



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

B-71 Cannon House Office Building, Washington, DC 20515 (202) 226-7200 ★ democrats.budget.house.gov

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Ranking Democrat

Fact Sheets and Charts on the Republican Budget and the Democratic Alternative

September 21, 2012

This document has not been reviewed and approved by the Democratic Caucus of the House Budget Committee and may not necessarily reflect the views of all members.

September 21, 2012

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Top Reasons to Oppose the Republican Budget

Ends the Medicare Guarantee. The Republican budget ends the Medicare guarantee, giving seniors a voucher with an artificial price cap to purchase insurance and leaving it up to them to figure out how to keep their costs down as the value of their voucher fails to keep pace with projected growth in health care costs. This plan will raise health care costs for seniors and leave traditional Medicare to “wither on the vine.”

Reopens the Medicare “Donut Hole” and Increases Costs of Preventive Care Services. The budget takes away important Medicare improvements for seniors and persons with disabilities by repealing key provisions of the Affordable Care Act. The budget reduces the prescription drug benefit by re-opening the coverage gap, or “donut hole,” and it increases costs to seniors for preventive care services. Reopening the donut hole alone will increase costs for Medicare beneficiaries with high prescription drug costs by an average of over \$10,000 over next ten years.

Abandons American Workers. Putting Americans back to work is the fastest and most effective way to reduce the short-term deficit – in fact, the Congressional Budget Office estimates that slow growth and under-employment account for over one-third of the projected deficit for 2012. But the Republican budget turns its back on American workers, ignoring the President’s proposals for new jobs for teachers, first responders, construction workers, and veterans involved in building a better infrastructure that will boost our economy now and in the future. Independent analysts have found that the Republican budget could lead to the loss of more than 2 million jobs over two years.

- **Transportation Jobs** – Instead of investing in infrastructure, the Republican budget reduces transportation spending by at least one-quarter over ten years, with particularly steep cuts proposed for next year that could have delayed or stopped projects already underway. Later this year, House Republicans agreed to a short-term highway bill that avoided the immediate cuts but their budget still assumes deep cuts when that bill expires. A failure to invest in transportation will also hurt businesses’ ability to transport goods and supplies in the long run, weakening future economic growth.
- **Tax Breaks for Outsourcing Jobs** – The Republican budget boosts tax incentives that encourage multinational companies to ship profits, intellectual property, and thousands of jobs overseas while costing the American economy billions of dollars.

Makes College More Expensive, Undermining U.S. Competitiveness. The budget eviscerates funding for higher education, eliminating the \$104 billion that Congress has already enacted to help sustain the maximum Pell grant award and to provide for yearly inflationary increases. It adds an average of \$2,800 in higher loan repayment costs to more than 7 million low- and moderate-income college students by letting the interest rate on subsidized student loans double, from 3.4 percent to 6.8 percent (note: Congress has since enacted a one-year extension of the lower rate). It also eliminates \$47 billion for lower-cost loans for low-income students as well as repayment plans enacted and paid for by previous Democratic Congresses. It even rejects the President's proposal to extend a \$2,500 tax cut to working families to help cover the costs of college, refusing to extend the American Opportunity Tax Credit beyond December. Overall, mandatory higher education funding is cut by \$166 billion over ten years versus current law levels, and by \$285 billion below the President's request.

Slashes the Social Safety Net. The Republican budget shreds the social safety net for seniors, low-income children, persons with disabilities, and families struggling to get by in a challenging economy, all while cutting taxes for the very wealthy.

- ***Slashes Medicaid for Seniors and Low-Income Families*** – The budget slashes Medicaid by \$810 billion and converts it into a block grant to states. “Block-granting” Medicaid is not entitlement reform, it is entitlement destruction. This is simply code for deep, arbitrary cuts in support to the most vulnerable seniors, individuals with disabilities, and low-income children.
- ***Block-grants and Cuts Supplemental Nutrition Assistance (SNAP)*** – The budget slashes SNAP funding by \$133.5 billion over ten years, harming the millions who rely on this aid to feed their families. Nearly three-quarters of people served by SNAP are in families with children, and one-quarter are in households with someone who is elderly or disabled.

