FY2016 BUDGET RESOLUTION

A BALANCED BUDGET FOR A STRONGER AMERICA

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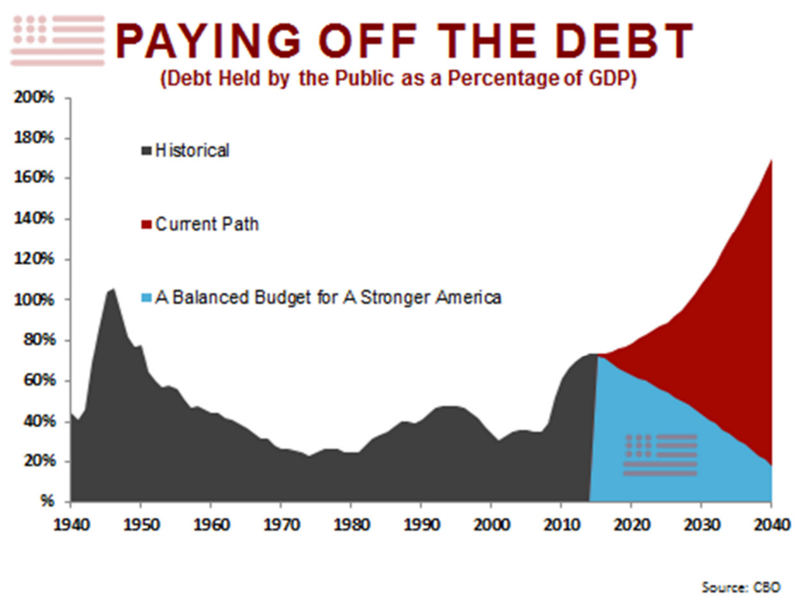
Introduction

At the core of America's character lies a founding belief that we as a people ought to always strive to build a better, more innovative, open and free society. It's an understanding and obligation passed down from generation to generation.

When we look at America today, we see a nation that is not living up to its economic or leadership potential, and the reason why has nothing to do with the quality and character of the American people. Rather, Washington has been unable or unwilling to tackle big challenges with positive solutions.



That has to change. The new normal of slow economic growth and low expectations is unacceptable. We know we can do better.

This begins by putting forth a set of solutions that will restore accountability to government so that it serves the needs of its people in the most efficient and effective way possible. In so doing, we will help build an economy that works for all Americans.

How do we achieve this? With fiscal and economic policies that shift the focus away from Washington and toward American families, businesses, innovators and local leaders who know the best way forward for their communities.

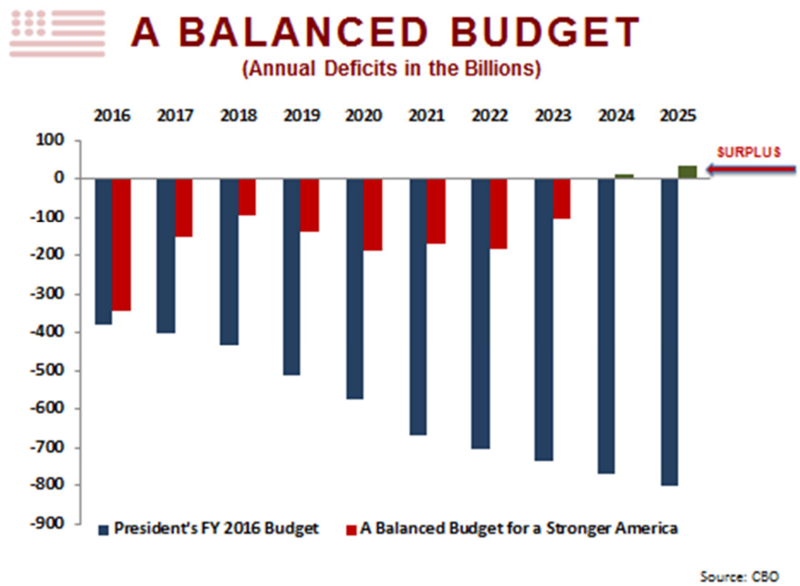
Our budget, *A Balanced Budget for a Stronger America*, will move us in that direction. It is a positive plan that embraces the spirit of the American people and builds a foundation for greater prosperity, opportunity, security and freedom.

Building a Balanced Budget

First and foremost, our proposal balances the federal budget. We do so in less than ten years by bringing spending in line with revenues so that Washington starts living within its means. The $5.5 trillion in decreased spending and the end to annual deficits will mean we can begin to pay down the national debt and stave off a severe and completely avoidable fiscal crisis in the future.

This is not an accounting exercise. A balanced budget is not important just so the numbers on a piece of paper add up. Getting our debt under control will create real, meaningful gains for our economy and our national security that will benefit every American.

A balanced budget means a stronger economy where families and businesses can have more confidence and certainty in the future. If we act now, we can avoid out-of-control growth in the nation's debt, in interest payments on that debt, future tax increases or true austerity measures, or a loss of confidence in America's creditworthiness that would undermine opportunity and the vitality of our economy. We should take no solace in the fact that when compared to other nations, America's credit remains relatively sound. Our measure of success ought to be better than that.



A balanced budget means we reform vital safety net programs so that they are able to meet the needs of current and future generations. Strengthening, saving and securing programs like Medicare and Medicaid is not necessary just to address the nation's fiscal well-being. It is about making those programs work better so they actually deliver on the promises made to the American people.

A balanced budget means ensuring government is meeting its first responsibility to provide for the defense of our nation. In a world that remains beset by unrest and violent conflict, the safety of the American people and the protection and promotion of our interests around the world are intrinsically tied to our nation's fiscal and economic well-being. Former Chairman of the Joint Chiefs of Staff Admiral Mike Mullen has called our debt "the single, biggest threat to our national security." That's a threat our budget aims to defeat head-on. We appreciate what Admiral Mullen knows: there can be no national security without economic security.

Finally, a balanced budget means beginning to earn back the trust of the American people. It demonstrates that policymakers have the discipline to make responsible decisions that respect hard-working American taxpayers – the individuals, families and businesses all across our country that make choices and sacrifices every day in order to make our nation stronger and more prosperous.

Delivering Real Results

Washington has a bad habit of making empty promises. When politicians focus on short-term political considerations, they let rhetoric take the place of real results. It is a recipe that has shown to be remarkably effective in ensuring that our nation's fiscal and economic challenges do not get solved – just handed down to the next generation.

Our budget takes an honest look at our vital government functions, and says, "Let us make sure those promises government made, it keeps – whether it is to seniors on Medicare or veterans who have served this nation with honor and distinction. Let us make sure that those who need assistance get more than an invitation into a broken system."

Real results means we do more than trim around the edges of our fiscal challenges or ask the American people to bail out Washington with higher taxes and more debt on the backs of our children and grandchildren. It means we take our responsibilities seriously and address the drivers of our debt and the inefficiencies that span the scope of government.

Real results means we do not rely on gimmicks or creative accounting tricks to balance our budget. We do it the old fashion way – we make sure the programs we fund serve the priorities of the American people in a more efficient and effective manner, and reduce spending where that is not the case.

Real results means building the foundation for an economy that rewards hard work, ingenuity and entrepreneurship, not selected constituencies favored by particular Washington interests. It means promoting policies that will actually help the middle class rather than continuing a failed agenda that has led to stagnant wages and higher living expenses for all Americans.

Lastly, real results means we stop accepting the notion that the new normal is acceptable. It means doing more than talking about how we need to reform important programs like Medicare, and actually showing a pathway to achieve solvency so we succeed in serving those who have worked hard and earned a safe and secure retirement.

Promoting Federalism

The best ideas do not necessarily come from Washington. Year after year, we see more power concentrated in federal agencies and departments where decisions are made with a one-size-fits-all mentality at the expense of the American people. The result is federal programs and regulations that smother innovation.

America is a diverse nation. Our cities, states and local communities are best equipped and naturally inclined to develop solutions that will serve their populations. But far too often, local leaders are limited by numerous federal dictates. Often the precondition of federal dollars means forgoing the pursuit of new ideas that might better serve the unique needs of their communities.

Our budget realigns the relationship the federal government has with states and local communities by respecting and restoring the principle of federalism. It streamlines federal programs and turns the focus of Washington back to its core responsibilities, all the while giving states ownership and flexibility to better serve their constituents.

From health care to education, states will be empowered to create their own solutions, free of onerous Washington mandates or overregulation. These reforms will save money, but, more importantly, by finding more effective means to address challenges, states and local leaders will have the power to actually solve them, thereby increasing choices and opportunities for Americans.

Demanding Accountability, Efficiency and Effectiveness

Quite often the default attitude in Washington is to spend first and ask questions later. Taxpayer dollars get shoved out the door with little or no oversight. This approach disrespects the American families and businesses who earn these tax dollars.

Our budget puts a premium on accountability, efficiency and effectiveness in all areas of the federal government. We streamline government functions and regulatory authority to stop taxpayer dollars from being wasted on programs that are not working.

It is only fair and proper that we also take steps to reform the congressional budgetary process. Bad process creates bad policy which is why we ought to eliminate Washington's bias towards higher spending while strengthening budget enforcement.

