

BUILDING A BETTER AMERICA

A Plan for Fiscal Responsibility



balancedbudget.gop
FY 2018 Budget Resolution


BUDGET | HOUSE
BUDGET
COMMITTEE

Chairman Diane Black

Table of Contents

A PLAN FOR FISCAL RESPONSIBILITY.....	3
A Sustainable Spending Path	5
Promoting Economic Growth.....	6
Strengthening Our National Defense.....	7
Returning Power to the States.....	8
Reforming and Strengthening Government Programs While Improving Accountability	9
Building a Better America	10
Challenges to Overcome.....	11
An Unsustainable National Debt.....	12
How Did We Get Here?	13
Turning Economic Stagnation into Growth.....	14
Military Strength and Readiness.....	15
Building a Balanced Budget	17
How We Build a Balanced Budget.....	18
Building a Better Economy	21
Tax Reform	22
Welfare Reform.....	22
Financial Services	24
Education and Workforce Development	26
Building a Stronger Military and Securing Our Homeland	29
Military Readiness.....	29
Supporting Our Veterans by Reforming the VA.....	30
Homeland and Border Security.....	31
Building a Better Health Care System.....	33
Repealing and Replacing Obamacare	34
Saving and Strengthening Medicare	35
Putting Medicaid on a Budget and Preserving It for Our Most Vulnerable Citizens	37
Rebuilding the Proper Role of State and Local Governments	39
State Flexibility in Health Care	39
Welfare Reform.....	40
Education and Workforce Development	40
Environmental Regulation	41

Building an Effective, Efficient, & Accountable Government	43
Social Security Disability and Civil Service Pensions	45
Social Security Disability Insurance (SSDI)	45
Civil Service Pensions	46
Eliminating Waste and Duplication.....	46
Energy	46
Transportation	48
Commerce.....	49
Reducing Improper Payments.....	50
Budget Process Reform.....	51
Appendices.....	53
Appendix I: The Long-Term Budget Outlook.....	53
Appendix II: Macroeconomic Feedback Effects of Pro-Growth Policies.....	54
Appendix III: Reconciliation	55
Appendix IV: Improper Payments.....	57
Appendix V: Summary Tables	58

Building a Better America

A PLAN FOR FISCAL RESPONSIBILITY

For years, House Republicans have made a commitment to balance the budget. With our national debt and deficits continuing to increase at an unsustainable rate, the time to take action is now. We no longer have the option to shy away from our responsibility to promote a fiscal path that helps create prosperity and ensures opportunity for future generations.

Our budget, *Building A Better America*, balances within 10 years. For too long, the federal government's excessive spending has put future generations at risk. Massive tax increases or crippling austerity measures are the natural conclusion of our current rate of spending, and future generations will pay the price. Failure to take swift and decisive action is not only inexcusable, it is immoral.

Some will disagree with our budget, but the status quo is unacceptable. Our budget is one of sustainability, smaller government, stronger national security, and greater freedom for individuals. The status quo is unsustainable spending, higher deficits and debt, higher taxes, bigger government, and more federal control over the lives of Americans.

We have a better way.

In past years, the budget resolution passed by this committee has been a statement of principles – a vision for a long-term fiscal path to sustainability and prosperity. This year is different. The budget resolution is no longer a theoretical outline with little chance of implementation. It is the major governing document of the 115th Congress, and it is the concrete fulfillment of our promise to the American people.

To achieve these goals, our budget resolution provides a path that will require subsequent legislation. But this Congress is committed to following through on our promises.

Building a Better America achieves the goals we have laid out this year and in past Congresses. The fiscal year 2018 budget resolution:

- **Develops a Sustainable Spending Path by Balancing in 10 Years**
 - The budget deficit and our national debt are impediments to greater prosperity and a threat to the security of future generations. This committee’s budget balances in 10 years and reforms government programs to put us on a sustainable spending path.
- **Promotes Economic Growth**
 - For the last eight years, government has hindered economic growth. That will no longer be the case. Our budget calls for reducing burdensome regulations, and it suggests key reforms to our tax code and government programs that will help unleash the potential of the American economy.
- **Strengthens Our National Defense**
 - There is no greater task for the federal government than to protect its citizens and the homeland. This committee’s budget increases funding for our military and provides significant resources for our homeland security, including protecting our borders.
- **Returns Power Back to the States**
 - Our budget calls for returning significant authority to the states, which have both the ability and the will to reform and modernize programs that serve their citizens. The laboratories of democracy, not the federal government, are where these reforms should happen.
- **Reforms and Strengthens Government Programs While Improving Accountability**
 - Hardworking Americans earn every tax dollar that the federal government collects. Responsible stewardship of taxpayer dollars is a fundamental tenet of our budget resolution. At every opportunity possible, our budget encourages reforms of government programs and improves accountability, while generating better outcomes for Americans.

The budget process will be difficult, but we were elected by the American people to meet these challenges head-on. *Building a Better America* sets us on a sustainable fiscal path, promotes our security, and encourages prosperity.

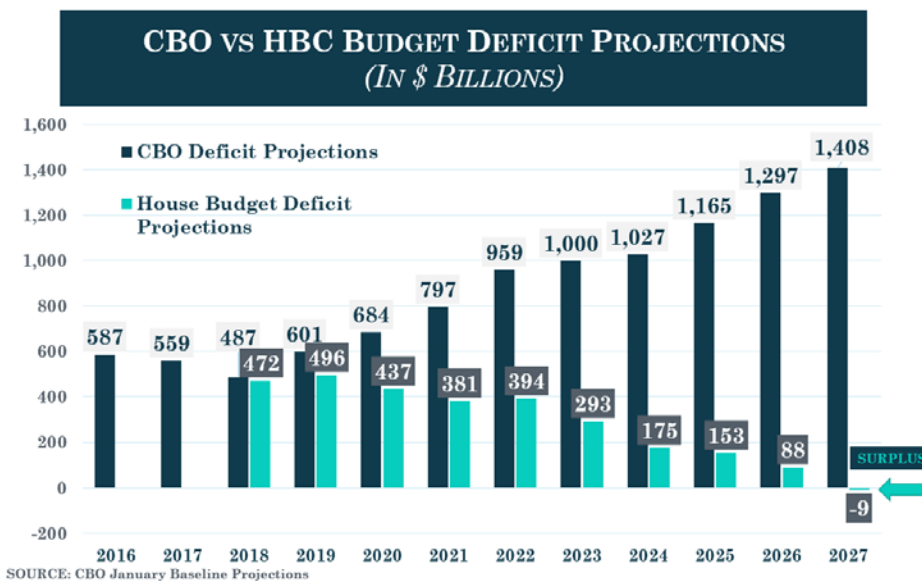
This is our opportunity to fulfill the promises we made to the American people. We cannot afford to let this moment pass.

A Sustainable Spending Path

For the last eight years, federal spending has grown at a sharp rate, putting the long-term viability of popular and essential programs at risk and presenting a real threat to our international influence and national security. As Admiral Mike Mullen, former Chairman of the Joint Chiefs of Staff, said, “the most significant threat to our national security is our debt.” The current rate of spending would result in \$9.4 trillion added to the debt over the next 10 years, \$1.4 trillion of which would come from 2027 alone.

A failure to address this excessive spending would be an indictment of our ability to govern and would limit opportunity for future generations of Americans.

Failing to address this excessive spending would cast serious doubt on Congress’s ability to govern. Our budget puts federal spending on a sustainable path that balances in 10 years, allows us to begin paying down debt, and reduces the burden on future generations.



The FY 2018 budget also strengthens important programs for seniors, to ensure the programs survive long-term. These programs assist some of our country’s most vulnerable citizens. Under the status quo, they are running at unsustainable spending levels that eventually will prevent us from keeping the promises we have made to seniors.

Critics will claim that our budget hurts seniors and other vulnerable citizens. These claims are false. The choice before us is stark. Doing nothing would result in programs like Medicare falling off a cliff. Under current law, Medicare will be insolvent by 2029, resulting in massive, life-threatening cuts to retiree benefits. This would be a devastating blow to the very people our critics claim to protect. Our budget reforms and preserves these programs, so that they can continue to provide support and assistance as intended.

Overall, our budget achieves \$6.5 trillion in deficit reduction, resulting in a \$9 billion surplus in 2027, while increasing defense spending to ensure America’s safety and security. Spending restraint, combined with serious reforms to mandatory spending, reflects a new paradigm in American political

history. As Ronald Reagan famously said, “Government’s first duty is to protect the people, not run their lives.”

Our budget seeks to put this philosophy into practice. In many areas, the size, scope, and role of the federal government should take a back seat to the rights of individual Americans and the role of the states as outlined in the 10th Amendment. We also seek to reaffirm the fundamental principle that all Americans abide by on a monthly basis: spend within our means.

Living within our means reduces the threat of future tax increases and massive cuts to popular programs, along with higher interest payments and potentially crippling inflationary pressures. It protects America’s creditworthiness, ensuring our nation maintains its status as the best place for businesses around the world to invest.

We do not do this simply by cutting spending and reducing the size of government. Rather, our budget also enables states to find solutions that work for them, and it empowers individuals and small businesses to increase economic output and unleash the power of the American free market.

Our budget encourages reforms to government programs and takes serious steps to reduce government spending to unleash the potential of the American economy. It will support better economic growth over the next 10 years resulting in significant deficit reduction. The path to a sustainable budget requires a mix of substantive spending restraint and significant economic growth.

Continuing to finance government’s out-of-control spending only places a larger burden on future generations of Americans and abdicates Congress’s moral responsibility as a governing body. Now is the moment to correct the mistakes of the past, and we cannot let it pass.

Promoting Economic Growth

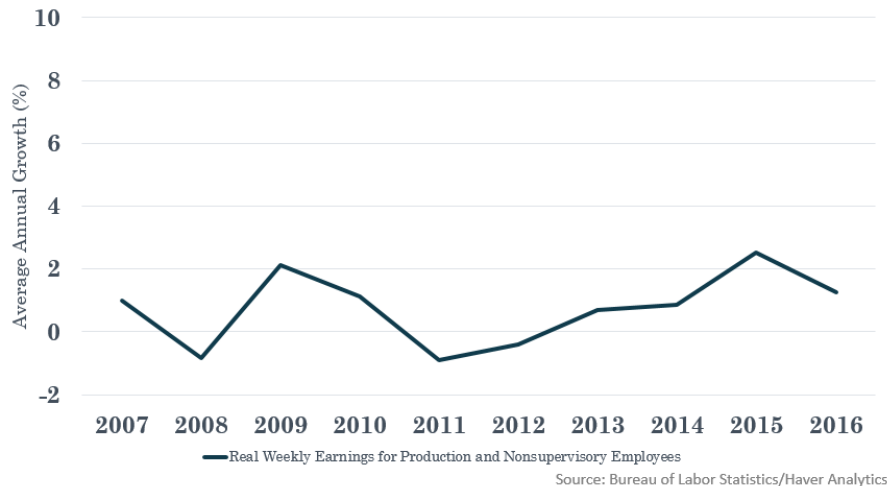
The larger government is, the less freedom and opportunity individuals and businesses have. As a result, stagnation abounds and not only holds back economic growth, but also seeps into the psyche of the American family and the American small business owner. The malaise of the Obama years will have lingering negative effects for years to come, but we have an opportunity to change course.

The Obama Administration presided over both a massive increase in federal spending and debt, and dismal economic GDP growth over the last seven years that averaged just 2 percent. This growth rate is well below the 3 percent historical average and lags significantly behind previous economic recoveries.

Over the last eight years, over 14 million Americans have left the labor force, and wages have remained relatively stagnant, barely keeping up with the rate of inflation.

Our budget promotes economic growth by limiting the federal government’s involvement in the economy and expanding freedom and opportunity for American entrepreneurs. Our budget promotes the elimination of burdensome regulations, and reforms government agencies and programs that have impeded economic growth. Our budget assumes Congress repeals Obamacare and replaces it with a patient-centered, free-market health care system. Our budget also recommends welfare reforms that promote work and self-sufficiency.

REAL WAGES HAVE SHOWN LITTLE GROWTH OVER THE PAST TEN YEARS



By limiting the size and scope of intrusive federal bureaucracies, our budget puts faith not in government but in people. Our budget also paves the way for broad-based tax reform that will make our tax code more competitive internationally and expand opportunities for job creation and business formation in the United States.

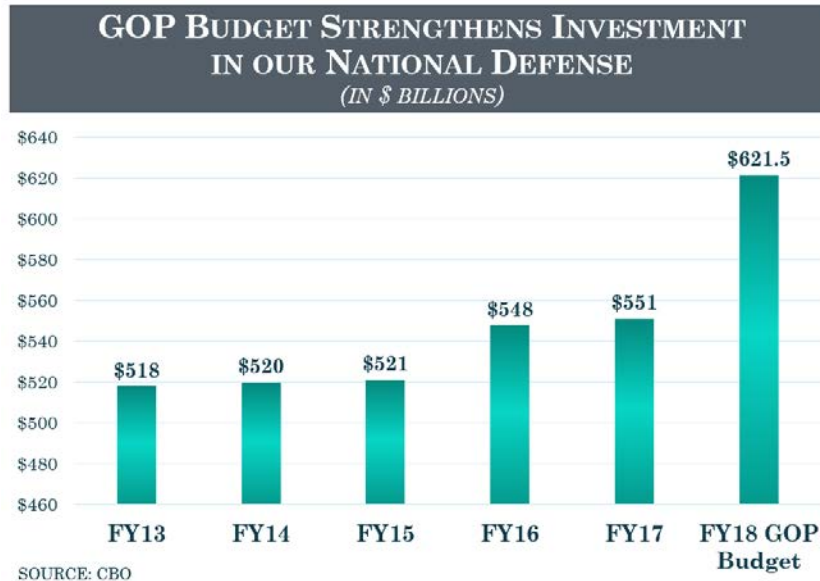
The United States has one of the highest corporate tax rates in the world, and average Americans struggle under a large and growing tax burden. Reforming the tax code by lowering rates, simplifying the process, and broadening the tax base is the spark our economy needs to generate significant growth.

The more government gets out of the way, the more individuals and small businesses have the freedom to expand, hire workers, and raise wages. This is what Washington fails to understand: government and its growing debt do more harm than good when it comes to economic growth.

Strengthening Our National Defense

Increased threats to national security at home and abroad, coupled with the commensurate military drawdown, have resulted in “a significant gap between what the American people expect the military to be able to do and what it actually could do effectively if called upon today,” according to the House Armed Services Committee.

While the existing military force and infrastructure is adequate to meet current demands, it is not sufficient to meet unforeseen or exigent circumstances. Given numerous and constantly expanding threats both internationally and to our homeland security, investing in our military and national defense is paramount.



Our budget makes strategic investments to rebuild and expand our military power and strengthen our homeland security. For fiscal year 2018, we invest \$621.5 billion in base funding for the national defense budget, \$75 billion to fight the global war on terrorism, and significant resources for border and homeland security.

With significant cuts to military spending during the previous administration, general readiness has suffered, leading

to concerns among military commanders about the ability to face new challenges.

The Obama Administration left the world a more dangerous place, with military and diplomatic failures in every corner of the globe. We are at war with radical Islamic terrorists – a war the last administration refused to acknowledge, but a war nonetheless. President Trump has outlined a strategic vision to seek and destroy ISIS and address other foreign policy failures inherited from the previous administration. It is up to Congress to step up to the plate and provide the resources to make this strategy a success.

We must take the fight to the enemy and provide for new, evolving threats. We must also protect our homeland by strengthening security at the border and investing in cyber security.

Our budget provides the resources needed to achieve these goals.

Returning Power to the States

The 10th Amendment to the Constitution states, “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”

For far too long, this principle has had no place in Washington, because politics as usual demands that power controlled by the federal government must stay with the federal government. This is the case even as the federal government’s one-size-fits-all approach to problem-solving has proven ineffective consistently. This committee’s goal is to break the stranglehold the federal government has on power not expressly authorized by the Constitution and return it to its rightful place: states, localities, and individuals.

As we analyzed all levels and areas of federal spending, this was our guiding principle. Our budget suggests the strongest steps in recent decades to return authority to the states, a position that is controversial only in Washington. Our budget promotes giving states, local governments, and individuals the freedom to pursue reforms that address the unique challenges and opportunities they face in areas

such as Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and the Temporary Assistance for Needy Families (TANF).

In areas such as health care, welfare, environmental regulation, education, workforce development, and transportation, we put federal spending on a budget and empower the states, which are best suited to address the individual needs of their citizens and communities.