Abandons Fairness. The budget provides tax breaks for the wealthy and special interests at the expense of everyone else. Republicans' refusal to ask millionaires to pay one more penny in taxes leads them to place the entire burden of reducing deficits and debt on the shoulders of middle-income families and seniors. This budget dismantles the Medicare guarantee, cuts back on nutritional assistance for low-income children and families, and severely underfunds the crucial health care safety net for more than 56 million Americans provided by Medicaid. At the same time, it showers an additional \$4.6 trillion in tax cuts (over and above extending all of the Bush-era tax cuts) that primarily benefit the wealthy. Overall, millionaires can expect an average tax cut of \$394,000 in this budget, which includes \$129,000 just from extending all of the Bush-era tax cuts.



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Republican Budget Ends Medicare Guarantee and Shreds Social Safety Net

Ends the Medicare Guarantee. Under the Republican budget, individuals eligible for Medicare in 2023 or later will receive a voucher payment for the purchase of health coverage through private insurance or Medicare. The payment is capped over time to grow no faster than the increase in per capita Gross Domestic Product plus 0.5 percent. Health care costs are expected to rise at a much faster rate. As a result, people who rely on Medicare will face a terrible choice: either pay thousands more dollars on premiums for a plan that provides the current Medicare benefit package, or buy plans with skimpier benefits. Either way, the plan violates the Medicare guarantee.

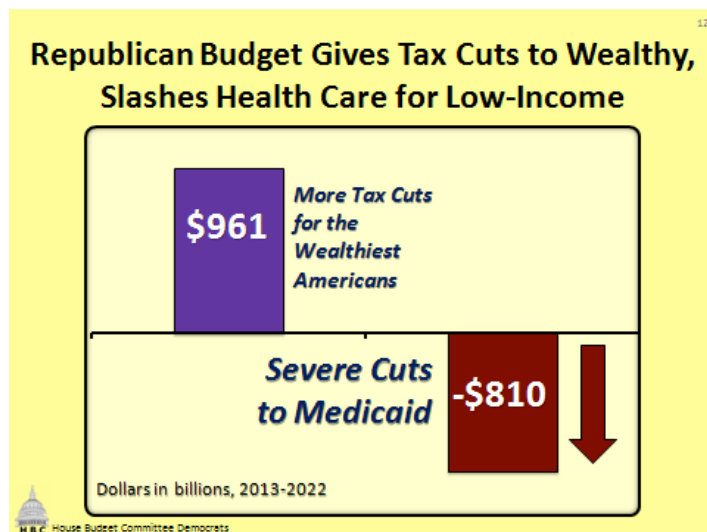
Raises Health Costs for Seniors. The voucher reduces federal spending by increasing costs for seniors and disabled individuals, rather than by addressing the root causes of growing health care costs. Seniors cannot afford this gamble on their health security. Half of Medicare beneficiaries had incomes below \$21,000 in 2010. Federal payments for a senior's health care voucher will not be guaranteed to keep pace with costs, regardless of whether a senior enrolls in traditional Medicare or a private plan. There is no evidence that seniors will be able to keep their costs down without skimping on necessary medical care.

Leaves Traditional Medicare to "Wither on the Vine." Seniors who remain in what's left of Medicare under the GOP plan will face the risk of skyrocketing costs and less access to care. Traditional Medicare would have much less ability to control costs and offer a broad choice of doctors. It is also likely that the traditional program will end up with the sickest, frailest beneficiaries, while private plans employ various strategies to "cherry-pick" the healthiest enrollees. As a result of all this, traditional Medicare will ultimately "wither on the vine."

Reopens the "Donut Hole" and Increases Costs of Preventive Care Services. The Republican budget takes away important Medicare improvements for seniors and persons with disabilities by repealing the Affordable Care Act (ACA). Under the ACA, seniors with high prescription drug costs will get a lot more help with those costs, as the ACA gradually closes the "donut hole" coverage gap in the Medicare Part D prescription drug benefit. **More than 5.3 million seniors have already saved an average of \$600 on their prescription drug costs. The average senior in the "donut hole" will save more than \$10,000 on their drug costs through 2020, thanks to the Affordable Care Act.** The Act also eliminates cost-sharing for key preventive services such as mammograms and colonoscopies and provides a free Annual Wellness Visit. These types of benefits are crucial to transforming our health system into one that focuses on keeping people

healthy. Under the Republican budget, these improvements disappear, which will mean seniors and persons with disabilities will face higher costs for prescription drugs and preventive care.