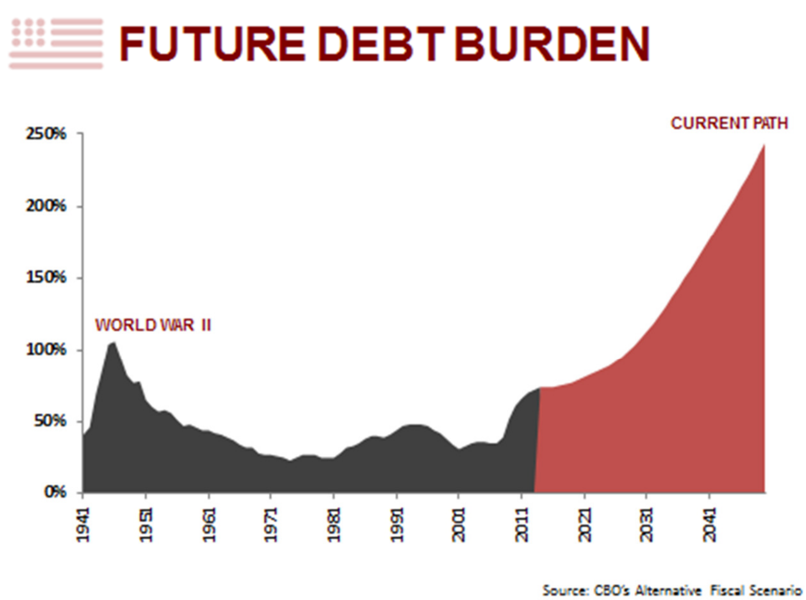
A Balanced Budget for a Stronger America

At the end of the day, this proposal, *A Balanced Budget for a Stronger America*, is a blueprint that demonstrates how to solve our nation's fiscal and economic challenges. The success of these ideas is dependent on the courage and common sense of policymakers to break away from the failed policies of the past and pursue a new course. We are ready to turn these words into actions and produce real results for the American people.

The Challenges We Face

Right now, Washington is overspending and America's economy is underperforming. We face massive challenges and the typical Washington attitude of kicking the can a little farther down the road will not work. It will result in our nation being less secure with less opportunity.

No matter how you slice it, America's fiscal position is unsustainable. Publicly held debt as a share of the economy is nearly 75 percent, and total debt exceeds 100 percent. As baby boomers retire and the cost of the nation's health and retirement programs soar, this share of debt will increase unabated in future years, absent reform. Interest payments on the debt alone will sum to a whopping $5.6 trillion over the next decade, according to the Congressional Budget Office. These payments will swamp other spending priorities in the budget.



This fiscal mess will further complicate the government's ability to deal with any future economic or national security crisis simply because there is not much more "fiscal room" in which to maneuver. In recent Congressional testimony, Federal Reserve Chair Janet Yellen said "were another negative shock to come along, it's questionable how much scope we would now have to put in place…and I think it's important to deal with these issues, for the Congress to do so."

Our budget problems could also erode our military and diplomatic standing in the world and undermine our national security at a time when America, our allies and our interests are under threat from radical global jihadists and rogue regimes. It will make it increasingly hard to properly fund our defense priorities. Under current conditions, by 2023, interest payments on the nation's debt alone will be $722 billion. That will be larger than CBO's projected defense spending budget of $696 billion. If we were to allocate the $5.6 trillion in interest payments out equally across the population, it would be $325 more per month in taxes for every single American over the next decade.

As the Congressional Budget Office detailed in their long-term budget outlook:

> "How long the nation could sustain such growth in federal debt is impossible to predict with any confidence. At some point, investors would begin to doubt the government's willingness or ability to pay its debt obligations, which would require the government to

> pay much higher interest costs to borrow money. Such a fiscal crisis would present policymakers with extremely difficult choices and would probably have a substantial negative impact on the country. Even before that point was reached, the high and rising amount of federal debt that CBO projects under the extended baseline would have significant negative consequences for both the economy and the federal budget."

In short, these challenges pose a threat to our country today, not just decades into the future. A country's debt build-up can be so large that longer-term fiscal concerns essentially start to bleed into the present, impacting economic activity today. The extreme example is a sudden, full-blown debt crisis like the one that fiscally-troubled countries in Europe have experienced. But there is also a less-noticeable, slowly-evolving type of crisis that can grip a debt-burdened economy – the crisis of uncertainty and waning confidence in the will of policymakers to deal with the government's unsustainable fiscal trajectory.

Investors and businesses make decisions on a forward-looking basis. They know that today's large debt levels are likely tomorrow's tax hikes, interest rate increases, and inflation – and they behave accordingly. It is this debt overhang, and the uncertainty it generates, that can weigh on growth, investment and job creation.

The depth and seriousness of what we face should not be underestimated. These fiscal and economic challenges cannot be ignored or solved with minor or half-hearted reforms. And the longer we go without implementing serious solutions, the worse our future will be and the fewer opportunities our posterity will enjoy.

A Rising Level of Debt

We cannot and should not spend hundreds of billions of dollar every year that we do not have. It is fundamentally unfair to our kids and grandkids for today's policymakers to be so undisciplined and to ignore difficult decisions. Inaction is only making the hill we will eventually have to climb that much higher.

Rising debt levels and increasing interest payments will lead to a decline in national savings and a "crowding out" of private investment. This will deal a major blow to our economy. Businesses, fearing higher taxes, higher interest rates or inflation in the future because of the debt, will be less willing to expand their operations or hire more workers because they are uncertain what the future economic climate will look like.

The standard of living for American families will also fall. A CBO analysis shows that if we stay on the current course, real economic output per person would be 7 percent lower than it would otherwise be by 2040. That is less take home pay in the pockets of American workers and less opportunity for better jobs in the future.

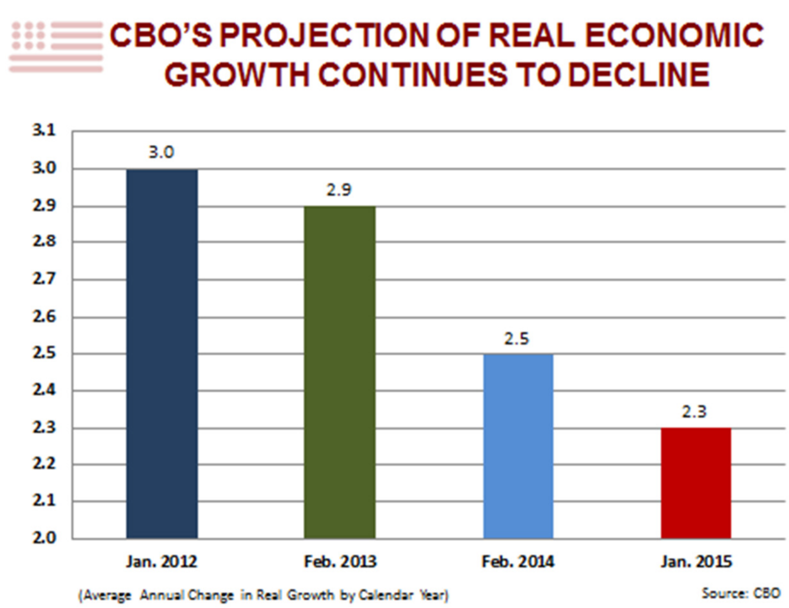
But we do not have to accept that future. We can get our debt under control with positive solutions that address the biggest drivers of the debt – like health care spending – by cutting out inefficiency and keeping interest payments from drowning out key priorities. These actions are not vital just for getting our fiscal house in order; it is one of the best ways to grow our economy.

CBO and economists across the nation agree that reducing budget deficits and bending down the curve of the debt will increase national savings and boost investments. The greater economic output we get from these actions will increase tax revenue and provide further relief from the debt.

A Slowing Economy

The economy is not working for many Americans. A lot of people are struggling to keep up or are being left behind altogether. The problems we face today and the challenges we must deal with in the future show that our economy is not reaching its full potential.

Economic growth is often at its strongest coming out of a recession. This current recovery, however, has been the worst in the modern era. Instead of rebounding strongly from a period of massive job losses and declining growth, the economy is still underperforming nearly seven years since the 2008 financial crisis.



This dreadful recovery has been particularly rough for the middle class. President Obama announced a new "middle class economics" agenda during his State of the Union address, but it is his policies that have hurt America's middle class the most. Wages have stagnated, median income is down and GDP growth is stuttering. CBO expects real GDP growth to average just 2.3 percent over the next decade, well below the historical trend rate of 3.2 percent growth. Average hourly earnings of private sector workers have increased just 1.6 percent over the past year, barely over the level of inflation. Real median household income is hovering just under $52,000, one of the lowest levels since 1995. In fact, real median household income for the middle fifth of families has fallen by 6 percent since 2010. At the same time, the top ten percent of families have seen their real median incomes increase by 2 percent.

This is what the American Enterprise Institute's Arthur Brooks has called an "asymmetrical recovery."

