higgins, DelBene, Wasserman Schultz, Khanna, Jayapal, Carbajal, Jackson Lee, and Schakowsky relating to Medicare.

The amendment would strike Section 511 of the Chairman's mark and insert a policy statement on opposing eliminating guaranteed health benefits under Medicare and establishing a Medicare voucher or premium support plan.

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

ROLL CALL VOTE NO. 5

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		

ROLL CALL VOTE NO. 5—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

6. An amendment offered by Representatives Schakowsky, Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, DelBene, Wasserman Schultz, Khanna, Jayapal, Carbajal, and Jackson Lee to insert a policy statement on women's health care.

The amendment was not agreed to by a roll call vote of 13 ayes and 21 noes.

ROLL CALL VOTE NO. 6

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		

ROLL CALL VOTE NO. 6—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)			
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

Representative Jackson Lee asked unanimous consent, after the closing of the vote, that the record reflect she would have voted aye on roll call vote no. 6. There was no objection to this unanimous consent request.

7. An amendment offered by Representatives Higgins, Yarmuth, Lee, Lujan Grisham, Moulton, DelBene, Boyle, Khanna, Jayapal, Carbajal, Jackson Lee, and Schakowsky to increase budget authority and outlays for Function 400 (Transportation) and increase revenue by an equal amount.

Budget authority would increase by the following amounts: $6.651 billion for fiscal year 2018, $7.954 billion for fiscal year 2019, $8.751 billion for fiscal year 2020, $55.232 billion for fiscal year 2021, $26.429 billion for fiscal year 2022, $27.453 billion for fiscal year 2023, $27.847 billion for fiscal year 2024, $27.9 billion for fiscal year 2025, $27.727 billion for fiscal year 2026, and $27.566 billion for fiscal year 2027.

Outlays would increase by the following amounts: $2.209 billion for fiscal year 2018, $4.983 billion for fiscal year 2019, $6.821 billion for fiscal year 2020, $20.842 billion for fiscal year 2021, $35.357 billion for fiscal year 2022, $33.504 billion for fiscal year 2023, $34.293 billion for fiscal year 2024, $36.958 billion for fiscal year 2025, $38.896 billion for fiscal year 2026, and $40.167 billion for fiscal year 2027.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned outlay changes, reflecting the reduction of tax expenditures for high-income earners or certain corporate tax breaks.

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

ROLL CALL VOTE NO. 7

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

8. An amendment offered by Representatives Lee, Yarmuth, Lujan Grisham, Jeffries, Higgins, Khanna, Jayapal, Jackson Lee, and Schakowsky to increase budget authority and outlays for Function 500 (Education, Training, Employment, and Social Services) and Function 600 (Income Security) and increase revenue by an equal amount.

The amendment would increase mandatory budget authority for Function 500 by the following amounts: $15.967 billion for fiscal year 2018, $19.832 billion for fiscal year 2019, $21.395 billion for fiscal year 2020, $22.959 billion for fiscal year 2021, $24.844 billion for fiscal year 2022, $23.032 billion for fiscal year 2023, $24.768 billion for fiscal year 2024, $26.389 billion for fiscal year 2025, $27.794 billion for fiscal year 2026, and $28.850 billion for fiscal year 2027.

Outlays for Function 500 would increase by the following amounts: $8.691 billion for fiscal year 2018, $17.531 billion for fiscal year 2019, $19.916 billion for fiscal year 2020, $21.427 billion for fiscal year 2021, $22.8 billion for fiscal year 2022, $22.629 billion for fiscal year 2023, $22.558 billion for fiscal year 2024, $23.920 billion for fiscal year 2025, $25.202 billion for fiscal year 2026, $26.283 billion for fiscal year 2027.

The amendment would increase mandatory budget authority for Function 600 by the following amounts: $22.733 billion for fiscal year 2018, $64.607 billion for fiscal year 2019, $68.830 billion for fiscal year 2020, $73.336 billion for fiscal year 2021, $82.793 billion for fiscal year 2022, $107.357 billion for fiscal year 2023, $106.630 billion for fiscal year 2024, $117.567 billion for fiscal year 2025, $123.020 for fiscal year 2026, and $128.711 billion for fiscal year 2027.

Outlays for Function 600 would increase by the following amounts: $22.502 billion for fiscal year 2018, $63.505 billion for fiscal year 2019, $68.543 billion for fiscal year 2020, $73.101 billion for fiscal year 2021, $82.624 billion for fiscal year 2022, $107.126 billion for fiscal year 2023, $106.146 billion for fiscal year 2024, $117.242 billion for fiscal year 2025, $122.784 billion for fiscal year 2026, and $128.472 billion for fiscal year 2027.

The amendment would also adjust the aggregate levels of revenue by the amounts equal to the aforementioned changes in outlays, reflecting the reduction of tax expenditures for high-income earners or certain corporate tax breaks.

The amendment was not agreed to by a roll call vote of 13 ayes and 21 noes.

ROLL CALL VOTE NO. 8

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)			
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					

ROLL CALL VOTE NO. 8—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

9. An amendment offered by Representatives Jayapal, Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, DelBene, Wasserman Schultz, Khanna, Carbajal, Jackson Lee, and Schakowsky relating to immigration reform.

The amendment would increase the aggregate levels of revenue by the following amounts to account for increased economic growth resulting from adoption of the "Border Security, Economic Opportunity, and Immigration Modernization Act", as introduced in the House in the 113th Congress: $2.1 billion for fiscal year 2017, $11.5 billion for fiscal year 2018, $28.0 billion for fiscal year 2019, $39.1 billion for fiscal year 2020, $45.0 billion for fiscal year 2021, $47.7 billion for fiscal year 2022, $55.3 billion for fiscal year 2023, $65.0 billion for fiscal year 2024, $77.7 billion for fiscal year 2025, and $87.6 billion for fiscal year 2026.

The amendment would also increase both mandatory budget authority and outlays for Function 920 each by the following amounts to reflect adoption of the "Border Security, Economic Opportunity, and Immigration Modernization Act", as introduced in the House in the 113th Congress: $4.6 billion for fiscal year 2017, $6.8 billion for fiscal year 2018, $14.0 billion for fiscal year 2019, $19.8 billion for fiscal year 2020, $24.6 billion for fiscal year 2021, $26.6 billion for fiscal year 2022, $32.2 billion for fiscal year 2023, $37.4 billion for fiscal year 2024, $44.4 billion for fiscal year 2025, and $51.4 billion for fiscal year 2026.

The amendment also adds a policy statement calling for a vote on comprehensive immigration reform.

The amendment was not agreed to by a roll call vote of 13 ayes and 21 noes.

ROLL CALL VOTE NO. 9

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		

ROLL CALL VOTE NO. 9—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
McCLINTOCK (CA)		X		JEFFRIES (NY)			
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

10. An amendment offered by Representatives Carbajal, Yarmuth, Lee, Lujan Grisham, Higgins, Khanna, Jayapal, Jackson Lee, and Schakowsky to insert a policy statement on rejecting construction of a border wall.

The amendment was not agreed to by a roll call vote of 13 ayes and 21 noes.

ROLL CALL VOTE NO. 10

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)			
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		

ROLL CALL VOTE NO. 10—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

11. An amendment offered by Representatives Lujan Grisham, Yarmuth, Lee, Jeffries, Higgins, DelBene, Wasserman Schultz, Khanna, Jayapal, Carbajal, Jackson Lee, and Schakowsky relating to the Supplemental Nutrition Assistance Program (SNAP) and increase revenue by an equal amount.

The amendment would increase both mandatory budget authority and outlays for Function 600 (Income Security) each by the following amounts: $1.5 billion for fiscal year 2018, $2.0 billion for fiscal year 2019, $2.5 billion for fiscal year 2020, $3.0 billion for fiscal year 2021, $3.5 billion for fiscal year 2022, $27.5 billion for fiscal year 2023, $27.5 billion for fiscal year 2024, $27.5 billion for fiscal year 2025, $27.5 billion for fiscal year 2026, and $27.5 billion for fiscal year 2027.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays, reflecting the reduction of tax expenditures for high-income earners or certain corporate tax breaks.

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

ROLL CALL VOTE NO. 11

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		

ROLL CALL VOTE NO. 11—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

12. An amendment offered by Representatives DelBene, Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, Khanna, Jayapal, Jackson Lee, and Schakowsky to insert a deficit-neutral reserve fund to improve the economy and create jobs in under-served areas.

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

ROLL CALL VOTE NO. 12

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		

ROLL CALL VOTE NO. 12—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

13. An amendment offered by Representatives Moulton, Yarmuth, Lee, Lujan Grisham, Jeffries, Higgins, Wasserman Schultz, Boyle, Khanna, Jayapal, Jackson Lee, and Schakowsky to insert a policy statement ensuring adequate funding for special counsel to investigate Russian interference in the 2016 U.S. presidential election.

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

ROLL CALL VOTE NO. 13

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		

ROLL CALL VOTE NO. 13—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

14. An amendment offered by Representatives Khanna, Yarmuth, Lee, Lujan Grisham, Higgins, Boyle, Jayapal, Jackson Lee, and Schakowsky to insert a deficit-neutral reserve fund for the Earned Income Tax Credit.

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

ROLL CALL VOTE NO. 14

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		

ROLL CALL VOTE NO. 14—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

15. An amendment offered by Representatives Yarmuth, Lee, Moulton, Jeffries, Higgins, Khanna, Jayapal, Jackson Lee, and Schakowsky to strike the reconciliation instructions in title II of the Chairman's Mark.

The amendment was not agreed to by a roll call vote of 11 ayes and 20 noes.

ROLL CALL VOTE NO. 15

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)			
DIAZ–BALART (FL)				LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)			
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)			
RENACCI (OH)		X		JACKSON LEE (TX)	X		

ROLL CALL VOTE NO. 15—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

Representatives Carbajal, Lee, and Wasserman Schultz asked unanimous consent, after the closing of the vote, that the record reflect they would have voted aye on roll call vote no. 15. There was no objection to these unanimous consent requests.

16. An amendment offered by Representatives Lujan Grisham, Yarmuth, Lee, Higgins, Wasserman Schultz, Khanna, Jayapal, Jackson Lee, and Schakowsky to insert a deficit-neutral reserve fund for long-term care services and supports.

The amendment was not agreed to by a roll call vote of 12 ayes and 20 noes.

ROLL CALL VOTE NO. 16

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)			
DIAZ–BALART (FL)				LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)			
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		

ROLL CALL VOTE NO. 16—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

Representatives Lee and Wasserman Schultz asked unanimous consent, after the closing of the vote, that the record reflect they would have voted aye on roll call vote no. 16. There was no objection to these unanimous consent requests.

17. An amendment offered by Representatives Moulton, Yarmuth, Lee, Jeffries, Higgins, Boyle, Khanna, Jayapal, Jackson Lee, and Schakowsky to increase budget authority and outlays for Function 150 (International Affairs) and increase revenue by an equal amount.

The amendment would increase budget authority in Function 150 by $11.171 billion in fiscal year 2018.

The amendment would increase outlays in Function 150 by the following amounts: $5.851 billion in fiscal year 2018, $3.348 billion in fiscal year 2019, $1.159 billion in fiscal year 2020, $0.302 billion in fiscal year 2021, and $0.316 billion in fiscal year 2022.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by raising taxes on high-income individuals, eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a roll call vote of 12 ayes and 20 noes.

ROLL CALL VOTE NO. 17

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)			
DIAZ–BALART (FL)				LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		

ROLL CALL VOTE NO. 17—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)			
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

Representatives Lee and Wasserman Schultz asked unanimous consent, after the closing of the vote, that the record reflect they would have voted aye on roll call vote no. 17. There was no objection to these unanimous consent requests.

18. An amendment offered by Representatives Jeffries, Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, Khanna, Jayapal, Jackson Lee, and Schakowsky to insert a policy statement supporting implementation of the "Mnuchin Rule".

The amendment was not agreed to by a roll call vote of 13 ayes and 20 noes.

ROLL CALL VOTE NO. 18

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)				LUJAN GRISHAM (NM)	X		
COLE (OK)				MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		

ROLL CALL VOTE NO. 18—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)			
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

Representative Wasserman Schultz asked unanimous consent, after the closing of the vote, that the record reflect she would have voted aye on roll call vote no. 18. There was no objection to this unanimous consent request.

19. An amendment offered by Representatives Lee, Yarmuth, Higgins, Khanna, Jayapal, Jackson Lee, and Schakowsky to decrease budget authority and outlays for Function 970 (Overseas Contingency Operations/Global War on Terrorism).

The amendment would decrease budget authority in Function 970 by $10 billion in fiscal year 2018.

The amendment would decrease outlays in Function 970 by the following amounts: $4.963 billion in fiscal year 2018, $2.693 billion in fiscal year 2019, $1.262 billion in fiscal year 2020, $0.537 billion in fiscal year 2021, $0.228 billion in fiscal year 2022, $0.081 billion in fiscal year 2023, $0.023 billion in fiscal year 2024, and $0.006 billion in fiscal year 2025.

The amendment was not agreed to by a roll call vote of 16 ayes and 19 noes.

ROLL CALL VOTE NO. 19

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		

ROLL CALL VOTE NO. 19—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
DIAZ–BALART (FL)				LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)	X			DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)	X						
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

20. An amendment offered by Representatives Higgins, Yarmuth, Lee, Lujan Grisham, Moulton, Wasserman Schultz, Khanna, Jayapal, Carbajal, Jackson Lee, and Schakowsky to increase budget authority and outlays in Function 300 (Natural Resources and Environment) and increase revenue by an equal amount.

The amendment would increase budget authority in Function 300 by $5.200 billion in fiscal year 2018.

The amendment would increase outlays in Function 300 by the following amounts: $2.725 billion in fiscal year 2018, $1.560 billion in fiscal year 2019, $0.541 billion in fiscal year 2020, $0.140 billion in fiscal year 2021, and $0.146 billion in fiscal year 2022.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by raising taxes on high-income individuals, eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, and reforming the tax code by repealing certain business expense deductions.

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

ROLL CALL VOTE NO. 20

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)				LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

21. An amendment offered by Representatives DelBene, Yarmuth, Lee, Lujan Grisham, Moulton, Jeffries, Higgins, Wasserman Schultz, Khanna, Jayapal, Carbajal, Jackson Lee, and Schakowsky to increase budget authority and outlays in Functions 250 (General Science, Space, and Technology) and Function 550 (Health) to invest in scientific research and increase revenue by an equal amount.

The amendment would increase budget authority in Function 250 by the following amounts: $0.520 billion in fiscal year 2018, $0.530 billion in fiscal year 2019, $0.540 billion in fiscal year 2020, $0.551 billion in fiscal year 2021, $0.562 billion in fiscal year 2022, $0.573 billion in fiscal year 2023, $0.584 billion in fiscal year 2024,

$0.596 billion in fiscal year 2025, $0.608 billion in fiscal year 2026, and $0.621 billion in fiscal year 2027.

The amendment would increase outlays in Function 250 by the following amounts: $0.293 billion in fiscal year 2018, $0.438 billion in fiscal year 2019, $0.495 billion in fiscal year 2020, $0.522 billion in fiscal year 2021, $0.544 billion in fiscal year 2022, $0.555 billion in fiscal year 2023, $0.566 billion in fiscal year 2024, $0.577 billion in fiscal year 2025, $0.589 billion in fiscal year 2026, and $0.601 billion in fiscal year 2027.

The amendment would increase budget authority in Function 550 by the following amounts: $2.0 billion in fiscal year 2018, $2.038 billion in fiscal year 2019, $2.077 billion in fiscal year 2020, $2.118 billion in fiscal year 2021, $2.161 billion in fiscal year 2022, $2.204 billion in fiscal year 2023, $2.248 billion in fiscal year 2024, $2.293 billion in fiscal year 2025, $2.339 billion in fiscal year 2026, and $2.388 billion in fiscal year 2027.

The amendment would increase outlays in Function 550 by the following amounts: $1.126 billion in fiscal year 2018, $1.684 billion in fiscal year 2019, $1.905 billion in fiscal year 2020, $2.008 billion in fiscal year 2021, $2.093 billion in fiscal year 2022, $2.134 billion in fiscal year 2023, $2.177 billion in fiscal year 2024, $2.221 billion in fiscal year 2025, $2.265 billion in fiscal year 2026, and $2.312 billion in fiscal year 2027.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by raising taxes on high-income individuals, eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, and reforming the tax code by repealing certain business expense deductions.

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

ROLL CALL VOTE NO. 21

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)				LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		

ROLL CALL VOTE NO. 21—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

22. An amendment offered by Representatives Wasserman Schultz, Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, Boyle, Khanna, Jayapal, Jackson Lee, and Schakowsky to increase budget authority and outlays for Function 500 (Education, Training, Employment, and Social Services) and Function 600 (Income Security) for early childhood programs and increase revenue by an equal amount.

The amendment would increase budget authority in Function 500 by the following amounts: $0.382 billion in fiscal year 2018, $0.389 billion in fiscal year 2019, $0.397 billion in fiscal year 2020, $0.405 billion in fiscal year 2021, $0.413 billion in fiscal year 2022, $0.421 billion in fiscal year 2023, $0.429 billion in fiscal year 2024, $0.438 billion in fiscal year 2025, $0.447 billion in fiscal year 2026, and $0.456 billion in fiscal year 2027.

The amendment would increase outlays in Function 500 by the following amounts: $0.215 billion in fiscal year 2018, $0.322 billion in fiscal year 2019, $0.364 billion in fiscal year 2020, $0.384 billion in fiscal year 2021, $0.400 billion in fiscal year 2022, $0.408 billion in fiscal year 2023, $0.416 billion in fiscal year 2024, $0.424 billion in fiscal year 2025, $0.433 billion in fiscal year 2026, and $0.442 billion in fiscal year 2027.

The amendment would increase budget authority in Function 600 by the following amounts: $0.239 billion in fiscal year 2018, $0.244 billion in fiscal year 2019, $0.248 billion in fiscal year 2020, $0.253 billion in fiscal year 2021, $0.258 billion in fiscal year 2022, $0.263 billion in fiscal year 2023, $0.269 billion in fiscal year 2024, $0.274 billion in fiscal year 2025, $0.279 billion in fiscal year 2026, and $0.285 billion in fiscal year 2027.

The amendment would increase outlays in Function 600 by the following amounts: $0.135 billion in fiscal year 2018, $0.201 billion in fiscal year 2019, $0.288 billion in fiscal year 2020, $0.240 billion in fiscal year 2021, $0.250 billion in fiscal year 2022, $0.255 billion in fiscal year 2023, $0.260 billion in fiscal year 2024, $0.265 billion in fiscal year 2025, $0.271 billion in fiscal year 2026, and $0.276 billion in fiscal year 2027.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by raising taxes on high-income individuals, eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a roll call vote of 14 ayes and 22 noes.