The result is obvious: fewer federal tax dollars are needed as we reduce waste, duplication, and inefficiencies. Our budget improves outcomes, because it gives states, localities, and individuals more control over the decisions that affect them directly.

Reforming and Strengthening Government Programs While Improving Accountability

Washington's solution to every problem has been to spend more money. The idea that more spending and more government solve every problem is the root cause of many of our fiscal challenges.

We must turn this philosophy on its head. More money does not automatically equal better results. Instead, we should stop measuring success by the dollars we spend and start measuring it by the number of people we actually help. We must make programs work better, increase accountability, and promote innovation to achieve real results.

Our budget achieves these goals in two ways. First, we have analyzed the budget to find and eliminate duplicative programs.

DUPLICATIVE ANTI-POVERTY PROGRAMS		
Program Area	Number of Programs	Cost in FY 2015
Cash Aid	5	\$164 billion
Education and job training	25	\$69 billion
Energy	2	\$4 billion
Food aid	17	\$106 billion
Health care	13	\$430 billion
Housing	21	\$41 billion
Social Services	7	\$8 billion
Veterans	2	\$21 billion
TOTALS	92	\$843 billion

SOURCE: House Budget Committee

The federal government plays an important role in protecting our most vulnerable citizens. Yet egregious duplication within the federal government, resulting in hundreds of billions of dollars in unnecessary deficit spending, truly does not serve these citizens well.

Second, for the first time, our budget takes a serious look at improper payments by federal agencies. It is not the government's money; it is the taxpayers' money, and we have a responsibility to be good stewards

of those dollars. Taking a hard look at federal spending to find and reduce improper payments would save taxpayers \$700 billion over the course of 10 years.

This budget values and promotes efficiency, effectiveness, and accountability. We call for streamlining government functions, downsizing the regulatory regime, and adding accountability measures to ensure that taxpayer dollars are not wasted.

Building a Better America

Overall, *Building a Better America* sets topline spending levels at \$621.5 billion for base defense and \$511 billion for non-defense discretionary, combined with reconciliation instructions for deficit-neutral tax reform and at least \$203 billion in mandatory savings and reforms.

In this moment in history, our nation faces daunting challenges, but also tremendous opportunity. We have an opportunity to take real steps to address an impending fiscal disaster. We have an opportunity to promote economic growth and unleash the potential of the American economy. And we have an opportunity to invest in our military and our national security to ensure we remain safe from diverse and growing threats.

Our budget is the major governing document of the 115th Congress. It promotes opportunity and sustainability by championing fiscal responsibility and economic growth. It balances in 10 years to fulfill our moral obligation to future generations. It gives our military the resources it needs to secure our nation and our freedom and defend us against threats in the homeland and abroad. It returns power to states, localities, and individuals, while holding Washington accountable by modernizing government programs and improving accountability.

The voters elected a Republican majority in the House of Representatives to face these difficult challenges and take bold action. *Building a Better America* is the fulfillment of our promises to the American people.

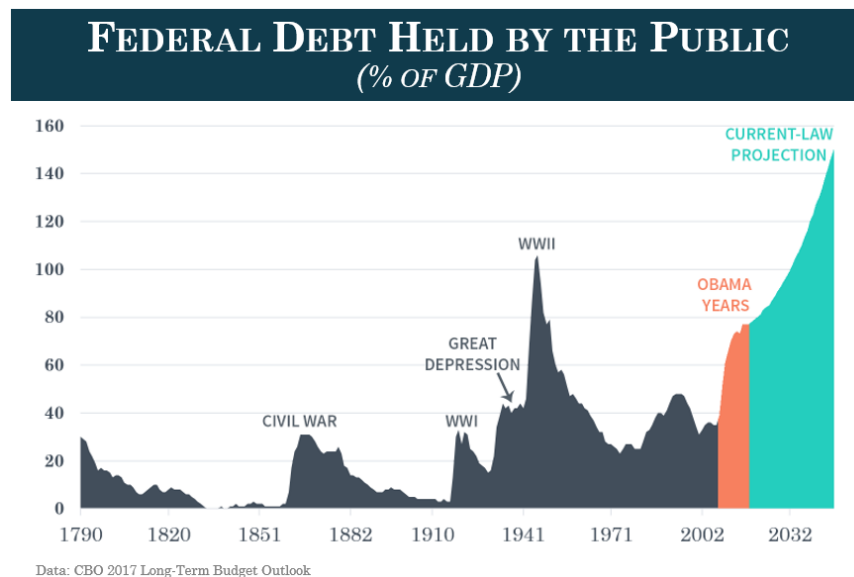
Challenges to Overcome

As mentioned previously, the United States faces significant challenges both at home and abroad. We have a daunting fiscal outlook, a slow-growing economy hindered for the last eight years by massive spending and over-regulation, and new and diverse threats at home and abroad.

Under current law, the Congressional Budget Office [CBO] estimates that the annual budget deficit will balloon to over \$1.4 trillion by 2027 – driven mostly by an increase in mandatory spending programs – absent swift and decisive action to rein in federal spending. The CBO’s most recent “Long-Term Budget Outlook” estimates that deficits will continue to rise over the coming decades, with federal debt held by the public reaching 150 percent of the size of our economy in 30 years.

As former CBO Director Doug Holtz-Eakin said in a recent House Budget Committee hearing titled *Economic and Fiscal Benefits of Pro-Growth Policies*, “the policy problem facing the United States is that spending rises above any reasonable metric of taxation for the indefinite future.”

According to Gene Dodaro, the Comptroller General of the United States, the ultimate result is unimaginable. He said, “our fiscal path is unsustainable, and if we fail to get control of debt and deficits, we are putting our country at risk of a fiscal and economic crisis.”



Meanwhile, though the U.S. economy is starting to show signs of reliable growth, it remains mired in the stagnation of the Obama years. Workforce participation is near all-time lows and wages have not increased.

Internationally, we face new and significant challenges in every corner of the globe, while threats to the homeland continue to present enormous risks and costs.

American families continue to struggle, and projected massive increases in government spending will leave future generations with an immoral and unsustainable burden. The failures of our political system to address these foundational barriers to success must end.

Yet these challenges are not insurmountable. *Building a Better America* takes strong and swift action to achieve the goals of expanding economic output, strengthening our military, and putting our country back on a sound fiscal path.

RECONCILIATION BILLS ACHIEVING SIGNIFICANT DEFICIT REDUCTION

YEAR	MAJOR LEGISLATION
'96	Personal Responsibility and Work Opportunity Reconciliation Act
'97	Balanced Budget Act
'05	Deficit Reduction Act

Source: Congressional Research Service

For the first time in a decade, the fiscal 2018 budget resolution issues reconciliation instructions to achieve \$203 billion in mandatory savings and reforms from 11 House authorizing committees. These targets are a floor, not a ceiling, and our Committee expects the authorizing committees will achieve significantly larger budgetary savings. The resolution also instructs the Ways & Means Committee to produce deficit-neutral tax reform legislation that will reduce tax rates and simplify the tax code to boost economic growth.

An Unsustainable National Debt

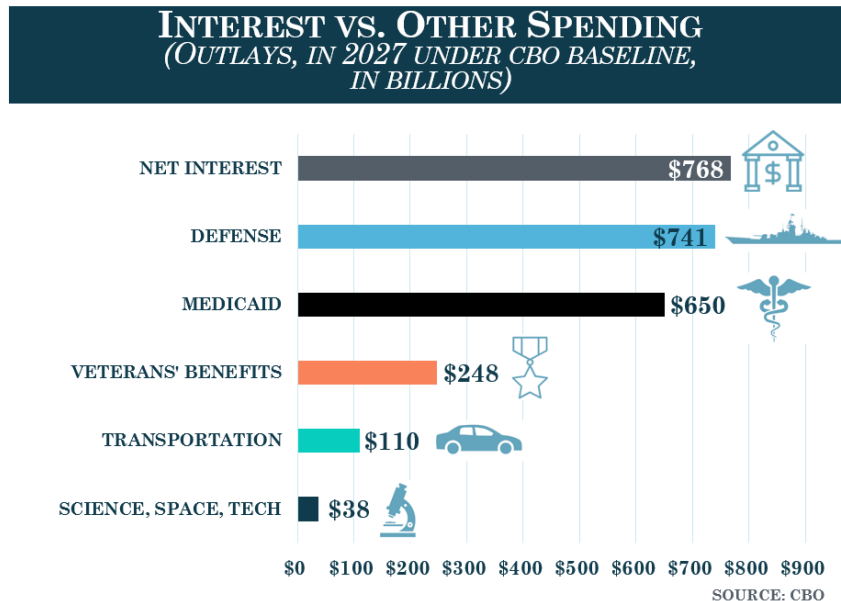
The fiscal calamity is now. With \$20 trillion in debt and climbing, the opportunity to sit idly by has long since passed. We have a moral responsibility to leave the next generation better off, but so far, we are failing.

According to the Congressional Budget Office, with no significant changes to current policy, deficits will continue to rise over the next decade and beyond. In 2027, under current law, the annual budget deficit will top \$1.4 trillion. By that year, net interest will be the third largest expenditure in the federal budget, outpacing all other federal spending programs except Social Security and Medicare. Over the next 30 years, deficits as a percentage of GDP will rise from 2.9 percent in 2017 to 9.8 percent in 2047.

The CBO sums up their findings in their “2017 Long-Term Budget Outlook”: “The amount of debt that is projected under the extended baseline would reduce national saving and income in the long term; increase the government’s interest costs, putting more pressure on the rest of the budget; limit lawmakers’ ability to respond to unforeseen events; and increase the likelihood of a fiscal crisis, an occurrence in which investors become unwilling to finance a government’s borrowing unless they are compensated with very high interest rates.”

This scenario would have a devastating effect on American families. It would be harder to find a job; harder to borrow money to start a business or buy a car; harder to afford a college education. It would result in massive cuts to popular and vital government programs that provide financial security and health care in retirement.

How Did We Get Here?



Note: Spending for Social Security or Medicare exceeds net interest.

that the overwhelming majority of our expenses are for automatic spending programs.

A full two-thirds of the nation's annual budget funds government programs such as Medicare, Medicaid, and Social Security, among others, which are not subject to annual review by Congress. While these programs are vital to the people they serve, their spending rates are unsustainable and the key drivers of our nation's fiscal challenge.

These programs are an important part of our nation's social compact and remain key cornerstones of health and retirement security for seniors. Current projections show, however, that Medicare and Social Security will be insolvent by 2029 and 2035, respectively. Continuing to spend at current levels would result in massive benefit cuts in the future, which would put the health and financial security of seniors at risk.

Using the budget reconciliation process to achieve reforms to mandatory spending programs is the concrete fulfillment of the promises we have made to the American people and the first step in eliminating the fiscal burden we have placed on future generations.

Using the budget reconciliation process to achieve reforms to mandatory spending programs is the concrete fulfillment of the promises we've made to the American people and our first step in eliminating the fiscal burden we've placed on future generations.

Some people place the blame for our fiscal situation on one event or another – a war, an economic recession, a tax cut. The truth is far simpler: we consistently spend more money than we take in every year and we have been doing it for too long.

In recent years, Republican congressional majorities have worked to slow the growth of federal spending. We have had some success on the discretionary side of the budget, but our efforts have been hampered by the fact

Overall, our budget reconciliation instructions require at least \$203 billion in savings over 10 years from House authorizing committees, with an expectation that the savings and reforms will exceed the instructed minimum.

Turning Economic Stagnation into Growth

The growth of federal spending – particularly in mandatory programs – combined with anemic economic production, has exacerbated our debt crisis.

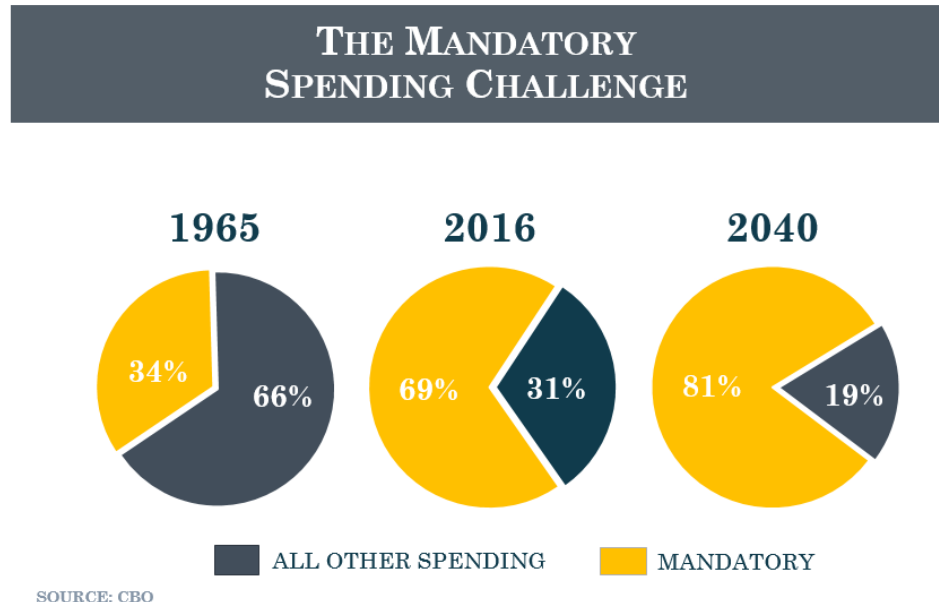
Even now, almost a decade removed from the Great Recession, the CBO projects real GDP growth to average only 1.9 percent over the next 10 years. Wages have been relatively stagnant, real median household income is still below its 2007 levels, and workforce participation is near a 40-year low. The consequence of this economic environment

is that millions of Americans are losing the opportunity to live the American dream, and many of them are turning to federal assistance programs to meet basic needs.

Making matters worse, skyrocketing health care costs continue to eat away at the American people's savings and income. Rather than lower premiums and deductibles, Obamacare increased them significantly. Rather than provide more choice and freedom, Obamacare limited choice and freedom for consumers. Our budget incorporates the reforms of the House-passed American Health Care Act to repeal Obamacare and replace it with a patient-centered, free-market health care system.

The Obama agenda also supported higher taxes and a massive increase in burdensome regulations on American businesses, which increased the cost of doing business and, in turn, the cost of living for American families. The larger government grows, the smaller the opportunity for American families and small businesses to grow and thrive.

Building a Better America takes a different path. Avoiding a debt crisis requires significant reforms to mandatory government spending programs and increased revenue through robust increases in economic output.




By reducing federal regulations, reforming our antiquated tax code, repealing and replacing Obamacare, and making significant reforms to strengthen and preserve federal mandatory spending programs, our budget puts the country on a sustainable spending path, and it promotes economic achievement and growth.

Military Strength and Readiness

For eight years, the previous administration hollowed out our military. In 2016, defense spending made up only 15.2 percent of the federal budget compared to 19.9 percent in 2010.

In an era when international crises and threats to the homeland occur daily, the strength and readiness of our military forces are paramount. American military leadership has become the indispensable foundation of stability and peace across the globe.



In an era when international crises and threats to the homeland escalate every day, the strength and readiness of our military forces are paramount.

The men and women of America's armed forces have helped liberate millions, presided over a peaceful end to the Cold War, stared down rogue regimes, demanded the free passage of global commerce across oceans, and brought justice to terrorist organizations.

Yet the threats and international tensions continue to abound. The previous administration led from behind, which gave space for the proliferation of threats and terrorism.

In the Middle East, ISIS continues to control territory in Iraq and Syria, and its influence across the globe presents new and difficult threats to the United States and our allies. In Syria, the civil war has reached heartbreaking and devastating lows, as President Assad continues to murder his own people with the support of Iran and Russia.

Russia's expanded influence in Eastern Europe and the Middle East also presents diplomatic challenges, and North Korea's continued missile tests flout international sanctions and threaten the security of our Asian allies and our homeland.

American leadership is vital to combat these threats and to maintain a strong coalition among our allies. In recent years, our armed forces and homeland security capabilities have withstood the worst of Washington's fiscal debates. It is time to move in a different direction and provide the resources our men and women in uniform need to perform their duty.

We face significant challenges as we lay out a vision for building a better America with a safer and more prosperous future. The crushing weight of our national debt, combined with a stagnant economy, has

put us on a path towards second-class status. To face these challenges and work to make America great again, we must take strong, decisive action.

Our budget resolution does just that. It reforms mandatory spending programs through reconciliation, reforms the tax code and cuts tax rates, eliminates regulations, and invests in our military.