Why is the middle class being left behind? Washington has grown so powerful and so intrusive, that entrepreneurs and job creators are being squeezed. At the same time, local leaders do not have the freedom to create and develop solutions that work best for the needs, conditions and priorities of their individual communities. When the federal government asserts itself unnecessarily into our society, growth and prosperity slow.

This happens on many levels.

President Obama has presided over nearly $2 trillion in tax increases in the past six years. These tax hikes are sold as a way to ensure the wealthy "pay their fair share," but it is the middle class that is paying the price. This is taking more money and power out of the hands of families and companies and sending it to Washington. Businesses are facing hurdles with regulations as well. Obamacare, restrictions on energy production, and outdated and needless rules punish job creators and families looking for financial security.

Out-of-control spending, higher taxes, and burdensome regulations all combine to create an economic environment that's holding back the middle class. The larger the Washington bureaucracy becomes, the harder it is for American families and businesses to succeed.

Every dollar taken for taxes or to service the debt through interest payments is a dollar that can't be used to pay rent, buy a house, expand a business, buy a car, send a child to college, or care for a family member. All the things Americans want to do are being harmed and made more difficult by the president's policies.

Securing Economic Opportunity

In the wake of the 2008 economic downturn, misguided and failed policies have led to the emergence of a new economic normal of lowered expectations and unfulfilled potential. By many measurements, our economy is not operating at full power. The Congressional Budget Office (CBO) projects real GDP growth will average only 2.3 percent over the next decade and that means less opportunity for workers and families. Average hourly wages are barely keeping pace with inflation, real median household income is just under $52,000 – one of the lowest levels since the mid-1990s – and an unhealthy percentage of the American workforce has dropped out of the labor market.

The American people are not satisfied with these results. But for the past six years, there have been some politicians in Washington who have been saying let us stay the course in hopes that a real, robust recovery is just one more debt-financed, one-size-fits-all federal program away.

That is where our problems lie. We do not have an underperforming economy because American workers and business leaders have somehow forgotten how to grow jobs and create opportunity. It is because the policies coming out of Washington are standing in their way. Elected officials have been unwilling to make the tough decisions and propose the positive solutions needed to build the foundation for a stronger, healthier economy.

Our budget rejects this new normal. We propose a fundamental shift in focus away from government-centered solutions and back to families, workers, entrepreneurs and communities. That is how we expand opportunity – embracing free enterprise and empowering individuals, not Washington bureaucrats. After all, it is the American people who built our economy, not the government.

We start by creating an environment where American entrepreneurship can flourish. That means fixing the tax code so it is simple and fair for families and businesses – keeping more money in their pockets and drawing investment to our shores, not pushing it away. It means streamlining or outright repealing inefficient, ineffective or counter-productive regulations like those perpetrated under Dodd-Frank or conjured up in the halls of agencies like the Environmental Protection Agency (EPA) and National Labor Relations Board (NLRB).

In recent years, the dream of North American energy independence has increasingly become a reality. Our budget would double-down on this vibrant area of our economy by expanding the exploration and production of American energy. At the same time, we ought to stop throwing hard-earned taxpayer dollars at politically-connected companies that have proven more successful at making headlines than making a viable contribution to America's energy portfolio.

More affordable energy will keep more money in the pockets of hard-working citizens. When coupled with limited regulations based on common sense, we will empower American businesses from high tech industries to American farmers.

These solutions will bring more people back into the workforce, encourage growth in wages and deliver more opportunities in a healthy, fully functioning economy.

Among the provisions within our budget, we focus on:

Tax Reform

- The U.S. tax code is absurdly complicated, patently unfair, and highly inefficient. It is estimated that individuals, families and employers spend more than 6 billion hours and more than $160 billion a year trying to comply with the current system. All of this makes it an impediment to greater economic growth because it distorts decisions regarding work, savings and investment.

- Our budget proposes to grow the economy and create jobs with tax reform that will make the code simpler and fairer.

- Our budget calls for comprehensive tax reform that would include lower rates for individuals and families as well as large corporations and small businesses who often file their tax returns through the individual side of the tax code.

Annual Cost of Tax Compliance

- 6 Billion Hours
- $160 Billion

- We would repeal the Alternative Minimum Tax and transition away from a worldwide tax system to a more competitive international tax system.

- Along with lower rates, we propose broadening the tax base by closing special interest loopholes that distort economic activity.

Energy

- The United States is on track to become energy independent within the next 10 years. Achieving this will pay extraordinary dividends not just for our economy but also for our national security. This budget encourages further exploration of oil and natural gas both onshore and offshore in North America on both private and public lands.

- The private sector is clearly leading the way in the pursuit of energy independence while Washington is too often standing in the way with needless regulations or with subsidies that distort the market and leave taxpayers short-changed when politically-connected ventures go bust.

- This budget encourages the committees of jurisdiction, the House Energy and Commerce and Natural Resources Committees, to pursue policies that will ensure private sector capital investment is not crowded out by wasteful bureaucratic interference. At the same time, by streamlining research and development activities across the Department of Energy, we can increase efficiency and consolidate operations, ultimately leading to reduced costs.

- Our budget says the Department of Energy's research and development work should focus solely on breakthrough innovations, and the Department should leave the application and commercialization of new technologies to the private sector.

- The federal Government is filled with energy programs that either produce little useful results or perform a task that can be better handled by the private sector. Therefore, we propose reforming or outright eliminating a number of programs.

- The budget rescinds all unobligated balances from the president's stimulus green energy programs. The government cannot recover taxpayer dollars from failed projects like Solyndra, but it can protect taxpayers from being on the hook for future boondoggles.

- These actions and others will prevent the federal government from picking winners and losers in the marketplace and let those companies that truly create innovative products and benefit consumers succeed.

Transportation

- A reliable and robust transportation system is vital to growing America's economy. Businesses depend on roads, bridges and other infrastructure to move goods to markets. This budget begins to make the needed reforms to ensure we have fiscally responsible transportation policies.

- The financial well-being of the Highway Trust Fund is eroding year after year. Over the past decade, gas-tax receipts plateaued while spending continued to grow. Despite $63.1 billion in taxpayer bailouts, CBO projects the Highway Trust Fund still faces insolvency by the end of Fiscal Year 2015. Without reform, the Highway Trust Fund faces two outcomes. Under current law, the Highway Trust Fund cannot incur negative balances, so spending will automatically decrease and the Department of Transportation (DOT) will have to ration the amounts it reimburses to states to maintain a "prudent balance" in the fund. Alternately, Congress will need to continue to provide additional bailouts, in the form of transfers from the general fund, paid for with borrowed money.

- Our budget advocates sensible reforms to ensure the solvency of the Highway Trust Fund while at the same time providing flexibility for a surface-transportation reauthorization that does not increase the deficit. The budget includes a reserve fund to provide for innovative thinking to bring a new surface-transportation bill to passage, as long as that legislation is deficit neutral.

- Further, this budget recognizes the need to explore innovative financing mechanisms to support surface-transportation infrastructure and safety programs – for example, with further public-private sector partnerships demonstrated in the *Transportation Infrastructure Finance and Innovation Act* program. The budget also recommends giving states more flexibility to fund the highway projects they feel are most critical.

- Beyond the Highway Trust Fund, this budget targets inefficiencies and duplication in a wide range of federal transportation programs to increase effectiveness for travelers and save taxpayer dollars.

- Enhanced operational efficiencies can be obtained without compromising security priorities within the Transportation Security Administration (TSA). The budget maintains the efficiencies realized through risk-based security initiatives and encourages TSA to continue to look for new approaches to airport security. The budget also offers continued support for the Screening Partnership Program, TSA's privatized screening program. Applications for private screening that meet security requirements and could improve cost-efficiency goals should be approved expeditiously.

Financial Services

- This budget makes great strides in repealing onerous policies enacted under Dodd-Frank that are hurting financial institutions both large and small and the businesses and families they serve. This will help eliminate several programs that have proven specifically harmful to our economy and taxpayers.

- Although the proponents of Dodd-Frank went to great lengths to denounce bailouts, the law only perpetuates them. The Federal Deposit Insurance Corporation (FDIC) now has the authority to access taxpayer dollars in order to bail out the creditors of large, "systemically significant" financial institutions. Our budget calls for ending this practice. Instead of rewarding corporate failure with taxpayer dollars, we ought to ensure the responsibility for large, failing firms lies with the shareholders who own them, the managers who run them, and the creditors who finance them.

- Our budget also supports cancelling the ability of the Bureau of Consumer Financial Protection (created by Dodd-Frank) to fund its operations from the Federal Reserve's yearly remittances to the Treasury Department. These remittances are earnings generated by the Federal Reserve and were originally intended to be deposited in the Treasury to help fund general government, not to directly finance a politically favored agency thereby allowing it to escape the annual appropriations process.

- Our budget privatizes Fannie Mae and Freddie Mac. As long as they continue to enjoy federal support, taxpayers remain exposed to more than $5 trillion of outstanding commitments belonging to the firms. By putting an end to corporate subsidies and taxpayer bailouts in housing finance, this budget envisions the eventual elimination of Fannie Mae and Freddie Mac and ending their taxpayer guarantee.