ROLL CALL VOTE NO. 22

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

23. An amendment offered by Representatives Boyle, Yarmuth, Lee, Lujan Grisham, Jeffries, Higgins, Wasserman Schultz, Khanna, Jayapal, Carbajal, Jackson Lee, and Schakowsky to insert

a policy statement opposing any reduction in Social Security benefits.

The amendment was not agreed to by a roll call vote of 14 ayes and 22 noes.

ROLL CALL VOTE NO. 23

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

24. An amendment offered by Representatives Khanna, Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, Wasserman Schultz, Jayapal, Jackson Lee, and Schakowsky to insert a policy statement supporting the Consumer Financial Protection Bureau.

The amendment was not agreed to by a roll call vote of 14 ayes and 22 noes.

ROLL CALL VOTE NO. 24

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

25. An amendment offered by Representatives Jayapal, Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, Wasserman Schultz, Boyle, Khanna, Carbajal, Jackson Lee, and Schakowsky to increase budget authority and outlays for Function 300 (Natural Resources and Environment) to create an initiative to support States' and Cities' efforts to abide by the United Nations Paris Climate Agreement and increase revenue by an equal amount.

The amendment would increase budget authority in Function 300 by $0.50 billion in each fiscal year over the period of fiscal years 2018 through 2027.

The amendment would increase outlays in Function 300 by the following amounts: $0.265 billion in fiscal year 2018, $0.415 billion in fiscal year 2019, $0.465 billion in fiscal year 2020, $0.49 billion in fiscal year 2021, $0.50 billion in fiscal year 2022, $0.50 billion in fiscal year 2023, $0.50 billion in fiscal year 2024, $0.50 billion in fiscal year 2025, $0.50 billion in fiscal year 2026, and $0.50 billion in fiscal year 2027.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by raising taxes on high-income individuals, eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a roll call vote of 14 ayes and 22 noes.

ROLL CALL VOTE NO. 25

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

26. An amendment offered by Representatives Carbajal, Yarmuth, Lee, Lujan Grisham, Moulton, Higgins, Wasserman Schultz, Khanna, Jayapal, Jackson Lee, and Schakowsky to increase budget

authority and outlays for Function 700 (Veterans Benefits and Services) and increase revenue by an equal amount.

The amendment would increase both budget authority and outlays each by the following amounts: $0.748 billion in fiscal year 2018, $2.828 billion in fiscal year 2019, $3.889 billion in fiscal year 2020, $4.953 billion in fiscal year 2021, $5.593 billion in fiscal year 2022, $6.282 billion in fiscal year 2023, $5.865 billion in fiscal year 2024, $5.908 billion in fiscal year 2025, $6.644 billion in fiscal year 2026, and $6.312 billion in fiscal year 2027.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by raising taxes on high-income individuals, eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a roll call vote of 14 ayes and 22 noes.

ROLL CALL VOTE NO. 26

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					

ROLL CALL VOTE NO. 26—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

27. An amendment offered by Representatives Jackson Lee, Yarmuth, Lee, Lujan Grisham, Moulton, Jeffries, Higgins, Wasserman Schultz, Boyle, Khanna, Jayapal, Carbajal, and Schakowsky to increase budget authority and outlays for Function 500 (Education, Training, Employment, and Social Services) for Pell Grants and increase revenue by an equal amount.

The amendment would increase budget authority in Function 500 by $2.80 billion in fiscal year 2018.

The amendment would increase outlays in Function 500 by the following amounts: $0.756 billion in fiscal year 2018, $2.016 billion in fiscal year 2019, and $0.028 billion in fiscal year 2020.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by raising taxes on high-income individuals, eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a roll call vote of 14 ayes and 22 noes.

ROLL CALL VOTE NO. 27

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		

ROLL CALL VOTE NO. 27—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

28. An amendment offered by Representatives Schakowsky, Yarmuth, Lee, Lujan Grisham, Jeffries, Higgins, Wasserman Schultz, Khanna, Jayapal, and Jackson Lee to insert a policy statement on reducing prescription drug costs for Americans.

The amendment was not agreed to by a roll call vote of 14 ayes and 22 noes.

ROLL CALL VOTE NO. 28

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)		X		YARMUTH (KY) (Ranking)	X		
ROKITA (IN) (Vice Chairman)		X		LEE (CA)	X		
DIAZ–BALART (FL)		X		LUJAN GRISHAM (NM)	X		
COLE (OK)		X		MOULTON (MA)	X		
McCLINTOCK (CA)		X		JEFFRIES (NY)	X		
WOODALL (GA)		X		HIGGINS (NY)	X		
SANFORD (SC)		X		DelBENE (WA)	X		
WOMACK (AR)		X		WASSERMAN SCHULTZ (FL)	X		
BRAT (VA)		X		BOYLE (PA)	X		
GROTHMAN (WI)		X		KHANNA (CA)	X		
PALMER (AL)		X		JAYAPAL (WA) (Vice Ranking)	X		
WESTERMAN (AR)		X		CARBAJAL (CA)	X		
RENACCI (OH)		X		JACKSON LEE (TX)	X		
JOHNSON (OH)		X		SCHAKOWSKY (IL)	X		
SMITH (MO)		X					
LEWIS (MN)		X					
BERGMAN (MI)		X					

ROLL CALL VOTE NO. 28—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
FASO (NY)		X					
SMUCKER (PA)		X					
GAETZ (FL)		X					
ARRINGTON (TX)		X					
FERGUSON (GA)		X					

29. Representative Rokita made a motion that the Committee adopt the aggregates, functional categories, and other appropriate matter.

The motion offered by Representative Rokita was agreed to by voice vote.

Chairman Black called up the Concurrent Resolution on the Budget for Fiscal Year 2018 incorporating the aggregates, function totals, and other appropriate matters as previously agreed.

30. Representative Rokita made a motion that the Committee order the Concurrent Resolution reported with a favorable recommendation and that the Concurrent Resolution do pass.

The motion offered by Representative Rokita was agreed to by a roll call vote of 22 ayes to 14 noes.

ROLL CALL VOTE NO. 29

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN) (Chairman)	X			YARMUTH (KY) (Ranking)		X	
ROKITA (IN) (Vice Chairman)	X			LEE (CA)		X	
DIAZ–BALART (FL)	X			LUJAN GRISHAM (NM)		X	
COLE (OK)	X			MOULTON (MA)		X	
McCLINTOCK (CA)	X			JEFFRIES (NY)		X	
WOODALL (GA)	X			HIGGINS (NY)		X	
SANFORD (SC)	X			DelBENE (WA)		X	
WOMACK (AR)	X			WASSERMAN SCHULTZ (FL)		X	
BRAT (VA)	X			BOYLE (PA)		X	
GROTHMAN (WI)	X			KHANNA (CA)		X	
PALMER (AL)	X			JAYAPAL (WA) (Vice Ranking)		X	
WESTERMAN (AR)	X			CARBAJAL (CA)		X	
RENACCI (OH)	X			JACKSON LEE (TX)		X	
JOHNSON (OH)	X			SCHAKOWSKY (IL)		X	
SMITH (MO)	X						
LEWIS (MN)	X						

ROLL CALL VOTE NO. 29—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BERGMAN (MI)	X						
FASO (NY)	X						
SMUCKER (PA)	X						
GAETZ (FL)	X						
ARRINGTON (TX)	X						
FERGUSON (GA)	X						

Representative Rokita asked for unanimous consent that the Chairman be authorized to offer such motions in the House as may be necessary to go to conference pursuant to clause 1 of House Rule XXII, the staff be authorized to make any necessary technical and conforming corrections in the resolution, and calculate any remaining elements required in the resolution, prior to filing the resolution.

There was no objection to the unanimous consent requests.

OTHER MATTERS UNDER THE RULES OF THE HOUSE

Committee on the Budget Oversight Findings and Recommendations

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

New Budget Authority, Entitlement Authority, and Tax Expenditures

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

General Performance Goals and Objectives

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

Views of Committee Members

Clause 2(1) of Rule XI of the Rules of the House of Representatives requires each committee to afford members of the committee two days to file minority, additional, dissenting, or supplemental views on reported legislative measures, and to include the views in the report accompanying such legislation. The following views were submitted:

MINORITY VIEWS

MINORITY VIEWS

The Wrong Choice: Tax Cuts for Millionaires and Billionaires at the Expense of American Families, Our Economic Progress, and Our National Security

Nearly two months ago, we debated President Trump's budget. It was a shockingly extreme document that gave to the rich and took from everyone else. Democrats urged our Republican colleagues to see the harm it would bring to American families – the damage it would cause to our chances for a better future – and choose a different path when crafting their own budget.

But this budget again displays total indifference to the challenges Americans face. The House budget embraces the worst extremes of the Trump proposal: tax cuts for millionaires and billionaires at the expense of American families, our economic progress, and our national security.

The budget includes $5.4 trillion in mandatory and discretionary spending cuts. It reduces non-defense discretionary investments to the lowest level, relative to the size of the economy, since the 1960s, and then cuts more. Our Republican colleagues are proud to talk about those cuts here in Washington. But what they do not want to talk about is how these cuts hurt the American people – so we will.

The enormity of these cuts and severity of the consequences for American families cannot be overstated.

Education, job training, transportation, infrastructure, medical research, and veteran services are all at risk. This budget cuts nearly $700 billion from mandatory spending that helps provide basic living standards for struggling families. Then it cuts nearly half a trillion dollars from Medicare, and it ends the fundamental guarantee of Medicare coverage. It then embraces the overwhelmingly unpopular Trumpcare – which would strip more than 20 million Americans of health coverage, and makes nearly $1 trillion in cuts to Medicaid.

These are not just programs, they represent people. They are families that have never had a chance to get ahead, or fell on hard times after losing a job or a health emergency. We have all met constituents who would have gone without health care, or who would have had to choose between paying the rent and paying for food, without these programs being there when they needed them.

These programs can be a lifeline for millions of Americans all across the country. But all of that is at risk because of the drastic cuts in this budget. It is an incredibly cold document that willfully ignores the needs and priorities of the American people.

But it is not just the economic security of millions of families that is at risk in this budget, it is also our nation's security.

Our Republican colleagues have put on display a narrow worldview; one where our country's security is only about the size of our military. The Republican budget increases defense spending by an astonishing $72 billion above the current cap – and more than $18 billion above what even President Trump requested. We have a responsibility to ensure our men and women in uniform have every tool and resource needed to safely and successfully execute their mission – and we will. But military experts across the board have also stated that diplomacy, foreign aid, and environmental factors like climate change are key components of our national security. Yet our Republican colleagues ignore these facts and recklessly cut funding for the State Department and foreign aid agencies by over $11 billion and environmental and natural resource protection by over $6 billion.

Funding our military at the expense of critical national priorities is not a choice our Republican colleagues have to make, and it is certainly not a choice the American people want them to make. Which begs the question, why are they making it?

The answer is as simple as it is disgraceful. So that millionaires, billionaires, and wealthy corporations can get a tax cut. They have made the choice to give everyone in the top one percent a $240,000 tax cut while taking breakfast and lunch away from hungry school children. They have made the choice to give everyone in the top one-tenth-of-one percent of income a $1.4 million tax cut while cutting health care for seniors in nursing homes, low-income children, and the disabled.

These are not choices Democrats would make. The list of upside-down priorities and irresponsible policies in this document is lengthy. Democrats have a different vision of our country and for the American people. We want to invest in the future of American families, create good jobs, and help grow our economy. Democrats support investments in education, health care, national security, job training, innovation, and infrastructure. We support programs that help individuals with nowhere left to turn, and a tax code that helps families get ahead. Those are American priorities – and they should be the priorities of this Congress and our Committee.

JOHN YARMUTH,
Ranking Member.
MICHELLE LUJAN GRISHAM.
HAKEEM JEFFRIES.
SUZAN DELBENE.
BRENDAN BOYLE.
PRAMILA JAYAPAL.
SHEILA JACKSON LEE.
BARBARA LEE.
SETH MOULTON.
BRIAN HIGGINS.
DEBBIE WASSERMAN SCHULTZ.
RO KHANNA.
SALUD CARBAJAL.
JANICE SCHAKOWSKY.

ADDITIONAL VIEWS

The budget resolution should continue to support farm programs. Given the international trade inequities, low commodity prices, and the historically steep decline in farm income, the Committee should fund programs that provide resources to ensure a responsible and reliable safety net for cotton and other commodities. A safe and affordable food supply is critical to our economy and national security.

JODEY ARRINGTON,
Member of Congress.

SUPPLEMENTAL MATERIAL

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

NEIL L. BRADLEY
SENIOR VICE PRESIDENT &
CHIEF POLICY OFFICER

1615 H STREET, NW
WASHINGTON, DC 20062
(202) 463-5310

July 18, 2017

The Honorable Diane Black
Chairman
House Committee on the Budget
Washington, DC 20515

The Honorable John Yarmuth
Ranking Member
House Committee on the Budget
Washington, DC 20515

Dear Chairman Black and Ranking Member Yarmuth:

The U.S. Chamber of Commerce urges the swift adoption of the draft Fiscal Year 2018 concurrent budget resolution with reconciliation instructions to facilitate the passage of comprehensive tax reform.

It has been 31 years since Congress last reformed the tax code. The antiquated, uncompetitive tax code hurts American businesses and workers. Comprehensive tax reform can spur economic growth, create jobs, raise wages, and strengthen America's global competitiveness.

You and your colleagues in Congress have a once-in-a-generation opportunity to enact pro-growth tax reform, and that process begins with passage of the pending budget resolution.

The Chamber also commends the Committee's focus on restraining spending and reforming our nation's entitlement programs. Federal entitlement spending is on an unsustainable path, ultimately harming the economy and America's long-term prosperity.

The Chamber urges the Committee to favorably report the Fiscal Year 2018 budget resolution as expeditiously as practicable.

Sincerely,

Neil L. Bradley

cc: Members of the House Committee on the Budget

AMERICANS *for* TAX REFORM

722 12th Street N.W.
Fourth Floor
Washington, D.C.
20005
T: (202) 785-0266
F: (202) 785-0261
www.atr.org

July 19, 2017

The Honorable Diane Black
Chairman, House Budget Committee
B234 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Black:

I write in support of the FY 2018 budget resolution. As the vehicle for once in a generation, pro-growth tax reform, this budget resolution should be supported by all members of Congress.

Today, pro-growth tax reform is desperately needed. The economy remains stuck at two percent GDP growth, while innovative businesses struggle to compete against foreign competitors. The tax code is too complex and tax rates remain too high. By including budget reconciliation instructions for tax reform, the FY 18 budget resolution is step one in achieving pro-growth reform.

The House budget also lays out an aggressive plan to reduce spending, rein in the deficit, and streamline the federal government.

The FY18 budget balances in ten years and achieves $6.5 trillion in deficit reduction over the decade. The budget resolution also calls for addressing entitlement spending by block granting Medicaid and implementing premium support vouchers for Medicare. These reforms will strengthen and preserve these important programs for decades to come.

In addition, the budget resolution calls for key reforms that make the federal government more efficient through reducing improper payments by $700 billion over the next decade, as well as more than $200 billion in spending reduction through mandatory savings.

By supporting the FY18 budget resolution, members of Congress can take an important step forward toward achieving tax reform in 2017. As such, all members should support this resolution.

Onward,

Grover G. Norquist
President, Americans for Tax Reform

July 18, 2017

On the Prospects for Higher Economic Growth

John F. Cogan, Glenn Hubbard, John B. Taylor, and Kevin Warsh[1]

Since the economic recovery began eight years ago, the rate of economic growth has averaged only two percent per year, the weakest economic expansion since World War II. Participation in the labor force is near its lowest level since the malaise of the late 1970s. The country is experiencing the worst five-year run for productivity ever measured outside of a recession. And the median wage is growing only slowly.

We do not share the view that the recent period of weak economic growth was simply an inevitable result of the financial crisis. Economic recoveries tend to be stronger after deep recessions, and any residual headwinds from the crisis should have long been remedied had pro-growth policies been adopted. Historically, some post-crisis periods are marked by lower economic growth, but we believe that the poor conduct of economic policy bears much of that burden.

For individuals and households, the recent economic performance is insufficient to improve standards of living at a rate to which most Americans are accustomed. And it is at odds with a society that promises opportunity and upward mobility for the next generation. Most Americans rely largely on wage income. The conduct of economic policy during the past several years, however, has failed to address structural impediments to more rapid growth in productivity and wages.

For businesses, the underlying economy lacks dynamism in output, investment, and employment. Start-up activity outside of a few regions remains poor. Business investment in real assets, such as real and intellectual property, plant, and equipment, is stuck at very low levels. Companies have instead used cash flows for share buybacks and corporate consolidation.

Focused primarily on "stimulus" in the short-term, the conduct of economic policy in the post-crisis years did little to reset expectations higher for long-term growth. That policy failure restrained those expectations, adversely affecting consumption and, especially, investment spending.

[1] John F. Cogan is the Leonard and Shirley Ely Senior Fellow at the Hoover Institution, Stanford University and served as Deputy Director of the U.S. Office of Management and Budget; Glenn Hubbard is Dean and Russell L. Carson Professor of Finance and Economics, Graduate School of Business, Columbia University and served as Chairman of the Council of Economic Advisers; John B. Taylor is Professor of Economics and the George P. Shultz Senior Fellow at the Hoover Institution, Stanford University and served as Undersecretary for International Finance in the U.S. Department of the Treasury; and Kevin Warsh is the Shepard Family Distinguished Visiting Fellow in Economics at the Hoover Institution, Stanford University and served as a Governor of the Federal Reserve Board.

What explains the slow economic growth? Economists focus on the two proximate determinants of growth: productivity growth—the increase in production of goods and services per hour of work—and total hours of work. And, as we review each factor in turn, we are confident that U.S. growth can be materially higher than the reality of the post-crisis era.

Productivity increases arise from human capital (labor), technology, and real capital investment. The chart below illustrates the importance of economic policy to productivity trends. The chart smooths through short-term changes in productivity in nonfarm businesses and reveals clear, cyclical trends in productivity growth.[2] Productivity growth declined in the 1970s, rose markedly through the 1980s and 1990s, and fell again sharply in recent years. The data are not supportive of the popular contention that the United States is in the midst of a long-term decline in productivity growth.