This is a pro-growth, pro-security, and pro-prosperity budget that answers the call of the American people for decisive action.

Building a Balanced Budget

For decades, more and more spending has defined Washington's culture. Congresses of both parties have lost sight of their duty to keep the country on a sound fiscal path.

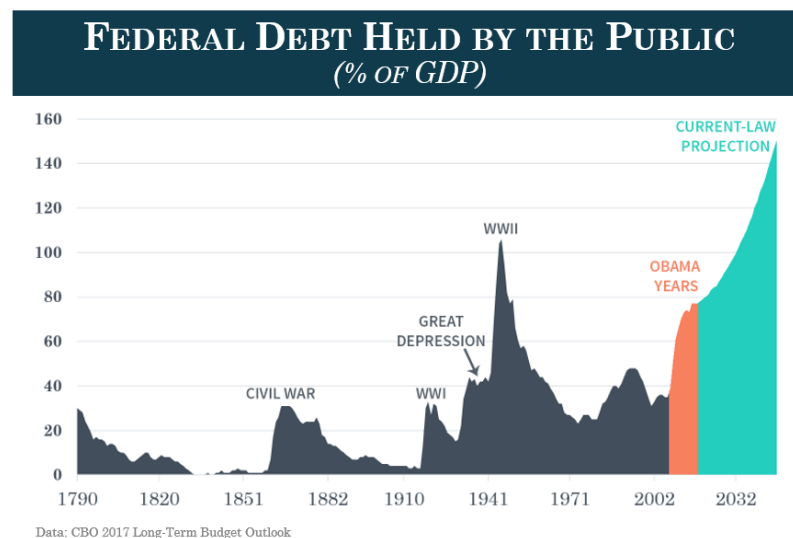
As the challenge of balancing the budget grows and debt rises, some have rejected the notion that a balanced budget is necessary, or even possible. We aim to disabuse everyone of that notion.

Why do we need to balance the budget? The answer is simple: we do not have a choice. Without significant spending restraint, future generations of Americans will face a sovereign debt crisis that will cripple our economy and adversely affect every American family.

Over the last few years, Republican majorities have had some success in bringing down the federal budget deficit by reducing discretionary spending. Next year's deficit is projected to be \$487 billion, down from \$1.4 trillion in 2009. The CBO's projections make clear that the temporary decline in deficits over the past few years has ended. If Congress does not act, deficits will nearly triple over the next decade, swelling to over \$1.4 trillion in 2027, while interest on the debt will become the third largest expenditure after Social Security and Medicare. Debt as a percentage of GDP will reach 150 percent by 2047 under the current baseline.

By any reasonable measure, these numbers are unsustainable. Without significant reforms, deficits will continue to rise beyond the 10-year budget window, driven mostly by automatic, mandatory spending programs.

The debate about spending and fiscal restraint is not simply a mathematical one. It is a moral debate about the country and government we want. It is about the burden we are willing to leave to our children and grandchildren.



When the typical family borrows, whether for a home, new car, or college, they assume responsibility for any debt they incur. When the government borrows as a regular habit, it imposes these borrowing costs on future generations – people who have no say in the matter and will receive no benefit from it. In fact, they will be worse off due to the higher taxes and weaker economic growth that will inevitably occur. What does that say about the character of a government that encourages and continues such a habit?

The abdication of our moral responsibility to future generations ends now.

The answer to the question of whether balancing the budget is necessary is simple. The answer to the question of whether balancing the budget is possible is equally simple: yes. *Building a Better America* lays out the steps necessary to bring our federal budget into balance, but it requires political will. It requires Congress to be willing to make tough choices.

The ability of Congress to govern is directly tied to its ability to budget. With a new president who has shown his commitment to reining in federal spending and balancing the budget, the opportunity to take decisive action is now.

We face great challenges in balancing the budget over 10 years. The fiscal outlook reflects a weak economy, mounting pressure from spending, and larger projected deficits.

- **A Lackluster Economic Outlook.** An expanding economy that boosts Federal revenue without hiking taxes is essential for deficit reduction. Just five years ago, the Congressional Budget Office projected that real (inflation-adjusted) economic growth would average 3 percent per year – roughly equal to the historical trend rate. Every year since then, however, CBO has ratcheted down its forecast. It now projects a sluggish 1.9 percent average annual growth rate for the next 10 years, partly due to the Obama Administration’s health care plan, as well as high spending levels and heavy regulation.
- **Larger Projected Deficits.** As recently as February 2013, CBO projected deficits would total roughly \$7.0 trillion for the 10-year period of 2014 through 2023. In CBO’s latest report, published in January, the 10-year deficit projections have surged by nearly \$2.5 trillion and now total \$9.4 trillion over the 2018 through 2027 period.
- **Relentless Mandatory Spending Pressure.** In addition to the sluggish economy, the principal drivers of these growing deficits are the government’s health, retirement, and income security programs. By 2029, these programs plus net interest will consume all Federal tax revenue, meaning the rest of the government’s activities – defense, infrastructure, research, and myriad others – will be financed on borrowed money.

Balancing the budget will require greater economic growth, bold program reforms, and a sustained commitment to fiscal discipline.

How We Build a Balanced Budget

Balancing the budget in 10 years requires tough decisions about the direction of federal spending. While it is clear that the federal government is inefficient and wasteful, it should also be clear that the federal government has overreached in many areas.

Government is just one component of civil society; the more it grows, the more it swallows up the remaining components. States, localities, places of worship, community centers, and families are all necessary parts of a functioning, flourishing civil society that we should celebrate and encourage.

The principles of spending restraint and fostering a robust civil society are central to this budget. In almost every area of the federal government, there is opportunity to reform programs and make them work better for the American people. There are duplicative and wasteful programs that squander

taxpayer dollars. There also are federal programs that states and localities should manage, as they can better understand and serve the needs of their citizens.

- **Health Care:** Our budget envisions a health care system with patients, not government, at the center. All of the health care reforms we recommend promote free-market principles that expand choice and freedom. Our budget includes:
 - Free-market reforms of the House-passed “American Health Care Act”;
 - Additional reforms to put Medicaid on a budget and refocus resources on the most vulnerable citizens; and
 - Reforms to strengthen and save Medicare by moving to an optional premium support system.
- **Social Welfare Programs:** The goal of social welfare programs should not be to serve as many people as possible. The goal should be to lift people out of poverty. The reforms assumed in our budget strive to do just that. Our budget:
 - Strengthens work requirements to ensure that welfare programs lift people out of poverty and
 - Gives states more authority to design and implement welfare programs to meet the needs of their citizens.
- **Education and Workforce Development:** A necessary component of a thriving economy is an educated and skilled workforce. Federal programs that ostensibly serve these goals are sometimes mismanaged or contain perverse incentives. Our budget:
 - Strengthens career and technical education and reforms workforce development programs so that Americans from all walks of life can access a quality education;
 - Simplifies and streamlines higher education programs and financing; and
 - Encourages innovation in higher education.
- **Improper Payments:** According to the Government Accountability Office [GAO], these payments totaled a stunning \$144.3 billion in 2016, up from \$107.1 billion in 2012. This figure likely understates the full extent of the problem. Our budget recommends steps to finally address the issue of improper payments and ensure that the federal government is a good steward of taxpayers’ hard-earned dollars.
- **Tax and Banking Reform:** Reducing the size and scope of government will not only reduce federal spending, but it will also allow for further reforms to produce economic growth. Our budget promotes:
 - Deficit-neutral tax reform to get our economy moving and
 - Financial regulatory reform, including repeal of Dodd-Frank
- **Economic Growth:** The Congressional Budget Office and outside experts estimate that pro-growth policies have a significant effect on our economy and federal revenue. While economic growth alone will not balance the budget, it is a necessary to put our country on a sound fiscal path. We estimate that the pro-growth policies of health care reform, tax reform, welfare reform, and deficit reduction assumed in our budget will yield economic growth of 2.6 percent on average over the 10-year budget window, resulting in \$1.5 trillion in deficit reduction.

- **Energy/Transportation/Commerce:** While the federal government plays an important role in supporting research and targeted investments, too many federal programs are wasteful and crowd out private-sector efforts. Our budget recommends reforms to get the federal government out of the way and allow the private sector to do its job and flourish. Our budget:
 - Eliminates corporate welfare and
 - Reduces funding for commercial research and development.


The reforms laid out in this budget reflect a changing dynamic in American political history. Former President Bill Clinton famously said, “The era of big government is over.” Yet after the reforms of the late 1990s, Congress’s addiction to spending returned. Now, however, the American people recognize that we have no choice but to rein in federal spending.

While we address reforms to discretionary spending in our budget, we also strongly believe that **mandatory spending must be addressed in this budget resolution and in budget resolutions to come.** Mandatory spending consumes more than two-thirds of all federal spending, and that share will only increase.

We seek to address mandatory spending in two ways. First, our budget resolution outlines reforms to mandatory spending programs that we believe reflect a responsible vision for reforming and saving these programs. These reforms would require future legislation and the political will to make tough choices for the American people.

Second, our budget resolution includes reconciliation instructions for savings and reforms in mandatory spending programs. While many think immediately of entitlements, the mandatory spending ledger encompasses dozens of programs under the jurisdiction of 11 authorizing committees. Our reconciliation instructions require those committees to find a minimum of \$203 billion in savings over the 10-year budget window through program reforms, with the expectation that the reforms will yield substantially higher savings.

While this number reflects only a small fraction of the mandatory spending over that period, it is the first step in changing the culture of Washington. The Budget Committee’s goal is to return to the traditional budget process and the true purpose of reconciliation: deficit reduction through mandatory spending reforms. This is the first step, and an important one.



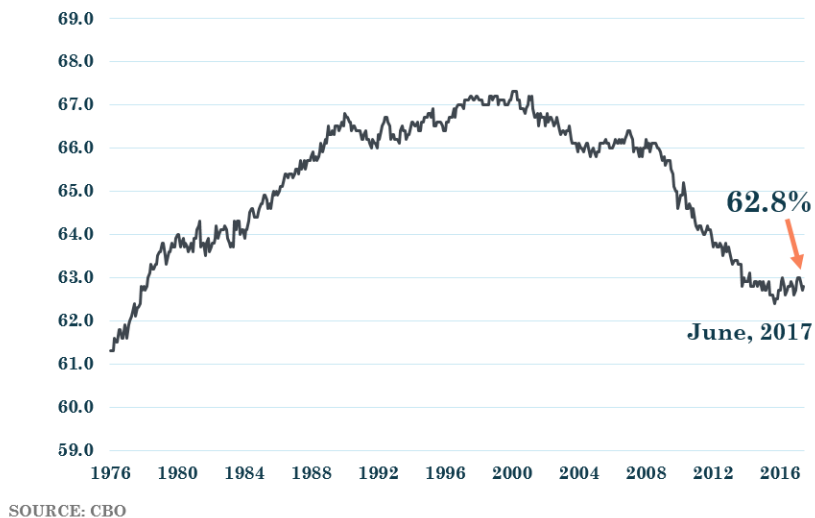
There is no more time to waste. We can no longer say that someday down the road we will address the growing problem of mandatory spending. The responsibility we have to build a better America for our children and grandchildren requires bold and decisive action.

Building a Better America is the fulfilment of our promises to the American people to reduce the size and scope of the federal government, reform mandatory spending programs, and put our country on a sound fiscal path.

Building a Better Economy

The American dream is the most foundational component of the American experiment – the idea that every person can have the opportunity to work hard and build a successful, fulfilling life. Every child in America should have that opportunity; it symbolizes the inherent optimism of the American people.

LABOR FORCE PARTICIPATION RATE IS HISTORICALLY LOW



For far too many, this dream is slipping away. The last eight years have brought slow economic growth, stagnant wages, and millions of people choosing to not even look for a job. While some topline numbers have improved, current economic conditions continue to deprive millions of Americans the opportunity to live the American dream.

The CBO projects real economic growth to average just 1.9 percent

over the next 10 years, compared to the 3 percent long-term historical average. Labor force participation sits at 62.8 percent, while the U-6 unemployment rate, which measures those unemployed and those underemployed, is at 8.6 percent.

The American worker is still the most productive and innovative in the world. America's economy is still the largest and most dynamic, and no one has forgotten how to create jobs. But increases in government spending, regulations, and taxes are stifling innovation and growth.

Our budget seeks to fix the mistakes of the past eight years. *Building a Better America* promotes economic opportunity for all. It reverses the consolidation of regulatory power in Washington. It limits federal spending, and it reforms our antiquated tax code.

The budget removes barriers to small business growth, by reforming the Obama Administration's foolhardy and counter-productive financial regulatory schemes, such as Dodd-Frank.

Among the solutions in our budget that will get the country on this path toward more economic opportunity are:

Tax Reform

The current tax code is needlessly complex. Individuals, families, and employers spend more than an estimated 8.9 billion hours and \$409 billion a year navigating its labyrinth of special rules, deductions, and tax schedules.

Since 2001, there have been more than 5,800 changes made to the tax code. Many of the major changes have carved out special preferences, exclusions, or deductions for various activities or groups. These tax breaks sum to roughly \$1.4 trillion per year. To put that figure in perspective, the federal government collected about \$1.5 trillion in individual income taxes last year.

The U.S. has the highest corporate income tax rate in the industrialized world, at 35 percent, not including State and local taxes. The tax actually raises relatively little revenue; only about 10 percent of total Federal tax revenue comes from taxing corporate income.

A high corporate tax rate hinders American competitiveness by making the U.S. a less desirable place to do create jobs and invest. As global integration increases, decisions about where to locate a business and make investments are becoming more sensitive to country tax rates.

Reforming the U.S. tax code to reflect a more competitive international system would boost the competitiveness of U.S. companies operating abroad and reduce incentives for tax avoidance.

The Committee on Ways and Means continues to develop specific policies. Our budget provides reconciliation instructions to promote the type of pro-growth tax reform that would boost economic growth and unleash the power of the American entrepreneurial spirit. These aims can be achieved through deficit-neutral, fundamental tax reform that:

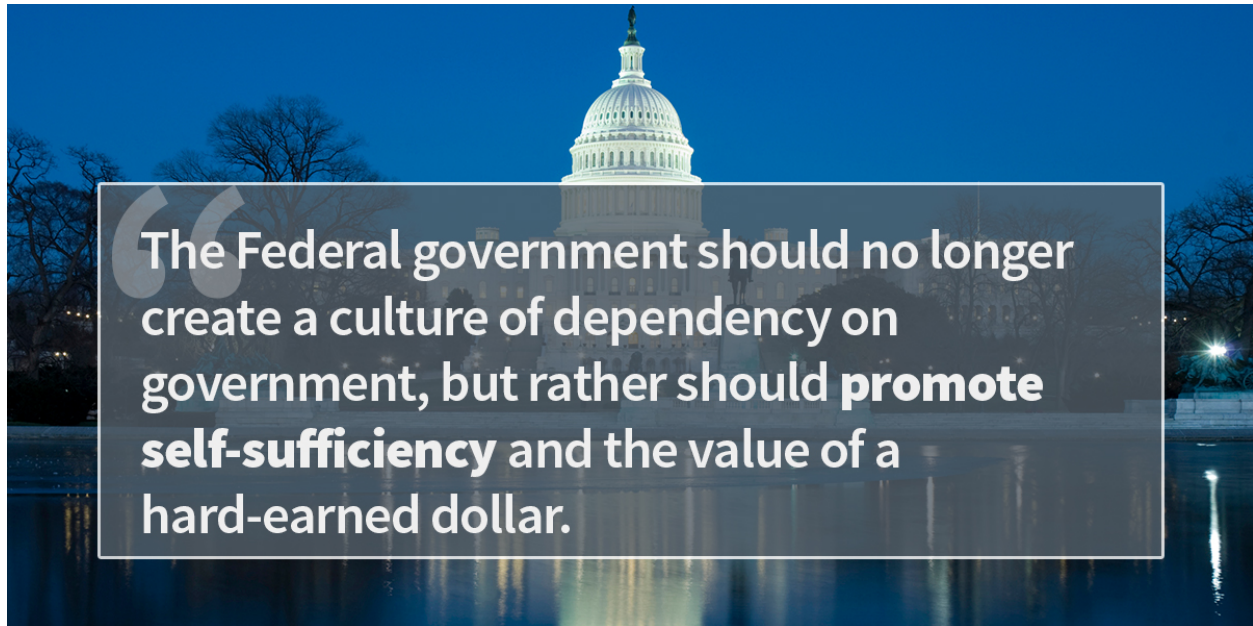
- Simplifies the tax code to make it fairer to American families and businesses and reduces the amount of time and resources necessary to comply with tax laws;
- Lowers tax rates for individuals and consolidates the current seven individual income tax brackets;
- Repeals the Alternative Minimum Tax;
- Reduces the corporate tax rate; and
- Transitions the tax code from a “worldwide” system to a “territorial” system.