Slashes Medicaid. The Republican budget cuts \$810 billion from Medicaid over ten years (a roughly 20-percent cut in 2013, rising to one-third by 2022) by converting the program into a “block grant” to states that bears no relation to the actual need for Medicaid services. “Block-granting” Medicaid is not entitlement reform, it is entitlement destruction. This is simply code for deep, arbitrary cuts in support to the most vulnerable seniors, individuals with disabilities, and low-income children. The Congressional Budget Office (CBO) reported that while it cannot estimate how the Republican budget would affect access to health care, quality of care, or state budgets, it did report that states will need to increase their own spending, cut back services, or both. Devastating cuts to Medicaid will hurt the most vulnerable people in our nation – senior citizens and disabled individuals who together account for two-thirds of all Medicaid spending.



Block-grants and Cuts Food Assistance for Struggling Families. The Republican budget cuts the Supplemental Nutrition Assistance Program (SNAP) very deeply – by \$133.5 billion over ten years – relative to projected funding levels, which already assume the program’s scope and costs decline as the economy improves. The only ways to significantly reduce costs in SNAP (formerly called food stamps) are to throw people off the rolls or reduce the allotment per person, making it virtually impossible for people to afford a nutritionally sound diet.



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The Republican Reconciliation Bill – Like Their Budget – Makes the Wrong Choices for America

The Republican plan protects tax breaks for millionaires by cutting Medicare for seniors, health care for kids, food and nutrition assistance for struggling families, and vital safety net programs.

- Keeps in place the 2 percent cut to Medicare under the upcoming sequester.
- Eliminates health care coverage for at least 300,000 kids on the Children's Health Insurance Program.
- Reduces food and nutrition assistance to every household receiving SNAP benefits almost immediately – and over 20 million beneficiaries are kids.
- Denies nearly 300,000 children school meals, on top of losing the benefits that provide food at home.
- Zeroes out the Social Services Block Grant, which helps 23 million children, seniors, and people with disabilities become self-sufficient and economically independent.
 - This grant funds programs like Meals on Wheels, prevention of child abuse, and child care for working parents.
- Repeals the Prevention and Public Health Fund, which supports things like cancer screenings for women and immunizations.
 - 326,000 women would not get the breast cancer screenings and 284,000 women would not get the cervical cancer screenings they are slated to receive in 2013.

Democrats Offered a Fair and Balanced Approach

- Democrats proposed to replace the sequester with a responsible combination of cuts to agriculture subsidies and revenues raised by cutting taxpayer subsidies for Big Oil and asking millionaires to share greater responsibility in reducing the deficit.
- Not only did Republicans not support that plan, they blocked it from having a vote on the House floor.
- It presented Republicans with a fundamental question – are they more interested in protecting tax breaks for millionaires than protecting spending for our national security? Republicans talk big about defense, but they just don't want to pay for it.



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Republicans Reject a Balanced Approach to Deficit Reduction

The Budget Control Act of 2011 set up automatic, indiscriminate budget cuts under sequestration as a last resort intended to pressure Congress to develop a bipartisan alternative to achieve long-term deficit reduction. But because Republicans continue to resist the balanced approach to deficit reduction recommended by every bipartisan group that has examined the budget challenge, on January 2 sequestration will go into effect. These cuts – around \$1 trillion over ten years – are a reckless approach to budgeting and an irresponsible way to reduce the deficit.

Unless Congress takes action, in January a \$110 billion sequester for fiscal year 2013 will go into effect, cutting \$55 billion from defense and \$55 billion from non-defense spending next year. Not only will the overall size and immediacy of the cuts put a drag on our still-recovering economy, but the buzz-saw nature of the cuts would wreak havoc on defense and non-defense programs alike. The reason we are facing these cuts is because Republicans are committed to protecting tax breaks for the very wealthy and special interests above all else.