Strengthening Health and Retirement Security

Our nation is home to the best doctors, innovators and technology. However, the policies emanating from Washington increasingly stifle innovation and undermine the doctor-patient relationship. The breakdown can be seen in every corner of our health care system – from individuals struggling to purchase health insurance on their own, to employers finding it increasingly difficult to provide insurance for their workers, and perhaps most concerning, in our Medicare and Medicaid programs that serve our seniors and low-income families.

For too many folks, America's health care system is not providing the level of care they expect or have been promised. Patients face higher deductibles and higher premiums, but have less choice and access to their preferred health care provider.

Enrollment in Medicare or Medicaid no longer guarantees access to the doctor or the treatment a beneficiary might need. The Medicaid program burdens States with one-size-fits-all directives from Washington that prevent them from innovating and better serving the unique needs of their communities. And the Medicare program continues to head toward a cliff of insolvency that threatens the health care security of millions of America's seniors. Those who refuse to offer solutions to these foreseeable crises are complicit in them. There is no excuse for inaction.

For all of these reasons, our budget presents a plan to save, strengthen, and secure Medicare for today's seniors and tomorrow's retirees. First and foremost, we put an end to the Obamacare raid of the Medicare Trust Fund. We provide future seniors with a premium support model that will enable beneficiaries to choose from a range of coverage options, including traditional fee-for-service Medicare. As before, our plan makes no changes to those in or near retirement.

We give states the flexibility to tailor their Medicaid programs to most efficiently and effectively serve low-income families in their communities. The Obama Administration added millions of additional beneficiaries to a Medicaid program that is already ill-designed to support those who need it. State governors and legislatures know far better how to serve the needs of their neighbors. It is arrogant of Washington to continue to treat states as pass-through entities for a federal agenda.

None of the reforms proposed in this budget will be able to solve the underlying challenges in our health care system so long as Obamacare remains on the books. Our budget fully repeals Obamacare. This will save over $2 trillion, end the Obamacare raid on Medicare and rescind all of the tax increases on job creators and health care innovation.

Obamacare is not working for America's families, doctors or employers. It is imperative that the President's health care law be repealed so that we can start over and make targeted, common sense reforms that will improve access to affordable health care choices.

At the end of the day, we need to make sure that folks have not just a healthy retirement but a financially secure one as well. That is why it is irresponsible to ignore the looming insolvency in Social Security. Right now, the retiree trust fund is paying out more in benefits than it is taking in. That's unsustainable. In order to protect the promise to today's seniors and tomorrow's retirees, policymakers need to start working together on a long-term solution to ensure the integrity of the Social Security program.

Among the provisions within our budget, we focus on:

Obamacare

- This budget repeals Obamacare in its entirety – including all of the tax increases, regulations, subsidies, and mandates.
- We end the over $700 billion Obamacare raid on Medicare and ensure Medicare savings go toward improving Medicare solvency, not to pay for a new entitlement. When drafting their health care law, Democrats erroneously insisted this money would both shore up the Medicare Trust Fund and pay for a new health-care entitlement program. In 2012, during testimony before the House Budget Committee, Richard S. Foster, then Medicare's chief actuary, made the obvious point that the same dollar could not be spent twice. This budget stops the Obamacare raid on seniors' health care and calls for directing any potential Medicare savings in current law toward shoring up Medicare, not paying for new entitlements.
- This budget repeals the Independent Payment Advisory Board (IPAB), an unelected, unaccountable board of 15 bureaucrats charged with making coverage decisions on Medicare.
- The budget repeals Obamacare's Medicaid expansion so the program is able to focus on its core mission of serving those in our communities most in need of assistance.
- While repealing Obamacare will protect individuals, families and businesses from the undue harm of that law, America's health care system remains in dire need of real reform. That is why our budget calls for starting over with a patient-centered approach to health care reform – one that will ensure patients, families and physicians are in charge of medical decisions, not Washington.
- Instead of a complex structure of subsidies, mandates, and penalties, our budget proposes we increase access to quality, affordable health care by expanding choices and flexibility for individuals, families, businesses and states while promoting innovation and responsiveness.
- The goal of patient-centered health care reform is to empower patients – whether we are talking about increasing competition and transparency in the health insurance market or allowing individuals to join together voluntarily to pool risk so no person is priced out of the market even if they have a pre-existing condition.

- Instead of driving up health care costs and reducing economic opportunity, a reformed health care system should increase access to affordable choices, which will in turn increase economic growth and employment while lowering health care inflation.

Medicare

- Medicare plays a vital role in ensuring that America's seniors have peace of mind and health care security when it comes to their retirement. Unfortunately, right now this program is on an unsustainable path for multiple reasons.

- As the Baby Boomer generation retires, 10,000 individuals reach retirement age every day. Meanwhile, the relative number of workers paying for the program through payroll taxes is declining. The program faces additional pressures of health care cost inflation and beneficiaries with longer life expectancies. At its current pace for expenditures, according to the Medicare Trustees, Medicare will be bankrupt in 2030.

- Yet even with all of these issues, the heart of the challenge lies within Medicare's fundamentally flawed structure. Under the current system, there is little sensitivity to market forces because the government, not the patient, is the customer. This open-ended fee-for-service model prevents patients from understanding the true cost of care and leaves providers with little incentive to generate efficiencies in the program.

- As Washington dictates cost control mechanisms and issues new federal regulations to providers, payments fail to keep pace with rising costs, fewer doctors can afford to see Medicare patients, and as a result, fewer seniors receive sufficient access to care.

- Our budget addresses this challenge by building a premium support program in Medicare that will put more power in the hands of seniors and embrace the important role that patient choices and competition among insurance providers can have in controlling costs. The program would allow Medicare beneficiaries to choose from a range of guaranteed-coverage options, including traditional Medicare, to find a plan that best fits their needs. Premium support payments would be paid by Medicare, directly to the plan chosen by the beneficiary.

- Payments would be adjusted so that 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.

- Under our plan, the premium support model begins in 2024, consistent with previous House Republican budgets. That means there will be no changes for those in or near retirement.

- In September 2013, the Congressional Budget Office (CBO) analyzed premium support options. They found that a program, in which a premium support payment was based on the average bid of participating plans, would result in savings for beneficiaries, as well as the Federal Government.

- Moreover, this system would set up a carefully monitored exchange for Medicare plans. Health plans that choose 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 receive coverage.

- Moving to a premium support model would give seniors more freedom to choose the best plan for them and would force providers to compete against each other on price and quality. This means the program would work better for patients now and save the program for future generations of seniors.

- However, premium support would not solve every problem facing Medicare. To further strengthen the program, our budget will also combine Parts A and B to modernize the fee-for-service benefit so that there is a single deductible for seniors. This includes a catastrophic cap on annual out-of-pocket expenses – an important aspect of the private health insurance market to safeguard the sickest beneficiaries who are most in need of medical services, and which is currently absent from Medicare.

- Unlike the President's budget, our budget reflects the cost of enacting a permanent reform to Medicare's reimbursement formula and responsibly accounts for a repeal of the sustainable growth rate (SGR) formula so that we ensure physician access and improve the quality of care for patients. Over the past decade, Congress has patched the SGR program with a "doc fix" seventeen separate times. It is time to restore certainty to the reimbursement system for patients and physicians.

- The budget also embraces medical liability reform to curb frivolous lawsuits and the practice of defensive medicine. Patients have the right to fair representation and compensation when mistakes are made, but the current system serves the interests of trial lawyers – not patients – and drives up costs. This leads to reduced access to quality care for patients.

Medicaid

- Medicaid is an important program that offers health care coverage for Americans with insufficient financial resources – including low-income children, parents, women who are pregnant, and seniors. This program provides security for Americans who face long-term health challenges and serves as a springboard for those dealing with shorter-term issues so they can get back on their feet quickly.

- For many, though, Medicaid's promises are empty, its goals are unmet, and its dollars are wasted. Sick individuals cannot get appointments, new beneficiaries cannot find doctors, and Medicaid cards are little more than pieces of plastic. Doctors who provide services to Medicaid patients are severely under-reimbursed, a problem that does not get easier to solve by adding more individuals to the system. Without reform, Medicaid will not be able to deliver on its promise to provide a sturdy health care safety net for the country's most vulnerable.

- These challenges will only get worse in the future as Medicaid's spending increases exponentially. According to the CBO, Medicaid spending as a share of GDP has increased 240 percent since 1980 – a 42 percent increase just since 2000. CBO projects Federal spending on this program to be $335 billion in fiscal year 2015. This amount is expected to grow by 75 percent within the next ten years, reaching $588 billion by fiscal year 2025.

- Additionally, states pay a significant share of Medicaid costs. Their spending on the program is expected to follow these upward trends. According to the Centers for Medicare and Medicaid Services' 2013 Actuarial Report on the Financial Outlook on Medicaid, total State spending will rise from about $194.2 billion in fiscal year 2013 to $342.5 billion in fiscal year 2022.

- Federal Medicaid spending rises even higher under Obamacare. The law will increase federal spending on the program by $904 billion by 2025. CBO estimates that in 2020, there will be 16 million new Medicaid beneficiaries in the program.