Productivity in the non-farm business sector grew at only 0.5 percent per year in the past five years (measured from 2012 to 2016). Economists have long emphasized capital accumulation as an important contributor to productivity. Data from the Bureau of Labor Statistics (BLS) show that a lack of investment in new capital equipment and software lies at the heart of the recent

[2] The measure of productivity is the BLS business sector output per hour https://data.bls.gov/pdq/SurveyOutputServlet

productivity slowdown.[3] Remarkably, capital per hour of work—a measure of the equipment and tools that workers use in production—was basically flat during this period, contributing virtually nothing to growth. In contrast, during the period from 1996 to 2005, productivity grew 3.0 percent per year, with the growth rate of capital per hour of work contributing 1.2 percent per year.

An especially weak labor market is the second factor contributing to recent years of slow economic growth. From mid-2007 to the bottom of the Great Recession in June 2009, the labor force participation declined only slightly, from 66 percent to 65.5 percent. It is now only 62.7 percent, far lower than predicted in the immediate aftermath of the financial crisis. And, it has failed to meaningfully recover in the most recent years.

Economic theory and historical experience indicate economic policies are the primary cause of both the productivity slowdown and the poorly performing labor market. High marginal tax rates, especially those on capital formation and business enterprises, costly new labor market and other regulations, high debt-financed government spending (largely to fund income transfer payments), and the lack of a clear monetary strategy have discouraged real business investment and reduced both the supply of-- and the demand for-- labor.

The policy changes of the kind proposed by the Congress and the Administration, if enacted, would significantly improve the economy's growth prospects.

The tax reform plans propose significant reductions in marginal tax rates on corporate income (to 20 percent or lower), reductions in marginal tax rates on business income and earnings from work at the individual level (to 33 percent or lower), fundamental tax reforms to limit special interest benefits and increase employment opportunities. These proposals, if enacted, would raise both productivity and employment, and provide opportunities for broad-based prosperity. These needed reforms would help turn the recent upswing in animal spirits into a significant improvement in economic activity by resetting long-term higher economic growth expectations.

The Administration's proposed regulatory reform agenda – including the reinvigorated presidential effort to remove unnecessary, antiquated federal rules, a rigorous, independent benefit-cost analysis of proposed rules, and a regulatory directive to ensure that regulations are pro-competition, not pro-incumbent – would further enhance economic growth by boosting net returns to investment in physical and human capital, and by reducing barriers to employment.

Spending restraint, especially through legislation, along the lines proposed in the House Budget Committee's 2018 Budget Resolution, that slows the growth in entitlement spending, is essential to achieving higher economic growth. In the absence of spending restraint, entitlements will cause annual federal spending projected to increase by 60 percent in 10 years. The higher spending will cause the annual federal budget deficit to increase to $1.4 trillion. These increases will eventually crowd out private investment and thereby act as a brake on economic growth. A comprehensive set of changes in entitlement laws that limited the growth in federal spending to the rate of inflation plus population growth would, in contrast, free up resources for greater private sector investments to enhance productivity.

[3] Multifactor Productivity Trends- 2016, March 30, 2017, Bureau of Labor Statistics

It is important to emphasize that tax reform and spending reductions go hand-in-hand. Without significant spending restraint, even with positive effects on economic growth, the tax rate reductions would likely be limited and temporary, limiting their economic benefits.
Enacting this comprehensive set of economic policies is a heavy lift; as difficult a challenge as confronted policymakers in the 1980s. But, the rewards measured in terms of higher economic growth, more jobs and improved living standards are huge.

The Congressional Budget Office (CBO) now projects that absent fundamental changes in economic policies, real GDP will grow at only 1.8 percent per year. But, as we discussed, historical experience suggests that the economic reforms can raise both productivity growth and employment growth.

Could implementation of such a comprehensive economic plan raise the economic growth rate to 3 percent? We believe it can. We judge that such a policy package, in part by encouraging firms to expand by bringing new investment to production, can help raise trend labor productivity growth to around 2.3 percent per year in the nonfarm business economy and perhaps higher, which translates into approximately 2.0 percent labor productivity growth in terms of GDP.

With the proper set of pro-growth economic policies, our productivity growth expectation is not overly optimistic. During the post-WWII era up to 2012, the 10-year average annual productivity growth rate equaled or exceeded 2.3 percent nearly two-thirds (63 percent) of the time.[4] From 1992 to 2012, the 10-year average annual growth equaled or exceeded 2.3 percent 65 percent of the time. Each of these periods contains at least one recession and includes periods, such as the 1970s, when economic policies were decidedly growth-defeating.

Attaining 3 percent GDP growth also requires that the U.S. labor force increase by 1 percent per year. Over the next decade, the civilian population age 16 and older is projected to increase by that amount.[5] But because the population is aging and older workers have lower labor force participation rates than prime-age workers, the labor force is not expected to increase as rapidly.

According to our estimates and those of the Obama Administration's CEA, if age-specific labor force participation rates remain at their current levels, the aging population would cause the overall U.S. labor force participation rate to decline on average by 0.4 percent per year over the next decade. Therefore, to offset this decline and attain a 1 percent growth in the size of the overall U.S, labor force, age-specific labor force participation rates must rise by 0.4 percent per year, or 4 percent over 10 years.

We believe that the aforementioned policy package, if implemented, would enable this increase to occur. In 2006, the Bureau of Labor Statistics predicted that the U.S. labor force participation rate would decline from 66.2 to 65.5 from 2006 to 2016 based on its assessment of demographic

[4] The measure of productivity is business sector output per hour (BLS.gov, series PRS84006092). From 1948 to 2012, there are 54 10-year periods for which productivity data are available. In 34 of those periods, productivity averaged at least 2.3 percent. During twenty 10-year periods ending between 1992 and 2012, productivity growth equaled or exceeded 2.3 percent 13 times.
[5] 2017 Economic Report of the President, Table 2.2

changes and trends in age-specific labor force participation rates. The actual participation rate actually declined to 62.8 during this period. The reduction over and above the BLS forecast is, in our judgement, largely a consequence of anti- growth economic policies. We judge that this policy-driven decline of 4 percent ((62.8-65.5)/65.5) can be reversed over the next decade by the passage and implementation of the pro-growth policies described above.

In comparing our economic growth estimate to the CBOs current projection, it is important to keep in mind that attaining 3 percent annual GDP growth rate is based upon enactment and implementation of a package containing significant tax reform, regulatory reform, budget reform and monetary reform. In contrast, the CBO's economic growth projection of 1.8 percent per year is based on a continuation of status quo policies in which tax rates remain high and the tax code remains unreformed, the large regulatory burden persists, and the growth in federal spending and the national debt outpace the growth in GDP.

With this distinction in mind, the accounting differences between our economic growth estimates and CBO's are as follows: 0.7 percentage points of the difference is due to our judgment that labor productivity will generate a 2.0 percent per year increase in GDP compared to CBO's assumption of 1.3 percent per year. As recently as 2012, CBO assumed that productivity growth under the previous non-growth policy environment would generate a 2.0 percent per year growth in GDP. The remaining 0.5 percentage points of the difference is due to our judgment that the labor force participation rate will remain constant compared to CBOs assumption that the labor force participate rate will decline.

Taken together, these policy changes will help reset household and business expectations toward faster growth. Failure to enact these policies would lead to lower incomes and smaller improvements in the standard of living and would leave the economy closer to recession than resurgence. Moreover, it would leave our country considerably less capable of an economic upturn when the next recession or shock hits.

115TH CONGRESS
1ST SESSION

H. CON. RES. 71

Establishing the congressional budget for the United States Government for fiscal year 2018 and setting forth the appropriate budgetary levels for fiscal years 2019 through 2027.

CONCURRENT RESOLUTION

Resolved by the House of Representatives (the Senate concurring),

SECTION 1. CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2018.

(a) DECLARATION.—The Congress determines and declares that prior concurrent resolutions on the budget are replaced as of fiscal year 2018 and that this concurrent resolution establishes the budget for fiscal year 2018 and sets forth the appropriate budgetary levels for fiscal years 2019 through 2027.

(b) TABLE OF CONTENTS.—The table of contents for this concurrent resolution is as follows:

TITLE I—RECOMMENDED LEVELS AND AMOUNTS

SEC. 101. RECOMMENDED LEVELS AND AMOUNTS.

The following budgetary levels are appropriate for each of fiscal years 2018 through 2027:

(1) FEDERAL REVENUES.—For purposes of the enforcement of this concurrent resolution:

(A) The recommended levels of Federal revenues are as follows:

Fiscal year 2018: $2,670,356,000,000.
Fiscal year 2019: $2,767,357,000,000.
Fiscal year 2020: $2,870,414,000,000.
Fiscal year 2021: $2,963,953,000,000.
Fiscal year 2022: $3,077,586,000,000.
Fiscal year 2023: $3,195,139,000,000.
Fiscal year 2024: $3,325,690,000,000.
Fiscal year 2025: $3,475,784,000,000.
Fiscal year 2026: $3,642,629,000,000.
Fiscal year 2027: $3,811,687,000,000.

(B) The amounts by which the aggregate levels of Federal revenues should be changed are as follows:

Fiscal year 2018: -$63,213,000,000.
Fiscal year 2019: -$66,151,000,000.
Fiscal year 2020: -$80,162,000,000.
Fiscal year 2021: -$95,958,000,000.
Fiscal year 2022: -$105,330,000,000.
Fiscal year 2023: -$122,777,000,000.
Fiscal year 2024: -$136,738,000,000.
Fiscal year 2025: -$146,394,000,000.
Fiscal year 2026: -$146,749,000,000.

Fiscal year 2027: -$146,700,000,000.

(2) NEW BUDGET AUTHORITY.—For purposes of the enforcement of this concurrent resolution, the appropriate levels of total new budget authority are as follows:

Fiscal year 2018: $3,232,597,000,000.
Fiscal year 2019: $3,286,018,000,000.
Fiscal year 2020: $3,299,573,000,000.
Fiscal year 2021: $3,290,186,000,000.
Fiscal year 2022: $3,441,975,000,000.
Fiscal year 2023: $3,483,686,000,000.
Fiscal year 2024: $3,528,872,000,000.
Fiscal year 2025: $3,655,413,000,000.
Fiscal year 2026: $3,746,208,000,000.
Fiscal year 2027: $3,824,652,000,000.

(3) BUDGET OUTLAYS.—For purposes of the enforcement of this concurrent resolution, the appropriate levels of total budget outlays are as follows:

Fiscal year 2018: $3,164,885,000,000.
Fiscal year 2019: $3,265,306,000,000.
Fiscal year 2020: $3,283,026,000,000.
Fiscal year 2021: $3,323,464,000,000.
Fiscal year 2022: $3,441,603,000,000.
Fiscal year 2023: $3,467,047,000,000.
Fiscal year 2024: $3,497,308,000,000.
Fiscal year 2025: $3,620,210,000,000.
Fiscal year 2026: $3,727,971,000,000.
Fiscal year 2027: $3,806,792,000,000.

(4) DEFICITS (ON-BUDGET).—For purposes of the enforcement of this concurrent resolution, the amounts of the deficits (on-budget) are as follows:

Fiscal year 2018: $494,529,000,000.
Fiscal year 2019: $497,949,000,000.
Fiscal year 2020: $412,612,000,000.
Fiscal year 2021: $359,511,000,000.
Fiscal year 2022: $364,017,000,000.
Fiscal year 2023: $271,908,000,000.
Fiscal year 2024: $171,618,000,000.
Fiscal year 2025: $144,426,000,000.
Fiscal year 2026: $85,342,000,000.
Fiscal year 2027: -$4,895,000,000.

(5) DEBT SUBJECT TO LIMIT.—The appropriate levels of debt subject to limit are as follows:

Fiscal year 2018: $21,059,756,000,000.
Fiscal year 2019: $21,720,619,000,000.
Fiscal year 2020: $22,263,387,000,000.
Fiscal year 2021: $22,717,657,000,000.
Fiscal year 2022: $23,120,068,000,000.
Fiscal year 2023: $23,414,924,000,000.
Fiscal year 2024: $23,577,205,000,000.
Fiscal year 2025: $23,665,687,000,000.
Fiscal year 2026: $23,701,446,000,000.
Fiscal year 2027: $23,484,672,000,000.

(6) DEBT HELD BY THE PUBLIC.—The appropriate levels of debt held by the public are as follows:

Fiscal year 2018: $15,399,966,000,000.
Fiscal year 2019: $15,971,804,000,000.
Fiscal year 2020: $16,477,150,000,000.
Fiscal year 2021: $16,920,847,000,000.
Fiscal year 2022: $17,371,706,000,000.
Fiscal year 2023: $17,720,326,000,000.
Fiscal year 2024: $17,949,306,000,000.
Fiscal year 2025: $18,156,356,000,000.
Fiscal year 2026: $18,299,466,000,000.
Fiscal year 2027: $18,345,826,000,000.

SEC. 102. MAJOR FUNCTIONAL CATEGORIES.

The Congress determines and declares that the appropriate levels of new budget authority and outlays for fiscal years 2018 through 2027 for each major functional category are:

(1) National Defense (050):
Fiscal year 2018:
(A) New budget authority, $629,595,000,000.
(B) Outlays, $607,810,000,000.
Fiscal year 2019:
(A) New budget authority, $660,832,000,000.
(B) Outlays, $636,795,000,000.
Fiscal year 2020:
(A) New budget authority, $693,646,000,000.
(B) Outlays, $666,519,000,000.
Fiscal year 2021:
(A) New budget authority, $728,125,000,000.
(B) Outlays, $698,761,000,000.
Fiscal year 2022:
(A) New budget authority, $731,818,000,000.
(B) Outlays, $717,568,000,000.
Fiscal year 2023:
(A) New budget authority, $735,468,000,000.
(B) Outlays, $720,401,000,000.
Fiscal year 2024:
(A) New budget authority, $739,157,000,000.
(B) Outlays, $720,755,000,000.
Fiscal year 2025:
(A) New budget authority, $742,886,000,000.
(B) Outlays, $729,581,000,000.
Fiscal year 2026:
(A) New budget authority, $747,414,000,000.
(B) Outlays, $734,037,000,000.
Fiscal year 2027:
(A) New budget authority, $751,098,000,000.
(B) Outlays, $737,798,000,000.

(2) International Affairs (150):
Fiscal year 2018:
(A) New budget authority, $41,521,000,000.
(B) Outlays, $43,643,000,000.
Fiscal year 2019:
(A) New budget authority, $40,210,000,000.
(B) Outlays, $41,207,000,000.
Fiscal year 2020:
(A) New budget authority, $39,428,000,000.

(B) Outlays, $39,965,000,000.

Fiscal year 2021:

(A) New budget authority, $38,654,000,000.

(B) Outlays, $38,585,000,000.

Fiscal year 2022:

(A) New budget authority, $37,623,000,000.

(B) Outlays, $38,021,000,000.

Fiscal year 2023:

(A) New budget authority, $38,445,000,000.

(B) Outlays, $37,795,000,000.

Fiscal year 2024:

(A) New budget authority, $39,285,000,000.

(B) Outlays, $38,102,000,000.

Fiscal year 2025:

(A) New budget authority, $40,174,000,000.

(B) Outlays, $38,643,000,000.

Fiscal year 2026:

(A) New budget authority, $41,121,000,000.

(B) Outlays, $39,365,000,000.

Fiscal year 2027:

(A) New budget authority, $42,025,000,000.

(B) Outlays, $40,175,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 2018:

(A) New budget authority, $28,524,000,000.

(B) Outlays, $30,072,000,000.

Fiscal year 2019:

(A) New budget authority, $29,107,000,000.

(B) Outlays, $29,365,000,000.

Fiscal year 2020:

(A) New budget authority, $29,702,000,000.

(B) Outlays, $29,360,000,000.

Fiscal year 2021:

(A) New budget authority, $30,346,000,000.

(B) Outlays, $29,718,000,000.

Fiscal year 2022:

(A) New budget authority, $31,018,000,000.

(B) Outlays, $30,259,000,000.

Fiscal year 2023:

(A) New budget authority, $31,694,000,000.

(B) Outlays, $30,797,000,000.

Fiscal year 2024:

(A) New budget authority, $32,378,000,000.

(B) Outlays, $31,325,000,000.

Fiscal year 2025:

(A) New budget authority, $33,112,000,000.

(B) Outlays, $31,928,000,000.

Fiscal year 2026:

(A) New budget authority, $33,854,000,000.

(B) Outlays, $32,550,000,000.

Fiscal year 2027:

(A) New budget authority, $34,602,000,000.

(B) Outlays, $33,162,000,000.

(4) Energy (270):

Fiscal year 2018:
(A) New budget authority, -$3,088,000,000.
(B) Outlays, $2,559,000,000.
Fiscal year 2019:
(A) New budget authority, $1,704,000,000.
(B) Outlays, $1,714,000,000.
Fiscal year 2020:
(A) New budget authority, -$11,179,000,000.
(B) Outlays, -$11,813,000,000.
Fiscal year 2021:
(A) New budget authority, $1,871,000,000.
(B) Outlays, $786,000,000.
Fiscal year 2022:
(A) New budget authority, $1,705,000,000.
(B) Outlays, $445,000,000.
Fiscal year 2023:
(A) New budget authority, $754,000,000.
(B) Outlays, -$491,000,000.
Fiscal year 2024:
(A) New budget authority, $437,000,000.
(B) Outlays, -$727,000,000.
Fiscal year 2025:
(A) New budget authority, -$4,000,000.
(B) Outlays, -$1,052,000,000.
Fiscal year 2026:
(A) New budget authority, $2,233,000,000.
(B) Outlays, $1,207,000,000.
Fiscal year 2027:
(A) New budget authority, $2,324,000,000.
(B) Outlays, $1,370,000,000.

(5) Natural Resources and Environment (300):
Fiscal year 2018:
(A) New budget authority, $31,720,000,000.
(B) Outlays, $35,641,000,000.
Fiscal year 2019:
(A) New budget authority, $31,856,000,000.
(B) Outlays, $33,751,000,000.
Fiscal year 2020:
(A) New budget authority, $33,255,000,000.
(B) Outlays, $33,581,000,000.
Fiscal year 2021:
(A) New budget authority, $32,704,000,000.
(B) Outlays, $32,652,000,000.
Fiscal year 2022:
(A) New budget authority, $34,295,000,000.
(B) Outlays, $33,909,000,000.
Fiscal year 2023:
(A) New budget authority, $34,684,000,000.
(B) Outlays, $34,186,000,000.
Fiscal year 2024:
(A) New budget authority, $34,598,000,000.
(B) Outlays, $34,081,000,000.
Fiscal year 2025:
(A) New budget authority, $35,520,000,000.

