112TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
112–577

SEQUESTRATION TRANSPARENCY ACT OF 2012

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H.R. 5872

A BILL TO REQUIRE THE PRESIDENT TO PROVIDE A REPORT DETAILING THE SEQUESTER REQUIRED BY THE BUDGET CONTROL ACT OF 2011 ON JANUARY 2, 2013, HAVING CONSIDERED THE SAME, REPORTS FAVORABLY THEREON WITH AN AMENDMENT AND RECOMMENDS THAT THE BILL AS AMENDED DO PASS

together with

MINORITY VIEWS

JULY 2, 2012.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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112TH CONGRESS 2d Session } HOUSE OF REPRESENTATIVES { REPORT 112–577

SEQUESTRATION TRANSPARENCY ACT OF 2012

JULY 2, 2012.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. RYAN of Wisconsin, from the Committee on the Budget, submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 5872]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Budget, to whom was referred the bill (H.R. 5872) to require the President to provide a report detailing the sequester required by the Budget Control Act of 2011 on January 2, 2013, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Sequestration Transparency Act of 2012".

SEC. 2. SEQUESTER PREVIEW.

(a) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, the President shall submit to Congress a detailed report on the sequestration required to be ordered by paragraphs (7)(A) and (8) of section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 901a) for fiscal year 2013 on January 2, 2013.

(b) CONTENTS OF REPORT.—The report required by subsection (a) shall include—

(1) for discretionary appropriations—

(A) an estimate for each category of the sequestration percentages and amounts necessary to achieve the required reduction; and

(B)(i) for accounts that are funded pursuant to an enacted regular appropriation bill for fiscal year 2013, an identification of each account to be sequestered and estimates of the level of sequestrable budgetary resources and resulting reductions at the program, project, and activity level based upon the enacted level of appropriations; and

(ii) for accounts that have not been funded pursuant to an enacted regular appropriation bill for fiscal year 2013, an identification of each account to be sequestered and estimates pursuant to a continuing resolution at a rate of operations as provided in the applicable appropriation Act for fiscal year 2012 of the level of sequestrable budgetary resources and resulting reductions at the program, project, and activity level;

(2) for direct spending—

(A) an estimate for the defense and nondefense functions based on current law of the sequestration percentages and amount necessary to achieve the required reduction; and

(B) an identification of the reductions required for each nonexempt direct spending account at the program, project, and activity level;

(3) an identification of all exempt discretionary accounts and of all exempt direct spending accounts; and

(4) any other data and explanations that enhance public understanding of the sequester and actions to be taken under it.

(c) AGENCY ASSISTANCE.—(1) Upon the request of the Director of the Office of Management and Budget (in assisting the President in the preparation of the report under subsection (a)), the head of each agency, after consultation with the chairs and ranking members of the Committees on Appropriations of the House of Representatives and the Senate, shall promptly provide to the Director information at the program, project, and activity level necessary for the Director to prepare the report under subsection (a).

(2) As used in this subsection, the term "agency" means any executive agency as defined in section 105 of title 5, United States Code.

Introduction

Under current law, across-the-board spending reductions are scheduled to occur on January 2, 2013. These reductions were enacted as part of the Budget Control Act of 2011 (BCA) and require the Office of Management and Budget (OMB) to make cuts in both defense spending and non-defense discretionary spending (approximately 10-percent and 8-percent respectively). Subsequent to fiscal year 2013, OMB will determine the exact amounts to come from discretionary and direct spending at the start of each calendar year through fiscal year 2021. To date OMB has refused to provide an official estimate of the spending reductions that would occur.

SUMMARY OF PROPOSED CHANGES

This bill does not change current law sequester procedures but rather establishes a new requirement for OMB to provide Congress with a report related to the spending reductions scheduled to take place under the terms of the BCA. The report is to include information about programs, projects, and activities that would be reduced under current law to achieve specified levels in the BCA.

LEGISLATIVE HISTORY

Enacted on August 2, 2012, the BCA authorized an increase in the public debt limit. Added to this increase were statutory controls on spending, primarily in the form of establishing discretionary spending limits from fiscal years 2012 through 2021 and making the Balanced Budget and Emergency Deficit Control Act of 1985 permanent law.