Congress should consider these and the full range of pro-growth plans as it moves toward implementing the tax reform called for in this budget.

Welfare Reform

Inherent in a strong, thriving economy is the work ethos that has long defined the American Dream. Opportunity is the birthright of all Americans, and our policies should reflect it. The federal government

should no longer create a culture of dependency on government, but rather should promote self-sufficiency and the value of a hard-earned dollar.



Right now, the federal government operates a patchwork of more than 90 welfare programs that lack coordination in their efforts to help people escape poverty. All levels of government spend over \$1 trillion on these programs annually.

Multiple programs, overlapping services, and differing benefit structures can create significant disincentives to work, keeping many trapped in a cycle of poverty for years or generations. As President Reagan noted in 1988, “The Federal Government declared war on poverty, and poverty won.”

As President Reagan noted in 1988, “The Federal Government declared war on poverty, and poverty won.”

If America is going to cure poverty and prevent it, anti-poverty programs’ success must be measured by the number of individuals they lift out of poverty, not the number of dollars spent. Additionally, if the government continues running unsustainable deficits and experiences a debt crisis, the poor and vulnerable will undoubtedly be the hardest hit, as the federal government’s only course of action would be severe, across-the-board benefit cuts.

Our budget recommends policies to strengthen and improve the quality of anti-poverty programs based on certain principles. Our committee expects able-bodied adults receiving welfare to work or prepare for work. We expect federal and state officials to create the right incentives to move from welfare to work. Our committee seeks to focus these programs on outcomes, not inputs. We maintain the fiscal security of these programs to ensure they can continue to serve those most in need.

Anti-poverty programs should promote self-sufficiency, not extended dependency. Our budget seeks to promote those principles in the following ways:

- ***Strengthen Welfare Work Requirements.*** Welfare reforms in the 1990s led to substantial declines in poverty, increases in work, and decreases in government dependency. The Temporary Assistance for Needy Families [TANF] program was a central feature of these reforms. This budget calls for reforms to strengthen TANF work requirements so states will engage more recipients in activities leading to self-sufficiency. This should include ending states' ability to reduce work targets by spending more than required, as well as enforcing penalties against states that fail to meet work targets. This budget also calls for TANF reforms to provide states with more options to help people prepare to leave welfare for work, and to support states' effort in getting people off welfare and into jobs.
- ***Promote State Flexibility in the Supplemental Nutrition Assistance Program.*** Spending on the Supplemental Nutrition Assistance Program [SNAP] – formerly known as the Food Stamp Program – has increased dramatically over the past 15 years, growing almost fourfold since 2001. Spending doubled between 2001 and the eve of the most recent recession, doubled again during the recession, and has stayed at an elevated level through the recovery. The budget resolution recommends focusing on reforms that will restore overall SNAP funding to sustainable levels, while still providing states the flexibility to tailor the program to best meet the needs of their SNAP-eligible populations.
- ***Enforce SNAP Work Requirements.*** H.R. 3102, the Nutrition Reform and Work Opportunity Act of 2013, eliminated waivers from SNAP work requirements for abled-bodied adults without dependents. As demonstrated by the welfare reforms of the 1990s, work requirements help ensure that public assistance transitions people to independence.
- ***Strengthen the Earned Income Tax Credit and Child Tax Credit Program Integrity.*** The EITC is susceptible to fraud and abuse. According to the Internal Revenue Service, 24 percent of EITC payments were issued improperly in fiscal year 2016 (about \$16.8 billion). To reduce these errors in the EITC program, this budget proposes requiring verification of income before these benefits are paid and using the resulting savings to eliminate marriage penalties. In addition, the budget would require individuals seeking the refundable child tax credit to submit a Social Security number for each child in order to claim the credit. Under current law, a Social Security number is now required in order to claim children under the Earned Income Tax Credit.

Taking these steps will aid in deficit reduction and help ensure the longevity of these programs. More importantly, they will enhance the country's culture of work. Our committee's goal is to focus the programs on getting results – namely, lifting more people out of poverty and helping the most vulnerable achieve their version of the American Dream.

Financial Services

The Obama Administration's response to the financial crisis and subsequent recession was to bring federal regulations to bear wherever possible. Resulting policies restricted lending for small businesses and maintained the "too big to fail" ethos that almost brought down the American financial sector.

Our budget seeks to encourage small business lending while reining in the financial regulatory regime created by the Obama Administration.

- ***Assume Provisions of the House-Passed Financial CHOICE Act (H.R. 10) to Repeal Dodd-Frank.*** The “Financial CHOICE Act,” passed by the House of Representatives on June 8, 2017, is the first comprehensive reform bill to replace the disastrous Dodd-Frank Act. CHOICE stands for “Creating Hope and Opportunity for Investors, Consumer, and Entrepreneurs,” because the most basic element of resilient, reliable economic growth is allowing financial institutions and markets to invest in America without government regulation second-guessing every decision and driving up the cost of capital.

The Financial CHOICE Act stands on seven key principles:

1. Taxpayer bailouts of financial institutions must end and no company is too big to fail;
2. Both Wall Street and Washington must be held accountable;
3. Simplicity must replace complexity, because complexity can be gamed by the well-connected and abused by the Washington powerful;
4. Economic growth must be revitalized through competitive, transparent, and innovative capital markets;
5. Every American, regardless of circumstances, must have the opportunity to achieve financial independence;
6. Consumers must be vigorously protected from fraud and deception as well as the loss of economic liberty; and
7. Systemic risk must be managed in a market with profit and loss.

The Financial CHOICE Act is the legislative manifestation of policies the Committee on the Budget has recommended for years and continues to recommend in this resolution.

- ***Incorporate Fair-Value Accounting Principles in the Credit Reform Act.*** Not only are taxpayers exposed to the risks of Fannie Mae and Freddie Mac, but they are also vulnerable to having to bail out another housing giant, the Federal Housing Administration [FHA]. Today, FHA insures over \$1 trillion in home loans, but it has a delinquency rate of over 8 percent. According to government accounting rules, however, FHA accounting does not incorporate this high level of delinquencies when reporting on the FHA’s financial health. FHA also “competes” with other private businesses by pricing their guarantees in a way that does not reflect the riskiness of the underlying loan. Simply put, FHA does not have to comply with the same accounting rules as every other business; it goes a step further and undercuts these same businesses, because it is backed by the full faith and credit of the U.S. government. The government should adopt measures to control the assumption of risk by the FHA, as other government-backed entities wind down.

- **Privatize the Business of Government-Controlled Mortgage Giants Fannie Mae and Freddie Mac.** In 2008, the federal government placed Fannie Mae and Freddie Mac in conservatorship to prevent them from going bankrupt. The Treasury has already provided \$187 billion in bailouts to Fannie and Freddie, and taxpayers remain exposed to \$5 trillion in Fannie Mae and Freddie Mac's outstanding commitments, as long as the entities remain in conservatorship. Our budget recommends putting an end to corporate subsidies and taxpayer bailouts in housing finance.

Taking these steps in the financial services sector will help rein in the Obama regulatory regime, prevent taxpayer-funded bailouts, and encourage private sector lending for American small businesses.

Education and Workforce Development

An education system that reflects the diverse interests and career paths of the American people is essential to building a better economy. Greater choice, access, and affordability will strengthen career and technical education, higher education, and workforce development programs and ensure that our workers have the skills to compete in a changing economy.

Strengthening career and technical education, higher education, and workforce development programs, by increasing choice, access, and affordability, will ensure that our workers have the skills necessary to compete in a growing and changing economy.

Some Americans pursue their goals through career and technical education [CTE] programs. CTE programs equip students with in-demand skills in specific fields that undergird the Nation's economy: health care, hospitality, manufacturing, and information technology, for example. CTE lets both traditional high-school graduates and older, contemporary students enjoy the job-readiness benefits of their education without taking on the costs of four-year degree programs.

Millions of Americans do enroll in two- and four-year programs at colleges and universities every year. Earning a college degree can bring marked, long-lasting benefits. Graduates gain useful knowledge and skills, tend to enjoy higher lifetime earnings and steady employment, and are less likely to live in poverty. A competitive, educated workforce can fuel economic growth and benefit society.

Innovation in higher education is expanding. Entrepreneurial educators and existing institutions are using technology to build programs on new business models, including online and competency-based learning. Policymakers should allow such innovation to flourish. New approaches to education complement traditional programs, and they can expand access to and potentially lower the costs of obtaining higher education credentials.

The Federal Government has directly supported students and provided institutional aid for decades, yet several disconcerting trends have emerged.

- **Rising College Costs:** College tuition is increasing well beyond inflation. After accounting for inflation, published tuition and fees at public four-year schools are 3.1 times higher in 2016-17

academic year than in 1986-87; 2.29 times higher at private four-year schools; and 2.43 times higher at public two-year schools.

- **Unsustainable Student Debt:** There is widespread concern that students are borrowing money they do not need and may have trouble repaying. Research shows defaults come most frequently from those who borrow less than \$5,000 and those who do not complete a degree. The Federal Government holds most student loan debt; as of the first quarter of 2017, its portfolio was \$1.29 trillion, up from roughly \$516 billion in fiscal year 2007. As Federal lending consumes an ever-larger share of the student loan market, it crowds out private and other lenders that may have better products to meet borrowers' needs.
- **Complex, Overlapping Federal Aid Programs.** Students and parents navigate a confusing array of grants, loans, loan repayment, and loan forgiveness options when trying to decide how to pay for college.

Our budget recommends policies that would help all Americans pursue a quality education of their choosing, whether a two- or four-year degree, technical education, or job-training program.

- **Strengthen Career and Technical Education and Reform Workforce Development Programs.** A February 2017 Bureau of Labor Statistics report found that 7.5 million Americans are unemployed. Yet the Bureau also reports 5.6 million job openings. This gap is due in part to the failure of the Nation's workforce-development programs to match workers' skills with employers' needs. This budget recognizes Congress has the opportunity to ensure federal laws governing CTE programs empower State and local leaders to design ways to educate students for high-demand, high-skill jobs. It builds on the reforms in the Workforce Innovation and Opportunity Act [WIOA], signed into law in 2014. It calls for consolidation of duplicative Federal job training programs and improved coordination with the reformed workforce development system. A streamlined approach will reduce administrative costs and equip workers and job seekers to respond quickly to career challenges.
- **Simplify and Streamline Higher Education Programs and Financing to Protect Students and Taxpayers.** The current Federal aid system is complicated and time-consuming for students and parents trying to make higher education financing decisions. In addition to Federal grant aid, six loans, nine loan repayment plans, eight loan forgiveness programs, and 32 options for loan deferment and forbearance exist. Each program has different eligibility criteria and terms. The budget envisions a simplified, transparent, and fiscally sustainable aid system. Principles for reform include more transparency for loans and repayment plans, removing perverse incentives to over-borrow, consolidating the array of programs, and protecting taxpayers.
- **Account for the True Costs of Student Loans.** By statute, the government's accounting procedures for assessing the costs of student loan programs do not incorporate market risk. For example, borrowers may have trouble finding a job and repaying loans in an economic downturn. To measure student loan program costs, the budget recommends using fair-value accounting, which does assume such market risk.
- **Make the Pell Grant Program Sustainable.** The Pell Grant program, which offers low-income students portable grants to pay for college, is the foundation of federal student aid. Congress

and previous administrations made repeated decisions to raise the program's maximum award and expand eligibility, and the program is now on shaky financial ground. Between fiscal years 2006 and 2016, the Pell Grant program's discretionary costs ballooned from \$12.8 billion to \$22.2 billion. The comprehensive fiscal year 2017 appropriations act reinstated year-round Pell Grants, which aim to help students take summer courses and graduate more quickly. Future reforms should ensure Pell Grants go to students with the most need, that students complete school in a timely manner, and that this program is financially sustainable and available for future students.

- **Encourage Innovation.** Higher-education policy reforms should also maximize innovation and foster an environment in which students and their families can choose from a variety of institutional options. Such policies could include reexamining the data made available to students, as they make decisions about where to go to college and how to pay for it. Additionally, the Federal Government can review the accreditation process and any regulatory barriers in higher education that restrict innovative teaching models such as online programs.

Implementing such policies would help build an education system that effectively and cost-efficiently equips workers to compete in the global economy. It will consider the interests of both students and taxpayers. It will ensure that students have the opportunity to live their version of the American Dream.

Without real steps to reform the tax code and welfare programs and improve the education experience for all Americans, our efforts to put the country back on a sound fiscal path will be inadequate.

According to estimates from the House Budget Committee staff and economic experts, the pro-growth policies recommended in this budget would increase economic growth substantially, such that it averages 2.6 percent over the next 10 years. This increased economic growth would result in significant resources dedicated to deficit reduction – approximately \$1.5 trillion over the 10-year budget window.

The entrepreneurial spirit of the American worker is as strong as ever. Getting government out of the way and allowing the free market to flourish will unleash this potential and bring us even closer to our goal of balancing the budget.

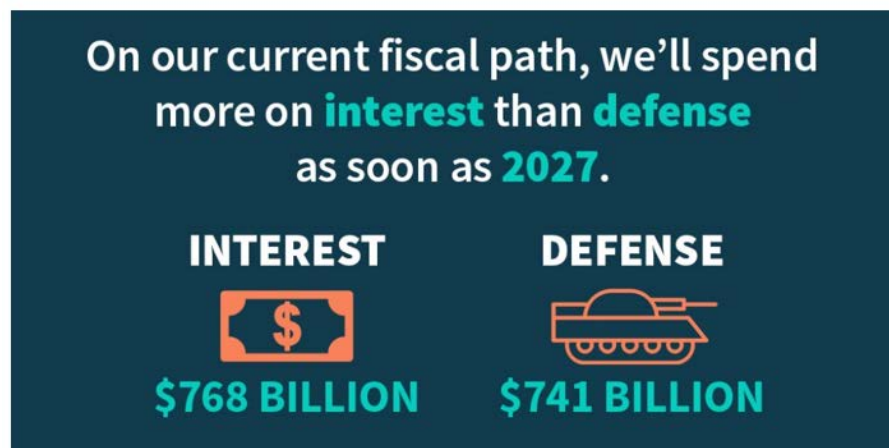
Building a Stronger Military and Securing Our Homeland

The primary responsibility of the federal government is to protect the American people against threats, both foreign and domestic. Because of the weak foreign policy of the Obama years, the country now faces larger and more complex geopolitical threats.

America's enemies are more technologically capable than ever before, and their influence is spreading to all corners of the globe. Radical Islamic terrorists are growing more brazen and deadly. Rogue nations like Iran and North Korea are gaining confidence and influence. This presents challenges both internationally and in terms of who enters our country, whether legally or illegally. Protecting our homeland also means defending against threats to our cyber and information technology infrastructure. Investments in risk management and cybersecurity are necessary to prevent attacks against Americans' personal information, data, and intellectual property by foreign actors, such as Russia and China.

The responsibility to promote security at home and strength abroad is one this committee takes seriously. Our budget takes significant steps to undo the hollowing out of the military that occurred during the previous administration; it increases base defense discretionary spending to \$621.5 billion in

fiscal year 2018, combined with \$75 billion to fight the global war on terrorism.



Source: CBO

Building a Better America also understands the obligation to our troops does not end when they leave the service. We have a moral obligation to care for veterans who need assistance – many of whom have faced devastating injuries

because they put their lives on the line for the safety and security of the American people.

We also commit significant resources to border security and border construction, and we increase funding for homeland security operations, administration, and cybersecurity. Protecting and defending the homeland and ensuring the rule of law is a foundational part of the Budget Committee's responsibility.

Our budget provides the resources necessary to accomplish these goals:

Military Readiness

During the previous administration, the Department of Defense [DoD] was expected to do more in terms of foreign engagement, as geopolitical and military threats overseas expanded. At the same time,

funding for these requirements was reduced. The national defense budget has carried the bulk of sequestration's effects since the enactment of the Budget Control Act of 2011.