- Medicaid's current structure provides states with a perverse incentive to expand the program and little incentive to save. For every dollar that a State government spends on Medicaid, the federal government pays an average of 57 cents (and between 90 and 100 cents of every dollar for those who are newly eligible under Obamacare). Expanding Medicaid coverage during boom years is tempting for States because State governments pay less than half the cost. Conversely, there is little incentive to restrain Medicaid's growth because state governments only get back 43 cents for every dollar worth of coverage they save.

- Our budget begins to fix the problem by repealing the Medicaid expansion under Obamacare and instead grants flexibility to States so the program can better serve those who it is intended to benefit.

- We achieve this goal through State Flexibility Funds that give states greater freedom to build the most effective programs for their communities. We empower state policymakers to tailor their Medicaid programs based on the unique challenges they face because governors and state legislatures know their populations better than Washington. These funds eliminate the misguided one-size-fits-all approach and allow states to better cut down on waste, fraud, and abuse.

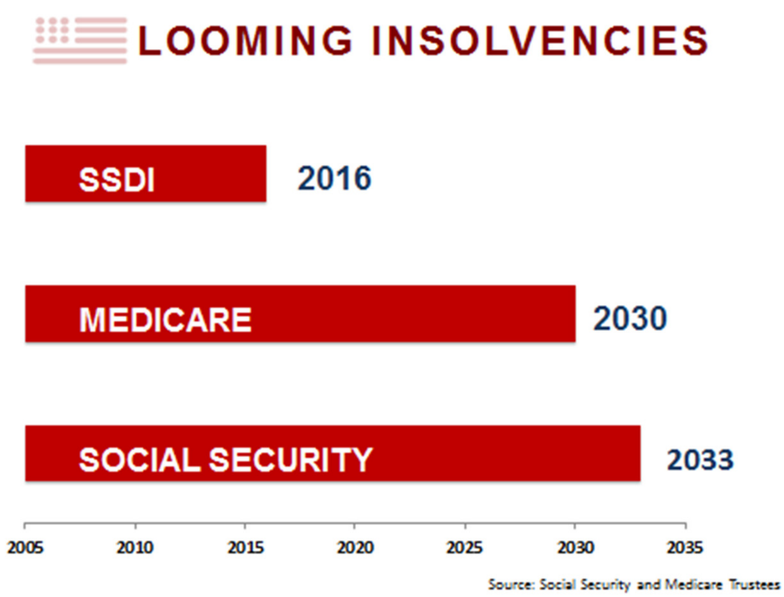
- Some states have already taken advantage of the very limited flexibility the Federal Government currently provides to make positive changes for their citizens. For example, prior to the implementation of Obamacare, Indiana created the Healthy Indiana Plan which provided residents who did not qualify for Medicaid with access to health benefits such as physician services, prescription drugs, inpatient and outpatient hospital care, and disease management.

- All States should have the flexibility to adapt their Medicaid programs to fit their particular needs – to expand coverage for populations who most need it; to implement work requirements for able-bodied Medicaid beneficiaries; 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. State legislators and governors know their people better than far-away Washington and should have the flexibility they need to provide the best care to their residents.

- Under our proposal, Medicaid and the State Children's Health Insurance Program (SCHIP) would be unified into a single program. This budget also includes a reserve fund to provide for the extension of federal spending on SCHIP.

Social Security

- Although the Social Security Old Age and Survivors Insurance (OASI) trust fund is projected to remain solvent through 2034, its financial condition is more fragile than that estimate suggests.



- The program is now running a cash deficit – meaning it is paying out more in benefits than it collects in payroll taxes. This trend will worsen as the baby boomers continue to retire.

- The last thing Congress should do is raid the retirement trust fund. And yet, with the Social Security Disability Insurance (DI) trust fund expected to go bankrupt in 2016, some have suggested diverting funds to DI from the OASI trust fund – a short-term and short-sighted measure that would necessitate earlier cuts to Social Security benefits for current and future retirees while failing to address the underlying causes of DI's financing problem.

- For these reasons, at the beginning of the 114th Congress, the House of Representatives adopted a rule that would prohibit Congress from propping up the solvency of the Disability Insurance trust fund by taking from the Old Age and Survivors Insurance trust fund without improving the solvency of the combined Old Age and Survivors Disability Insurance trust fund. In short, there should be no raiding of the Social Security retirement program to bailout another, currently unsustainable program.

- Truly what's needed is a long-term solution to the problems facing Social Security. One such proposal would be a bipartisan commission that would be required to study the structural deficiencies within the current Social Security system and report back with specific legislative proposals for Congress and the President to consider.

- Our budget calls for a bipartisan path forward in addressing the long-term structural problems within Social Security. We acknowledge that short-term policy proposals that merely delay addressing Social Security's long-term fiscal challenges are untenable, and raiding the Social Security trust fund is unacceptable.

Protecting the Nation

The first responsibility of our federal government is to ensure the safety and security of the American people. Today, our nation, our allies and our interests at home and around the world are threatened by radical Islamic terrorists as well as unstable and oppressive regimes. The growing unrest and instability in many parts of the world remind us daily what is at stake if we do not adequately support our military and intelligence communities.

Our budget takes several responsible steps to promote a strong national defense and provide critical resources to our men and women in uniform. We do so while acknowledging that there is more that can and should be done to build up and maintain America's military superiority.

First and foremost, we do not invite the across-the-board sequestration cut that would occur if we were to simply budget or appropriate a defense spending level that is above the existing cap mandated under current law. It would be irresponsible to promise our military leaders and our troops who are on the front lines defending this great nation a level of funding that we know, without a change in law, would be indiscriminately struck down once it rose above the current allowance.

Unfortunately, this is exactly what the president's budget would do. His proposal is misleading and would only cause further harm to our national defense by purposely taking us down a path that would lead to indiscriminate sequestration cuts.

To avoid such a reckless and harmful scenario, our budget obeys current law. It avoids an across-the-board sequester cut that would indiscriminately slash funding for our military and their families, and it puts in motion a concerted effort to increase resources for our national defense this calendar year. This reflects our commitment to our national security and the brave men and women who provide it.

At the same time, our budget honors our veterans who have served our nation with courage and commitment. We owe these brave Americans a debt of gratitude we can never fully repay. However, we can do everything within our power to ensure our veterans and their families have the support they have earned. That includes, at the very least, maintaining robust oversight over the Department of Veterans Affairs (VA) so that we never again see the sort of gross negligence that has been recently revealed at our VA health facilities.

With *A Balanced Budget for A Stronger America* we are proposing a responsible and honest commitment to the men and women who defend our great nation.

Among the provisions within our budget, we focus on:

National Security

- The United States faces serious, complex threats that grow more dangerous in the midst of uncertainty and doubts about our nation's security posture. That is why it is vital that our budget reflect reality.

- For his part, the president's budget is an unserious proposal that ignores current law and requests a defense budget that exceeds the current law and caps on spending without a real plan to avoid a guaranteed, across-the-board, indiscriminate sequester cut. In short, the president's plan compounds the uncertainty in our national defense budget.

- Our budget avoids this uncertainty. We do not tell our men and women in uniform one thing knowing another will happen. Instead we adhere to the current law funding cap in Fiscal Year 2016 while increasing funding in the years to follow – spending at levels above the president's suggested defense budget in the outyears beyond FY 2016, including $22 billion above the President's Five Year Defense Plan and $151 billion above the ten-year totals. This would also be $387 billion above the ten year total under the current path.

- Our budget allocates funding for the Department of Defense's (DoD) Overseas Contingency Operations fund in 2016 which when coupled with our base defense spending levels brings our FY 2016 budget for national defense to $613 billion in total – higher than the President's budget request for the fiscal year.

- It is vital that we ensure robust funding for national defense while maintaining overall fiscal discipline. In our budget, we do so by prioritizing our national defense and the needs of our men and women in uniform – providing resources through the creation of the "Defense Readiness and Modernization Fund."

- The "Defense Readiness and Modernization Fund" provides the mechanism by which Congress can responsibly allocate in a deficit-neutral way the resources the military needs to address our national security threats at home and abroad. This fund will provide the Chairman of the House Budget Committee with the ability to increase funding to support legislation that would provide for the DoD's warfighting capabilities, modernization, training and maintenance associated with combat readiness, activities to reach full auditability of DoD's financial statements, and/or implementation of military and compensation reforms.

- With spending on a handful of federal mandatory programs plus net interest on our debt projected by the Congressional Budget Office to consume all revenue in less than twenty years, Congress must act to make structural entitlement reforms to save and strengthen those programs while finding savings that could go toward meeting our national security needs.

- Under current law, if personnel compensation costs continue to grow as expected, they will inevitably crowd out critical defense spending on readiness and procurement. Recognizing this serious dilemma, the FY 2013 National Defense Authorization Act (NDAA) established the Military Compensation and Retirement Modernization Commission (MCRMC) to conduct a comprehensive review of military compensation and retirement systems. In January 2015, the MCRMC released its final report including significant military retirement and health care reforms. Our budget agrees that reforms are vital to sustaining the long-term fiscal health of these programs, and we encourage the committees of jurisdiction to continue their work in this area.