These limits for fiscal years 2012 and 2013 were divided into security and nonsecurity categories, with the remaining years set as a single general discretionary category. These initial spending limits have been supplanted, though, since the BCA also included additional procedures that had the effect of altering the spending limits as set out in the statute. The Congressional Budget Office provided to the Congress a letter which indicated that the discretionary spending limits of the BCA decrease projected spending, including savings from debt service, by $917 billion over the 10 fiscal years covering 2012 through 2012.

The BCA also established a Joint Select Committee on Deficit Reduction (Joint Committee) which was tasked with reporting a bill to reduce the federal deficit by an additional $1.5 trillion over a 10-year period ending in fiscal year 2021. Legislation from the Joint Committee would have been considered under procedures limiting amendment and debate. Under the terms of the BCA, if legislation from the Joint Committee reducing the deficit by at least $1.2 trillion was not enacted, then a procedure would be set in motion to reduce spending by adjusting the discretionary spending limits downward and calculating an amount of reductions in direct spending necessary to achieve the $1.2 trillion (or a portion thereof were legislation from the Joint Committee achieving some deficit reduction was enacted).

The Joint Committee was unable to report any proposal reducing the deficit by any amount and no legislation to that purpose was enacted by the required January 15, 2012 deadline. On this date, the automatic spending reduction process was triggered.

The process that began on January 15, 2012 had the following ramifications: The statutory discretionary spending limits were replaced by new spending limits with new definitions of security and nonsecurity—now effectively defense and nondefense categories, though the previous terms are still used. These categories have replaced the discretionary general category through 2021.

The process has two components: sequestration and discretionary spending limits reduction. In order to achieve the $1.2 trillion in deficit reduction, spending reductions will occur absent a change in law. OMB is charged with calculating the amount in spending reduction required to achieve the specified deficit reduction.

Since the Joint Committee didn't achieve any deficit reduction, the calculation begins with a spending reduction of the full $1.2 trillion from fiscal year 2013 through fiscal year 2021. According to the BCA formula, that number is reduced by 18 percent to account for the reduced cost of debt service attributable to the lower level of spending. The remaining amount is divided by nine to account for each of fiscal years 2013 through 2021. This amount is then divided by two so that it is evenly distributed between reductions in defense and nondefense accounts.

The spending reductions are further divided between direct spending and discretionary spending within the defense and nondefense accounts. The implementation of the spending reductions is distinct from the calculation of the amounts. Once the amount is calculated, the BCA requires reductions through sequestration and reductions to the revised discretionary spending limits.

The BCA establishes a unique process for FY 2013. Under the law, with the Joint Committee's failure to achieve at least $1.2 trillion in deficit reduction, OMB is required to make across-the-board reductions in non-exempt programs on January 2, 2013. The Congressional Budget Office estimates that this sequester order will reduce spending by $110 billion.[1] The sequestration order affects both discretionary and direct spending for fiscal year 2013. This means discretionary amounts appropriated for fiscal year 2013 will be sequestered by the calculated amount no matter how much is appropriated—it is not sequestered as a function of the discretionary spending limit for that fiscal year. In addition, for all fiscal years 2013 through 2021, a direct spending sequester of nonexempt accounts will be ordered.

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[1] This estimate, part of CBO's January 2012 current law baseline, was published in Box 1-2 of the agency's report, "The Budget and Economic Outlook: Fiscal Years 2012 To 2022." *http://www.cbo.gov/sites/default/files/cbofiles/attachments/01-31-2012_Outlook.pdf.* This is, however, just an estimate. Ultimately, OMB will determine the exact amount of spending reduction from the sequester.

The House has acted to replace the sequester scheduled for January 2, 2013 with discretionary and mandatory savings. On April 27, 2012 Chairman Ryan introduced H.R. 4966, the Sequester Replacement Act of 2012 (SRA). This bill, in addition to reconciliation legislation that the Budget Committee reported, replaces the sequester. The SRA lowers the fiscal year 2013 discretionary limit from $1.047 trillion down to $1.028 trillion, a $19 billion reduction. Compared to the sequester scheduled for January 2, 2013, which would lower discretionary spending to $949 billion for fiscal year 2013, the SRA would restore $78 billion in discretionary spending.