As the House Armed Services Committee has noted, “an unintended consequence of current fiscal constraints is that the Army can no longer afford the most modern equipment and we risk falling behind near-peers in critical capabilities.” This, combined with the reduction in naval vessels from 500 in 1999 to 275 in 2016 and an Air Force that is roughly one third smaller than in 1991, reflects a troubling trend in our country's spending priorities.

The automatic enforcement procedures of the BCA would continue to arbitrarily cut almost \$1 trillion from defense, eroding critical warfighting capabilities, modernization, and readiness across all the services.

This committee joins the current administration in its commitment to fund our military at levels that will equip it to face current worldwide challenges:

- For fiscal year 2018, *Building a Better America* provides \$621.5 billion in base national defense funding, an increase of \$70.5 billion from the fiscal year 2017 budget. We provide an additional \$75 billion in defense resources for the Global War on Terrorism and Related Activities fund, otherwise known as the Overseas Contingency Operations [OCO] fund.
- It is more critical than ever to ensure the U.S. military has all the resources it needs, as it continues to engage in ever-evolving threats in the Middle East and around the globe. That is why, over the next decade, this budget provides increasing levels of resources to support our troops at home and abroad.

This committee also echoes President Trump's call for accountability at the DoD and anticipates the DoD will abide by its responsibility to the taxpayer to account for and effectively manage its resources. All federal agencies must abide by the responsibility they have to be stewards of taxpayer dollars.

Under the National Defense Authorization Act of 2010, DoD financial statements are to be audit-ready by September 2017. Our budget anticipates the Pentagon's full attention to meeting its audit readiness goals and continued Department efforts to allocate existing resources effectively. Failure to do so would not limit transparency and congressional oversight of defense programs and erode public confidence in the Department's ability to spend taxpayer resources effectively.

Building a Better America reflects our committee's and this Congress's commitment to our men and women in uniform and provides them with the resources to complete the mission at hand.

Supporting Our Veterans by Reforming the VA

For years, mismanagement and a lack of accountability at the Department of Veterans Affairs [VA] have prevented our veterans from getting the care and support they need and deserve. While the VA is surely committed to serving our veterans and their families, many audits, reports, and congressional testimonies have highlighted significant failures in the system.

From health care delivery, to patient experiences, to business processes, to performance and efficiency, the VA has suffered from a growing bureaucracy, leadership and staffing challenges, and unsustainable capital cost projections. Our budget provides a new way to approach and solve the VA's most pressing and difficult problems.

- **Address the VA's GAO 'High-Risk' Status.** Every two years, at the start of a new Congress, the Government Accountability Office (GAO) releases a "high-risk" list that calls attention to Federal programs' "vulnerabilities to fraud, waste, abuse, and mismanagement," or those needing transformation. In 2015, the VA's health care was placed on GAO's "high-risk" list for its inability to ensure allocated resources are being used "cost-effectively and efficiently to improve veterans'" health care access, safety, and quality. *Building a Better America* calls for the VA and stakeholders to review and implement GAO's recommendations to update and improve the VA's health care system and benefit programs.
- **Reduce Improper Payments.** Improper payments have long been a government-wide problem. According to the Office of Management and Budget, the VA made improper payments totaling more than \$5 billion last year. Under Title 31 of the U.S. Code, agencies with programs reported as noncompliant with the "Improper Payments Elimination and Recovery Act of 2010" for three consecutive years must propose to their committees of jurisdiction statutory changes to bring the program into compliance. Solving the problem of improper payments at the VA will ensure that the agencies' resources go to serve veterans and their families efficiently and effectively.
- **National Dialogue.** The budget resolution aims to facilitate a national dialogue on the future of the VA health care system and benefit programs that lead to a more equitable and rational system. In addition, Congress needs to thoroughly reassess the structure, scope, philosophy, and administration of the VA health care system and benefit programs under Title 38 that serve veterans and their families.
- **Way Forward.** The VA needs to adopt a new way of thinking to address its biggest problems, such as ensuring access to health care, quality and delivery of programs, and cost management. All programs should maximize net benefits and be cost- and target-efficient. Congress and the Executive Branch can achieve better results if the VA reduces its bureaucracy by consolidating the number of layers between top and bottom employees; reducing the number of managers; accelerating the hiring and appointment processes (working alongside the Congress where appropriate); streamlining the disciplinary process; refining performance measure metrics; and strengthening oversight and contract administration of government private employee contracts.


Building a Better America includes \$79.0 billion in discretionary funding for fiscal year 2018, along with \$70.7 billion in advance appropriation funding for the Department of Veterans Affairs. These funding levels match President Trump's fiscal year 2018 budget request. The budget also promotes accountability and efficiency so that our veterans and their families can get the care they need without the waste, fraud, and abuse that has characterized the VA over the last few years.

Homeland and Border Security

Americans' personal safety and equal protection under the law are instrumental in securing the freedoms we have valued since our country's founding. *Building a Better America* devotes significant

resources to securing our homeland, including more funding for border security and construction, and it provides law enforcement with the support they need to ensure law and order.

States play a large and growing role in working with federal authorities to protect their citizens. Our budget promotes the collaborative relationship between states and the federal government, while seeking to streamline the grant process and eliminate waste and duplication.



Our budget provides significant resources to secure our border and protect the homeland. These resources will provide for a stronger defense against terrorists and others who wish to do harm to Americans and will ensure that our Southern border is secure.

Our budget provides significant resources to secure our border and protect the homeland. These resources will provide for a stronger defense against terrorists and others who wish to do harm to Americans and ensure that our Southern border is secure. Our budget also provides for investments in cybersecurity and data protection, to strengthen our ability to detect and deter foreign attacks on our country's IT systems, and increase federal-private sector coordination to thwart malicious hackers and government-sponsored cyberterrorism.

These comprehensive steps to rebuild our military, support our veterans, and invest in homeland and border security show our commitment to the great men and women who serve in our armed forces and fight every day to protect us from threats at home and abroad.

They deserve our praise, and they have it. They also deserve the resources necessary to do the job we have asked them to do.

Building a Better America provides them with those resources and reflects the debt of gratitude we owe them.

Building a Better Health Care System

The central aim of changes to the health care policies assumed in this budget resolution is patient-centered, market-based health care. This requires realigning the emphasis on real Americans' health needs – not on Washington's ideas about what those needs may be.


For too long, politicians and bureaucrats in Washington have believed that they can centrally manage the entire health care system. Health care involves a complex and dynamic set of interactions that employs more than \$3 trillion of the nation's resources per year; it is a sector in which the participants themselves – not academics and bureaucrats – are best suited to establishing effective and efficient means of delivering this personal and uniquely valued service.

The result of pervasive government interference in the health care market is a myriad of programs that are poorly designed, poorly implemented, and unsustainable – the “Affordable Care Act” being the crown jewel. Our budget assumes the repeal and replace of Obamacare to put patients and their doctors, not Washington bureaucrats, back in charge of health care decisions.

The government takeover of health care created challenges that span the entire health care system, affecting patients with private health care coverage, as well as those with government insurance. Americans who have private health insurance are seeing premiums and other out-of-pocket costs skyrocket. At the same time, patients enrolled in Medicaid are finding it more and more difficult to access a physician and receive the quality care they deserve.

Obamacare has forced Americans off the health care plans they had – and in many cases, liked – causing them to lose their doctors and pay even higher prices for less access to care. It has raised taxes on individuals, businesses, and even the very insurance plans people are mandated to buy. It has stifled medical innovation and stripped Americans of their savings. Furthermore, it has driven millions into a Medicaid system that was already underperforming.

Americans today are constrained by this unacceptable, one-size-fits-all scheme. Coverage does not equal care – our budget endeavors to refocus on care while allowing Americans to determine coverage for themselves.



Americans are constrained by a one-size-fits-all system of health insurance without the accompanying health care. Too many bureaucrats and politicians in Washington think they know how to make health care decisions better than patients, families, and their physicians.

Repealing and Replacing Obamacare

Our budget assumes the reforms included in the House-passed “American Health Care Act” (AHCA), which serves as a fundamental transformation of health care policy toward a better strategy for true reform. This budget’s approach to health care builds on the “American Health Care Act,” and revolves around the goals of:

- Lowering costs;
- Providing more choices;
- Restoring patient control;
- Ensuring universal access to quality care.

The “American Health Care Act” removes a bureaucratically-designed, one-size-fits-all system and replaces it with a patient-centered system that gives the American people choice and freedom.

- **State Flexibility.** The AHCA gives states more flexibility to handle health care arrangements for their distinctive populations. Under the AHCA, states will have the opportunity to assist high-risk individuals or fund their own innovation programs to care for their unique patient populations. The AHCA will also give states flexibility to design a Medicaid program in the interest of serving the diverse needs of our country’s population.
- **Regulatory Reform.** The AHCA gives states the flexibility to request waivers from Obamacare’s burdensome regulations. This will allow states to further lower costs and increase coverage for their citizens while protecting those with pre-existing conditions.
- **Strengthening and Reforming the Individual Insurance Market.** The AHCA provides a portable, advanceable tax credit that evolves with an individual’s health care needs. This will provide more options for individuals and families, who will be free to choose the health plan that best meets their needs, while maintaining protections for people with pre-existing conditions. Further, by increasing the amount of money that can be placed in Health Savings Accounts, coupled with other reforms, the policies will allow individuals and families to save and spend their health care dollars the way they want.
- **Putting Medicaid on a Budget.** The AHCA institutes per capita caps in Medicaid – or optional block grants, if a state prefers – to put the program on a budget for the first time. This ensures Medicaid can continue to serve the most vulnerable Americans that it was intended to serve.

These reforms will also contribute to our ability to balance the federal budget. The House-passed “American Health Care Act” will reduce the federal deficit by \$204.1 billion over the ten years between fiscal year 2018 and fiscal year 2027.

Saving and Strengthening Medicare

Meanwhile, one of the most pressing threats to the economic security of





Americans is the looming insolvency of popular and invaluable programs that provide health care and retirement guarantees to seniors.

Without significant reforms to strengthen and preserve it, Medicare faces insolvency in 2029, an unprecedented scenario. Seniors who rely on the social safety net deserve leadership from Washington, D.C., to preserve the program and strengthen it for future generations.

Today’s seniors and tomorrow’s beneficiaries face the threat of having their health and retirement security jeopardized if we continue down the current path. For too long, Congress has wanted to avoid dealing with these eventualities that both the Congressional Budget Office and the Medicare Board of Trustees warn must be addressed in the next decade.

Instead of defaulting on the promises to our current and future retirees, the Medicare reforms recommended in our budget start by saving, strengthening, and securing Medicare for today’s seniors and tomorrow’s beneficiaries. Our budget does not force anyone to change their current plan, but rather maintains traditional Medicare while giving seniors more freedom and choices to best meet their needs.

BROKEN OBAMACARE PROMISES

PROMISES	vs.	REALITY
Premiums will decrease by \$2,500		Avg. family premiums soared by \$4,300
The cost of health care will go down		Some deductibles have gone up 60%
You can keep your doctor		70% of plans consist of narrow networks
Middle class Americans won't see a tax increase		Obamacare penalty

Source: House Budget Committee

The Medicare reforms recommended in our budget start by saving, strengthening, and securing Medicare for today’s seniors and tomorrow’s beneficiaries. Our budget maintains traditional Medicare while adding more freedom and choice to choose a health care program that best meets their needs.

Similar to Medicare Advantage, a highly popular Medicare program, our improved Medicare program will allow insurers to compete for seniors' business to provide the most affordable, higher quality services to seniors. All plans competing in the program will be required to match the same benefits and services of traditional Medicare and no participating insurer will be able to deny coverage to a beneficiary.

The costs of Medicare and other major health care programs are expected to continue to grow. In the next decade, annual spending on these programs will double, from \$1.1 trillion to \$2.2 trillion, according to the Congressional Budget Office. In 2016, costs from the Medicare program alone totaled \$692 billion, and CBO projects spending to more than double by 2027, reaching \$1.4 trillion that year. Congress cannot balance the budget without addressing these rapid cost increases.

Building a Better America seeks to strengthen and protect Medicare in the following ways:

- Fully Supporting a Patient-Centered Program that Enhances Quality and Choice in Medicare.** Under this program, traditional Medicare – which would always remain an option available to future beneficiaries – and private plans providing the same level of health coverage would compete for seniors' business, just as Medicare Advantage does today. By adopting the competitive structure of Part D, the program would also deliver savings for seniors in the form of lower monthly premium costs. Today, only Medicare Advantage offers seniors the opportunity to choose from a selection of comprehensive coverage plans. Not surprisingly, Medicare Advantage enrollment has tripled in the past decade and currently serves more than 19 million seniors. Medicare Advantage also shows higher satisfaction rates than traditional Medicare. In fact, since 2010, Medicare Advantage enrollment has grown by 71 percent.

The Medicare improvements envisioned in this budget resolution would adopt the popular simplified coverage structure of Medicare Advantage, and allow seniors greater plan choices while reducing costs. It would resemble the private insurance market, in which the majority of Americans select a single health care plan to cover all their medical needs.

The Congressional Budget Office determined that a Medicare program following this model would result in savings for both beneficiaries and the program. Moreover, health plans that participate in this new option would not be able to deny coverage to any Medicare recipient. A patient-centered Medicare program would also adopt these protections to guarantee better health, improved value, and increased choice for America's seniors, and allow all those in traditional, fee-for-service Medicare the same opportunity as new retirees to remain there or transition into the improved program beginning in 2024.

- Promoting Personal Digital Advance Care Plans.** In keeping with expanding patient-centered care, this resolution supports the use of readily available digital advance care plans. Administering medical treatment often requires patient consent. When informed consent cannot be obtained due to life-threatening emergencies or impaired decision-making, precious time is lost in determining who has the legal authority to act on behalf of a critical patient. Consequently, the patients' wishes may not ultimately be fulfilled. Digital advance care plans allow individuals to thoughtfully consider their treatment options, on their schedules, and with their loved ones – rather than making urgent decisions under emergency room pressure, where time is of the essence. This resolution respects the patient's voice, whatever it says, and supports its primacy in the health care delivery process.

- Means Test Premiums for High-Income Seniors.** Under current law, high-income beneficiaries are responsible for a greater share of the premium costs for Medicare’s Part B and Part D programs, or the optional coverage for physician services and prescription drug coverage respectively. Medicare Advantage enrollees receiving coverage for these benefits similarly assume a share of the costs. Parts B and D must account for all additional program costs net of beneficiary premiums from general revenues because these components of the Medicare program do not have a dedicated income source like the 2.9-percent payroll tax that funds most of the Part A benefits. Consistent with several bipartisan proposals, including former-President Obama’s fiscal year 2017 budget, this resolution assumes additional means testing of premiums in Medicare Parts B and D for high-income seniors, including full responsibility of premium costs for individuals with an annual income exceeding \$1 million.
- Reform Medical Liability Insurance.** This resolution also advances common sense curbs on abusive and frivolous lawsuits, such as the reforms outlined in H.R. 1215, the “Protecting Access to Care Act of 2017.” Medical lawsuits and excessive verdicts increase health care costs, result in reduced access to care, and contribute to the practice of defensive medicine. When mistakes happen, patients have a right to fair representation and fair compensation. The current tort litigation system, however, too often serves the interests of lawyers while driving up costs due to expenses associated with the practice of defensive medicine. The costs of defensive medicine are often overlooked, but add a considerable burden to overall health care spending. According to a study published in 2010, more than 30 percent of health care costs, or approximately \$650 billion annually, were attributable to defensive medicine. Even if the costs are only a fraction of this projection, such expenses are unnecessary and unsustainable for the Medicare program and America’s seniors. Therefore, this resolution supports several changes to laws governing medical liability.

Putting Medicaid on a Budget and Preserving It for Our Most Vulnerable Citizens

Medicaid is a vital resource for low-income children, parents, pregnant women, and seniors. Unfortunately, Medicaid is breaking the promise to care for these Americans. *Building a Better America* proposes reforms that preserve the program for America’s truly needy, while boosting up those who can begin to help themselves.

Medicaid spending is unsustainable in its current form – this threatens the program’s ability to provide for the country’s most vulnerable citizens. The CBO projects federal spending for Medicaid to jump 67 percent over the next decade, reaching \$650 billion annually by 2027. When taking into account the state share of spending, Medicaid will cost taxpayers about \$1 trillion per year by the end of decade. This is driving the program’s inability to care for enrollees properly.

Medicaid recipients across the country cannot find or access a doctor that will accept new patients, largely because of overcrowding in the program and slow reimbursement times. Many of the over 75 million Medicaid beneficiaries are not getting the proper care they deserve by having their symptoms treated, rather than the underlying illness.