- The budget also acknowledges that the inability of the Department of Defense to receive a clean audit degrades the public's confidence in the Department's ability to effectively manage taxpayer resources. The DoD anticipates full auditability by the end of fiscal year 2017, and our budget supports the DoD meeting that goal as part of a larger effort to reduce waste and bureaucracy and effectively allocate existing resources.

Veterans

- For years, there has been serious concern regarding bureaucratic mismanagement at the Department of Veterans Affairs and continuous failure to provide veterans timely access to health care and benefits. In 2015, for the first time ever, VA health care was added to the Government Accountability Office's GAO High-Risk List due to "concerns about VA's management and oversight of its health care system."

- Reports that VA medical centers were manipulating wait-list documents to hide long delays veterans were facing to receive health care is outrageous and unacceptable. We will continue to closely monitor the VA to make sure they are accountable and transparent in their work.

- Our budget also supports the current work of the House Veterans Affairs Committee's oversight efforts of the VA. We will continue working to ensure that resources provided to our veterans are sufficient and that they effectively and efficiently provide benefits and services to those brave men and women who have fought to defend our country and our way of life.

> "…the single, biggest threat to our national security is **our debt**…"
>
> \- Adm. Michael Mullen
>
> Former Chairman of the Joint Chiefs of Staff
>
> September 22, 2011

Building Stronger Communities

America's strength and character is derived from the diverse communities that make up our great nation. Far too often, Washington fails to appreciate that fact and either overtly or tacitly stands in the way of innovative thinking and real improvement throughout our towns, cities and states.

Right now, there are those in our nation who are truly struggling to make ends meet – who need our support. There are also parents hard at work hoping to earn enough so that they can send their kid to a good school. There are young men and women sitting in classrooms all across the country whose talents are going untapped because their school systems are failing them.

Our charge is to address these challenges in a way that is compassionate and constructive – mindful of the fact that Washington does not hold the answer to every question. Government must respect its limits. That is why humility and common sense dictate that whenever and wherever possible, the maximum amount of control and flexibility must be given to our local communities so they can find the right solutions for their citizens.

There's no shortage of good intentions in Washington, but too often those good intentions manifest themselves into duplicative and needlessly complicated government programs that are challenging to navigate, inherently inefficient or misguided. They often end up doing more harm than good. Our budget aims to weed out those programs which are ineffective, tamp down on waste and abuse within the system, and make some common sense reforms to ensure assistance is provided to those in need.

Whether we are talking about food stamps, housing assistance or education benefits – all are made more difficult when Washington forgets the limits of its own understanding and power. That is when these programs begin to fail the very people they are designed to help; when waste, fraud and abuse are ignored; when success is measured by how big in size and scope a program is and compassion is graded on the size of a program's budget. When that happens, social and safety net programs stop being a bridge to a more secure future and rather become a barrier to success.

For example, one of the biggest advantages anyone can have in life is a strong education. Yet education in America is becoming too expensive and too influenced by Washington. As we have seen large increases in federal aid to support higher education, tuition costs have continued to climb. Too many young people are graduating with enormous debt and few job options. Financial aid and job training programs are measured by how much money goes in rather than how much achievement comes out.

Similarly, food stamps, public housing assistance, and development grants are judged not on whether they achieve improved health and economic outcomes for the recipients or build a stronger community, but on the size of their budgets. It is time these programs focus on core functions and responsibilities, not just on financial resources. In so doing this budget respects hard-working taxpayers who want to ensure their tax dollars are spent wisely.

Among the provisions within our budget, we focus on:

Education

- After multiple increases to Pell Grant award levels, the program is now facing a shortfall. In the past, lawmakers have dealt with the problem with short-term funding patches. Our budget rejects these temporary measures and makes the Pell Grant program permanently sustainable so that it is able to serve students today and in the future.

- This starts by targeting Pell Grants to students who need the most assistance. In recent years, students from higher income households have become eligible for Pell. In fact, the Department of Education attributed 14 percent of growth in the program between 2008 and 2011 to expansions that were made to the needs-analysis formula. Increasing eligibility to those with higher incomes drains resources from those who need the most help.

- Our budget adopts a sustainable Pell Grant maximum-award level. The Department of Education attributed 25 percent of recent program growth to the $619 increase in the maximum award done under the Obama Administration's stimulus bill that took effect in the 2009–2010 academic year. To get program costs back to a sustainable level, this budget freezes the maximum award for the 2015-2016 award year throughout the budget window.

- Rather than foster a system that enables skyrocketing tuition and presents too many students with the difficult choice between crippling debt or stopping short of their highest educational attainment, 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.

- Our budget places a strong emphasis on returning the power to make education policy decisions to state and local governments, to families, and to students, rather than allowing choices to be made by bureaucrats in Washington. It eliminates unsuccessful and duplicative K-12 programs in order to increase efficiency and effectiveness. It promotes innovation and choices that provide for flexibility and innovative teaching methods.

Job-Training

- Last Congress, the House Education and the Workforce Committee made laudable progress toward consolidating federal job-training programs with enactment of the *Workforce Innovation and Opportunity Act*. Our budget builds on these efforts by calling for further consolidation of duplicative federal job-training programs and improved coordination of these programs with the recently reformed workforce development system. It also improves accountability by tracking the types of training provided, the costs per trainee, employment after training, and whether the trainee secures a job in his or her preferred field.

- Federal job-training programs are duplicative, difficult to access and have little accountability. In January 2011, the Government Accountability Office (GAO) identified 44 of the 47 Federal employment and training programs that overlapped with at least one other program, providing redundant services to similar populations. In total, these numerous employment and training programs spent $18 billion in fiscal year 2009, including stimulus dollars.

- Our budget will not only achieve savings from consolidation but also produce better results for the millions of Americans looking to improve their skills in their search for a job.

Housing Assistance

- Our budget makes responsible reforms to housing-assistance programs that will make them sustainable and focused. Despite dramatic funding increases, the Department of Housing and Urban Development's (HUD) Worst Case Housing Needs Report to Congress suggests the number of families who are severely rent burdened or live in substandard conditions continues to grow. Reforms are needed to ensure assistance is available to those most in need and is structured in a way that best enables upward mobility. One reform could include the gradual expansion of the Moving to Work program to high-performing public housing authorities. Moving to Work gives public housing authorities more flexibility in how they spend funds so that they can serve families more efficiently and effectively.

- Chronic homelessness in the U.S. has declined by 21 percent since 2010, but a lot of work is left to be done. This budget continues support for efforts to end chronic homelessness by urging HUD to refocus efforts to accomplish the Administration's goal of helping to end chronic homelessness by 2017.

Income and Nutrition Assistance

- Unemployment insurance and disability insurance are both crucial components of the safety net. The former provides support for Americans who are facing a period of joblessness but who are able to work. The latter provides assistance to Americans who are unable to work. Right now, a loophole allows beneficiaries to currently draw benefits from both funds. Our budget restores integrity to each program by putting an end to the so-called "double dipping" of the disability insurance fund to protect taxpayers and reduce waste and abuse in the system.

- The bipartisan welfare reform efforts of the 1990s have proven that robust work requirements is one of the surest ways to increase participation in the work force. We can fight poverty by ensuring public assistance is designed to help individuals eventually transition away from it. Unfortunately, the current administration has taken steps to waive work requirements in the Temporary Assistance for Needy Families (TANF) program. Our budget rescinds the Administration's ability to issue these waivers.

- Federal spending for food stamps, the Supplemental Nutrition Assistance Program (SNAP), has increased from $21 billion in 2002 to $76 billion in 2014. Spending is forecast to be permanently higher than pre-recession levels even as the job-market recovers. There are many reasons for this, but the core challenge is that while states have the responsibility of administering the program, they have little flexibility to ensure it is run well.

- This budget converts SNAP to a State Flexibility Fund so state governments have the power to administer the program in ways that best fit the needs of their communities with greater incentives to achieve better results. There are no changes made to the program until 2021, so that states have enough time to build their own program and craft innovative solutions.

- Our budget calls for reduced funding for federal advertising efforts to increase SNAP enrollment. Those savings are then shifted into programs that facilitate upward mobility, such as effective job-training programs.

SNAP Cost Growth

2002 = $21 Billion

2014 = $76 Billion

Community Development

- Our budget thoroughly examines community and regional programs with a specific focus on eliminating those that perform non-core federal government functions, while also consolidating and streamlining duplicative programs wherever possible.

- Among the programs considered for reform is the Community Development Fund (CDF). Historically, about 80 to 90 percent of funding for the CDF is spent on the Community Development Block Grant program (CDBG). CDBG is an annual formula grant directed to state and local governments to address a broad array of initiatives. Currently, there is no maximum community-poverty rate to be eligible for funds, nor is there an exclusion for communities with high average income. In 2015, $3.1 billion was appropriated for CDBG.