On May 10, 2012 the House of Representatives passed H.R. 5652, the Sequester Replacement Reconciliation Act of 2012 (SRRA) with the SRA merged into its legislative text. In addition to provisions affecting the discretionary limit, the SRRA included mandatory savings of $315 billion over 10 years. The bill achieved those savings through reforms targeted at fraud, slowing the growth of federal spending, and eliminating duplicative spending. On a net basis, taking into account the change in the discretionary limits and the mandatory savings, the SRRA achieves four times the deficit reduction that would have been achieved from the first year of the discretionary sequester called for under the BCA.

Despite the House's action to pass legislation to replace the sequester, the Senate has not taken up this legislation or other legislation to replace the sequester. The President has not submitted a specific proposal to replace the sequester. Absent action by Congress to replace this sequester, it will go into effect on January 2, 2013.

The Committee has worked to assess the impact of the sequester and to review proposals to replace the sequester, holding a hearing on April 25, 2012. On April 26, 2012, the Chairman Ryan wrote the Acting Director of OMB requesting additional information on the sequester. OMB did not provide all the information requested. As a result, the Congress and the American people are confronted with a sequester that will make deep reductions in programs on January 2, 2013, without the information on how this sequester will affect individual programs.

On May 31, 2012, House Republican Conference Chairman Jeb Hensarling introduced H.R. 5872, the Sequestration Transparency Act of 2012, which is designed to obtain information about how this sequester will be applied and its effect on both nondefense and defense programs. This legislation requires the President to provide a detailed report that includes the basic details of the sequester and the actions to be taken under it.

This includes an estimate of the sequestration percentages and amounts necessary to achieve the required reduction for each spending category at the program, project and activity level. On June 27, 2012 the Committee on the Budget met to mark up H.R. 5872, to which Chairman Ryan offered a manager's amendment. Adopted by voice vote, the amendment changed the reporting date in the introduced bill and made conforming and technical changes. The legislation was reported favorably to the House by a roll call vote of 30–0.

SECTION BY SECTION

SECTION 1. SHORT TITLE

This section provides for the short title of the bill: "Sequester Transparency Act of 2012."

SECTION 2. SEQUESTER PREVIEW

This section requires the President to submit, not later than 30 days after the enactment to Congress, a detailed report on the sequestration of discretionary and direct spending as required by section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 (as amended by the Budget Control Act of 2011) for fiscal year 2013. This sequestration is scheduled to occur on January 2, 2013.

The contents of this report must include, for discretionary spending, sequestration percentages and amounts necessary to achieve the required reduction of sequestrable budgetary resources and resulting reductions at the program, project, and activity level. Those percentages must be calculated relative to any enacted regular appropriation bills for fiscal year 2013. For spending that has not been funded through regular appropriation bills but rather through a continuing resolution, the levels must be identified at a rate of operations as provided in appropriation Acts for fiscal year 2012.

For direct spending, the report must include an estimate for functions based on current law of the sequestration percentages and amount necessary to achieve the required reduction; and an identification of the reductions required for each nonexempt direct spending account at the program, project, and activity level.

The report must include an identification of all exempt discretionary accounts and direct spending accounts, and any other data and explanation enhancing the public's understanding of the sequester.

In order for the Office of Management and Budget to prepare the report, the head of each executive agency, after consultation with the chairs and ranking members of the Committees on Appropriations of the House of Representatives and the Senate, must promptly provide to the Director information at the program, project, and activity level.

HEARINGS

On April 25, 2012, the Committee on the Budget of the House held a hearing on the Budget Control Act of 2011 and how the application of an across-the-board cut in both direct spending and discretionary spending is to occur on January 2, 2013 by Presidential order.

Those testifying were Daniel I. Werfel, Controller, Office of Federal Financial Management at the Office of Management and Budget, and Susan A. Poling, Deputy General Counsel at the Government Accountability Office. The Office of Management and Budget is the lead agency responsible for implementing any sequester. At the hearing, Mr. Werfel declined to provide specific information in response to Members' questions relating to what the administration's specific proposal is to avoid the sequester and how the administration would implement the sequester if legislation is not enacted by the deadline. Mr. Werfel indicated that it would be premature for OMB to provide information on programs whose sequester status is subject to the agency's review.