Republicans Replace Most of the 2013 Sequester with Permanent, Damaging Cuts

House Republicans used the fast-track procedures provided under budget reconciliation to push their budget resolution's harmful priorities as a replacement for next year's sequester savings. Their reconciliation bill eliminates most of the \$110 billion across-the-board sequester of spending scheduled for 2013, leaving in place only the sequester of non-defense mandatory programs, which will affect programs such as Medicare. In place of the rest of the 2013 sequester, the bill uses both the savings from permanent mandatory spending cuts and the savings from lowering next year's discretionary spending cap by \$19 billion below the level set in the Budget Control Act.

Unbalanced Approach to Deficit Reduction is the Wrong Choice for America

Instead of looking for a balanced solution, the Republican plan targets programs that help the less powerful while protecting the tax breaks of powerful special interests. In fact, the reconciliation package makes deep cuts to food and nutrition programs for low-income families and Medicaid, both of which would have been entirely exempt from any sequestration cuts. This unbalanced approach to deficit reduction – focused only on cutting investments rather than also closing tax loopholes – is the wrong choice for America.

- **Cuts Food Assistance** – The Republican proposal cuts the Supplemental Nutrition Assistance Program (SNAP), which helps struggling households purchase adequate food. The bill cuts assistance to every single household receiving SNAP benefits almost immediately and cuts 1.8 million people off of food assistance entirely. In addition, nearly 300,000 children will lose free school meals, on top of losing the benefits that provide food at home.
- **Eliminates the Social Services Block Grant** – The Republican bill eliminates the Social Services Block Grant, which gives states and localities the flexibility to target funding for essential services. Overall, this block grant helps 23 million children, seniors, and disabled Americans become self-sufficient and economically independent. It provides states with flexible funds that support a range of services, such as providing Meals on Wheels, preventing child abuse and neglect for at-risk children, and helping low-income parents return to work by providing child care and related assistance.
- **Eliminates Health Care Coverage for at least 300,000 Low-Income Children** – The Republican proposal allows states to cut their support for Medicaid and the Children's Health Insurance Program (CHIP) by covering fewer people, and repeals bonuses to states for enrolling additional low-income children in the program. The first provision will result in a sharp increase in the number of uninsured Americans – 100,000 children and adults in 2013 and at least 300,000 children in 2015, according to CBO. The second provision eliminates incentives for states to increase their enrollment of children, also likely increasing the number of uninsured children. Further, the legislation eliminates funding for state insurance exchanges that will take effect in 2014 to help uninsured people find affordable coverage. States will either have to raise their own funds for these exchanges or rely on the federal government to run their exchange.
- **Risks the Health of Women and Children** – The Republican bill repeals the Prevention and Public Health Fund. The ACA appropriated funding to support such programs as cancer screenings, immunizations, research on prevention, and education and outreach. The Fund aims to expand and sustain this investment to improve overall health and help restrain the rate of growth in private- and public-sector health care costs. Some of the funding to be cut is allocated for women's health, including breast cancer and cervical cancer screening.

In contrast, House Democrats offered a budget that preserves the Medicare guarantee, helps create more jobs now, makes us stronger through investments that build long-term growth, abides by the tight spending caps established last summer – which save \$1 trillion over ten years – and reduces the deficit through shared responsibility. Democrats also proposed to replace the sequester for 2013 with a combination of targeted spending cuts as well as cuts to tax loopholes – just the kind of balanced approach that has been recommended by every bipartisan group that has evaluated our fiscal challenge.



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Top Reasons to Support Democratic Budget Alternative

Preserves the Medicare Guarantee and the Social Safety Net

Our budget rejects any policy to end Medicare's guarantee of health care coverage for seniors and disabled workers, and ensures the social safety net remains intact.