(B) Outlays, $34,921,000,000.

Fiscal year 2026:

(A) New budget authority, $36,186,000,000.

(B) Outlays, $35,526,000,000.

Fiscal year 2027:

(A) New budget authority, $36,742,000,000.

(B) Outlays, $36,078,000,000.

(6) Agriculture (350):

Fiscal year 2018:

(A) New budget authority, $24,223,000,000.

(B) Outlays, $22,913,000,000.

Fiscal year 2019:

(A) New budget authority, $21,091,000,000.

(B) Outlays, $20,200,000,000.

Fiscal year 2020:

(A) New budget authority, $19,786,000,000.

(B) Outlays, $19,293,000,000.

Fiscal year 2021:

(A) New budget authority, $18,217,000,000.

(B) Outlays, $17,660,000,000.

Fiscal year 2022:

(A) New budget authority, $17,835,000,000.

(B) Outlays, $17,339,000,000.

Fiscal year 2023:

(A) New budget authority, $18,153,000,000.

(B) Outlays, $17,713,000,000.

Fiscal year 2024:

(A) New budget authority, $18,880,000,000.

(B) Outlays, $18,331,000,000.

Fiscal year 2025:

(A) New budget authority, $19,863,000,000.

(B) Outlays, $19,225,000,000.

Fiscal year 2026:

(A) New budget authority, $20,214,000,000.

(B) Outlays, $19,593,000,000.

Fiscal year 2027:

(A) New budget authority, $20,422,000,000.

(B) Outlays, $19,817,000,000.

(7) Commerce and Housing Credit (370):

Fiscal year 2018:

(A) New budget authority, -$7,287,000,000.

(B) Outlays, -$19,601,000,000.

Fiscal year 2019:

(A) New budget authority, -$7,517,000,000.

(B) Outlays, -$15,753,000,000.

Fiscal year 2020:

(A) New budget authority, -$10,358,000,000.

(B) Outlays, -$18,126,000,000.

Fiscal year 2021:

(A) New budget authority, -$13,446,000,000.

(B) Outlays, -$22,106,000,000.

Fiscal year 2022:

(A) New budget authority, -$12,880,000,000.

(B) Outlays, -$22,470,000,000.

Fiscal year 2023:
(A) New budget authority, -$12,330,000,000.
(B) Outlays, -$22,598,000,000.
Fiscal year 2024:
(A) New budget authority, -$10,989,000,000.
(B) Outlays, -$22,362,000,000.
Fiscal year 2025:
(A) New budget authority, -$10,255,000,000.
(B) Outlays, -$22,849,000,000.
Fiscal year 2026:
(A) New budget authority, -$11,141,000,000.
(B) Outlays, -$23,569,000,000.
Fiscal year 2027:
(A) New budget authority, -$11,933,000,000.
(B) Outlays, -$24,521,000,000.

(8) Transportation (400):
Fiscal year 2018:
(A) New budget authority, $88,095,000,000.
(B) Outlays, $91,796,000,000.
Fiscal year 2019:
(A) New budget authority, $88,892,000,000.
(B) Outlays, $90,602,000,000.
Fiscal year 2020:
(A) New budget authority, $82,748,000,000.
(B) Outlays, $90,508,000,000.
Fiscal year 2021:
(A) New budget authority, $37,190,000,000.
(B) Outlays, $77,995,000,000.
Fiscal year 2022:
(A) New budget authority, $66,950,000,000.
(B) Outlays, $65,076,000,000.
Fiscal year 2023:
(A) New budget authority, $66,895,000,000.
(B) Outlays, $68,694,000,000.
Fiscal year 2024:
(A) New budget authority, $67,483,000,000.
(B) Outlays, $69,617,000,000.
Fiscal year 2025:
(A) New budget authority, $68,481,000,000.
(B) Outlays, $69,074,000,000.
Fiscal year 2026:
(A) New budget authority, $69,714,000,000.
(B) Outlays, $69,044,000,000.
Fiscal year 2027:
(A) New budget authority, $70,948,000,000.
(B) Outlays, $69,741,000,000.

(9) Community and Regional Development (450):
Fiscal year 2018:
(A) New budget authority, $4,365,000,000.
(B) Outlays, $18,626,000,000.
Fiscal year 2019:
(A) New budget authority, $4,170,000,000.
(B) Outlays, $16,983,000,000.
Fiscal year 2020:

(A) New budget authority, $4,240,000,000.
(B) Outlays, $11,842,000,000.
Fiscal year 2021:
(A) New budget authority, $4,353,000,000.
(B) Outlays, $9,558,000,000.
Fiscal year 2022:
(A) New budget authority, $4,487,000,000.
(B) Outlays, $6,386,000,000.
Fiscal year 2023:
(A) New budget authority, $4,556,000,000.
(B) Outlays, $5,090,000,000.
Fiscal year 2024:
(A) New budget authority, $4,673,000,000.
(B) Outlays, $4,745,000,000.
Fiscal year 2025:
(A) New budget authority, $4,857,000,000.
(B) Outlays, $4,767,000,000.
Fiscal year 2026:
(A) New budget authority, $5,077,000,000.
(B) Outlays, $4,805,000,000.
Fiscal year 2027:
(A) New budget authority, $4,953,000,000.
(B) Outlays, $4,809,000,000.

(10) Education, Training, Employment, and Social Services (500):
Fiscal year 2018:
(A) New budget authority, $69,920,000,000.
(B) Outlays, $89,295,000,000.
Fiscal year 2019:
(A) New budget authority, $79,090,000,000.
(B) Outlays, $81,404,000,000.
Fiscal year 2020:
(A) New budget authority, $80,305,000,000.
(B) Outlays, $81,129,000,000.
Fiscal year 2021:
(A) New budget authority, $81,922,000,000.
(B) Outlays, $82,479,000,000.
Fiscal year 2022:
(A) New budget authority, $82,350,000,000.
(B) Outlays, $83,539,000,000.
Fiscal year 2023:
(A) New budget authority, $86,279,000,000.
(B) Outlays, $85,843,000,000.
Fiscal year 2024:
(A) New budget authority, $86,641,000,000.
(B) Outlays, $87,897,000,000.
Fiscal year 2025:
(A) New budget authority, $86,977,000,000.
(B) Outlays, $88,522,000,000.
Fiscal year 2026:
(A) New budget authority, $87,459,000,000.
(B) Outlays, $89,186,000,000.
Fiscal year 2027:
(A) New budget authority, $88,216,000,000.

(B) Outlays, $90,080,000,000.

(11) Health (550):

Fiscal year 2018:

(A) New budget authority, $579,328,000,000.

(B) Outlays, $551,277,000,000.

Fiscal year 2019:

(A) New budget authority, $564,387,000,000.

(B) Outlays, $570,419,000,000.

Fiscal year 2020:

(A) New budget authority, $552,405,000,000.

(B) Outlays, $541,949,000,000.

Fiscal year 2021:

(A) New budget authority, $512,289,000,000.

(B) Outlays, $518,445,000,000.

Fiscal year 2022:

(A) New budget authority, $528,560,000,000.

(B) Outlays, $533,688,000,000.

Fiscal year 2023:

(A) New budget authority, $547,998,000,000.

(B) Outlays, $549,687,000,000.

Fiscal year 2024:

(A) New budget authority, $571,335,000,000.

(B) Outlays, $569,207,000,000.

Fiscal year 2025:

(A) New budget authority, $594,923,000,000.

(B) Outlays, $591,171,000,000.

Fiscal year 2026:

(A) New budget authority, $618,119,000,000.

(B) Outlays, $613,682,000,000.

Fiscal year 2027:

(A) New budget authority, $623,810,000,000.

(B) Outlays, $626,774,000,000.

(12) Medicare (570):

Fiscal year 2018:

(A) New budget authority, $593,830,000,000.

(B) Outlays, $593,567,000,000.

Fiscal year 2019:

(A) New budget authority, $652,984,000,000.

(B) Outlays, $652,740,000,000.

Fiscal year 2020:

(A) New budget authority, $692,126,000,000.

(B) Outlays, $691,917,000,000.

Fiscal year 2021:

(A) New budget authority, $739,367,000,000.

(B) Outlays, $739,161,000,000.

Fiscal year 2022:

(A) New budget authority, $826,276,000,000.

(B) Outlays, $826,057,000,000.

Fiscal year 2023:

(A) New budget authority, $845,800,000,000.

(B) Outlays, $845,593,000,000.

Fiscal year 2024:

(A) New budget authority, $850,393,000,000.

(B) Outlays, $850,177,000,000.

Fiscal year 2025:
(A) New budget authority, $916,244,000,000.
(B) Outlays, $916,009,000,000.
Fiscal year 2026:
(A) New budget authority, $988,183,000,000.
(B) Outlays, $987,942,000,000.
Fiscal year 2027:
(A) New budget authority, $1,053,671,000,000.
(B) Outlays, $1,053,435,000,000.
(13) Income Security (600):
Fiscal year 2018:
(A) New budget authority, $491,789,000,000.
(B) Outlays, $477,428,000,000.
Fiscal year 2019:
(A) New budget authority, $464,425,000,000.
(B) Outlays, $454,786,000,000.
Fiscal year 2020:
(A) New budget authority, $475,015,000,000.
(B) Outlays, $464,925,000,000.
Fiscal year 2021:
(A) New budget authority, $484,414,000,000.
(B) Outlays, $475,140,000,000.
Fiscal year 2022:
(A) New budget authority, $492,453,000,000.
(B) Outlays, $489,299,000,000.
Fiscal year 2023:
(A) New budget authority, $475,767,000,000.
(B) Outlays, $468,217,000,000.
Fiscal year 2024:
(A) New budget authority, $484,425,000,000.
(B) Outlays, $471,370,000,000.
Fiscal year 2025:
(A) New budget authority, $493,048,000,000.
(B) Outlays, $480,920,000,000.
Fiscal year 2026:
(A) New budget authority, $502,057,000,000.
(B) Outlays, $496,505,000,000.
Fiscal year 2027:
(A) New budget authority, $511,675,000,000.
(B) Outlays, $505,382,000,000.
(14) Social Security (650):
Fiscal year 2018:
(A) New budget authority, $39,475,000,000.
(B) Outlays, $39,475,000,000.
Fiscal year 2019:
(A) New budget authority, $43,016,000,000.
(B) Outlays, $43,016,000,000.
Fiscal year 2020:
(A) New budget authority, $46,287,000,000.
(B) Outlays, $46,287,000,000.
Fiscal year 2021:
(A) New budget authority, $49,748,000,000.
(B) Outlays, $49,748,000,000.
Fiscal year 2022:

(A) New budget authority, $53,392,000,000.
(B) Outlays, $53,392,000,000.
Fiscal year 2023:
(A) New budget authority, $57,378,000,000.
(B) Outlays, $57,378,000,000.
Fiscal year 2024:
(A) New budget authority, $61,764,000,000.
(B) Outlays, $61,764,000,000.
Fiscal year 2025:
(A) New budget authority, $66,388,000,000.
(B) Outlays, $66,388,000,000.
Fiscal year 2026:
(A) New budget authority, $70,871,000,000.
(B) Outlays, $70,871,000,000.
Fiscal year 2027:
(A) New budget authority, $75,473,000,000.
(B) Outlays, $75,473,000,000.

(15) Veterans Benefits and Services (700):
Fiscal year 2018:
(A) New budget authority, $176,704,000,000.
(B) Outlays, $178,038,000,000.
Fiscal year 2019:
(A) New budget authority, $191,507,000,000.
(B) Outlays, $190,235,000,000.
Fiscal year 2020:
(A) New budget authority, $194,930,000,000.
(B) Outlays, $193,931,000,000.
Fiscal year 2021:
(A) New budget authority, $199,751,000,000.
(B) Outlays, $197,856,000,000.
Fiscal year 2022:
(A) New budget authority, $215,442,000,000.
(B) Outlays, $213,337,000,000.
Fiscal year 2023:
(A) New budget authority, $212,567,000,000.
(B) Outlays, $210,444,000,000.
Fiscal year 2024:
(A) New budget authority, $209,943,000,000.
(B) Outlays, $207,908,000,000.
Fiscal year 2025:
(A) New budget authority, $227,991,000,000.
(B) Outlays, $225,820,000,000.
Fiscal year 2026:
(A) New budget authority, $234,947,000,000.
(B) Outlays, $232,660,000,000.
Fiscal year 2027:
(A) New budget authority, $243,718,000,000.
(B) Outlays, $241,501,000,000.

(16) Administration of Justice (750):
Fiscal year 2018:
(A) New budget authority, $51,367,000,000.
(B) Outlays, $61,079,000,000.
Fiscal year 2019:
(A) New budget authority, $58,245,000,000.

(B) Outlays, $58,867,000,000.

Fiscal year 2020:

(A) New budget authority, $59,720,000,000.

(B) Outlays, $60,036,000,000.

Fiscal year 2021:

(A) New budget authority, $61,054,000,000.

(B) Outlays, $60,946,000,000.

Fiscal year 2022:

(A) New budget authority, $62,092,000,000.

(B) Outlays, $61,925,000,000.

Fiscal year 2023:

(A) New budget authority, $63,671,000,000.

(B) Outlays, $63,462,000,000.

Fiscal year 2024:

(A) New budget authority, $65,285,000,000.

(B) Outlays, $65,043,000,000.

Fiscal year 2025:

(A) New budget authority, $66,947,000,000.

(B) Outlays, $66,498,000,000.

Fiscal year 2026:

(A) New budget authority, $69,907,000,000.

(B) Outlays, $70,200,000,000.

Fiscal year 2027:

(A) New budget authority, $70,270,000,000.

(B) Outlays, $69,722,000,000.

(17) General Government (800):

Fiscal year 2018:

(A) New budget authority, $23,564,000,000.

(B) Outlays, $23,091,000,000.

Fiscal year 2019:

(A) New budget authority, $23,948,000,000.

(B) Outlays, $23,314,000,000.

Fiscal year 2020:

(A) New budget authority, $23,557,000,000.

(B) Outlays, $23,303,000,000.

Fiscal year 2021:

(A) New budget authority, $23,386,000,000.

(B) Outlays, $23,190,000,000.

Fiscal year 2022:

(A) New budget authority, $23,127,000,000.

(B) Outlays, $23,013,000,000.

Fiscal year 2023:

(A) New budget authority, $26,420,000,000.

(B) Outlays, $26,057,000,000.

Fiscal year 2024:

(A) New budget authority, $26,351,000,000.

(B) Outlays, $26,168,000,000.

Fiscal year 2025:

(A) New budget authority, $26,246,000,000.

(B) Outlays, $26,060,000,000.

Fiscal year 2026:

(A) New budget authority, $26,083,000,000.

(B) Outlays, $25,917,000,000.

Fiscal year 2027:

(A) New budget authority, $25,855,000,000.
(B) Outlays, $25,722,000,000.
(18) Net Interest (900):
Fiscal year 2018:
(A) New budget authority, $376,842,000,000.
(B) Outlays, $376,842,000,000.
Fiscal year 2019:
(A) New budget authority, $409,185,000,000.
(B) Outlays, $409,185,000,000.
Fiscal year 2020:
(A) New budget authority, $450,859,000,000.
(B) Outlays, $450,859,000,000.
Fiscal year 2021:
(A) New budget authority, $493,778,000,000.
(B) Outlays, $493,778,000,000.
Fiscal year 2022:
(A) New budget authority, $531,929,000,000.
(B) Outlays, $531,929,000,000.
Fiscal year 2023:
(A) New budget authority, $565,282,000,000.
(B) Outlays, $565,282,000,000.
Fiscal year 2024:
(A) New budget authority, $589,292,000,000.
(B) Outlays, $589,292,000,000.
Fiscal year 2025:
(A) New budget authority, $607,012,000,000.
(B) Outlays, $607,012,000,000.
Fiscal year 2026:
(A) New budget authority, $620,536,000,000.
(B) Outlays, $620,536,000,000.
Fiscal year 2027:
(A) New budget authority, $623,786,000,000.
(B) Outlays, $623,911,000,000.
(19) Allowances (920):
Fiscal year 2018:
(A) New budget authority, -$44,505,000,000.
(B) Outlays, -$23,272,000,000.
Fiscal year 2019:
(A) New budget authority, -$42,219,000,000.
(B) Outlays, -$34,499,000,000.
Fiscal year 2020:
(A) New budget authority, -$45,246,000,000.
(B) Outlays, -$40,640,000,000.
Fiscal year 2021:
(A) New budget authority, -$48,056,000,000.
(B) Outlays, -$44,164,000,000.
Fiscal year 2022:
(A) New budget authority, -$50,544,000,000.
(B) Outlays, -$47,877,000,000.
Fiscal year 2023:
(A) New budget authority, -$52,326,000,000.
(B) Outlays, -$49,819,000,000.
Fiscal year 2024:
(A) New budget authority, -$53,659,000,000.

(B) Outlays, -$51,411,000,000.
Fiscal year 2025:
(A) New budget authority, -$55,439,000,000.
(B) Outlays, -$53,060,000,000.
Fiscal year 2026:
(A) New budget authority, -$51,908,000,000.
(B) Outlays, -$52,127,000,000.
Fiscal year 2027:
(A) New budget authority, -$55,254,000,000.
(B) Outlays, -$53,919,000,000.
(20) Government-wide savings and adjustments (930):
Fiscal year 2018:
(A) New budget authority, $34,145,000,000.
(B) Outlays, $2,778,000,000.
Fiscal year 2019:
(A) New budget authority, -$1,555,000,000.
(B) Outlays, -$2,528,000,000.
Fiscal year 2020:
(A) New budget authority, -$67,381,000,000.
(B) Outlays, -$47,665,000,000.
Fiscal year 2021:
(A) New budget authority, -$120,155,000,000.
(B) Outlays, -$97,069,000,000.
Fiscal year 2022:
(A) New budget authority, -$153,376,000,000.
(B) Outlays, -$137,459,000,000.
Fiscal year 2023:
(A) New budget authority, -$174,438,000,000.
(B) Outlays, -$159,489,000,000.
Fiscal year 2024:
(A) New budget authority, -$194,373,000,000.
(B) Outlays, -$179,541,000,000.
Fiscal year 2025:
(A) New budget authority, -$193,336,000,000.
(B) Outlays, -$187,355,000,000.
Fiscal year 2026:
(A) New budget authority, -$246,573,000,000.
(B) Outlays, -$223,016,000,000.
Fiscal year 2027:
(A) New budget authority, -$258,801,000,000.
(B) Outlays, -$240,977,000,000.
(21) Undistributed Offsetting Receipts (950):
Fiscal year 2018:
(A) New budget authority, -$83,212,000,000.
(B) Outlays, -$83,212,000,000.
Fiscal year 2019:
(A) New budget authority, -$86,409,000,000.
(B) Outlays, -$86,409,000,000.
Fiscal year 2020:
(A) New budget authority, -$86,316,000,000.
(B) Outlays, -$86,316,000,000.
Fiscal year 2021:
(A) New budget authority, -$90,347,000,000.
(B) Outlays, -$90,347,000,000.