The Chairman of the Committee on the Budget wrote to Acting OMB Director Zients on April 26, requesting additional information by May 4 on how the administration would execute the sequester required by the Budget Control Act. Acting Director Zients responded on May 25, 2012 with a letter calling on Congress to avoid the sequester and lacked specific detail on how the sequester would operate citing that "seven months remain before the sequester would take effect." Acting Director Zients said that OMB did not maintain a list of which budget accounts are exempt, non-exempt, or subject to a special rule, but OMB would produce a list "at the appropriate time."

VOTES OF THE COMMITTEE

Clause 3(b) of House Rule XIII requires each committee report to accompany any bill or resolution of a public character to include the total number of votes cast for and against each roll call vote, on a motion to report and any amendments offered to the measure or matter, together with the names of those voting for and against.

Listed below are the actions taken in the Committee on the Budget of the House of Representatives on the Sequester Replacement Act of 2012.

On June 27, 2012, the committee met in open session, a quorum being present.

Chairman Ryan asked unanimous consent to be authorized, consistent with clause 4 of House Rule XVI, to declare a recess at any time during the committee meeting.

There was no objection to the unanimous consent request.

Chairman Ryan asked unanimous consent to dispense with the first reading of the bill and the bill be considered as read and open to amendment at any point.

There was no objection to the unanimous consent request.

The committee adopted and ordered reported the Sequestration Transparency Act of 2012.

The committee took the following votes:

AMENDMENT OFFERED BY CHAIRMAN RYAN

1. This amendment proposed making a change to the reporting date in section 2(a) by striking "July 9, 2012" and inserting "Not later than 30 days after the date of enactment of this Act". The amendment made some technical changes to the bill text and allowed OMB to request information from federal agencies related to the program, project, and activity level necessary for the report.

The amendment was adopted by voice vote.

AMENDMENT OFFERED BY MR. VAN HOLLEN

2. This amendment proposed to rescind the January 2, 2013 sequester, offsetting the higher spending that would result through revenue increases and certain spending reductions. It would increase revenues by eliminating certain deductions for domestic oil

and gas companies and raising taxes on individuals with annual income greater than $1,000,000. The amendment would reduce spending by eliminating direct payments to farmers; reforming the Federal Flood Insurance Program; and increasing retirement contributions paid by Members of Congress.

The amendment was not agreed to by a roll call vote of 10 ayes and 19 noes.

ROLLCALL VOTE NO. 1

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)		X		SCHWARTZ (PA)	X		
SIMPSON (ID)				KAPTUR (OH)			
CAMPBELL (CA)		X		DOGGETT (TX)			
CALVERT (CA)				BLUMENAUER (OR)	X		
AKIN (MO)		X		McCOLLUM (MN)			
COLE (OK)				YARMUTH (KY)	X		
PRICE (GA)		X		PASCRELL (NJ)	X		
McCLINTOCK (CA)		X		HONDA (CA)			
CHAFFETZ (UT)		X		RYAN (OH)	X		
STUTZMAN (IN)		X		WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)		X		MOORE (WI)			
BLACK (TN)		X		CASTOR (FL)	X		
RIBBLE (WI)		X		SHULER (NC)			
FLORES (TX)		X		BASS (CA)	X		
MULVANEY (SC)		X		BONAMICI (OR)	X		
HUELSKAMP (KS)		X					
YOUNG (IN)		X					
AMASH (MI)		X					
ROKITA (IN)		X					
GUINTA (NH)		X					
WOODALL (GA)		X					

3. Mr. Garrett made a motion that the committee report the bill as amended and that the bill do pass.

The motion was agreed to by a roll call vote of 30 ayes and 0 noes.