- ***Protects Medicare Beneficiaries*** – Rejects the Republican budget's proposal to end the Medicare guarantee. It supports reforms in the Affordable Care Act (ACA) to close the prescription drug "donut hole" for seniors with high prescription drug costs and ensure free preventive care. As a result of these measures, as well as provisions in the ACA to make Medicare spending more efficient, a person in Medicare will save an average of about \$4,200 on premiums and coinsurance from 2011- 2021. Medicare beneficiaries with high prescription drug costs will save even more – an average of nearly \$16,000 over that period.
- ***Preserves Medicaid for Low-Income Families and Seniors*** – Maintains Medicaid to ensure that 57 million low-income people continue to get health care. Seniors and people with disabilities account for two-thirds of Medicaid spending, and children account for another 20 percent.
- ***Preserves Supplemental Nutrition Assistance (SNAP)*** – Fully funds SNAP and supports the President's proposal to continue certain benefits added because of the economic downturn. Nearly three-quarters of people served by SNAP are in families with children, and one-quarter are in households with someone who is elderly or disabled.
- ***Protects Social Security from Privatization*** – Social Security is not responsible for our current deficits and should not be cut to reduce the deficit. However, many Republicans continue to advocate privatization, which would put retirees' financial security at risk and worsen the deficit for decades. Our budget affirmatively rules out privatization.

Making it in America

Helps Create More Jobs Now. Unlike the Republican resolution, our budget includes the President's jobs initiatives, including the following:

- ***Transportation Jobs*** – \$50 billion to fund jobs that address immediate surface transportation priorities and \$10 billion to establish an infrastructure bank.
- ***Tax Credits for Job Creation*** – A temporary 10 percent tax credit for new jobs and wage increases.
- ***Tax Incentives for Manufacturing*** – Includes a number of incentives for domestic manufacturing, such as providing a tax credit for companies that return operations and jobs to the U.S. while eliminating tax breaks for companies that move operations and jobs overseas.

- **Education Jobs** – \$80 billion to promote jobs creating the infrastructure to help students learn and create a better future workforce, including \$30 billion to put hundreds of thousands of Americans back to work upgrading at least 35,000 crumbling public schools, and \$25 billion to help prevent hundreds of thousands of educator layoffs.
- **First Responder Jobs** – \$5 billion to help states and localities hire police officers and firefighters and reverse previous layoffs.
- **Jobs for Veterans** – \$1 billion for the President’s proposal to establish a Veterans Job Corps and employ at least 20,000 veterans.

Builds a Stronger America through Long-Term Growth. Our budget invests in research, education, and innovation that will create a globally competitive workforce for the future.

- **Education Investments** – Follows the President’s request for increased investment in education and includes his request for \$6 billion to prevent the interest rate on subsidized student loans from doubling in July.
- **Innovation and Research Investments** – Funds science and engineering workforce development and supports innovative manufacturing processes that will reduce costs by using less energy, improving product quality, and accelerating product development.
- **Small Business Investments** – Provides additional resources for the Small Business Administration (SBA) to ensure that the lending volume for loan programs remains the same, rather than shrinking and denying many small businesses access to capital.
- **Infrastructure Investments** – In addition to short-term jobs initiatives for transportation, our budget includes the President’s six-year surface transportation proposal to create construction jobs and fuel long-term economic growth. It also includes additional funding to maintain America’s harbors, seaports, and waterways.

Reduces the Deficit through Shared Responsibility

Congress has already reduced projected deficits by more than \$1 trillion through discretionary cuts for 2011 and 2012 and enacting tight spending limits for the next nine years. Our budget further reduces the deficit with policies that balance spending cuts with increased revenue.

- **Gets Deficits Under Control** – The deficit falls from 8.7 percent of GDP in 2011 to under 3 percent of GDP by 2015, and it remains there through the ten-year budget window.
- **Cancels Sequestration and Replaces it with Balanced Deficit Reduction** – Replaces the \$1.2 trillion in deficit reduction under the scheduled Budget Control Act sequestration with greater deficit reduction from targeted spending cuts and revenue increases.
- **Provides Tax Relief for Working Families and Ends Tax Breaks for the Wealthy** – Extends the 2001-03 tax cuts for the middle class and rejects tax increases on the middle class. Accommodates expansion of incentives for low- and middle-income families to earn income, save for retirement, and attend college. To increase fairness and reduce the deficit, this budget ends unwarranted and fiscally irresponsible Bush-era tax cuts for millionaires, closes a variety of corporate tax loopholes, and establishes a “Buffett Rule” to ensure that working families do not face a higher tax rate than the wealthiest Americans.