Holding Washington Accountable

There is perhaps nothing more corrosive to the functioning of a democracy than a government that no longer feels accountable to the citizens it serves. Our entire representative form of government is predicated on the notion that the American people have the right and the authority to demand accountability from those they elect to serve. Sadly, there are too many scenarios these days in which Washington forgets that its power is derived from the "consent of the governed." It forgets that its financial resources come from hard-working American taxpayers who wake up every day, go to work, actively grow our economy and create real opportunity.

Our plan, *A Balanced Budget for a Stronger America*, reminds policymakers that our Founders created a government that is responsive and accountable to the wishes and concerns of the people. This budget embraces that principle by taking a serious look at where taxpayer dollars are spent and how we might better manage our limited resources.

Eliminating waste in government may seem like a generalization, but it is no less an important pursuit. All of Washington ought to face scrutiny – every department, agency and program. And once tax dollars are sent out the door, there ought to be in place a system to better track the efficiency and effectiveness of the initiatives being funded. More accountability from departments and agencies means a government that's more respectful and responsive to the needs of its people.

This effort must and will include a call for reforms to the Congressional budget process itself. For forty years, we have relied on a system and set of guidelines that are biased toward more spending and less oversight. That leads to bad policy outcomes and more tax dollars being wasted. Adopting common sense reforms in the budget process while strengthening budget enforcement will help ensure that programs and priorities are being addressed in the way that Congress intended and the American people support.

This budget streamlines regulations, eliminates redundancies and will help government better serve individuals, families and business. It will hold Washington accountable and give taxpayers a better return on their investment.

Among the provisions within our budget, we focus on:

Eliminating Waste

- Currently, there are dozens of programs that are duplicative or waste taxpayer dollars on activities that are not core functions of the federal government. This budget cuts or consolidates these programs and encourages Congress to take proactive steps toward reform.

- Some examples of areas where there should be room to cut waste, eliminate redundancies and end the abuse or misuse of taxpayer dollars:

- There are 92 different anti-poverty programs.
- There are 17 food aid programs.
- There are 22 housing assistance programs
- An Inspector General report revealed that employees at the Environmental Protection Agency are taking paid leave after work-related violations.
- The Department of Defense and the Central Intelligence Agency, two of the most important agencies in our national security apparatus, currently spend part of their budget studying climate change.

Reforming Regulations

- Since President Obama took office in January 2009, the federal government has issued more than 468,500 pages of regulations. The overwhelming amount and complex nature of these regulations is hurting our economy.

- The National Association of Manufacturers estimates the total cost of regulations is as high as $2.03 trillion per year and compliance costs fall "disproportionately on small businesses."

- Two of the president's signature legislative achievements have placed enormous burdens on the economy. Dodd-Frank has resulted in more than $32 billion in compliance costs. Obamacare has imposed $24.3 billion in compliance costs on the private sector and $8 billion on states.

- All of this translates into fewer job opportunities for American workers and higher costs for consumers.

- This budget calls for bringing our regulatory structure into the 21st century with a system that ensures a fair and dependable marketplace while providing a solid foundation for economic growth and job creation.

- Our budget calls on Congress, in consultation with the public, to enact legislation to reform our regulatory system. This would include:
  - Eliminating unnecessary red tape and streamlining regulations.
  - Pursuing more cost-effective approaches.
  - Ensuring that regulations do not disproportionately disadvantage low-income Americans.
  - Applying a more open and transparent process when designing new regulations.

Eliminating Corporate Welfare

- The federal government should not be in the business of picking winners and losers in our economy either through laws or regulations that favor one company over another. A truly strong economy is built by innovators that thrive because of the value they provide to consumers, not on what special connections they have in Washington.

- This budget makes great strides in addressing some of the worst cases of corporate welfare in the federal government – particularly at the Department of Commerce. For example:
    - Our budget eliminates 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 that 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.
    - Our budget eliminates Trade Promotion Activities at the International Trade Administration. This agency, also 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.

- In 2010, Congress established a new annual payment to the travel industry and created a new government agency, the Corporation for Travel Promotion (now called Brand USA), to conduct advertising campaigns encouraging foreign travelers to visit the United States. Our budget recommends ending these subsidies and eliminating the new agency. It is not a core responsibility of the government to pay for and conduct advertising campaigns for any industry.

Budget Process Reform

- The current congressional budget process is built on a 40-year old framework that has severe limitations, can lead to unrealistic projections and is too easily subject to manipulation. Perhaps most concerning, at a time of tremendous fiscal challenges, is the fact that the process is inherently biased in favor of increased spending.

- We ought to modernize the budget process so policymakers are armed with a broader and more accurate understanding of the impact – fiscal, economic or otherwise – of the legislation that is before Congress.

Appendix I: Long-Term Budget Outlook

The growing probability of a debt crisis is the most urgent challenge the United States faces today. The source of the crisis is the drift toward ever-expanding government. To avert a future debt crisis, Congress needs to stop this encroachment and to revive community in American civil society.

This budget turns the tide. It makes $5.5 trillion in spending reductions over the next 10 years. It reforms government spending programs responsibly. 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.

These reductions are hardly draconian. Over the years, Congress has put two-thirds of the budget on auto-pilot, and spending in those areas grows each year. The Congressional Budget Office has said the current laws and policies cannot be sustained. Yet any effort to restrain the growth in this spending is cast as “cut.”

Under current policy, the Federal Government will spend $48.6 trillion over the next 10 years. Under this proposal, it will spend roughly $43.2 trillion. This budget does not make sudden cuts. Instead, it increases spending at a more manageable rate. On the current path, spending will rise by an annual average of 5.1 percent. Under this budget, it will rise by only 3.3 percent.

Washington cannot keep spending money it does not have. So this budget achieves balance in 2024 and maintains balance in 2025 by bringing spending down relative to the size of economy, to 18.2 percent of GDP in 2024 and 18.3 percent in 2025. To achieve this outcome, it puts in place fundamental reforms to protect and strengthen Medicare by gradually transitioning the program to a premium support system. Along with Medicaid and other spending reforms, these changes are critical to putting the nation on sound financial footing going forward.

The spending path assumed in this budget will result in a balanced budget in less than ten years and, according to CBO, a growing surplus that will lead to a sharp reduction in the national debt. CBO says a small budget surplus of 0.1 percent of GDP in 2026 will eventually grow to 2.1 percent of GDP by 2040. At the same time, debt held by the public will decline from more than 74 percent of GDP today to 55 percent of GDP in 2025 to just 18 percent of GDP by 2040 – a glide path to fully paying off the national debt.

Over the long term, the budget assumes revenue follows CBO’s extended baseline and is allowed to grow from 18.3 percent of GDP in 2025 to 19 percent of GDP by 2035 and then remain at that share of the economy through 2040.

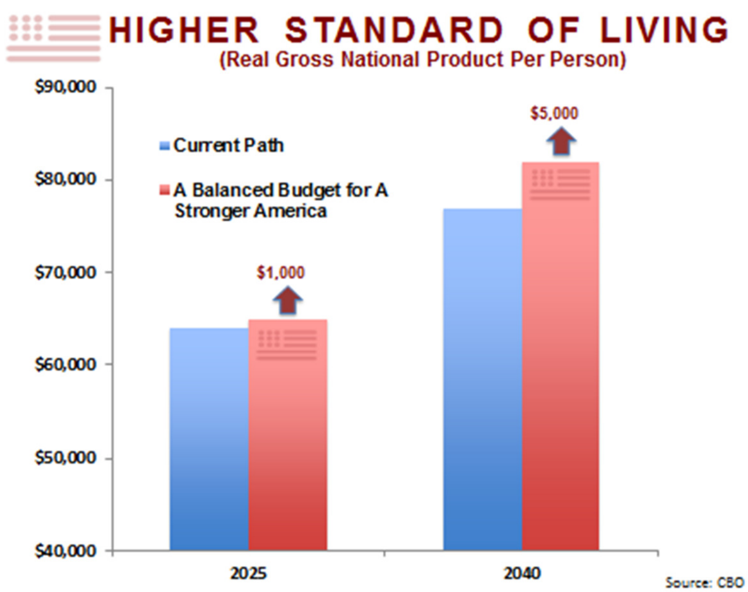
The United States has dealt with financial problems in the past. In 1997, a Democratic president and a Republican Congress passed the Balanced Budget Act of 1997, which inaugurated four years of balanced budgets. This budget follows that model. It incorporates ideas from both parties to address the most pressing issue of the day: America’s national debt.

Appendix II: CBO's Estimate of the Macroeconomic Effects of Deficit Reduction

Economic growth is one of the major determinants of revenue and spending levels – and therefore the size of budget deficits – over a given period. According to the Congressional Budget Office (CBO), if real GDP growth is just 0.1 percentage point higher than expected over its 10-year window, revenue would be $288 billion higher, spending would be nearly $37 billion lower, and the cumulative deficit would fall by $326 billion.

Conversely, the lowering of economic growth projections raises significant difficulties in trying to restore fiscal balance. It poses a challenge for this budget, which, as is customary, generally adopts CBO's economic assumptions. It also creates a disadvantage for congressional budgets compared with those of the President. The administration enjoys the luxury of using its own economic projections, rather than those of the nonpartisan CBO. In addition, the President's budget is a "post-policy" presentation; that is, it incorporates any beneficial fiscal or economic effects the administration claims will result from its policies – something congressional budgets usually have not done.