ROLLCALL VOTE NO. 2

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RYAN (WI) (Chairman)	X			VAN HOLLEN (MD) (Ranking)	X		
GARRETT (NJ)	X			SCHWARTZ (PA)	X		
SIMPSON (ID)				KAPTUR (OH)			
CAMPBELL (CA)	X			DOGGETT (TX)	X		
CALVERT (CA)				BLUMENAUER (OR)	X		
AKIN (MO)	X			McCOLLUM (MN)			
COLE (OK)				YARMUTH (KY)	X		
PRICE (GA)	X			PASCRELL (NJ)	X		
McCLINTOCK (CA)	X			HONDA (CA)			
CHAFFETZ (UT)	X			RYAN (OH)	X		
STUTZMAN (IN)	X			WASSERMAN SCHULTZ (FL)	X		
LANKFORD (OK)	X			MOORE (WI)			
BLACK (TN)	X			CASTOR (FL)	X		
RIBBLE (WI)	X			SHULER (NC)			
FLORES (TX)	X			BASS (CA)	X		
MULVANEY (SC)	X			BONAMICI (OR)	X		
HUELSKAMP (KS)	X						
YOUNG (IN)	X						
AMASH (MI)	X						
ROKITA (IN)	X						
GUINTA (NH)	X						
WOODALL (GA)	X						

4. Mr. Garrett made a motion that, pursuant to clause 1 of rule XXII, the Chairman be authorized to offer such motions as may be necessary in the House to go to conference with the Senate, and staff be authorized to make any necessary technical and conforming changes to the bill.

The motion was agreed to without objection.

Committee Oversight Findings

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on the Budget's oversight findings and recommendations are reflected in the body of this report.

Performance Goals and Objectives

With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objectives of this legislation are to provide both the President and the Congress improved tools to reconsider spending.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 7 of rule XII of the Rules of the House of Representatives, the committee finds the constitutional authority for this legislation in Article I, section 9, clause 7.

COMMITTEE COST ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the committee report incorporates the cost estimate prepared by the Director of the Congressional Budget Office pursuant to sections 402 and 423 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
Washington, DC, June 28, 2012.

Hon. PAUL RYAN, *Chairman,*
Committee on the Budget, U.S. House of Representatives, Washington, DC 20515.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5872, the Sequestration Transparency Act of 2012.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Matthew Pickford, who can be reached at 226-2860.

Sincerely,

DOUGLAS W. ELMENDORF,
Director.

ENCLOSURE.
cc: Hon. CHRIS VAN HOLLEN, *Ranking Member.*

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE
JUNE 28, 2012

H.R. 5872: SEQUESTRATION TRANSPARENCY ACT OF 2012

As ordered reported by the House Committee on the Budget on June 27, 2012

H.R. 5872 would require the President to provide a detailed report to the Congress within 30 days of enactment regarding detailed plans for implementing the across-the-board spending cuts for fiscal year 2013 that are required under the Balanced Budget and Emergency Deficit Control Act. Under that act, the Office of Management and Budget (OMB) will implement governmentwide spending cuts in 2013. The bill also would require federal agencies to provide OMB any necessary information.

CBO estimates that implementing the legislation would have no significant impact on the federal budget because it would not significantly increase OMB's workload under current law. Enacting the bill could affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority and the Bonneville Power Administration; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net increase in spending by those agencies would not be significant. Enacting H.R. 5872 would not affect revenues.

H.R. 5872 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Matthew Pickford. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.

ADVISORY COMMITTEE STATEMENT

No advisory committee within the meaning of section 5(b) of the Federal Advisory Committee Act was created by this legislation.

Applicability to the Legislative Branch

The committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act (Public Law 104-1).

Federal Mandates Statement

The committee adopted the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act (Public Law 104-4).

Advisory on Earmarks

In accordance with clause 9 of rule XXI of the Rules of the House of Representatives, H.R. 3521 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI.

Changes in Existing Law Made by the Bill, as Reported

The Committee advises that existing law will not change as a result of the enactment of this legislation.

Minority Views

There is general bipartisan agreement that the across-the-board, meat-ax spending cuts that are scheduled to begin in January under sequestration will be bad for the country. Not only will the overall size and immediacy of the cuts put a drag on a fragile economy, but the arbitrary buzz-saw nature of the cuts would wreak havoc on defense and non-defense programs alike.