Fiscal year 2022:
(A) New budget authority, -$93,573,000,000.
(B) Outlays, -$93,573,000,000.
Fiscal year 2023:
(A) New budget authority, -$100,001,000,000.
(B) Outlays, -$100,001,000,000.
Fiscal year 2024:
(A) New budget authority, -$105,371,000,000.
(B) Outlays, -$105,371,000,000.
Fiscal year 2025:
(A) New budget authority, -$115,139,000,000.
(B) Outlays, -$115,139,000,000.
Fiscal year 2026:
(A) New budget authority, -$117,033,000,000.
(B) Outlays, -$117,033,000,000.
Fiscal year 2027:
(A) New budget authority, -$127,808,000,000.
(B) Outlays, -$127,808,000,000.

(22) Overseas Contingency Operations/Global War on Terrorism (970):
Fiscal year 2018:
(A) New budget authority, $86,591,000,000.
(B) Outlays, $45,781,000,000.
Fiscal year 2019:
(A) New budget authority, $60,000,000,000.
(B) Outlays, $50,748,000,000.
Fiscal year 2020:
(A) New budget authority, $43,000,000,000.
(B) Outlays, $43,076,000,000.
Fiscal year 2021:
(A) New budget authority, $26,000,000,000.
(B) Outlays, $31,635,000,000.
Fiscal year 2022:
(A) New budget authority, $12,000,000,000.
(B) Outlays, $18,768,000,000.
Fiscal year 2023:
(A) New budget authority, $12,000,000,000.
(B) Outlays, $13,799,000,000.
Fiscal year 2024:
(A) New budget authority, $12,000,000,000.
(B) Outlays, $11,957,000,000.
Fiscal year 2025:
(A) New budget authority, $0.
(B) Outlays, $4,171,000,000.
Fiscal year 2026:
(A) New budget authority, $0.
(B) Outlays, $1,160,000,000.
Fiscal year 2027:
(A) New budget authority, $0.
(B) Outlays, $165,000,000.

(23) Across-the-Board Adjustment (990):
Fiscal year 2018:
(A) New budget authority, -$909,000,000.
(B) Outlays, -$740,000,000.

Fiscal year 2019:
(A) New budget authority, -$931,000,000.
(B) Outlays, -$837,000,000.
Fiscal year 2020:
(A) New budget authority, -$956,000,000.
(B) Outlays, -$895,000,000.
Fiscal year 2021:
(A) New budget authority, -$979,000,000.
(B) Outlays, -$944,000,000.
Fiscal year 2022:
(A) New budget authority, -$1,004,000,000.
(B) Outlays, -$968,000,000.
Fiscal year 2023:
(A) New budget authority, -$1,030,000,000.
(B) Outlays, -$993,000,000.
Fiscal year 2024:
(A) New budget authority, -$1,056,000,000.
(B) Outlays, -$1,018,000,000.
Fiscal year 2025:
(A) New budget authority, -$1,083,000,000.
(B) Outlays, -$1,045,000,000.
Fiscal year 2026:
(A) New budget authority, -$1,112,000,000.
(B) Outlays, -$1,070,000,000.
Fiscal year 2027:
(A) New budget authority, -$1,140,000,000.
(B) Outlays, -$1,099,000,000.

TITLE II—RECONCILIATION AND RELATED MATTERS

SEC. 201. RECONCILIATION IN THE HOUSE OF REPRESENTATIVES.

(a) SUBMISSIONS PROVIDING FOR RECONCILIATION.—Not later than October 6, 2017, the committees named in subsection (b) shall submit their recommendations on changes in laws within their jurisdictions to the Committee on the Budget that would achieve the specified reduction in the deficit for the period of fiscal years 2018 through 2027.

(b) INSTRUCTIONS.—

(1) COMMITTEE ON AGRICULTURE.—The Committee on Agriculture shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $10,000,000,000 for the period of fiscal years 2018 through 2027.

(2) COMMITTEE ON ARMED SERVICES.—The Committee on Armed Services shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2018 through 2027.

(3) COMMITTEE ON EDUCATION AND THE WORKFORCE.—The Committee on Education and the Workforce shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $20,000,000,000 for the period of fiscal years 2018 through 2027.

(4) COMMITTEE ON ENERGY AND COMMERCE.—The Committee on Energy and Commerce shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $20,000,000,000 for the period of fiscal years 2018 through 2027.

(5) COMMITTEE ON FINANCIAL SERVICES.—The Committee on Financial Services shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $14,000,000,000 for the period of fiscal years 2018 through 2027.

(6) COMMITTEE ON HOMELAND SECURITY.—The Committee on Homeland Security shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $3,000,000,000 for the period of fiscal years 2018 through 2027.

(7) COMMITTEE ON THE JUDICIARY.—The Committee on the Judiciary shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $45,000,000,000 for the period of fiscal years 2018 through 2027.

(8) COMMITTEE ON NATURAL RESOURCES.—The Committee on Natural Resources shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $5,000,000,000 for the period of fiscal years 2018 through 2027.

(9) COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM.—The Committee on Oversight and Government Reform shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $32,000,000,000 for the period of fiscal years 2018 through 2027.

(10) COMMITTEE ON VETERANS' AFFAIRS.—The Committee on Veterans' Affairs shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2018 through 2027.

(11) COMMITTEE ON WAYS AND MEANS.—The Committee on Ways and Means shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $52,000,000,000 for the period of fiscal years 2018 through 2027.

TITLE III—BUDGET ENFORCEMENT IN THE HOUSE OF REPRESENTATIVES

Subtitle A—Budget Enforcement

SEC. 301. POINT OF ORDER AGAINST INCREASING LONG-TERM DIRECT SPENDING.

(a) POINT OF ORDER.—It shall not be in order in the House of Representatives to consider any bill or joint resolution, or amendment thereto or conference report thereon, that would cause a net increase in direct spending in excess of $2,500,000,000 in any of the 4 consecutive 10-fiscal year periods described in subsection (b).

(b) CONGRESSIONAL BUDGET OFFICE ANALYSIS OF PROPOSALS.—The Director of the Congressional Budget Office shall, to the extent practicable, prepare an estimate of whether a bill or joint resolution reported by a committee (other than the Committee on Appropriations), or amendment thereto or conference report thereon, would cause, relative to current law, a net increase in direct spending in the House of Representatives, in excess of $2,500,000,000 in any of the 4 consecutive 10-fiscal year periods beginning after the last fiscal year of this concurrent resolution.

(c) LIMITATION.—In the House of Representatives, the provisions of this section shall not apply to any bills or joint resolutions, or amendments thereto or conference reports thereon, for which the chair of the Committee on the Budget has made adjustments to the allocations, aggregates, or other budgetary levels in this concurrent resolution.

(d) DETERMINATIONS OF BUDGET LEVELS.—For purposes of this section, the levels of net increases in direct spending shall be determined on the basis of estimates provided by the chair of the Committee on the Budget of the House of Representatives.

(e) SUNSET.—This section shall have no force or effect after September 30, 2018.

SEC. 302. ALLOCATION FOR OVERSEAS CONTINGENCY OPERATIONS/GLOBAL WAR ON TERRORISM.

(a) SEPARATE ALLOCATION FOR OVERSEAS CONTINGENCY OPERATIONS/GLOBAL WAR ON TERRORISM.—In the House of Representatives, there shall be a separate allocation of new budget authority and outlays provided to the Committee on Appropriations for the purposes of Overseas Contingency Operations/Global War on Terrorism, which shall be deemed to be an allocation under section 302(a) of the Congressional Budget Act of 1974. Section 302(a)(3) of such Act shall not apply to such separate allocation.

(b) SECTION 302 ALLOCATIONS.—The separate allocation referred to in subsection (a) shall be the exclusive allocation for Overseas Contingency Operations/Global War on Terrorism under section 302(b) of the Congressional Budget Act of 1974. The Committee on Appropriations of the House of Representatives may provide suballocations of such separate allocation under such section 302(b).

(c) APPLICATION.—For purposes of enforcing the separate allocation referred to in subsection (a) under section 302(f) of the Congressional Budget Act of 1974, the "first fiscal year" and the "total of fiscal years" shall be deemed to refer to fiscal year 2018. Section 302(c) of such Act shall not apply to such separate allocation.

(d) DESIGNATIONS.—New budget authority or outlays shall only be counted toward the allocation referred to in subsection (a) if designated pursuant to section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(e) ADJUSTMENTS.—For purposes of subsection (a) for fiscal year 2018, no adjustment shall be made under section 314(a) of the Congressional Budget Act of 1974 if any adjustment would be made under section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 303. LIMITATION ON CHANGES IN CERTAIN MANDATORY PROGRAMS.

(a) DEFINITION.—In this section, the term "change in mandatory programs" means a provision that—

(1) would have been estimated as affecting direct spending or receipts under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (as in effect prior to September 30, 2002) if the provision were included in legislation other than appropriation Acts; and

(2) results in a net decrease in budget authority in the budget year, but does not result in a net decrease in outlays over the total of the current year, the budget year, and all fiscal years covered under the most recently agreed to concurrent resolution on the budget.

(b) POINT OF ORDER IN THE HOUSE OF REPRESENTATIVES.—

(1) IN GENERAL.—A provision in a bill or joint resolution making appropriations for a full fiscal year that proposes a change in mandatory programs that, if enacted, would cause the absolute value of the total budget authority of all such changes in mandatory programs enacted in relation to a full fiscal year to be more than the amount specified in paragraph (3), shall not be in order in the House of Representatives.

(2) AMENDMENTS AND CONFERENCE REPORTS.—It shall not be in order in the House of Representatives to consider an amendment to, or a conference report on, a bill or joint resolution making appropriations for a full fiscal year if such amendment thereto or conference report thereon proposes a change in mandatory programs that, if enacted, would cause the absolute value of the total budget authority of all such changes in mandatory programs enacted in relation to a full fiscal year to be more than the amount specified in paragraph (3).

(3) AMOUNT.—The amount specified in this paragraph is—

(A) for fiscal year 2018, $19,100,000,000;

(B) for fiscal year 2019, $17,000,000,000; and

(C) for fiscal year 2020, $15,000,000,000.

(c) DETERMINATION.—For purposes of this section, budgetary levels shall be determined on the basis of estimates provided by the chair of the Committee on the Budget of the House of Representatives.

SEC. 304. LIMITATION ON ADVANCE APPROPRIATIONS.

(a) IN GENERAL.—In the House of Representatives, except as provided for in subsection (b), any general appropriation bill or bill or joint resolution continuing appropriations, or amendment thereto or conference report thereon, may not provide advance appropriations.

(b) EXCEPTIONS.—An advance appropriation may be provided for programs, projects, activities, or accounts identified in the report or the joint explanatory statement of managers, as applicable, accompanying this concurrent resolution under the heading—

(1) GENERAL.—"Accounts Identified for Advance Appropriations".

(2) VETERANS.—"Veterans Accounts Identified for Advance Appropriations".

(c) LIMITATIONS.—The aggregate level of advance appropriations shall not exceed—

(1) GENERAL.—$28,852,000,000 in new budget authority for all programs identified pursuant to subsection (b)(1).

(2) VETERANS.—$70,699,313,000 in new budget authority for programs in the Department of Veterans Affairs identified pursuant to subsection (b)(2).

(d) DEFINITION.—The term "advance appropriation" means any new discretionary budget authority provided in a general appropriation bill or joint resolution continuing appropriations for fiscal year 2018, or any amendment thereto or conference report thereon, that first becomes available for the first fiscal year following fiscal year 2018.

SEC. 305. ESTIMATES OF DEBT SERVICE COSTS.

In the House of Representatives, the chair of the Committee on the Budget may direct the Congressional Budget Office to include, in any estimate prepared under section 402 of the Congressional Budget Act of 1974 with respect to any bill or joint resolution, an estimate of any change in debt service costs resulting from carrying out such bill or resolution. Any estimate of debt service costs provided under this section shall be advisory and shall not be used for purposes of enforcement of such Act, the Rules of the House of Representatives, or this concurrent resolution. This section shall not apply to authorizations of programs funded by discretionary spending or to appropriation bills or joint resolutions, but shall apply to changes in the authorization level of appropriated entitlements.

SEC. 306. FAIR-VALUE CREDIT ESTIMATES.

(a) ALL CREDIT PROGRAMS.—Whenever the Director of the Congressional Budget Office provides an estimate of any measure that establishes or modifies any program providing loans or loan guarantees, the Director shall also, to the extent practicable, provide a fair-value estimate of such loan or loan guarantee program if requested by the chair of the Committee on the Budget of the House of Representatives.

(b) STUDENT FINANCIAL ASSISTANCE AND HOUSING PROGRAMS.—The Director of the Congressional Budget Office shall provide, to the extent practicable, a fair-value estimate as part of any estimate for any measure that establishes or modifies a loan or loan guarantee program for student financial assistance or housing (including residential mortgage).

(c) BASELINE ESTIMATES.—The Congressional Budget Office shall include estimates, on a fair-value and credit reform basis, of loan and loan guarantee programs for student financial assistance, housing (including residential mortgage), and such other major loan and loan guarantee programs, as practicable, in its *The Budget and Economic Outlook: 2018 to 2027*.

(d) ENFORCEMENT IN THE HOUSE OF REPRESENTATIVES.—If the Director of the Congressional Budget Office provides an estimate pursuant to subsection (a) or (b), the chair of the Committee on the Budget of the House of Representatives may use such estimate to determine compliance with the Congressional Budget Act of 1974 and other budget enforcement requirements.

SEC. 307. ESTIMATES OF MACROECONOMIC EFFECTS OF MAJOR LEGISLATION.

(a) CBO AND JCT ESTIMATES.—During the 115th Congress, any estimate of major legislation considered in the House of Representatives or the Senate provided by the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974 or by the Joint Committee on Taxation to the Congressional Budget Office under section 201(f) of such Act shall, to the extent practicable, incorporate the budgetary effects of changes in economic output, employment, capital stock, and other macroeconomic variables resulting from such major legislation.

(b) CONTENTS.—Any estimate referred to in subsection (a) shall, to the extent practicable, include—

(1) a qualitative assessment of the budgetary effects (including macroeconomic variables described in subsection (a)) of major legislation in the 20-fiscal year period beginning after the last fiscal year of the most recently agreed to concurrent resolution on the budget that sets forth budgetary levels required under section 301 of the Congressional Budget Act of 1974; and

(2) an identification of the critical assumptions and the source of data underlying that estimate.

(c) DEFINITIONS.—In this section:

(1) MAJOR LEGISLATION.—The term "major legislation" means—

(A) in the Senate, a bill, joint resolution, conference report, amendment, amendment between the Houses, or treaty—

(i) for which an estimate is required to be prepared pursuant to section 402 of the Congressional Budget Act of 1974 (2 U.S.C. 653) and that causes a gross budgetary effect (before incorporating macroeconomic effects and not including timing shifts) in a fiscal year in the period of years of the most recently agreed to concurrent resolution on the budget equal to or greater than—

(I) 0.25 percent of the current projected gross domestic product of the United States for that fiscal year; or

(II) for a treaty, equal to or greater than $15,000,000,000 for that fiscal year; or

(ii) designated as such by—

(I) the chair of the Committee on the Budget of the Senate for all direct spending legislation; or

(II) the Senator who is Chairman or Vice Chairman of the Joint Committee on Taxation for revenue legislation; and

(B) in the House of Representatives, a bill or joint resolution, or amendment thereto or conference report thereon—

(i) for which an estimate is required to be prepared pursuant to section 402 of the Congressional Budget Act of 1974 (2 U.S.C. 653) and that causes a gross budgetary effect (before incorporating macroeconomic effects and not including timing shifts) in a fiscal year in the period of years of the most recently agreed to concurrent resolution on the budget equal to or greater than 0.25 percent of the current projected gross domestic product of the United States for that fiscal year; or

(ii) designated as such by—

(I) the chair of the Committee on the Budget of the House of Representatives for all direct spending legislation; or

(II) the Member who is Chairman or Vice Chairman of the Joint Committee on Taxation for revenue legislation.

(2) BUDGETARY EFFECTS.—The term "budgetary effects" means changes in revenues, direct spending outlays, and deficits.

(3) TIMING SHIFTS.—The term "timing shifts" means—

(A) provisions that cause a delay of the date on which outlays flowing from direct spending would otherwise occur from one fiscal year to the next fiscal year; or

(B) provisions that cause an acceleration of the date on which revenues would otherwise occur from one fiscal year to the prior fiscal year.

SEC. 308. ADJUSTMENTS FOR IMPROVED CONTROL OF BUDGETARY RESOURCES.

(a) ADJUSTMENTS OF DISCRETIONARY AND DIRECT SPENDING LEVELS.—In the House of Representatives, if a committee (other than the Committee on Appropriations) reports a bill or joint resolution, or an amendment thereto is offered or conference report thereon is submitted, providing for a decrease in direct spending (budget authority and outlays flowing therefrom) for any fiscal year and also provides for an authorization of appropriations for the same purpose, upon the enactment of such measure, the chair of the Committee on the Budget may decrease the allocation to the applicable authorizing committee that reports such measure and increase the allocation of discretionary spending (budget authority and outlays flowing therefrom) to the Committee on Appropriations for fiscal year 2018 by an amount equal to the new budget authority (and outlays flowing therefrom) provided for in a bill or joint resolution making appropriations for the same purpose.

(b) DETERMINATIONS.—In the House of Representatives, for purposes of enforcing this concurrent resolution, the allocations and aggregate levels of new budget authority, outlays, direct spending, revenues, deficits, and surpluses for fiscal year 2018 and the total of fiscal years 2018 through 2027 shall be determined on the basis of estimates made by the chair of the Committee on the Budget and such chair may adjust the applicable levels in this concurrent resolution.

SEC. 309. SCORING RULE FOR ENERGY SAVINGS PERFORMANCE CONTRACTS.

(a) IN GENERAL.—The Director of the Congressional Budget Office shall estimate provisions of any bill or joint resolution, or amendment thereto or conference report thereon, that provides the authority to enter into or modify any covered energy savings contract on a net present value basis (NPV).