This resolution does, however, reflect the positive impact of its overall deficit-reducing fiscal policy, though it is still based on CBO's independent analysis.



CBO has written extensively on the risks to the economy of deficits and debt, and how reducing deficits and debt would benefit the economy. Other policies likely to boost economic growth include fundamental tax reform, increasing domestic energy production, and the restoration of incentives for people to work, save, and invest.

CBO's analysis of the fiscal path of this year's House budget resolution estimates that reducing budget deficits, thereby bending the curve on debt levels, would be a net positive for economic growth. According to that analysis, the fiscal year 2016 budget would increase real economic output per person by 1.5 percent, or about $1,000, in 2025, and by 6.5 percent, or about $5,000, in 2040 when compared with CBO's extended baseline. The analysis concludes that deficit reduction creates long-term economic benefits because it 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.

CBO also estimates the fiscal path of this budget resolution – which provides 10-year savings of $5.468 trillion from policy changes and debt service compared to current policy – would result in positive economic feedback effects that would further lower the deficit by approximately $147 billion. The budget resolution incorporates these macroeconomic feedback effects into the budget figures, recognizing that deficit reduction repays in economic dividends that add to the savings.

Appendix III: Summary Tables

S-1	FY2016 House Budget (Nominal dollars in billions)										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
House Budget											
Outlays	3,789	3,721	3,811	4,004	4,212	4,372	4,598	4,721	4,844	5,079	43,150
Revenue	3,460	3,588	3,715	3,865	4,025	4,204	4,389	4,591	4,804	5,029	41,670
Macroeconomic Impact on Deficit	+16	+18	-	-	+1	+1	-23	-24	-53	-83	-147
Deficit(+)/Surplus(-)	346	152	95	139	187	169	185	105	-13	-33	1,333
Debt Held by Public	13,838	14,040	14,145	14,338	14,560	14,742	15,128	15,300	15,162	15,235	
As a Share of GDP											**10-YearAverag**
Outlays	20.3%	19.1%	18.6%	18.7%	18.8%	18.7%	18.8%	18.5%	18.2%	18.3%	18.8%
Revenue	18.5%	18.4%	18.1%	18.1%	18.0%	18.0%	18.0%	18.0%	18.1%	18.2%	18.1%
Macroeconomic Impact on Deficit	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.2%	-0.3%	-0.1%
Deficit(+)/Surplus(-)	1.8%	0.8%	0.5%	0.7%	0.8%	0.7%	0.8%	0.4%	0.0%	-0.1%	+0.6%
Debt Held by Public	74.0%	72.0%	69.0%	67.0%	65.0%	63.0%	62.0%	60.0%	57.0%	55.0%	n.a.

S-2

FY2016 House Budget vs. Current Policy
(Nominal dollars in billions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
Outlays	-136	-323	-395	-456	-490	-577	-650	-722	-800	-921	-5,468
Revenue	0	0	0	0	0	0	0	0	0	0	0
Macroeconomic Impact on Deficit	+16	+18	-	-	+1	+1	-23	-24	-53	-83	-147
Deficit	-119	-305	-395	-456	-489	-576	-673	-746	-853	-1,003	-5,615
Debt Held by Public	-65	-392	-840	-1,303	-1,816	-2,436	-2,963	-3,694	-4,727	-5,678	

S-3	FY2016 House Budget by Major Category (Outlays in billions)										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
Social Security	921	971	1,031	1,096	1,165	1,237	1,312	1,392	1,476	1,563	12,163
Medicare (Net)	571	574	573	631	672	718	799	816	824	916	7,094
Medicaid & Other Health	368	306	301	308	316	326	334	343	358	365	3,325
President's Health Care Law	0	0	0	0	0	0	0	0	0	0	0
Other Mandatory	482	421	402	401	428	412	435	419	404	410	4,214
Discretionary (Base)	1,128	1,093	1,091	1,106	1,122	1,138	1,160	1,174	1,187	1,212	11,412
Global War on Terrorism	44	34	27	26	26	25	10	3	0	0	195
Net Interest	274	323	385	437	483	516	547	574	595	612	4,748
Total Outlays	**3,789**	**3,721**	**3,811**	**4,004**	**4,212**	**4,372**	**4,598**	**4,721**	**4,844**	**5,079**	**43,150**

S-4

FY2016 House Budget vs. Current Policy by Major Category
(Outlays in billions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
Social Security	0	0	0	0	-1	-1	-1	-1	-1	-1	-4
Medicare (Net)	9	7	-2	-7	-12	-15	-19	-22	-34	-53	-148
Medicaid & Other Health	0	-45	-66	-76	-87	-97	-113	-129	-140	-161	-913
President's Health Care Law	-104	-165	-180	-195	-206	-218	-231	-239	-247	-257	-2,042
Other Mandatory	-38	-88	-97	-102	-83	-113	-120	-126	-133	-165	-1,064
Discretionary (excluding GWOT)	-13	-28	-30	-36	-45	-53	-63	-73	-84	-94	-519
Global War on Terrorism (GWOT)	+12	+5	+2	+1	+1	0	0	0	0	0	+20
Net Interest	-2	-8	-22	-40	-58	-80	-104	-132	-162	-190	-798
Total Outlays	**-136**	**-323**	**-395**	**-456**	**-490**	**-577**	**-650**	**-722**	**-800**	**-921**	**-5,468**

S-5	FY2016 House Budget Base Discretionary Budget Authority vs. Budget Control Act Caps (Nominal dollars in billions)										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
Total in Budget Resolution	1,017	1,034	1,051	1,069	1,087	1,106	1,125	1,144	1,163	1,183	10,980
Defense	523	574	599	611	623	635	648	661	673	687	6,235
Non-Defense	493	460	452	458	464	471	477	483	490	496	4,745
Global War on Terrorism	94	27	27	27	27	27	0	0	0	0	227
Total in Budget Control Act Caps[1]	1,017	1,040	1,065	1,092	1,119	1,145	1,174	1,203	1,233	1,264	11,352
Defense	523	536	549	562	576	590	605	620	635	651	5,848
Non-Defense	493	504	516	530	543	555	569	583	598	613	5,504
Total Difference	0	-6	-13	-22	-32	-39	-49	-59	-70	-81	-372
Defense	0	+38	+50	+49	+47	+45	+43	+41	+38	+36	+387
Non-Defense	0	-44	-63	-71	-79	-84	-92	-100	-108	-117	-759

[1]Budget Control Act spending caps are valid for fiscal years 2015-2021. For fiscal years 2022-2025, the data reflects CBO's baseline estimate for base discretionary budget authority.

S-6	Long-Term Analysis of the FY2016 House Budget with Economic Feedback (Percentage of Gross Domestic Product)			
	2025	2030	2035	2040
Revenues	18.2	18.7	19.0	19.0
Spending Excluding Interest Payments	16.2	16.4	16.4	16.1
Surplus Excluding Interest Payments	2.2	2.3	2.6	2.9
Total Surplus	0.1	0.3	1.2	2.1
Debt Held by the Public	55	44	32	18

Cross-Walk from CBO January 2015 Baseline to Current Policy (figures in billions)											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2025
CBO January Baseline Deficit(+)/Surplus(-)	467	489	540	652	739	814	948	953	951	1,088	7,641
Revenue Changes (none)	0	0	0	0	0	0	0	0	0	0	0
Outlay Effect of Spending Adjustments	-2	-32	-47	-53	-56	-60	-77	-86	-90	-93	-596
Debt Service	0	-1	-2	-4	-7	-9	-12	-16	-20	-24	-96
Total Current Policy Deficit (+)/Surplus(-)	465	456	491	595	676	745	859	851	840	970	6,949
CBO January Baseline Outlays	3,926	4,076	4,255	4,517	4,765	5,018	5,337	5,544	5,754	6,117	49,310
Global War on Terrorism Policy	-1	-28	-42	-48	-51	-54	-71	-80	-84	-87	-547
Remove Emergencies	-1	-3	-5	-5	-5	-5	-6	-6	-6	-6	-49
Debt Service	0	-1	-2	-4	-7	-9	-12	-16	-20	-24	-96
Total Current Policy Outlays	3,925	4,044	4,206	4,460	4,701	4,949	5,248	5,442	5,644	6,000	48,618
CBO January Baseline Revenue	3,460	3,588	3,715	3,865	4,025	4,204	4,389	4,591	4,804	5,029	41,670
Revenue Changes (none)	0	0	0	0	0	0	0	0	0	0	0
Total Current Policy Revenue	3,460	3,588	3,715	3,865	4,025	4,204	4,389	4,591	4,804	5,029	41,670
CBO January Baseline Debt Held by Public	13,905	14,466	15,068	15,782	16,580	17,451	18,453	19,458	20,463	21,605	
Current Policy Impact on Debt	-2	-34	-83	-141	-204	-273	-362	-464	-575	-692	
Total Current Policy Debt Held by Public	13,903	14,432	14,985	15,641	16,376	17,178	18,091	18,994	19,889	20,913	

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