In order to preserve the program and retain limited resources for the neediest populations, *Building a Better America* begins with the reforms included in the “American Health Care Act.” The AHCA institutes a per capita cap system that puts Medicaid on a budget for the first time since its inception, converting it from an open-ended entitlement program to a manageable safety net. The per capita design protects resources for those in need by designating funds based on population category: children and pregnant women, the blind and disabled, the elderly, and able-bodied adults. This ensures that states and the federal government can provide care based on a per-person payment structure, which accounts for the variation in spending amongst the different categories of patients. As such, a per capita cap targets funds to the most vulnerable. Its purpose is to catch those Americans who fall, without trapping those who can climb out of poverty.

The “American Health Care Act” also promotes state flexibility. For example, states could opt for a block grant, rather than the per capita allotment. This would promote innovation on the state level, and encourage states to root out waste, fraud, and abuse. AHCA also enables each state to set the benefits it believes are essential for its unique population; this would better narrow the scope of funding to meet the needs of individuals.

Building a Better America includes the AHCA reforms to put Medicaid on a budget, and calls for the following additional reforms to make it work for patients:

- **Apply Work Requirements to Medicaid.** The budget proposes to advance a work requirement for certain adults enrolled in Medicaid who are able to work. This proposal suggests that an able-bodied, working-age, non-pregnant adult without dependents could qualify for Medicaid only if he or she were actively seeking employment or participating in an education, training, or community service program. These requirements would help target resources toward the most vulnerable populations, while at the same time making Medicaid available for those on the precipice of poverty who are transitioning into economic stability.
- **Enhance State Flexibility.** The budget promotes state flexibility through the AHCA block grant option, in addition to further legislative options beyond structural reform. The budget encourages states to institute changes to improve program management. For example, states could set reasonable cost-sharing standards for able-bodied adults, address inappropriate use of emergency facilities, or strengthen eligibility processing to reduce wait times.
- **Improve Reporting to Reduce Risk.** The Government Accountability Office has listed Medicaid as high-risk since 2003. The budget proposes to follow GAO’s recommendations for reducing improper payments, growing expenditures, and poor access to quality care. The most significant aspect of this effort is the enhancement of reporting by states on annual Medicaid data, along with greater coordination between the Centers for Medicare and Medicaid Services and state auditors.

The “American Health Care Act” was the first step in reforming our health care system to make it more patient-centered. It injects free-market principles into a system that has too often been dominated by government interference.

Building a Better America supports the AHCA and builds on it with further reforms in Medicare and Medicaid and ensure their sustainability.

Rebuilding the Proper Role of State and Local Governments


For too long, our political system has taken a top-down approach to governing, dominated by federal mandates and spending. Our budget seeks to change that dynamic.

The 10th Amendment to the Constitution states, “the powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.” While it may come as a shock to many of the status quo crowd in Washington, our Founding Fathers wrote this into the Bill of Rights on purpose.

The states are our laboratories of democracy, with better ideas for innovation and reforms that best serve their citizens. The federal government spends too much, taxes too much, regulates too much, and mandates too much. It is time for the federal government to uphold the principle of federalism espoused in our Constitution.

Our budget seeks to reflect this principle. The primary role of the federal government is the safety and security of the American people. The federal government has been usurping the role of the states and of local governments, communities, and other components of civil society.

Returning power to states and local governments is a fulfillment not only of our political promises but also a return to the fundamental principles of the American founding. Doing so will also reduce federal spending and allow us to put our country back on a sustainable spending path.



Returning power to states and local governments is a fulfillment not only of our political promises but also a return to the fundamental principles of the American founding.

Our budget prioritizes the principle of federalism in the following ways:

State Flexibility in Health Care

For decades, states and their governors have complained that they have little to no control over federal programs that require substantial state resources to run and regulations that affect citizens in their states. Every state is different; the health care issues in Tennessee may differ, sometimes substantially, from those faced in California or Maine. Yet Congress and federal bureaucrats have refused to cede control to the levels of government closer to the people.

Our budget supports the provisions of the AHCA that give states greater flexibility in designing their Medicaid programs and reducing regulatory burdens:

- **Per Capita Allotment with Optional Block Grant.** Medicaid has always been a federally controlled, open-ended entitlement program. The AHCA reverses both of those principles. It

puts Medicaid on a budget, while providing states the freedom and flexibility to design their Medicaid programs in a way that best meets the unique needs of their citizens.

- ***Optional Waiver for Obamacare Regulations.*** This provision gives states the option of requesting a waiver from certain Obamacare regulations to reduce costs and increase coverage options.

Giving states flexibility to fix and improve their Medicaid programs will improve quality, expand access to care, and bring down costs. For decades, we have been fighting the war on poverty and we have been losing. Our Washington politicians and bureaucrats focus on how much money we are spending rather than the results of our spending. We need to turn our attention to lifting Americans out of poverty and graduating them from Medicaid, rather than trapping them in governmental health care dependence.

Welfare Reform

Anti-poverty programs should promote self-sufficiency, not extended dependency. The best way to achieve these goals is to continue the successful welfare reforms of the 1990s and to empower states to manage their own welfare programs.

As discussed earlier, our budget returns more authority to the states to manage social welfare programs and best meet the needs of their citizens in the following ways:

- *Strengthen Welfare Work Requirements;*
- *Promotes state flexibility with SNAP to tailor programs to their state's needs; and*
- *Enforce SNAP Work Requirements.*

Education and Workforce Development

Principally, federal funds for K-12 education should aim to support state and local entities and empower them to produce good outcomes for students. It should not seize control from states and localities. Real gains in education result from the diversity and creativity of state and local educators. Centralizing rules and standards in Washington risks dampening their effectiveness and innovation. The federal government has an interest in education, but that interest is chiefly in promoting the initiatives of local educators, not dictating them.

In addition to having the opportunity for a high-quality K-12 education, working-age Americans benefit from access to skills and training that equip them for the changing global economy.

Our budget makes significant recommendations to support education innovation, restore the principle of federalism, and improve the results of workforce development programs:

- ***Ensure High Quality Federal Primary and Secondary Education Programs.*** Recently enacted legislation, the “Every Student Succeeds Act,” intends to scale back Federal overreach into local education decisions. It consolidates or eliminates 49 duplicative, restrictive, or poor-performing programs, in favor of one grant program. In short, it aims to better target resources, shrink bureaucracy, and promote local flexibility and ingenuity. The budget supports the timely implementation of this law. In the future, the budget supports giving priority to programs with

demonstrated success, that facilitate State and local efforts, and that improve academic outcomes for students.

- **Reform Workforce Development Programs.** The Bureau of Labor Statistics February 2017 report found that 7.5 million Americans are unemployed. Yet the bureau also reports 5.6 million job openings. This gap is due in part to the failure of the nation’s workforce-development programs to match workers’ skills with employers’ needs. Our budget calls for further consolidation of duplicative Federal workforce development programs and improved coordination with the reformed workforce development system. In tandem with these efforts, it also supports efforts to ensure career and technical education programs empower state and local leaders in educating students for high-demand, high-skill jobs.


Environmental Regulation

The Environmental Protection Agency has long overreached in its duties. While everyone supports protecting the environment and promoting clean air and clean water, the states are better positioned to address their individual environmental concerns and balance those responsibilities with the concerns of workers, small-businesses, and manufacturers.

Our budget seeks to reduce the scale of the EPA’s involvement in regulatory responsibilities best done by the states.

- **Reduce and Refocus Environmental Protection Agency Funding.** The EPA continues to use its budget to implement its unprecedented activist regulatory policy, to the detriment of states, localities, small businesses, and energy consumers. The many ongoing legal challenges to the EPA’s proposed regulations are evidence. The budget reduces annual funding levels for the EPA to allow the agency to focus on its core mission of enforcing laws passed by Congress rather than attempting to re-write them through regulations.
- **Eliminate the EPA Office of Regulatory Policy and Management.** This office provides support and guidance for the EPA’s national and regional offices in developing regulations. According to the EPA website, a primary function of this office is to “manage the Agency’s policy priority agenda.” As an executive agency created merely to enforce congressional statutes, the EPA should have no policy priority agenda at all.
- **Streamline Climate Change Research across Government.** This budget resolution reduces spending for numerous climate-change-related activities and research, primarily by reducing overlapping or unproductive policies. It also recommends better coordination of programs and funds to eliminate duplicative and unnecessary spending. Many of these programs receive funding through the National Oceanic and Atmospheric Administration [NOAA] as well as the EPA.

In *Federalist 45*, James Madison famously said, “the powers delegated by the proposed Constitution to the federal government are few and defined. Those which are to remain in the state governments are numerous and indefinite.”



In Federalist 45, James Madison famously said “the powers delegated by the proposed Constitution to the federal government are few and defined. Those which are to remain in the state governments are numerous and indefinite.”

Two and a half centuries later, the warnings of our Founding Fathers about the growth and encroachment of the federal government ring as true as ever.

It is time for leaders in Washington to recognize the proper role of state and local governments. It is not only a necessity in order to balance the federal budget and start paying down our national debt. It is a necessity if we believe in the principles on which this country was founded.

Building an Effective, Efficient, & Accountable Government

A healthy democracy is dependent on government accountability. Without accountability, there can be no trust. A lack of trust breeds resentment between the people and their government – and there is no greater fuel for such resentment than when taxpayer dollars are wasted.

Every dollar sent to Washington is a dollar earned by the American people. Their labor produced the resources the federal government too often takes for granted. Congress and the president should treat this money not as their own, but as money belonging to the people. These resources should go to efficient, effective, and accountable services that benefit the American people.

The federal government does not have a good record of effectiveness, efficiency, and accountability. Some examples of waste and fraud include:

- ***It is a PR Problem.*** Federal contracts for advertising and public relations average \$1 billion per year, with DoD paying 60 percent of overall public relations contracts, amounting to \$626.2 million last year. DoD also employs the largest number of public relations staff. According to a Pew Research Center poll, 32 percent of Americans have “a favorable impression of the federal government,” with 68 percent having an unfavorable impression (Porkémon Go, 2016, [pp. 46-47](#)).
- ***What’s Upstream?*** A lobbying campaign in Washington State titled “What’s Upstream” was paid for with a portion of a \$12 million Environmental Protection Agency grant to the Northwest Indian Fisheries Commission. “The effort, which disparaged farmers as ‘polluters of our waterways,’ included a website and advertisements on billboards, buses, and the radio.” EPA records show that the campaign was used to lobby the State to implement tougher regulations than even allowed under the federal “Clean Water Act” (Porkémon Go, 2016, [pp. 64-67](#)).
- ***Fast and Furious.*** At the Department of Agriculture’s Wildlife Services’ National Wildlife Research Center [NWRC] in Ohio, nearly \$118,000 has been spent on studies trying to determine the speed an automobile must be traveling to hit a bird before it can fly to safety (Porkémon Go, 2016, [pp. 102-103](#)).
- ***How the Cookie Crumbles.*** Using a \$150,000 Institute of Museum and Library Services grant, the Oregon Museum of Science and Industry organized a series of “Gingerbread Adventures” workshops. Participants still had to purchase tickets for the various workshops (Porkémon Go, 2016, [pp. 50-51](#)).
- ***Tooth Terror.*** The National Institutes of Health [NIH] provided \$3.5 million in grants to West Virginia University to determine why people are scared of the dentist (Porkémon Go, 2016, [pp. 116-117](#)).

These are just a few examples of the wasteful spending rampant in federal agencies and departments.

Control over the federal coffers is a responsibility that this committee takes seriously. We must be good stewards of that money, and our budget reflects this responsibility.

Our budget targets waste, fraud, and abuse throughout the federal government in order to eliminate spending that fails to advance the cause for which it was allocated, fails to advance a core responsibility of government, or fails to achieve any measurable benefit beyond what another program or agency is already achieving. Congress should scrutinize and review all areas of federal spending.

Our budget also targets corporate welfare programs promoted by the previous administration. The American people have built the world's greatest, most dynamic economy through faith in ingenuity, innovation, and free markets – not by letting government bureaucrats pick winners and losers.

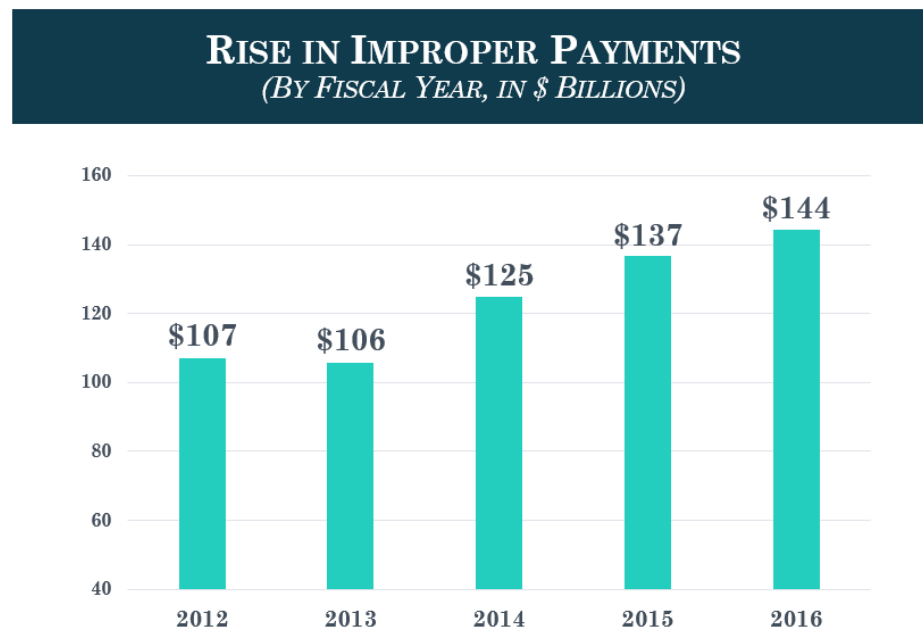
In addition to a thorough review of the efficacy of federal programs, our budget takes a serious look at improper payments by federal agencies and in federal spending programs. According to the Comptroller General of the U.S. Government Accountability Office, the amount of improper payments by federal agencies reached more than \$144 billion last year.

The flagrant fraud and incompetence with hard-earned taxpayer dollars is unacceptable. Our budget takes real steps to review improper payments and fix the flaws that cause them.

While not widely understood, Congress has a powerful tool at its disposal to encourage greater efficiency, effectiveness, and

accountability throughout government: the Congressional budget process. The current budget process, however, is over 40 years old. It is outdated and fails to provide an accurate projection of the cost and economic effects of policies and programs Congress enacts. The default assumption is to spend more money. A wholesale reform of the Congressional budget process would impose better enforcement, transparency, and oversight – helping ensure Congress budgets, and therefore governs, by setting priorities and keeping to its fiscal and Constitutional limits.

These steps, when taken as a whole, echo the Trump Administration's belief in reorganizing and refocusing the federal bureaucracy. Good stewardship of taxpayer dollars will now be the driving principle behind the spending decisions made by this committee and the Congress.



SOURCE: GAO

In March, President Trump signed an Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch. A systematic review of the federal bureaucracy to find waste and abuse and to create efficiencies and cost-saving mechanisms is a goal echoed by this committee and our budget resolution.

Now is an opportunity for us to lay out a vision for conservative governance to take real steps to enact reforms. Our budget achieves these goals in the following ways:

Social Security Disability and Civil Service Pensions

Social Security Disability Insurance (SSDI)

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

In 2015, Congress took the first step toward comprehensive Disability Insurance reform that would solve the Trust Fund's long-term financing troubles. The "Bipartisan Budget Act of 2015" included a number of provisions to reduce fraud, increase program integrity, and encourage DI beneficiaries to return to work. These provisions strengthened the DI program and extended its solvency date to 2028, according to the Social Security Administration actuary.

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

If lawmakers do not enact reforms to ensure the long-term solvency of the Disability Insurance program, an immediate 7-percent reduction in benefits will be required when the Trust Fund becomes exhausted.

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

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

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

- ***Eliminate the Ability to Receive Both Unemployment Insurance and Disability Insurance.*** This option would eliminate concurrent receipt of unemployment and disability insurance, a clear example of duplication in the Federal budget. The proposal would give the Social Security Administration the authority to identify fraud and prevent individuals from obtaining benefits from both programs. It is consistent with a similar policy proposal President Trump and former President Obama made in their budget requests. This budget takes the first step to preventing across-the-board benefit reductions to the Social Security program. This policy option could save up to \$5.4 billion.