(b) NPV CALCULATIONS.—The net present value of any covered energy savings contract shall be calculated as follows:

(1) The discount rate shall reflect market risk.

(2) The cash flows shall include, whether classified as mandatory or discretionary, payments to contractors under the terms of their contracts, payments to contractors for other services, and direct savings in energy and energy-related costs.

(3) The stream of payments shall cover the period covered by the contracts but not to exceed 25 years.

(c) DEFINITION.—As used in this section, the term “covered energy savings contract” means—

(1) an energy savings performance contract authorized under section 801 of the National Energy Conservation Policy Act; or

(2) a utility energy service contract, as described in the Office of Management and Budget Memorandum on Federal Use of Energy Savings Performance Contracting, dated July 25, 1998 (M–98–13), and the Office of Management and Budget Memorandum on the Federal Use of Energy Saving Performance Contracts and Utility Energy Service Contracts, dated September 28, 2015 (M–12–21), or any successor to either memorandum.

(d) ENFORCEMENT IN THE HOUSE OF REPRESENTATIVES.—In the House of Representatives, if any net present value of any covered energy savings contract calculated under subsection (b) results in a net savings, then the budgetary effects of such contract shall not be counted for purposes of titles III and IV of the Congressional Budget Act of 1974, this concurrent resolution, or clause 10 of rule XXI of the Rules of the House of Representatives.

(e) CLASSIFICATION OF SPENDING.—For purposes of budget enforcement, the estimated net present value of the budget authority provided by the measure, and outlays flowing therefrom, shall be classified as direct spending.

(f) SENSE OF THE HOUSE OF REPRESENTATIVES.—It is the sense of the House of Representatives that—

(1) the Director of the Office of Management and Budget, in consultation with the Director of the Congressional Budget Office, should separately identify the cash flows under subsection (b)(2) and include such information in the President’s annual budget submission under section 1105(a) of title 31, United States Code; and

(2) the scoring method used in this section should not be used to score any contracts other than covered energy savings contracts.

SEC. 310. LIMITATION ON TRANSFERS FROM THE GENERAL FUND OF THE TREASURY TO THE HIGHWAY TRUST FUND.

In the House of Representatives, for purposes of the Congressional Budget Act of 1974, the Balanced Budget and Emergency Deficit Control Act of 1985, and the rules or orders of the House of Representatives, a bill or joint resolution, or an amendment thereto or conference report thereon, that transfers funds from the general fund of the Treasury to the Highway Trust Fund shall be counted as new budget authority and outlays equal to the amount of the transfer in the fiscal year the transfer occurs.

SEC. 311. PROHIBITION ON USE OF FEDERAL RESERVE SURPLUSES AS AN OFFSET.

In the House of Representatives, any provision of a bill or joint resolution, or amendment thereto or conference report thereon, that transfers any portion of the net surplus of the Federal Reserve System to the general fund of the Treasury shall not be counted for purposes of enforcing the Congressional Budget Act of 1974, this concurrent resolution, or clause 10 of rule XXI of the Rules of the House of Representatives.

SEC. 312. PROHIBITION ON USE OF GUARANTEE FEES AS AN OFFSET.

In the House of Representatives, any provision of a bill or joint resolution, or amendment thereto or conference report thereon, that increases, or extends the increase of, any guarantee fees of the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) shall not be counted for purposes of enforcing the Congressional Budget Act of 1974, this concurrent resolution, or clause 10 of rule XXI of the Rules of the House of Representatives.

Subtitle B—Other Provisions

SEC. 321. BUDGETARY TREATMENT OF ADMINISTRATIVE EXPENSES.

(a) IN GENERAL.—In the House of Representatives, notwithstanding section 302(a)(1) of the Congressional Budget Act of 1974, section 13301 of the Budget Enforcement Act of 1990, and section 2009a of title 39, United States Code, the report or the joint explanatory statement, as applicable, accompanying this concurrent resolution shall include in its allocation to the Committee on Appropriations under section 302(a) of the Congressional Budget Act of 1974 amounts for the discretionary administrative expenses of the Social Security Administration and the United States Postal Service.

(b) SPECIAL RULE.—In the House of Representatives, for purposes of enforcing section 302(f) of the Congressional Budget Act of 1974, estimates of the levels of total new budget authority and total outlays provided by a measure shall include any discretionary amounts described in subsection (a).

SEC. 322. APPLICATION AND EFFECT OF CHANGES IN ALLOCATIONS AND AGGREGATES.

(a) APPLICATION.—In the House of Representatives, any adjustments of the allocations, aggregates, and other budgetary levels made pursuant to this concurrent resolution shall—

(1) apply while that measure is under consideration;

(2) take effect upon the enactment of that measure; and

(3) be published in the Congressional Record as soon as practicable.

(b) EFFECT OF CHANGED ALLOCATIONS AND AGGREGATES.—Revised allocations and aggregates resulting from these adjustments shall be considered for the purposes of the Congressional Budget Act of 1974 as the allocations and aggregates contained in this concurrent resolution.

(c) BUDGET COMMITTEE DETERMINATIONS.—For purposes of this concurrent resolution, the budgetary levels for a fiscal year or period of fiscal years shall be determined on the basis of estimates made by the chair of the Committee on the Budget of the House of Representatives.

(d) AGGREGATES, ALLOCATIONS AND APPLICATION.—In the House of Representatives, for purposes of this concurrent resolution and budget enforcement, the consideration of any bill or joint resolution, or amendment thereto or conference report thereon, for which the chair of the Committee on the Budget makes adjustments or revisions in the allocations, aggregates, and other budgetary levels of this concurrent resolution shall not be subject to the points of order set forth in clause 10 of rule XXI of the Rules of the House of Representatives or section 301 of this concurrent resolution.

(e) OTHER ADJUSTMENTS.—The chair of the Committee on the Budget of the House of Representatives may adjust other appropriate levels in this concurrent resolution depending on congressional action on pending reconciliation legislation.

SEC. 323. ADJUSTMENTS TO REFLECT CHANGES IN CONCEPTS AND DEFINITIONS.

In the House of Representatives, the chair of the Committee on the Budget may adjust the appropriate aggregates, allocations, and other budgetary levels in this concurrent resolution for any change in budgetary concepts and definitions consistent with section 251(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 324. ADJUSTMENT FOR CHANGES IN THE BASELINE.

In the House of Representatives, the chair of the Committee on the Budget may adjust the allocations, aggregates, reconciliation targets, and other appropriate budgetary levels in this concurrent resolution to reflect changes resulting from the Congressional Budget Office's update to its baseline for fiscal years 2018 through 2027.

SEC. 325. APPLICATION OF RULE REGARDING LIMITS ON DISCRETIONARY SPENDING.

Section 314(f) of the Congressional Budget Act of 1974 shall not apply in the House of Representatives to any bill, joint resolution, or amendment that provides new budget authority for a fiscal year or to any conference report on any such bill or resolution if—

(1) the enactment of that bill or resolution;

(2) the adoption and enactment of that amendment; or

(3) the enactment of that bill or resolution in the form recommended in that conference report,

would not cause the 302(a) allocation to the Committee on Appropriations for fiscal year 2018 to be exceeded.

SEC. 326. EXERCISE OF RULEMAKING POWERS.

The House of Representatives adopts the provisions of this title and title II—

(1) as an exercise of the rulemaking power of the House of Representatives, and as such they shall be considered as part of the rules of the House of Representatives, and such rules shall supersede other rules only to the extent that they are inconsistent with such other rules; and

(2) with full recognition of the constitutional right of the House of Representatives to change those rules at any time, in the same manner, and to the same extent as is the case of any other rule of the House of Representatives.

TITLE IV—RESERVE FUNDS IN THE HOUSE OF REPRESENTATIVES

SEC. 401. RESERVE FUND FOR COMMERCIALIZATION OF AIR TRAFFIC CONTROL.

(a) IN GENERAL.—In the House of Representatives, the chair of the Committee on the Budget may adjust, at a time the chair deems appropriate, the section 302(a) allocation to the Committee on Transportation and Infrastructure and other applicable committees of the House of Representatives, aggregates, and other appropriate levels established in this concurrent resolution for a bill or joint resolution, or amendment thereto or conference report thereon, that commercializes the operations of the air traffic control system if such measure reduces the discretionary spending limits in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 by the amount that would otherwise be appropriated to the Federal Aviation Administration for air traffic control. Adjustments to the section 302(a) allocation to the Committee on Appropriations, consistent with the adjustments to the discretionary spending limits under such section 251(c), shall only be made upon enactment of such measure.

(b) DEFINITION.—For purposes of this section, a measure that commercializes the operations of the air traffic control system shall be a measure that establishes a Federally-chartered, not-for-profit corporation that—

(1) is authorized to provide air traffic control services within the United States airspace;

(2) sets user fees to finance its operations;

(3) may borrow from private capital markets to finance improvements;

(4) is governed by a board of directors composed of a CEO and directors whose fiduciary duty is to the entity; and

(5) becomes the employer of those employees directly connected to providing air traffic control services and who the Secretary transfers from the Federal Government.

SEC. 402. RESERVE FUND FOR INVESTMENTS IN NATIONAL INFRASTRUCTURE.

In the House of Representatives, the chair of the Committee on the Budget may adjust the allocations, aggregates, and other appropriate levels in this concurrent resolution for any bill or joint resolution, or amendment thereto or conference report thereon, that invests in national infrastructure to the extent that such measure is deficit neutral for the total of fiscal years 2018 through 2027.

SEC. 403. RESERVE FUND FOR COMPREHENSIVE TAX REFORM.

In the House of Representatives, if the Committee on Ways and Means reports a bill or joint resolution that provides for comprehensive tax reform, the chair of the Committee on the Budget may adjust the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for the budgetary effects of any such bill or joint resolution, or amendment thereto or conference report thereon, if such measure would not increase the deficit for the total of fiscal years 2018 through 2027.

SEC. 404. RESERVE FUND FOR THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM.

In the House of Representatives, the chair of the Committee on the Budget may adjust the allocations, budget aggregates and other appropriate levels in this concurrent resolution for the budgetary effects of any bill or joint resolution, or amendment thereto or conference report thereon, that extends the State Children's Health Insurance Program allotments, if such measure would not increase the deficit for the total of fiscal years 2018 through 2027.

SEC. 405. RESERVE FUND FOR THE REPEAL OR REPLACEMENT OF PRESIDENT OBAMA'S HEALTH CARE LAWS.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for the budgetary effects of any bill or joint resolution, or amendment thereto or conference report thereon, that repeals or replaces any provision of the Patient Protection and Affordable Care Act or title I or subtitle B of title II of the Health Care and Education Reconciliation Act of 2010 by the amount of budget authority and outlays flowing therefrom provided by such measure for such purpose.

TITLE V—POLICY STATEMENTS IN THE HOUSE OF REPRESENTATIVES

SEC. 501. POLICY STATEMENT ON A BALANCED BUDGET AMENDMENT.

(a) FINDINGS.—The House finds the following:

(1) In fiscal year 2017, the Federal Government will collect approximately $3.3 trillion in taxes, but spend more than $4.0 trillion to maintain its operations, borrowing 15 cents of every Federal dollar spent.

(2) At the end of fiscal year 2016, the national debt of the United States was more than $19.5 trillion.

(3) A majority of States have petitioned the Federal Government to hold a constitutional convention to adopt a balanced budget amendment to the Constitution.

(4) As of the spring of 2016, 46 States have requirements to annually balance their respective budgets.

(5) Numerous balanced budget amendment proposals have been introduced on a bipartisan basis in the House. Currently in the 115th Congress, 8 joint resolutions proposing a balanced budget amendment have been introduced.

(6) In the 111th Congress, the House considered H. J. Res. 2, sponsored by Representative Robert W. Goodlatte of Virginia. Although it received 262 aye votes, it did not receive the two-thirds required for passage.

(7) In 1995, a balanced budget amendment to the Constitution passed the House with bipartisan support, but failed to pass by one vote in the United States Senate.

(8) Five States, Georgia, Alaska, Mississippi, North Dakota, and Arizona, have agreed to the Compact for a Balanced Budget, which seeks to amend the Constitution to require a balanced budget through an Article V convention by April 12, 2021.

(b) POLICY ON A BALANCED BUDGET CONSTITUTIONAL AMENDMENT.—It is the policy of this concurrent resolution that the House should propose a balanced budget constitutional amendment for ratification by the States.

SEC. 502. POLICY STATEMENT ON BUDGET PROCESS REFORM.

It is the policy of this concurrent resolution that the House should enact legislation that reforms the congressional budget process to—

(1) reassert congressional control over the budget process by reorienting the Views and Estimates that committees submit to the Committee on the Budget, as required under 301(d) of the Congressional Budget Act of 1974, to emphasize congressional rather than executive branch priorities;

(2) strengthen enforcement of budgetary rules and requirements by—

(A) enabling Members of the House of Representatives to enforce budget requirements in a manner that does not jeopardize the ability of the majority to work its will on legislation; and

(B) permitting members of Congress to determine whether emergency-designated appropriations are for unanticipated situations that pose a threat to life, property, or national security;

(3) increase control over the costs of Federal activities by—

(A) incorporating debt service costs into cost estimates prepared by the Congressional Budget Office;

(B) establishing a process for setting limits on the amount of debt incurred by the Federal Government from the private sector as a share of the economy that requires congressional action if such limits deviate from those previously determined by Congress and the President;

(C) transitioning to fair-value accounting;

(D) budgeting for Federal insurance programs on an accrual basis; and

(E) developing and implementing a regulatory budget as provided in section 503;

(4) achieve greater control over mandatory spending by reforming reconciliation procedures and requirements to ensure they are transparent, objectively applied, and maximize opportunities for deficit reduction;

(5) increase the efficiency of the congressional budget process by—

(A) realigning the budget cycle with the calendar year and the congressional calendar;

(B) simplifying the procedures by which the Committee on Appropriations adjusts its section 302(b) suballocations to ensure they are consistent with the Committee's overall section 302(a) allocation; and

(C) increasing congressional accountability for budget decisions;

(6) improve the transparency of the Federal Government's obligations by—

(A) modifying the content of the budget resolution to reflect the budgetary decisions that Congress actually makes and enforces;

(B) requiring the Comptroller General to periodically report to Congress on the consolidated financial report of the Federal Government; and

(C) restructuring the baseline, as set forth in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985, to treat mandatory spending and revenue on a comparable basis; and

(7) achieve control over long-term budget obligations by—

(A) establishing declining limits on the amount of debt incurred by the Federal Government from the private sector as a share of the economy that requires congressional action if such limits deviate from those previously determined by Congress and the President; and

(B) codifying limits on the amount legislation can increase the deficit beyond the ten fiscal-year period of the concurrent resolution on the budget.

SEC. 503. POLICY STATEMENT ON FEDERAL REGULATORY BUDGETING AND REFORM.

(a) FINDINGS.—The House finds the following:

(1) Federal regulations are estimated to cost $1.9 trillion per year or approximately $15,000 per household. Such costs exceed 10 percent of the Gross Domestic Product of the United States.

(2) Excessive Federal regulation—

(A) retards job creation, investment, wages, competition, and economic growth, slowing the Nation's recovery from economic recession and harming American households;

(B) operates as a regressive tax on poor and lower-income households;

(C) displaces workers into long-term unemployment or lower-paying jobs;

(D) adversely affects small businesses, the primary source of new jobs; and

(E) impedes the economic growth necessary to provide sufficient funds to meet vital commitments and reduce the Federal debt.

(3) Federal agencies do not systematically analyze both the costs and benefits of new regulations or identify and eliminate, minimize, or mitigate excess regulatory costs through post-implementation assessments of their regulations.

(4) Agencies too often impose costly regulations without relying on sound science, through the use of agency guidance, judicial consent decrees, and settlement agreements, and through the abuse of high interim compliance costs imposed on regulated entities that bring legal challenges against newly promulgated regulations.

(5) Congress lacks an effective mechanism to manage the level of new Federal regulatory costs imposed each year. Other nations, meanwhile, have successfully implemented the use of regulatory budgeting to control excess regulation and regulatory costs.

(6) Significant steps have been taken already by President Trump and the 115th Congress, including the imposition of a regulatory pay-as-you-go regimen for new and revised regulations by the Trump Administration and the enactment of 14 measures under the Congressional Review Act that repealed regulations promulgated in the final 60 legislative days of the 114th Congress.

(b) POLICY ON FEDERAL REGULATORY BUDGETING AND REFORM.—It is the policy of this concurrent resolution that the House should, in consultation with the public, consider legislation that—

(1) requires the President's budget submission to include an analysis of the costs of complying with current and proposed regulations;

(2) builds the institutional capacity of the Congressional Budget Office to develop a regulatory baseline and estimate regulatory costs;

(3) codifies the Trump Administration's regulatory pay-as-you-go requirements, which require agencies to offset the costs of new or revised regulations with the repeal or modification of existing regulations; and

(4) requires Federal agencies to give notice and allow for comments on proposed guidance documents.

SEC. 504. POLICY STATEMENT ON UNAUTHORIZED APPROPRIATIONS.

(a) FINDINGS.—The House finds the following:

(1) Article I of the Constitution vests all legislative power in Congress.

(2) Central to the legislative powers of Congress is the authorization of appropriations necessary to execute the laws that establish agencies and programs and impose obligations.

(3) Clause 2 of rule XXI of the Rules of the House of Representatives prohibits the consideration of appropriations measures that provide appropriations for unauthorized programs.

(4) In fiscal year 2016, more than $310 billion was appropriated for unauthorized programs, spanning 256 separate laws.

(5) Agencies such as the Department of State have not been authorized for 15 years.

(6) The House adopted a requirement for the 115th Congress, as part of H. Res. 5, that requires each standing committee of the House to adopt an authorization and oversight plan that enumerates all unauthorized programs and agencies within its jurisdiction that received funding in the prior year, among other oversight requirements.

(b) POLICY ON UNAUTHORIZED APPROPRIATIONS.—In the House, it is the policy of this concurrent resolution that legislation should be enacted that—

(1) establishes a schedule for reauthorizing all Federal programs on a staggered five-year basis together with declining spending targets for each year a program is not reauthorized according to such schedule;

(2) prohibits the consideration of appropriations measures in the House that provide appropriations in excess of spending

targets specified for such measures and ensures that such rule should be strictly enforced; and

(3) limits funding for non-defense or non-security-related Federal programs that are not reauthorized according the schedule described in paragraph (1).