Defense Secretary Panetta believes that both the magnitude and the arbitrary nature of the cuts will damage our national defense. What has received far less attention is the devastating impact the cuts will have on other vital services and investments. They will cut the nation's air traffic controllers and could put air safety at risk. The cuts could put public safety at risk by cutting the FBI, the COPS program, border security, and food safety efforts. The sequestration cuts will reduce our investment in education—in early education, elementary and secondary education, and special education for kids with disabilities.

Sequestration will make these cuts in vital services, but also other cuts in vital investments for our economy in transportation, science, and research. Scientific research into treatments and cures to cancer, diabetes, Alzheimer's, Parkinson's, and other diseases that plague American families will be put on the chopping block along with our competitive edge in this important area of research. In fact, a coalition of universities and groups—including the American Cancer Society, the Biotechnologies Industry Association, PhRMA, and others—has concluded that the cuts to the National Institutes of Health will jeopardize America's competitive edge in medical research, and will result in the loss of more than 33,000 jobs in the biotech sector.

Democrats on the Budget Committee voted this week in favor of getting more detailed information about the negative impacts of the cuts looming through sequestration next year. But we think the Congress should be focusing on avoiding the sequester, something even Republicans agree is an irresponsible approach to cutting the budget.

That is why Democrats offered a substitute in mark-up that provides an alternative approach to reducing the deficit in a credible and stable way. Unfortunately, our substitute was defeated on a straight party-line vote with every Republican opposing it. Our substitute would eliminate the sequester in 2013 entirely—both on defense and non-defense spending—and replace the savings with even greater deficit reduction accomplished through a balanced approach that both decreases spending and increases revenues without increasing the tax burden on middle-income Americans. The Democratic substitute makes targeted policy choices that promote economic growth while achieving deficit reduction, maintaining the Medicare guarantee for seniors, and protecting Social Security and the social safety net for vulnerable Americans. The substitute also lays out a framework for replacing the entire ten-year sequester with a fair, balanced, and bipartisan approach that reduces the deficit while protecting the middle class, seniors, and vital services and investments in education, science, research, and critical infrastructure necessary to compete in the global economy.

A balanced approach is what every bipartisan group that has examined the nation's fiscal challenge has concluded that we need to follow: deficit reduction through a combination of spending cuts and revenues generated by cutting unnecessary tax breaks and special interest loopholes. The Budget Control Act of 2011 already cuts the budget by almost $1 trillion over ten years, solely through spending cuts. Putting aside the fact the House Republican budget resolution violates that agreement by cutting another $19 billion from the 2013 discretionary level, appropriators are hard at work trying to find a way to make those cuts in a targeted fashion.

We want to do our job and replace the sequester with thoughtful, rather than arbitrary, deficit reduction. We should come together with a balanced approach, as bipartisan groups have recommended. That means not just cuts to programs but also cutting tax loopholes and special interest tax breaks.

The substitute Democrats offered this week strikes that balance. It repeals several costly tax incentives that subsidize the "Big 5" major integrated oil companies. In a time of record oil profits and high prices at the pump, we do not need to subsidize big oil companies to do what they would do in any case: produce oil. The substitute also implements a "Buffett Rule" meant to ensure that middle class families will not confront higher effective tax rates than the wealthy. Starting in 2013, this substitute imposes a minimum effective tax rate of 30 percent on adjusted gross incomes above $2 million (to be phased in for taxpayers with income between $1 million and $2 million).

The substitute also refocuses farm subsidies, better targeting the agriculture safety net while continuing to help farmers effectively manage risk. It eliminates direct payments—made regardless of yields, prices, farm income or size—that are difficult to defend in times of record crop yields and prices. The substitute also reforms the federal flood insurance program, including the same language that passed overwhelmingly on the House floor last summer.

There should be bipartisan support for replacing the across-the-board sequester cuts to defense and non-defense programs with deficit reduction from specific spending cuts and cuts to special interest tax breaks. By refusing to support the substitute, Congressional Republicans have once again chosen to protect special interest tax breaks over our investments in national defense and other vital national priorities. We will continue to work to reduce the deficit in a rational way, through a balanced approach that protects key services and investments, rather than through arbitrary spending cuts under sequestration.

CHRIS VAN HOLLEN,
Ranking Member,
DEBBIE WASSERMAN SCHULTZ,
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