Civil Service Pensions

Our budget resolution also recommends reforms to civil service pensions to put them on a better fiscal path.

Reform Civil Service Pensions. This budget adopts a policy proposed by the President’s National Commission on Fiscal Responsibility. It calls for federal employees, including Members of Congress and their staffs, to make greater contributions to their own defined benefit retirement plans. It would also end the “special retirement supplement,” which pays federal employees the equivalent of their Social Security benefit at an earlier age. This would achieve significant savings while recognizing the need for new federal employees to transition to a defined contribution retirement system. The vast majority of private sector employees participate in defined contribution retirement plans. These plans put the ownership, flexibility, and portfolio risk on the employee as opposed to the employer. Similarly, federal employees would have more control over their own retirement security under this option.

Eliminating Waste and Duplication

The Federal Government is a sprawling, massive bureaucracy that manages numerous programs that either produce negligible results or overlap with each other creating unnecessary duplication and confusion for those using or administering them. Our budget calls for the consolidation or elimination of unnecessary, duplicative, and inefficient programs and agencies.

This problem is widespread in the federal bureaucracy and our budget calls for a systematic review of federal programs. Some examples of our budget’s recommendations to eliminate waste and duplication include:

Energy

The Department of Energy [DOE] has an exemplary record in the basic research that facilitates technology development led by the private sector. When limited federal research dollars fund loans, loan guarantees, commercial-scale demonstration projects, or the deployment of energy technology, fewer resources remain for this basic research.

The private sector is better suited to commercialize and deploy energy technology than the federal government. The DOE needs to focus on three primary missions: maintaining and modernizing the national nuclear supply, environmental cleanup, and the basic research programs that maintain American leadership in discovery science and energy security.

The fact is, the private sector is better suited to commercialize and deploy energy technology than the federal government.

By reducing the federal government's ability to inject itself into energy markets and focusing its mission on these fundamental responsibilities, we can reduce spending and foster the growth of American energy. Our budget provides numerous examples of programs that can be streamlined to accomplish this goal:

- **Reduce Funding for Commercial Research and Development.** Our budget supports maintaining current funding levels for basic R&D activities within the DOE, while significantly reducing funding for applied R&D. Focusing on basic R&D will allow the DOE to zero in on cutting-edge discoveries in the physical sciences that may lead to major improvements in society, such as with the Internet, while leaving the application, commercialization, and deployment of new technologies to the private sector.
- **Rescind Unobligated Balances from the Stimulus Bill's Green Energy Programs.** The budget recommends rescinding unobligated balances in the DOE's loan portfolio. Since implementation of the "American Recovery and Reinvestment Act of 2009," the stimulus bill, these programs have spawned numerous failures, including Solyndra and Abound Solar. The government cannot reverse the harm that these activities caused or recover taxpayer dollars from failed entities. It can reclaim all of the spending authority the DOE has not yet obligated to ensure that taxpayers do not experience additional risk for renewable energy projects that would not otherwise be market-viable.
- **Rescind Unobligated Balances from the Title XVII Loan Guarantee Program.** The budget recommends rescinding unobligated balances in the DOE's Title XVII Section 1703 loan guarantee program. The Department has over \$25 billion in remaining loan guarantee authority, which includes over \$12.5 billion in authority for advanced nuclear energy, \$8.5 billion for advanced fossil energy, and \$4.5 billion for renewable energy and energy efficiency projects. Despite high-profile project failures, the office lacks transparency and has been slow to implement management recommendations made by the GAO. The government must continue to manage the existing portfolio of loan guarantees, but it should avoid putting additional tax dollars at risk by not issuing new loan guarantees. The Federal Government should reclaim the remaining spending authority the DOE has not yet obligated to ensure that taxpayers do not experience additional risk.
- **Repeal Stimulus-Driven Borrowing Authority Specifically for Green Transmission.** The \$3.25 billion in borrowing authority in the Western Area Power Administration's Transmission Infrastructure Program provides loans to develop new transmission systems aimed solely at integrating renewable energy. Lawmakers inserted this authority into the 2009 stimulus bill

without the opportunity for debate. The authority includes a bailout provision that would require American taxpayers to pay outstanding balances on projects that private developers fail to repay. The budget rescinds the program's unobligated funds, saving taxpayers almost one billion dollars.

Eliminating these Obama-era pet programs will help us reduce federal spending in the energy sector and promote private-sector energy production and innovation.

Transportation

A fundamental component of building a better America is investing in transportation infrastructure to enable people and goods to move freely, efficiently, and affordably. These investments will support a growing and thriving economy. Yet current federal infrastructure programs can poorly direct resources or permit bureaucrats to pick winners and losers.

Productive investment in transportation should be a primary goal of lawmakers. As in the energy sector, achieving significant deficit reduction is possible by downsizing or eliminating federal transportation programs that pick winners and losers or lack a clear federal nexus. Our budget follows this very path by making the following recommendations:

- ***Reduce Federal Subsidies for Amtrak.*** The budget assumes reduced federal subsidies for Amtrak's operations. Federal subsidies have insulated the National Railroad Passenger Corporation [Amtrak] from becoming self-sufficient, and they commit taxpayers nationwide to underwriting the commutes, recreation, and other trips for a fraction of the traveling public. The 1997 Amtrak authorization law required Amtrak to operate free of subsidies by 2002. Yet taxpayers continue subsidizing Amtrak tickets.
- ***Prohibit Funding for High-Speed Rail.*** Only two high-speed rail lines in the world are profitable: one in France and another in Japan. They serve densely populated areas where gasoline is expensive. Similar success is far from certain in the U.S., which has low population densities relative to high-speed rail markets in Europe and Asia. Backing such risky, local projects are not within the purview of the Federal Government, but instead is suited to the discretion of states, localities, and the private sector.
- ***Phase Out Capital Investment Program Grants.*** Often called New Starts, this program awards grants for new fix-guideway mass transit projects and the expansion of existing ones. Streetcars, ferries, bus rapid transit, and other types of rail transit are examples of eligible projects. Such transportation activities produce local, not national, benefits.
- ***Eliminate TIGER Grants.*** The Transportation Investment Generating Economic Recovery [TIGER] Program was a 2009 stimulus bill measure established as a competitive grant program. The Trump Administration and our committee agree in recommending an end to this unauthorized program, in favor of supporting Nationally Significant Freight and Highways Projects grants, which more justifiably will produce national benefits.

Taking these steps to reform and eliminate narrowly targeted or risky federal programs will help us reduce the deficit while focusing federal resources on national transportation efforts that produce the best return on our investment.

Commerce

Supporting commerce – maintaining an environment that allows ingenuity and free enterprise to flourish – is a worthy and important role of government. This includes providing necessary oversight and regulation of business and commerce. As in other areas, however, the Federal Government’s solution for every problem involves more money, more red tape, and more bureaucracy. The government does have a role in allowing markets to remain competitive, to encourage innovation and creativity, promote efficiency, and thereby stimulate an expanding range of products and services at lower costs for consumers.

When the federal government creates artificial barriers to entry for entrepreneurs and startups, consumers pay the price. The government should not pick winners and losers. The federal regulatory regime of the previous administration allowed the rulemaking process to protect established corporate actors, to the detriment of innovative small businesses.

Building a Better America recommends a different path for the Department of Commerce.

Our budget supports the recent Presidential directives established by the Trump Administration to combat the regulatory burden placed on manufacturers and streamline the permitting review and approval processes. The Memorandum on Streamlining Permitting and Reducing Regulatory Burdens for Domestic Manufacturing (“Memorandum on Manufacturing”) provides for stakeholder engagement and feedback from the nation’s domestic manufacturers, in an effort to highlight unnecessary regulatory burdens and other administrative policies, practices, and procedures that inhibit economic growth and job creation.

Our budget makes the following recommendations:

- ***Eliminate Corporate Welfare Programs in the Department of Commerce.*** Subsidies to businesses distort the economy, impose unfair burdens on taxpayers, and are especially problematic given the federal government’s fiscal situation. Programs under consideration for elimination could include the following:
 - The Hollings Manufacturing Extension Program. This program subsidizes a network of nonprofit extension centers that provide technical, financial, and marketing services for small and medium-size businesses. The private market generally provides these services. The program, which was supposed to be self-supporting, derives two-thirds of its funding from non-Federal sources.
 - The International Trade Administration [ITA]. This Department of Commerce agency provides trade-promotion services for U.S. companies. The fees it charges for its services do not cover the costs. Businesses can obtain similar services from state and local governments and the private market. Congress should eliminate the ITA or require it to charge for the full cost of these “Trade Promotion Authority” services.

- The National Network for Manufacturing Innovation. This program, previously known as the Advanced Manufacturing Technology Consortia, provides federal grants to support research for commercial technology and manufacturing. As stated in the Heritage Foundation's *The Budget Book*: "Businesses should not receive taxpayer subsidies; these long-lived and unnecessary subsidies increase federal spending and distort the marketplace. Corporate welfare to politically connected corporations should end."
- ***Eliminate Overlap and Consolidate Necessary Department of Commerce Functions Into Other Departments.*** Since its establishment in 1903, the Commerce Department has expanded in size and scope to include many activities better suited at other agencies. The Department of Commerce and its various agencies and programs are rife with waste, abuse, and duplication. This budget recommends the following dissolution, delegation of authority, and consolidation measures:
 - Consolidate National Oceanic and Atmospheric Administration functions into the Department of the Interior;
 - Establish the U.S. Patent and Trademark Office as an independent agency;
 - Eliminate the International Trade Administration;
 - Delegate trade enforcement activities to the International Trade Commission;
 - Consolidate the Bureau of Industry and Security into the Department of State;
 - Eliminate the Economic Development Administration;
 - Consolidate trade adjustment activities within the Department of Labor, which has a duplicate program;
 - Consolidate the Minority Business Development Agency into the Small Business Administration;
 - Consolidate the National Institute of Standards and Technology and the National Technical Information Services within the National Science Foundation;
 - Consolidate the National Telecommunication and Information Administration into the Federal Communications Commission as an independent agency; and
 - Consolidate the United States Census Bureau and the Bureau of Economic Analysis into the Department of Labor's Bureau of Labor Statistics.

Reducing Improper Payments

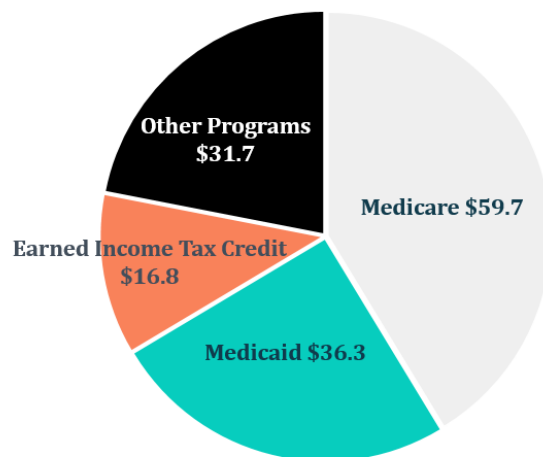
Waste and mismanagement exist throughout government, at both the state and federal levels. The extent of government-wide payment errors is higher than most people might think.

Elected officials are tasked with being good stewards of taxpayer dollars, but the federal bureaucracy has proven to be wasteful, inefficient, and often susceptible to fraud. Tackling an issue as significant as improper payments is daunting, but this committee believes it is necessary. The extent of government-wide payment errors is high and requires real action to fix the root problems.

“Improper payments” are any government payment made in an incorrect amount (mostly overpayments), to the wrong individual or entity, or for the wrong reason. According to the Government Accountability Office, these payments totaled a stunning \$144.3 billion in 2016, up from \$107.1 billion in 2012.

Worse, this figure likely understates the full extent of the problem; 18 government programs deemed susceptible to improper payments did not even submit error estimates last year, according to GAO. Thus, the estimated total may very well represent a floor rather than a ceiling.

IMPROPER PAYMENTS BY GOVERNMENT PROGRAM IN FY 2016 (\$ BILLIONS)



SOURCE: GAO

In past years, Congress has passed legislation to address the problem of improper payments, including the “Improper Payment Information Act of 2002” and the “Improper Payments Elimination and Recovery Act of 2010.” Unfortunately, many federal agencies have failed to comply with the legislation, providing no information about the extent of improper payments and potential solutions.

Our budget proposes the establishment of an independent commission to find tangible solutions to reduce government-wide improper payments. The new commission would be charged with finding tangible ways to reduce government-wide improper payments by 50 percent within the next five years. It would also be required to develop a tighter system of agency oversight to ensure agencies comply with commission recommendations and achieve the reduction goal over time.

Taking this decisive action will result in hundreds of billions of dollars in deficit reduction over the next 10 years and will improve the quality of government programs and services.

Budget Process Reform

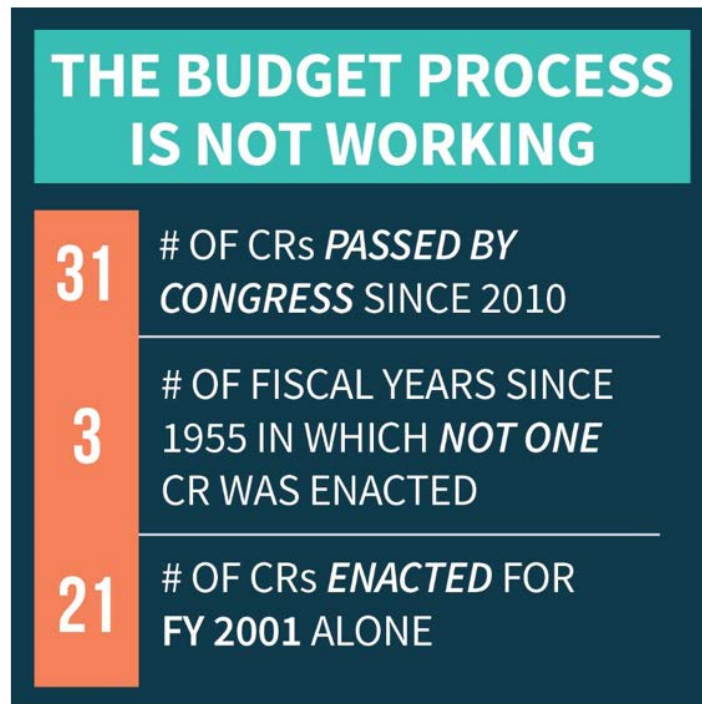
The federal budget is complex. At its core, though, budgeting is governing. The federal government should view the budget process as a principal means of exercising constitutional government. The Constitution does not prescribe how big government should be, but it does establish a framework for limiting government.

Since enactment of the “Congressional Budget Act in 1974,” the budget process has rarely worked as intended. Deadlines in the “Congressional Budget Act” are missed far more often than met, rules are often skirted, and loopholes in spending restraints are exploited. Since 1998, the House and Senate have failed nine times to agree on a budget resolution, the cornerstone of the process.

We are due for a much-needed update. The current system contains distortions and biases that promote higher spending and do not provide accurate projections of how policies will affect the economy.

Building a Better America calls for a complete overhaul of the “Congressional Budget Act of 1974” and a return to constitutional principles. Budget process reform should reflect the following principles:

- A new budget process should enforce tangible deadlines and encourage spending restraints.
- The new process should reinforce a healthy balance of power between the different branches of government, so that Congress restores its power of the purse and improves its oversight of Executive Branch activities.
- The process should be modernized to give Congress tools to better understand how policies will affect the nation’s fiscal and economic trajectory.
- The process should impose regulatory budgeting tools. Necessary regulation can be done in more cost-effective ways. Congress can budget for how much new regulation, if any, the American economy can sustain year to year – before imposing it.



SOURCE: CRS

A new budget process, with real deadlines, real incentives to restrain federal spending, and real recognition of the effect of federal regulations will not only help this Congress build a better America, but it will help us show the American people that we can govern well.

Budgeting is governing. The failure to budget is the failure to govern.

Appendices

Appendix I: The Long-Term Budget Outlook

The growing probability of a sovereign debt crisis is an urgent challenge the United States faces today. The source of the crisis is the drift toward ever-expanding government, and the Congressional Budget Office [CBO] has repeatedly warned current laws and policies are fiscally unsustainable.