SEC. 505. POLICY STATEMENT ON FEDERAL ACCOUNTING.

(a) FINDINGS.—The House finds the following:

(1) Current accounting methods fail to capture and present in a compelling manner the full scope of the Federal Government and its fiscal condition.

(2) Most fiscal analyses produced by the Congressional Budget Office (CBO) are conducted over a 10-fiscal year period. The use of generational accounting or a longer time horizon would provide a more complete picture of the Federal Government's fiscal condition.

(3) The Federal budget currently accounts for most programs on a cash accounting basis, which records revenue and expenses when cash is actually paid or received. However, it accounts for loan and loan guarantee programs on an accrual basis, which records revenue when earned and expenses when incurred.

(4) The Government Accountability Office has advised that accrual accounting may be more accurate than cash accounting in estimating the Federal Government's liabilities for insurance and other programs.

(5) Accrual accounting under the Federal Credit Reform Act of 1990 (FCRA) understates the risk and thus the true cost of some Federal programs, including loans and loan guarantees.

(6) Fair-value accounting better reflects the risk associated with Federal loan and loan guarantee programs by using a market based discount rate. CBO, for example, uses fair-value accounting to measure the cost of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac).

(7) In comparing fair-value accounting to FCRA, CBO has concluded that "adopting a fair-value approach would provide a more comprehensive way to measure the costs of Federal credit programs and would permit more level comparisons between those costs and the costs of other forms of Federal assistance".

(8) The Department of the Treasury, when reporting the principal financial statements of the United States entitled *Balance Sheet and Statement of Operations and Changes in Net Position*, may omit some of the largest projected Federal Government expenses, including social insurance programs. The projected expenses of these programs are reported by the Department in its *Statements of Social Insurance and Changes in Social Insurance Amounts*.

(9) This concurrent resolution directs CBO to estimate the costs of Federal credit programs on a fair-value basis to fully capture the risk associated with these programs.

(b) POLICY ON FEDERAL ACCOUNTING METHODOLOGIES.—It is the policy of this concurrent resolution that the House should, in consultation with CBO and other appropriate stakeholders, reform government-wide budget and accounting practices so Members and the public can better understand the fiscal condition of the United States and the best options to improve it. Such reforms may include the following:

(1) Providing additional metrics to enhance analysis by considering the Nation's fiscal condition comprehensively, over an extended time period, and how it affects Americans of various age cohorts.

(2) Expanding the use of accrual accounting where appropriate.

(3) Accounting for certain Federal credit programs using fair-value accounting to better capture market risk.

SEC. 506. POLICY STATEMENT ON COMMISSION ON BUDGET CONCEPTS.

(a) FINDINGS.—The Congress finds the following:

(1) In 1965, the President's Commission on Budget Concepts made a series of recommendations that were adopted and continue to provide the foundation for the Federal budget process.

(2) Over the ensuing 52 years, the Federal budget process has undergone major transformations, including the following:

(A) Congress asserted its Article I "power of the purse" through the Congressional Budget Act of 1974 in the form of a congressional budget process predicated on the adoption of an annual budget resolution setting forth its priorities independent of the executive branch.

(B) Congress and the President have periodically augmented the President's budget submission and the budget resolution by establishing statutory budget rules and limits enforced through sequestration.

(C) The share of Federal spending that is not controlled through the annual appropriations process has ballooned from 32 percent of total Federal spending in 1967 to 69 percent in 2016.

(D) Activities previously considered the exclusive domain of the Federal Government have been fully commercialized, contracted out to the private sector, financed through third party arrangements, or devolved to State and local governments.

(E) Key functions of the Federal Government are now funded through user fees rather than general revenue, often shielding them from congressional control and oversight.

(F) The Credit Reform Act of 1990 placed Federal loans and loan guarantees on an accrual basis.

(G) Increasing shares of the economy are directed towards compliance with Federal regulations, which are not subject to the limitations applicable to Federal spending.

(b) POLICY ON COMMISSION ON BUDGET CONCEPTS.—It is the policy of this concurrent resolution on the budget that legislation should be enacted that establishes a Commission on Budget Concepts to review and revise budget concepts and make recommendations to create a more transparent Federal budget process.

SEC. 507. POLICY STATEMENT ON BUDGET ENFORCEMENT.

It is the policy of this concurrent resolution that the House should—

(1) adopt an annual budget resolution before spending and tax legislation is considered in either House of Congress;

(2) assess measures for timely compliance with budget rules in the House;

(3) pass legislation to strengthen enforcement of the budget resolution;

(4) comply with the discretionary spending limits set forth in the Balanced Budget and Emergency Deficit Control Act of 1985;

(5) prevent the use of accounting gimmicks to offset higher spending;

(6) modify scoring conventions to encourage the commercialization of Federal Government activities that can best be provided by the private sector; and

(7) discourage the use of savings identified in the budget resolution as offsets for spending or tax legislation.

SEC. 508. POLICY STATEMENT ON IMPROPER PAYMENTS.

(a) FINDINGS.—The House finds the following:

(1) The Government Accountability Office defines improper payments as any reported payment that should not have been made or was made in an incorrect amount.

(2) Improper payments totaled $1.2 trillion between fiscal years 2003 and 2016 with a reported Federal Government-wide error rate of 5.1 percent in fiscal year 2016.

(3) Improper payments increased from $107 billion in 2012 to $144 billion in 2016.

(4) The Earned Income Tax Credit, Medicare, and Medicaid account for 78 percent of total improper payments, with error rates of 24 percent, 11 percent, and 10.5 percent, respectively.

(5) Eight agencies did not report payment estimates for 18 programs that the Comptroller General deems susceptible to significant improper payments.

(b) POLICY ON IMPROPER PAYMENTS.—It is the policy of this concurrent resolution that an independent commission should be established with the goal of finding tangible solutions to reduce total improper payments by 50 percent within the next 5 years. The commission should also develop a more-stringent system of agency oversight to achieve this goal.

SEC. 509. POLICY STATEMENT ON EXPENDITURES FROM AGENCY FEES AND SPENDING.

(a) FINDINGS.—The House finds the following:

(1) Many Federal agencies and organizations have permanent authority to collect and spend fees and other offsetting collections.

(2) The Office of Management and Budget estimates the total amount of offsetting fees and collections to be $513 billion in fiscal year 2017.

(3) Agency budget justifications are, in some cases, not fully transparent about the amount of program activity funded through offsetting collections or fees. This lack of transparency prevents effective and accountable Government.

(b) POLICY ON EXPENDITURES FROM AGENCY FEES AND SPENDING.—It is the policy of this concurrent resolution that the House should reassert its constitutional prerogative to control Federal spending and exercise rigorous oversight over Federal agencies. Congress should subject all fees paid by the public to Federal agencies to annual appropriations or authorizing legislation and a share of these proceeds should be reserved for taxpayers in the form of deficit reduction.

SEC. 510. POLICY STATEMENT ON PROMOTING REAL HEALTH CARE REFORM.

(a) FINDINGS.—The House finds the following:

(1) Patient-centered health care increases access to quality care for all Americans, regardless of age, income, or health status.

(2) States are best equipped to respond to the needs of their unique communities.

(3) The current legal framework encourages frivolous medical malpractice lawsuits that increase health care costs.

(b) POLICY ON HEALTH CARE REGULATION.—It is the policy of this concurrent resolution that—

(1) the American health care system should encourage research, development, and innovation in the medical sector, rather than stymie growth through over-regulation;

(2) States should determine the parameters of acceptable private insurance plans based on the needs of their populations and retain control over other health care coverage standards;

(3) reforms should protect patients with pre-existing conditions, reward those who maintain continuous health coverage, and create greater parity between benefits offered through employers and those offered independently;

(4) States should have greater flexibility in designing their Medicaid program and State Children's Health Insurance Program;

(5) medical malpractice reform should emphasize compliance with best practice guidelines, while continuing to protect patients' interests; and

(6) States should have the flexibility to implement medical liability policies to best suit their needs.

SEC. 511. POLICY STATEMENT ON MEDICARE.

(a) FINDINGS.—The House finds the following:

(1) More than 57 million Americans depend on Medicare for their health security.

(2) The Medicare Trustees Report has repeatedly recommended that Congress address Medicare's long-term financial challenges. Each year without reform, the financial condition of Medicare becomes more precarious and the threat to those in or near retirement more pronounced. The current challenges that Congress will need to address include—

(A) the Hospital Insurance Trust Fund will be exhausted in 2029 and unable to pay the scheduled benefits;

(B) Medicare enrollment is expected to increase more than 50 percent in the next two decades, as 10,000 baby boomers reach retirement age each day;

(C) due to extended life spans, enrollees remain in Medicare three times longer than at the outset of the program five decades ago;

(D) notwithstanding the program's trust fund arrangement, current workers' payroll tax contributions pay for current Medicare beneficiaries instead of being set aside for their own future use;

(E) the number of workers supporting each beneficiary continues to fall; in 1965, the ratio was 4.5 workers per beneficiary, and by 2030, the ratio will be only 2.4 workers per beneficiary;

(F) the average Medicare beneficiary receives about three dollars in Medicare benefits for every dollar paid into the program;

(G) Medicare is growing faster than the economy, with a projected growth rate of 7.2 percent per year on average through 2026, peaking in 2026 at 9.2 percent; and

(H) by 2027, Medicare spending will reach more than $1.4 trillion, more than double the 2016 spending level of $692 billion.

(3) Failing to address the impending insolvency of Medicare will leave millions of American seniors without adequate health security and younger generations burdened with having to pay for these unsustainable spending levels.

(b) POLICY ON MEDICARE REFORM.—It is the policy of this concurrent resolution to save Medicare for those in or near retirement and to strengthen the program's solvency for future beneficiaries.

(c) ASSUMPTIONS.—This concurrent resolution assumes transition to an improved Medicare program that ensures—

(1) Medicare is preserved for current and future beneficiaries;

(2) future Medicare beneficiaries may select from competing guaranteed health coverage options a plan that best suits their needs;

(3) traditional fee-for-service Medicare remains a plan option;

(4) Medicare provides additional assistance for lower-income beneficiaries and those with greater health risks; and

(5) Medicare spending is put on a sustainable path and becomes solvent over the long term.

SEC. 512. POLICY STATEMENT ON COMBATING THE OPIOID EPIDEMIC.

(a) FINDINGS.—The House finds the following:

(1) According to the Centers for Disease Control and Prevention (CDC), 91 Americans die each day from an opioid overdose.

(2) Nearly half of all opioid overdose deaths involve a prescription opioid.

(3) Since 1999, the number of prescription opioids sold in the U.S. has nearly quadrupled.

(4) Since 1999, the number of deaths from prescription opioids has more than quadrupled.

(5) The CDC asserts that improving opioid prescribing practices will reduce exposure to opioids, prevent abuse, and stop addiction.

(6) The CDC has found that individuals in rural counties are almost twice as likely to overdose on prescription painkillers as those in urban areas.

(7) According to the CDC, nearly 7,000 people are treated in emergency rooms every day for using opioids in a non-approved manner.

(8) The 21st Century Cures Act and the Comprehensive Addiction and Recovery Act were signed into law in the 114th Congress in an overwhelming display of congressional and executive branch support in the fight against the opioid epidemic.

(9) Bipartisan efforts to eliminate opioid abuse and provide relief from addiction for all Americans should continue.

(b) POLICY ON OPIOID ABUSE.—It is the policy of this concurrent resolution that—

(1) combating opioid abuse using available budgetary resources remains a high priority;

(2) the House, in a bipartisan manner, should continue to examine the Federal response to the opioid abuse epidemic and support essential activities to reduce and prevent substance abuse;

(3) the House should continue to support initiatives included in the 21st Century Cures Act and the Comprehensive Addiction and Recovery Act;

(4) the House should continue its oversight efforts, particularly ongoing investigations conducted by the House Committee on Energy and Commerce, to ensure that taxpayer dollars intended to combat opioid abuse are spent appropriately and efficiently; and

(5) the House should collaborate with State, local, and tribal entities to develop a comprehensive strategy for addressing the opioid addiction crisis.

SEC. 513. POLICY STATEMENT ON THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM.

(a) FINDINGS.—The House finds the following:

(1) The State Children's Health Insurance Program (SCHIP) is a means-tested program that provides health insurance coverage to low-income children and pregnant women who do not qualify for Medicaid based on income.

(2) SCHIP eligibility varies by State, as States decide the income upper limit for beneficiaries; the current upper limit varies from 175 percent of the Federal poverty level to 405 percent of the Federal poverty level.

(3) SCHIP covered on average 6.3 million people monthly in fiscal year 2017.

(4) The average cost of a child enrolled in SCHIP to the Federal Government was approximately $2,300 in fiscal year 2017, compared to approximately $1,910 for a child enrolled in Medicaid.

(5) The Federal spending allotment for SCHIP will expire at the end of fiscal year 2017.

(6) The Medicaid and CHIP Payment and Access Commission recommends an extension of Federal SCHIP funding, and warns that all States are projected to exhaust their Federal SCHIP funds during fiscal year 2018.

(7) SCHIP should be preserved to assist the Nation's vulnerable children.

(b) POLICY ON THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM.—It is the policy of this concurrent resolution that—

(1) the House should work in a bipartisan manner to reauthorize SCHIP funding;

(2) the authorizing committees should consider establishing a Federal upper limit for SCHIP eligibility, rather than providing open-ended access to the program for those at higher income levels;

(3) the House should target resources designated for SCHIP toward those most in need of Federal assistance; and

(4) the House should require greater reporting by States of SCHIP data in order to better structure the program to meet beneficiaries' needs.

SEC. 514. POLICY STATEMENT ON MEDICAL DISCOVERY, DEVELOPMENT, DELIVERY, AND INNOVATION.

(a) FINDINGS.—The House finds the following:

(1) The Nation's commitment to the discovery, development, and delivery of new treatments and cures has made the United States the biomedical innovation capital of the world for decades.

(2) The history of scientific discovery and medical breakthroughs in the United States is extensive, including the creation of the polio vaccine, the first genetic mapping, and the invention of the implantable cardiac pacemaker.

(3) Reuters ranks the United States Health and Human Services Laboratories as first in the world for innovation on its 2017 list of the Top 25 Global Innovators.

(4) The United States leads the world in the production of medical devices, and the United States medical device market accounts for approximately 45 percent of the global market.

(5) The United States remains a global leader in pharmaceutical research and development investment, has produced more than half of the world's new molecules in the past decade, and represents the world's largest pharmaceutical market, which is triple the size of the nearest rival, China.

(b) POLICY ON MEDICAL INNOVATION.—It is the policy of this concurrent resolution that—

(1) the Federal Government should foster investment in health care innovation and maintain the Nation's world leadership status in medical science by encouraging competition;

(2) the House should continue to support the critical work of medical innovators throughout the country through continued funding for agencies, including the National Institutes of Health and the Centers for Disease Control and Prevention, to conduct life-saving research and development; and

(3) the Federal Government should unleash the power of private-sector medical innovation by removing regulatory obstacles that impede the adoption of new medical technology and pharmaceuticals.

SEC. 515. POLICY STATEMENT ON PUBLIC HEALTH PREPAREDNESS.

(a) FINDINGS.—The House finds the following:

(1) The Constitution requires the Federal Government to provide for the common defense. As such, the Nation must prioritize its ability to respond rapidly and effectively to a public health crisis or bioterrorism threat.

(2) There is a persistent threat of bioterrorism against American lives.

(3) Naturally-occurring public health threats can spread through the transmission of communicable diseases during international trade and travel.

(4) As of April 3, 2016, the World Health Organization reported nearly 29,000 cases of the Ebola virus worldwide, including 4 instances in the U.S.

(5) As of July 12, 2017, the Centers for Disease Control and Prevention (CDC) reports that the current Zika epidemic resulted in over 5,000 cases of the Zika virus within the United States, with nearly 37,000 more cases reported in U.S. territories.

(6) Preventing the spread of disease to Americans requires halting threats before they breach the U.S. border.

(7) The United States is a leader in global public health assistance and orchestrates international responses to health crises.

(b) POLICY ON PUBLIC HEALTH PREPAREDNESS.—It is the policy of this concurrent resolution that—

(1) the House should continue to fund activities of the CDC, the National Institutes of Health, and the Biomedical Advanced Research and Development Authority to develop and stockpile medical countermeasures to infectious diseases and chemical, biological, radiological, and nuclear agents;

(2) the House should, within available budgetary resources, provide continued support for research, prevention, and public health preparedness programs;

(3) the Federal Government should encourage private-sector development of critical vaccines and other medical countermeasures to emerging public health threats; and

(4) the Secretary of Health and Human Services, the Secretary of Defense, and the Secretary of State should collaborate on global health preparedness initiatives to prevent overlap and promote responsible stewardship of taxpayer resources.

SEC. 516. POLICY STATEMENT ON SOCIAL SECURITY.

(a) FINDINGS.—The House finds the following:

(1) More than 60 million retirees, individuals with disabilities, and survivors depend on Social Security. Since enactment, Social Security has served as a vital leg of the "three-legged stool" of retirement security, which includes employer provided pensions as well as personal savings.

(2) Lower-income Americans rely on Social Security for a larger proportion of their retirement income. Therefore, reforms should take into consideration the need to protect lower income Americans' retirement security.

(3) The Social Security Trustees Report has repeatedly recommended that Social Security's long-term financial challenges be addressed soon. The financial condition of Social Security and the threat to seniors and those receiving Social Security

disability benefits becomes more pronounced each year without reform. For example—

(A) in 2028, the Disability Insurance Trust Fund will be exhausted and program revenues will be unable to pay scheduled benefits; and

(B) with the exhaustion of both the Disability Insurance Trust Fund and the Old-Age and Survivors and Disability Trust Fund in 2035, benefits will be cut by as much as 25 percent across the board, devastating those currently in or near retirement and those who rely on Social Security the most.

(4) The recession and continued low economic growth have exacerbated the looming fiscal crisis facing Social Security. The most recent Congressional Budget Office (CBO) projections find that Social Security will run cash deficits of more than $1.3 trillion over the next 10 years.

(5) The Disability Insurance program provides an essential income safety net for those with disabilities and their families. According to CBO, between 1970 and 2015 the number of disabled workers and their dependent family members receiving disability benefits has increased by more than 300 percent from 2.7 million to over 10.9 million. This increase is not due strictly to population growth or decreases in health. CBO also attributes program growth to changes in demographics and the composition of the labor force as well as Federal policies.

(6) In the past, Social Security has been reformed on a bipartisan basis, most notably by the "Greenspan Commission", which helped address Social Security shortfalls for more than a generation.