CBO projects Federal debt held by the public – which stands at roughly 77.5 percent of gross domestic product [GDP] today – will surge to 113 percent of GDP in the next 20 years, and 150 percent by 2047.¹ The automatic spending for Federal entitlement programs, plus interest payments, will continue to dominate the budget. By 2029, entitlement spending plus net interest is expected to consume all Federal revenue, meaning all other government activities – such as national defense, education, infrastructure, research, and myriad others – will have to be financed on borrowed money. *This is an entrenched, structural excess of spending over revenues.*

This budget would turn the tide. If the policies incorporated in the budget were enacted, they would yield \$6.6 trillion in deficit reduction (compared with current projections) over the next 10 years. The budget calls for responsible reforms of government spending programs. It protects key priorities while eliminating waste. It avoids sudden and arbitrary cuts to current services, such as those the country would experience in a debt crisis.

This budget does not make sudden “cuts.” Instead, it holds spending growth to a manageable rate. Under the CBO current law baseline, the Federal Government will spend \$52.5 trillion over the next 10 years.² Under this budget proposal, it will spend roughly \$46.2 trillion. Put another way, on its current path, Federal spending will rise by an unmanageable annual average of 5.1 percent, significantly greater than the projected growth in nominal GDP. This budget slows that rate of spending growth to 3.0 percent, less than the economy’s nominal rate of expansion.

The spending path in this budget will result in a balanced budget within 10 years and a growing surplus that will lead to a sharp reduction in the national debt. The Budget Committee estimates a small budget surplus in 2027 will steadily grow larger in years beyond the window. At the same time, debt held by the public will decline from 77 percent of GDP today³ to 61 percent of GDP in 2027, and will fall steadily as a percent of GDP in the subsequent twenty years – a glide path to fully paying off the national debt.

Over the long term, the budget assumes revenue generally follows CBO’s extended baseline adjusted for tax relief provided by the “American Health Care Act.” The Budget Committee estimates revenues under this budget will grow from about 17.8 percent of GDP this year⁴ and assumes they will gradually rise over the twenty-year period subsequent to the window until eventually reaching and stabilizing at 19.0 percent of GDP, including the macroeconomic effects of the budget’s pro-growth policies and the Trump Administration’s regulatory relief.

¹ Congressional Budget Office, *The 2017 Long-Term Budget Outlook*, March 2017, Data and Supplemental Information.

² Congressional Budget Office, *The Budget and Economic Outlook: 2017 to 2027*, January 2017.

³ Ibid.

⁴ Ibid.

Appendix II: Macroeconomic Feedback Effects of Pro-Growth Policies

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

On the other hand, Federal policies – including tax policy, regulations, and rising deficits and debt – can affect the economy’s potential to grow. They can generate changes in economic performance that “feed back” into positive budgetary outcomes. Consequently, fiscally responsible policies that improve the economy’s long-term growth prospects can help reduce the size of budget deficits over a given period. This resolution is based on a post-policy perspective, incorporating the macroeconomic feedback effects of its spending and deficit reduction, as well as its assumed tax reform and other policies.

The Budget Committee estimates that under all of the pro-growth policies in this year’s budget resolution – including Obamacare repeal and replace legislation, comprehensive tax reform, welfare reform, net deficit reduction of \$5.1 trillion from spending restraint, and the Trump Administration’s regulatory reforms – real annual economic growth can average 2.6 percent over 10 years, 0.7 percentage points higher than the CBO baseline’s 1.9 percent average. This higher growth rate is consistent with the higher growth that many economists including Doug Holtz-Eakin, John Diamond, John Cogan, Glenn Hubbard, John Taylor, and Kevin Warsh say is achievable if these pro-growth policies are enacted and implemented.^{5,6,7}

Applying CBO’s economic rules of thumb⁸ to the anticipated 2.6 percent average growth yields a macroeconomic effect on the budget of \$1.8 trillion over ten years, compared to the January 2017 CBO baseline. The budget assumes that \$1.5 trillion of this total reduces the deficit and therefore, the remaining \$300 billion can be attributed to making tax reform legislation deficit neutral.

⁵ Douglas J. Holtz-Eakin, testimony to the Committee on the Budget, U.S. House of Representatives, 7 June 2017.

⁶ John W. Diamond, testimony to the Committee on the Budget, U.S. House of Representatives, 7 June 2017.

⁷ John F. Cogan, R. Glenn Hubbard, John B. Taylor, Kevin M. Warsh, “On the Prospects for Higher Economic Growth,” June 18, 2017; Hoover Institute, Stanford University and American Enterprise Institute.

⁸ Congressional Budget Office, *How Economic Changes Affect CBO’s Budget Projections*, Blog Post, 24 April 2017.

Appendix III: Reconciliation

One of the most important aspects of the budget process is the ability to use reconciliation. While reconciliation is an extremely powerful tool, it does come with precise rules to guide the process and strict limitations.

At its core, reconciliation is a fast track procedure used to make changes to mandatory spending and revenue that cannot be filibustered in the Senate.

The reconciliation process begins when the House and Senate agree on a budget resolution for the upcoming fiscal year. That concurrent resolution will contain reconciliation instructions to one or more authorizing committees to achieve a specific dollar amount of savings through mandatory programs. The individual pieces from each of the instructed committees is then brought together into a single bill by the House Budget Committee and voted on by the full House, and then sent to the Senate for consideration. Like all pieces of legislation, the House and Senate must agree on the same bill and then that bill is signed by the president into law.

It's important to understand the following about reconciliation:

- 1) Reconciliation instructions only set savings targets for the instructed committees. It is up to the authorizing committees to decide which policies to include in the reconciliation bill to meet those targets.
- 2) In the Senate, all policies in a reconciliation bill must have a direct budgetary impact. Otherwise they may be subject to a point of order, and possibly stricken from the bill, under what is known as the Byrd Rule.
- 3) Each committee that receives reconciliation instructions must produce net deficit reduction.

While reconciliation was used out of necessity to address Obamacare earlier this year, the fiscal 2018 budget envisions using reconciliation for its original purpose: to address mandatory spending and revenue.

Therefore, *Building a Better America* contains reconciliation instructions to the House Ways and Means Committee to pursue legislation to reform our broken tax code. The budget also contains reconciliation instructions for 11 authorizing committees to achieve at least \$203 billion in mandatory savings and reforms.

This budget cannot dictate to the Ways and Means Committee how tax reform should be done, nor can it dictate to authorizing committees what policies to include to achieve the \$203 billion in savings.

It is also important to understand that not all mandatory spending is part of the safety net (in fact, much of the mandatory pie is filled with non-health, non-income security programs that are a part of the management of many of the federal government's operations. In addition, Social Security cannot be addressed in reconciliation.

Therefore the Budget Committee cannot force specific policy changes, but it is the view of the committee that all of mandatory spending will be examined, and that reconciliation should be utilized every year.

RECONCILIATION SAVINGS BY COMMITTEE (OVER 10 YEARS)

- Agriculture Committee, \$10 billion
- Armed Services Committee, \$1 billion
- Education and Workforce Committee, \$20 billion
- Energy and Commerce Committee, \$20 billion
- Financial Services Committee, \$14 billion
- Homeland Security, \$3 billion
- Natural Resources Committee, \$5 billion
- Judiciary Committee, \$45 billion
- Oversight and Government Reform, \$32 billion
- Veterans Committee, \$1 billion
- Ways and Means Committee, \$52 billion

Appendix IV: Improper Payments

Waste and mismanagement are all too common throughout the government, at both the State and Federal level. The extent of government-wide payment errors is higher than most think. These “improper payments” are defined as any government payment made in an incorrect amount (mostly overpayments), to the wrong individual or entity, or for the wrong reason. According to the Government Accountability Office [GAO], these payments totaled a stunning \$144.3 billion in 2016, up from \$107.1 billion in 2012.

These payment errors occur widely throughout government, including 112 government programs across 22 agencies, GAO reports. More than 75 percent of the problem, however, lies with three large programs: Medicare, Medicaid, and the Earned Income Tax Credit [EITC]. One example of an improper payment would be an Unemployment Insurance check going to someone who has already returned to work. Another example would be an EITC payment going to an individual who has earned income above the program’s qualifying amount.

Congress has passed legislation over the years to try to address the problem of improper payments, but tangible progress on reducing improper payments remains elusive.

GAO has also provided agencies with numerous program-specific recommendations over the years for bolstering internal controls to reduce improper payments. Nevertheless, agencies are not obligated to act on these recommendations. GAO has made nearly 130 recommendations over the past five years that the various agencies have not fully acted upon.

Given this state of affairs, Congress should establish an independent commission to find tangible solutions to reduce government-wide improper payments by the end of the year.

This new commission would be charged with finding ways to tangibly reduce government-wide improper payments by 50 percent within the next five years. This timeframe recognizes that this problem is complex and there is not a silver-bullet solution that could be implemented overnight. Rather, the commission should methodically solicit input from experts within government, such as GAO, and the private sector to determine the best ways to tackle this problem.

No matter how useful the solutions, it will be incumbent upon the agencies to implement them. The commission should therefore also be required to develop a tighter system of agency oversight to ensure agencies comply with commission recommendations and are achieving the reduction goal over time. This could include penalties and funding reductions for agencies that fail to meet the established target.

Reducing government-wide improper payments is no easy task. It will take innovative and comprehensive solutions and an incentive structure to make sure agencies act upon them. Nevertheless, even reducing these improper payments by half would save the government, and taxpayers, hundreds of billions of dollars over the budget window.

Appendix V: Summary Tables

S-1

S-1	FY2018 House Budget (Nominal dollars in billions)										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
House Budget											
Outlays	4,024	4,185	4,264	4,371	4,561	4,663	4,772	4,977	5,173	5,345	46,333
Revenue	3,542	3,668	3,797	3,920	4,067	4,219	4,386	4,574	4,785	4,993	41,953
Macroeconomic Impact on the Deficit	-10	-20	-30	-70	-100	-150	-210	-250	-300	-360	-1,500
Deficit(+)/Surplus(-)	472	496	437	381	394	293	175	153	88	-9	+2,880
Debt Held by Public	15,400	15,972	16,477	16,921	17,372	17,720	17,949	18,156	18,299	18,346	
As a Share of GDP											
Outlays	20.1%	20.1%	19.6%	19.3%	19.1%	18.7%	18.2%	18.2%	18.0%	17.8%	18.9%
Revenue	17.7%	17.6%	17.5%	17.3%	17.0%	16.9%	16.7%	16.7%	16.7%	16.6%	17.1%
Macroeconomic Fiscal Impact	-0.1%	-0.1%	-0.1%	-0.3%	-0.4%	-0.6%	-0.8%	-0.9%	-1.0%	-1.2%	-0.6%
Deficit(+)/Surplus(-)	2.4%	2.4%	2.0%	1.7%	1.6%	1.2%	0.7%	0.6%	0.3%	0.0%	+1.3%
Debt Held by Public	77.0%	76.8%	75.9%	74.5%	72.7%	70.9%	68.5%	66.3%	63.8%	60.9%	n.a.

S-2

S-2	FY2018 House Budget vs. Current Policy (Nominal dollars in billions)										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027
Outlays	-66	-131	-260	-386	-497	-595	-687	-804	-937	-1,077	-5,440
Revenue	-62	-65	-81	-99	-109	-127	-141	-150	-146	-147	-1,125
Macroeconomic Impact on Deficit	-10	-20	-30	-70	-100	-150	-210	-250	-300	-360	-1,500
Deficit	-15	-86	-209	-358	-488	-618	-756	-904	-1,091	-1,291	-5,815
Debt Held by Public	-15	-101	-310	-668	-1,156	-1,774	-2,531	-3,435	-4,525	-5,816	

S-3

S-3	FY2018 House Budget by Major Category (Outlays in billions)											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027	
Social Security	995	1,056	1,121	1,191	1,263	1,340	1,420	1,503	1,590	1,681	13,159	
Medicare (Net)	587	646	685	732	818	837	841	907	978	1,043	8,074	
Medicaid & Other Health	490	509	480	457	471	487	506	528	550	563	5,042	
Other Mandatory	407	366	341	334	335	296	282	295	293	281	3,229	
Discretionary (Base)	1,203	1,226	1,218	1,207	1,194	1,190	1,184	1,191	1,192	1,197	12,002	
Global War on Terrorism	46	51	43	32	19	14	12	4	1	0	221	
Net Interest	295	330	374	419	460	498	526	548	568	579	4,600	
Total Outlays	4,024	4,184	4,263	4,371	4,560	4,662	4,771	4,977	5,172	5,344	46,327	

S-4

S-4	FY2018 House Budget vs. Current Policy by Major Category											
	(Outlays in billions)											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027	
Social Security	0	0	0	0	0	-1	-1	-1	-1	-1	-4	
Medicare (Net)	-3	-8	-17	-24	-31	-37	-55	-88	-102	-122	-487	
Medicaid & Other Health	-26	-30	-90	-145	-161	-178	-193	-208	-223	-250	-1,504	
Other Mandatory	-77	-149	-191	-215	-248	-281	-285	-297	-339	-364	-2,446	
Discretionary (excluding GWOT)	40	57	42	11	-30	-56	-87	-116	-146	-175	-458	
Global War on Terrorism (GWOT)	0	0	0	0	0	0	0	0	0	0	0	
Net Interest	0	-1	-4	-13	-26	-44	-67	-94	-127	-166	-541	
Total Outlays	-66	-131	-260	-386	-497	-595	-687	-804	-937	-1,077	-5,440	

S-5

S-5	FY2018 House Budget Base Discretionary Budget Authority vs. Budget Control Act Caps (Nominal dollars in billions)											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027	
Total in Budget Resolution	1,132	1,161	1,150	1,157	1,156	1,153	1,151	1,159	1,159	1,164	11,543	
Defense	622	653	685	719	723	726	730	733	737	740	7,069	
Non-Defense	511	509	465	438	433	427	421	426	422	424	4,474	
Global War on Terrorism	87	60	43	26	12	12	12	0	0	0	252	
Total in Budget Control Act Caps ¹	1,065	1,091	1,118	1,145	1,173	1,203	1,233	1,263	1,295	1,327	11,913	
Defense	549	562	576	590	605	620	635	651	668	684	6,140	
Non-Defense	516	529	542	555	568	583	597	612	627	643	5,773	
Total Difference	+68	+70	+32	+13	-18	-49	-82	-104	-136	-163	-370	
Defense	+72	+91	+109	+129	+118	+107	+95	+82	+69	+56	+929	
Non-Defense	-5	-21	-77	-117	-136	-156	-176	-187	-205	-219	-1,299	

¹Budget Control Act spending caps are valid for fiscal years 2018-2021. For fiscal years 2022-2027, the data reflects CBO's baseline estimate for base discretionary budget authority.

S-6

S-6	Cross-Walk from CBO January 2017 Baseline to Current Policy (figures in billions)											
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2018-2027	
CBO January Baseline Deficit(+)/Surplus(-)	487	601	684	797	959	1,000	1,027	1,165	1,297	1,408	9,425	
Effect of Revenue Adjustments	0	0	0	0	0	0	0	0	0	0	0	
Effect of Outlay Adjustments	-1	-18	-37	-55	-72	-80	-84	-94	-99	-103	-644	
Debt Service	0	0	-1	-3	-5	-8	-12	-15	-19	-23	-87	
Total Current Policy Deficit (+)/Surplus(-)	486	582	646	739	881	912	931	1,056	1,178	1,282	8,694	
CBO January Baseline Outlays	4,091	4,334	4,562	4,816	5,135	5,346	5,554	5,890	6,228	6,548	52,504	
Global War on Terrorism Policy	0	-17	-34	-53	-69	-77	-81	-91	-96	-99	-617	
Non-Recurring Emergencies	-1	-2	-2	-3	-3	-3	-3	-3	-3	-3	-26	
Debt Service	0	0	-1	-3	-5	-8	-12	-15	-19	-23	-87	
Total Current Policy Outlays	4,090	4,315	4,524	4,758	5,057	5,258	5,458	5,781	6,109	6,422	51,773	
CBO January Baseline Revenue	3,604	3,733	3,878	4,019	4,176	4,346	4,527	4,724	4,931	5,140	43,078	
Total Current Policy Revenue	3,604	3,733	3,878	4,019	4,176	4,346	4,527	4,724	4,931	5,140	43,078	
CBO January Baseline Debt Held by Public	15,416	16,092	16,845	17,704	18,721	19,776	20,858	22,078	23,430	24,893		
Current Policy Impact on Debt	-1	-19	-57	-116	-193	-282	-377	-487	-605	-731		
Total Current Policy Debt Held by Public	15,415	16,073	16,788	17,588	18,528	19,494	20,481	21,591	22,825	24,162		