(7) Americans deserve action by the President and Congress to preserve and strengthen Social Security to ensure that Social Security remains a critical part of the safety net.

(b) POLICY ON SOCIAL SECURITY.—It is the policy of this concurrent resolution that the House should work in a bipartisan manner to make Social Security solvent on a sustainable basis. This concurrent resolution assumes, under a reform trigger, that—

(1) if in any year the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund annual Trustees Report determines that the 75-year actuarial balance of the Social Security Trust Funds is in deficit, and the annual balance of the Social Security Trust Funds in the 75th year is in deficit, the Board of Trustees should, no later than September 30 of the same calendar year, submit to the President recommendations for statutory reforms necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75th year, and any recommendations provided to the President must be agreed upon by both Public Trustees of the Board of Trustees;

(2) not later than December 1 of the same calendar year in which the Board of Trustees submit its recommendations, the President should promptly submit implementing legislation to both Houses of Congress including recommendations necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75th year, and the majority leader of the

Senate and the majority leader of the House should introduce the President's legislation upon receipt;

(3) within 60 days of the President submitting legislation, the committees of jurisdiction should report a bill, which the House or Senate should consider under expedited procedures; and

(4) legislation submitted by the President should—

(A) protect those in or near retirement;

(B) preserve the safety net for those who count on Social Security the most, including those with disabilities and survivors;

(C) improve fairness for participants;

(D) reduce the burden on and provide certainty for future generations; and

(E) secure the future of the Disability Insurance program while addressing the needs of those with disabilities today and improving the determination process.

(c) POLICY ON DISABILITY INSURANCE.—It is the policy of this concurrent resolution that the House should consider legislation on a bipartisan basis to reform the Disability Insurance program prior to its insolvency in 2028 and should not raid the Social Security retirement system without reforms to the Disability Insurance system. This concurrent resolution assumes reform that—

(1) promotes opportunity for those trying to return to work;

(2) ensures benefits continue to be paid to individuals with disabilities and their family members who rely on them;

(3) prevents a 7 percent across-the-board benefit cut; and

(4) improves the Disability Insurance program.

(d) POLICY ON SOCIAL SECURITY SOLVENCY.—It is the policy of this concurrent resolution that any legislation the House considers to improve the solvency of the Disability Insurance Trust Fund must also improve the long-term solvency of the combined Old Age and Survivors Disability Insurance Trust Fund.

SEC. 517. POLICY STATEMENT ON MEDICAID WORK REQUIREMENTS.

(a) FINDINGS.—The House finds the following:

(1) Medicaid is a Federal-State program that provides health care coverage for impoverished Americans.

(2) Medicaid serves four major population categories: the elderly, the blind and disabled, children, and adults.

(3) The Congressional Budget Office projects the average monthly enrollment in Medicaid for fiscal year 2018 to be 78 million people.

(4) Of this 78 million people, 27 million – more than one third of the enrollees – are non-elderly, non-disabled adults.

(5) Medicaid continues to grow at an unsustainable rate, and will cost approximately one trillion dollars per year within the decade, between Federal and State spending.

(6) Congress has a responsibility to preserve limited Medicaid resources for America's most vulnerable – those who cannot provide for themselves.

(7) Forbes reported last year on a first-of-its-kind study conducted by the Foundation for Government Accountability. It analyzed data from the State of Kansas, which demonstrates

that work requirements have led to greater employment, higher incomes, and less poverty.

(8) The State of Maine implemented work requirements in 2014, and saw incomes rise for able-bodied welfare recipients by an average of 114 percent within a year.

(9) Work is a valuable source of human dignity, and work requirements help lift Americans out of poverty by incentivizing self-reliance.

(b) POLICY ON MEDICAID WORK REQUIREMENTS.—It is the policy of this concurrent resolution that—

(1) Congress should enact legislation that encourages able-bodied, non-elderly, non-pregnant adults without dependents to work, actively seek work, participate in a job-training program, or do community service, in order to receive Medicaid;

(2) Medicaid work requirements legislation could include 30 hours per week of work, of which 20 of those hours should be spent in the core activities of: public or private sector employment, work experience, on-the-job training, job-search or job-readiness assistance program participation, community service, or vocational training and education;

(3) States should be given flexibility to determine the parameters of qualifying program participation and work-equivalent experience;

(4) States should perform regular case checks to ensure taxpayer dollars are appropriately spent; and

(5) the Government Accountability Office or the Department of Health and Human Services Inspector General should conduct annual audits of State Medicaid programs to ensure proper reporting and prevent waste, fraud, and abuse.

SEC. 518. POLICY STATEMENT ON WELFARE REFORM AND SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM WORK REQUIREMENTS.

(a) FINDINGS.—The House finds the following:

(1) Participation in the Supplemental Nutrition Assistance Program (SNAP) has grown from 17 million Americans in 2001 to 44 million in 2016.

(2) The work support role of SNAP has declined, and the program increasingly serves as a replacement to work.

(3) Work requirements were key to the success of the Personal Responsibility and Work Opportunity Act (Public Law 104–193), which led to a two-thirds reduction in welfare caseloads, a reduction in child poverty, and an increase in work participation. The successful 1996 welfare reform law provides a model for improving work requirements in other anti-poverty programs.

(b) POLICY ON WELFARE REFORM AND SNAP WORK REQUIREMENTS.—It is the policy of this concurrent resolution that—

(1) the welfare system should reward work, provide tools to escape poverty, and expect work-capable adults to work or prepare for work in exchange for welfare benefits; and

(2) SNAP should be reformed to improve work requirements to help more people escape poverty and move up the economic ladder.

SEC. 519. POLICY STATEMENT ON STATE FLEXIBILITY IN SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM.

(a) FINDINGS.—The House finds the following:

(1) Spending on Supplemental Nutrition Assistance Program (SNAP) has almost quadrupled since 2001.

(2) Various factors are driving this growth, but one major reason is that while States have the responsibility of administering the program, they have little incentive to ensure it is well run.

(3) In 1996, a Republican Congress and a Democratic President reformed welfare by limiting the duration of benefits, giving States more control over the program, and helping recipients find work. In the 5 years following passage, child-poverty rates fell, welfare caseloads fell, and workers' wages increased. This bipartisan success offers a model for improving other anti-poverty programs.

(b) POLICY ON STATE FLEXIBILITY IN SNAP.—It is the policy of this concurrent resolution that SNAP should be reformed to reduce poverty and increase opportunity and upward mobility for struggling Americans on the road to personal and financial independence. Based on the successful welfare reforms of the 1990s, these proposals would improve work requirements and provide flexible funding for States to help those most in need find gainful employment, escape poverty, and move up the economic ladder.

SEC. 520. POLICY STATEMENT ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT OPPORTUNITY.

(a) FINDINGS ON HIGHER EDUCATION.—The House finds the following:

(1) A well-educated, high-skilled workforce is critical to economic, job, and wage growth.

(2) Average published tuition and fees have increased consistently above the rate of inflation across all types of colleges and universities.

(3) With an outstanding student loan portfolio of $1.3 trillion, the Federal Government is the largest education lender to undergraduate and graduate students, parents, and other guarantors.

(4) Students who do not complete their college degree are at a greater risk of defaulting on their loans than those who complete their degree.

(5) Participation in Federal income-driven repayment plans is rising, in terms of the percent of both borrowers and loan dollars, according to the Government Accountability Office. Because these plans offer loan balance forgiveness after a repayment period, this increased use portends higher projected costs to taxpayers.

(b) POLICY ON HIGHER EDUCATION.—It is the policy of this concurrent resolution to promote college affordability, access, and success by—

(1) reserving Federal financial aid for those most in need and streamlining grant and loan aid programs to help students and families more easily assess their options for financing postsecondary education; and

(2) removing regulatory barriers to reduce costs, increase access, and allow for innovative teaching models.

(c) FINDINGS ON WORKFORCE DEVELOPMENT.—The House finds the following:

(1) 7.5 million Americans are currently unemployed.

(2) Despite billions of dollars in spending, those looking for work are stymied by a broken workforce development system that fails to connect workers with assistance and employers with skilled personnel.

(3) The House Committee on Education and the Workforce successfully consolidated 15 workforce development programs when Congress enacted the Workforce Innovation and Opportunity Act in 2014.

(d) POLICY ON WORKFORCE DEVELOPMENT.—It is the policy of this concurrent resolution to build on the success of the Workforce Innovation and Opportunity Act by—

(1) further streamlining and consolidating Federal workforce development programs; and

(2) empowering States with the flexibility to tailor funding and programs to the specific needs of their workforce.

SEC. 521. POLICY STATEMENT ON SUPPLEMENTAL WILDFIRE SUPPRESSION FUNDING.

(a) FINDINGS.—The House finds the following:

(1) In 1995, fire activities made up 16 percent of the United States Forest Service's (USFS) annual appropriated budget. Since 2015, more than 50 percent has now been dedicated to wildfire.

(2) Wildland fire suppression activities are currently funded entirely within the USFS budget, based on a 10-year rolling average. Using this model, the agency must average firefighting costs from the past 10 years to predict and request costs for the next year. When the average was stable, the agency was able to use this model to budget consistently for the annual costs associated with wildland fire suppression.

(3) Over the last few decades, wildland fire suppression costs have increased as fire seasons have grown longer and the frequency, size, and severity of wildland fires has increased.

(4) The six worst fire seasons since 1960 have all occurred since 2000. Since 2000, many western states have experienced the largest wildfires in their State's history. In 2016 alone, there were a recorded 67,595 fires and a total of over 5.5 million acres burned. The suppression costs to USFS and other Federal agencies for 2016 totaled over $1.9 billion dollars.

(5) As wildfire costs continue to increase, funding levels for USFS wildfire suppression activities will also continue to constrict funding levels for other necessary USFS forest management activities focused on land management and wildfire prevention.

(b) POLICY ON SUPPLEMENTAL WILDFIRE SUPPRESSION FUNDING.—It is the policy of this concurrent resolution that Congress, in coordination with the Administration, should develop both a long-term funding mechanism that would allow supplemental wildfire suppression funding and reforms on reducing hazardous fuel loads on Federal forests and lands that could decrease wildfires.

SEC. 522. POLICY STATEMENT ON THE DEPARTMENT OF VETERANS AFFAIRS.

(a) FINDINGS.—The House finds the following:

(1) For years there have been serious concerns regarding the Department of Veterans Affairs' (VA) bureaucratic mismanagement and continuous failure to provide veterans timely access to health care.

(2) Since 2003, VA disability compensation and health care have been added to the Government Accountability Office's (GAO) "high-risk" list, due to mismanagement and oversight failures, lack of a "unified vision, strategy, or set of goals to guide their outcomes," and the inability to ensure allocated resources are used in a cost-effective and efficient way to improve veterans' health care access.

(3) The VA's failure to provide timely and accessible health care to America's veterans is unacceptable. While Congress has done its part for more than a decade by providing sufficient funding for the VA, the agency has mismanaged these resources, resulting in proven adverse effects on veterans and their families.

(b) POLICY ON THE DEPARTMENT OF VETERANS AFFAIRS.—It is the policy of this concurrent resolution that the House should require the VA to conduct an audit of its programs named on GAO's "high-risk" list and report its findings to the Committee on Appropriations, the Committee on the Budget, and the Committee on Veterans Affairs of the House of Representatives.

SEC. 523. POLICY STATEMENT ON MOVING THE UNITED STATES POSTAL SERVICE ON BUDGET.

(a) FINDINGS.—The House finds the following:

(1) The President's Commission on Budget Concepts recommends that the budget should, as a general rule, be comprehensive of the full range of Federal activity.

(2) The Omnibus Reconciliation Act of 1989 (Public Law 101–239) moved the United States Postal Service (USPS) off budget and exempted it from sequestration.

(3) The USPS has a direct effect on the fiscal posture of the Federal Government, through—

(A) the receipt of direct appropriations of $35 million in fiscal year 2017;

(B) congressional mandates such as requirements for mail delivery service schedules;

(C) incurring $15 billion in debt from the Treasury, the maximum permitted by law;

(D) continued operating deficits since 2007;

(E) defaulting on its statutory obligation to prefund health care benefits for future retirees; and

(F) carrying $119 billion in total unfunded liabilities with no foreseeable pathway of funding these liabilities under current law.

(b) POLICY ON MOVING THE USPS ON BUDGET.—It is the policy of this concurrent resolution that all receipts and disbursements of the USPS should be included in the congressional budget and the budget of the Federal Government.

SEC. 524. POLICY STATEMENT ON THE JUDGMENT FUND.

(a) FINDINGS.—The House finds the following:

(1) The Judgment Fund (Fund), established in 1956, was created to pay judgments and settlements of lawsuits against the Federal Government.

(2) As a result of the Fund's design, it is ripe for executive branch exploitation. The Obama Administration used the Fund to make billions of dollars in payments to Federal agencies and foreign entities. For example—

(A) on January 17, 2016, the State Department announced the Federal Government agreed to pay the Iranian government $1.7 billion to settle a case related to the sale of military equipment prior to the Iranian revolution, of which $1.3 billion was sourced through the Fund, without prior congressional notification; the Obama Administration's use of the Fund to make this and other payments raises serious concerns by sidestepping Congress; and

(B) in 2016, the Department of Health and Human Services announced its intentions to use the Fund for settlements with health insurers who sued the Federal Government over the loss of funds for risk corridors under the Patient Protection and Affordable Care Act.

(3) Failing to address the lack of oversight over the Fund annually costs taxpayers billions of dollars, as payments exceeded $4.6 billion in 2016 and more than $26 billion in the preceding 10 year period.

(b) POLICY ON JUDGMENT FUND.—It is the policy of this concurrent resolution that the House should consider legislation that reclaims Congress's power of the purse over the Fund. Such legislation should—

(1) prohibit interest payments paid from the Fund for accounts or assets frozen by the Federal Government and listed on—

(A) the Sanctions Programs list of the Office of Foreign Asset Control of the Department of Treasury; or

(B) Sponsors of Terrorism list of the Department of State;

(2) amend sections 2414 and 1304 of titles 28 and 31, United States Code, respectively, to—

(A) provide a clear definition and explanation of a "foreign court or tribunal"; and

(B) require congressional notification whenever the Fund makes a settlement or court ordered lump sum or aggregated payment exceeding $500 million; and

(3) require legislative action to approve payments from the Fund in excess of a specified threshold, increase transparency, and require Federal agencies to reimburse the Fund over a fixed time period.

SEC. 525. POLICY STATEMENT ON RESPONSIBLE STEWARDSHIP OF TAXPAYER DOLLARS.

(a) FINDINGS.—The House finds that significant savings were achieved by the House by consolidating operations and renegotiating contracts.

(b) POLICY ON RESPONSIBLE STEWARDSHIP OF TAXPAYER DOLLARS.—It is the policy of this concurrent resolution that—

(1) the House should be a model for the responsible stewardship of taxpayer resources, and identify any savings that can be achieved through greater productivity and efficiency gains in the operation and maintenance of House services and resources, including printing, conferences, utilities, telecommunications, furniture, grounds maintenance, postage, and rent;

(2) the House should review policies and procedures for the acquisition of goods and services to eliminate unnecessary spending;

(3) the Committee on House Administration should review the policies pertaining to services provided to Members and committees of the House, and identify ways to reduce any subsidies paid for the operation of the House gym, barber shop, salon, and the House dining room;

(4) no taxpayer funds should be used to purchase first class airfare or to lease corporate jets for Members of Congress; and

(5) retirement benefits for Members of Congress should not include free, taxpayer-funded health care for life.

SEC. 526. POLICY STATEMENT ON TAX REFORM.

(a) FINDINGS.—The House finds the following:

(1) A world-class tax system should be simple, fair, and promote (rather than impede) economic growth. The United States tax code fails on all 3 counts: it is complex, unfair, and inefficient. The tax code's complexity distorts decisions to work, save, and invest, which leads to slower economic growth, lower wages, and less job creation.

(2) Standard economic theory holds that high marginal tax rates lessen the incentives to work, save, and invest, which reduces economic output and job creation. Lower economic output, in turn, mutes the intended revenue gain from higher marginal tax rates.

(3) Roughly half of United States active business income and half of private sector employment are derived from business entities (such as partnerships, S corporations, and sole proprietorships) that are taxed on a "pass-through" basis, meaning the income is taxed at individual rates rather than corporate rates. Small businesses, in particular, tend to choose this form for Federal tax purposes, and the highest Federal rate on such small business income can reach nearly 45 percent. For these reasons, sound economic policy requires lowering marginal rates on these pass-through entities.

(4) The top United States corporate income tax rate (including Federal, State, and local taxes) is slightly more than 39 percent, the highest rate in the industrialized world. Tax rates this high suppress wages, discourage investment and job creation, distort business activity, and put American businesses at a competitive disadvantage with foreign competitors.

(5) By deterring potential investment, the United States corporate tax restrains economic growth and job creation. The United States tax rate differential fosters a variety of complicated multinational corporate practices intended to avoid the

tax, which have the effect of moving the tax base offshore, destroying American jobs, and decreasing corporate revenue.

(6) The "world-wide" structure of United States international taxation essentially taxes earnings of United States firms twice, putting them at a significant competitive disadvantage with competitors that have more competitive international tax systems.

(7) Reforming the tax code would boost the competitiveness of United States companies operating abroad and significantly reduce tax avoidance.

(8) The tax code imposes costs on American workers through lower wages, consumers in higher prices, and investors in diminished returns.

(9) Increasing taxes to raise revenue and meet out-of-control spending would sink the economy and Americans' ability to save for their children's education and retirement.

(10) Closing special preference carve outs in our tax code to finance higher spending does not constitute fundamental tax reform.

(11) Tax reform should curb or eliminate tax breaks and use those savings to lower tax rates across the board, not to fund more wasteful Federal Government spending. Washington has a spending problem, not a revenue problem.

(12) Many economists believe that fundamental tax reform, including a broader tax base and lower tax rates, would lead to greater labor supply and increased investment, which would have a positive impact on total national output.

(b) POLICY ON TAX REFORM.—It is the policy of this concurrent resolution that the House should consider comprehensive tax reform legislation that promotes economic growth, creates American jobs, increases wages, and benefits American consumers, investors, and workers by—

(1) simplifying the tax code to make it fairer to American families and businesses and reducing the amount of time and resources necessary to comply with tax laws;

(2) substantially lowering tax rates for individuals and consolidating the current seven individual income tax brackets into fewer brackets;

(3) repealing the Alternative Minimum Tax;

(4) reducing the corporate tax rate; and

(5) transitioning the tax code to a more competitive system of international taxation.

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