AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

114TH CONGRESS
2nd Session

HOUSE OF REPRESENTATIVES

REPORT
114–470

CONCURRENT RESOLUTION ON THE BUDGET— FISCAL YEAR 2017

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 125

ESTABLISHING THE BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2017 AND SETTING FORTH APPROPRIATE BUDGETARY LEVELS FOR FISCAL YEARS 2018 THROUGH 2026

together with

MINORITY VIEWS

MARCH 23, 2016.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 2017

114TH CONGRESS
2nd Session

HOUSE OF REPRESENTATIVES

REPORT
114–470

CONCURRENT RESOLUTION ON THE BUDGET— FISCAL YEAR 2017

REPORT

OF THE

COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 125

ESTABLISHING THE BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2017 AND SETTING FORTH APPROPRIATE BUDGETARY LEVELS FOR FISCAL YEARS 2018 THROUGH 2026

together with

MINORITY VIEWS

MARCH 23, 2016.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

U.S. GOVERNMENT PUBLISHING OFFICE

99–437 WASHINGTON : 2016

COMMITTEE ON THE BUDGET

TOM PRICE, Georgia, *Chairman*

TODD ROKITA, Indiana, *Vice Chairman*
SCOTT GARRETT, New Jersey
MARIO DIAZ-BALART, Florida
TOM COLE, Oklahoma
TOM McCLINTOCK, California
DIANE BLACK, Tennessee
ROB WOODALL, Georgia
VICKY HARTZLER, Missouri
MARLIN A. STUTZMAN, Indiana
FRANK GUINTA, New Hampshire
MARK SANFORD, South Carolina
STEVE WOMACK, Arkansas
DAVE BRAT, Virginia
ROD BLUM, Iowa
ALEXANDER X. MOONEY, West Virginia
GLENN GROTHMAN, Wisconsin
GARY J. PALMER, Alabama
JOHN R. MOOLENAAR, Michigan
BRUCE WESTERMAN, Arkansas
JAMES B. RENACCI, Ohio
BILL JOHNSON, Ohio

CHRIS VAN HOLLEN, Maryland, *Ranking Minority Member*
JOHN A. YARMUTH, Kentucky
BILL PASCRELL, Jr., New Jersey
TIM RYAN, Ohio
GWEN MOORE, Wisconsin
KATHY CASTOR, Florida
JIM McDERMOTT, Washington
BARBARA LEE, California
MARK POCAN, Wisconsin
MICHELLE LUJAN GRISHAM, New Mexico
DEBBIE DINGELL, Michigan
TED LIEU, California
DONALD NORCROSS, New Jersey
SETH MOULTON, Massachusetts

Professional Staff

Richard E. May, *Staff Director*
Thomas S. Kahn, *Minority Staff Director*

CONTENTS

	Page
Introduction	3
Summary Tables—Spending and Revenue:	
Table 1. Fiscal Year 2017 Budget Resolution Total Spending and Revenue	19
Table 2. Fiscal Year 2017 Budget Resolution Discretionary Spending	22
Table 3. Fiscal Year 2017 Budget Resolution Mandatory Spending	25
Comparison With the President's Budget	29
Table 4. Summary of Fiscal Year 2017 Budget Resolution	34
Table 5. Fiscal Year 2017 House Budget Resolution vs. the President's Budget	34
The Economy and Economic Assumptions	37
Table 6. Economic Projections: Administration, CBO, and Private Forecasters	43
Table 7. Economic Assumptions of the Fiscal Year 2017 Budget Resolution	44
Table 8. Tax Expenditure Estimates by Budget Function, Fiscal Years 2015–2019	45
Macroeconomic Feedback Effects of Pro-Growth Policies	55
Functional Presentation	57
Principal Federal Responsibilities	61
National Defense	61
International Affairs	66
Overseas Contingency Operations/Global War on Terrorism	72
Veterans Benefits and Services	73
Administration of Justice	81
General Government	84
Government-Wide Policy	86
Domestic Priorities	91
General Science, Space, and Technology	91
Energy	93
Natural Resources and Environment	97
Agriculture	101
Commerce and Housing Credit	101
Transportation	104
Community and Regional Development	112
Education, Training, Employment, and Social Services	115
Health	120
Income Security	123
Other Discretionary Spending	125
Direct Spending	127
Social Security	127
Medicare	131
Medicaid, the Affordable Care Act, and Related Programs	142
Income Support, Nutrition, and Related Programs	156
Farm Support and Related Programs	162
Banking, Commerce, Postal Service, and Related Programs	163
Student Loans, Social Services, and Related Programs	167
Federal Lands and Other Resources	171
Other Direct Spending	173
Financial Management	175
Net Interest	175
Allowances	176
Undistributed Offsetting Receipts	176
Revenue and Tax Reform	179
Direct Spending Trends and Reforms	183

Page

Direct Spending Trends and Reforms—Continued
Table 9. Historical Means-Tested and Non-Means-Tested Direct Spending 186
Table 10. Projected Means-Tested and Non-Means-Tested Direct Spending 187
The Long-Term Budget Outlook 189
Budget Process Reform 191
Regulatory Budgeting 199
Section-by-Section Description 201
The Congressional Budget Process 223
Table 11. Allocation of Spending Authority to House Committee on Appropriations 225
Table 12. Resolution by Authorizing Committee (On-budget Amounts) 226
Reconciliation 229
Statutory Controls Over the Budget 231
Enforcing Budgetary Levels 237
Accounts Identified for Advance Appropriations 243
Votes of the Committee 245
Other Matters Under the Rules of the House 285
Minority Views 287
Concurrent Resolution on the Budget—Fiscal Year 2017 (legislative text) 289

114TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPORT
114–470

CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 2017

ESTABLISHING THE BUDGET FOR THE UNITED STATES GOVERNMENT FOR FISCAL YEAR 2017 AND SETTING FORTH APPROPRIATE BUDGETARY LEVELS FOR FISCAL YEARS 2018 THROUGH 2026

MARCH 23, 2016.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

MR. TOM PRICE OF GEORGIA, from the Committee on the Budget, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H. Con. Res. 125]

INTRODUCTION

The budget this year faces two significant hurdles.

First, due to continued delays in tackling the government's growing fiscal problems, the budget outlook has predictably worsened. Since just last August, the projected 10-year budget deficit has swollen by $1.5 trillion. That is how much additional savings the Budget Committee has had to identify, compared with a year ago, to achieve balance within a decade. It will require a greater number of policy changes, and swifter implementation, than before. These difficulties will continue to grow as long as Congress fails to take substantial action changing the Federal Government's fiscal course. In time the problem will become insurmountable.

Second, this budget resolution gets no help from the economy. The policies of the current administration—excessive government spending, regulation, Obamacare, and all the rest—are weighing down the economy. Growth is anemic, real household incomes are stagnant, labor force participation is low, many workers are underemployed. Debt stands at historically high postwar levels, and continues rising. For the past several years, the Congressional Budget Office [CBO] has been lowering its projections of average annual economic growth (see further discussion in the economics section of this report). A better economy would produce more revenue and put less strain on the government's safety net programs, easing the policy changes needed to attain fiscal sustainability. A stronger economy would generate greater revenue, and lower deficits, through growth, not tax hikes. CBO reports that an increase in real economic growth of just 0.1 percentage point would yield $327 billion in deficit reduction—of which $286 billion would be from revenue.[1] Under the President's policies, however, the recovery is historically weak, adding to the fiscal burdens. In the absence of stronger growth, the budget has to rely entirely on spending restraint.

As was demonstrated in the 1990s, the formula for balancing the budget is a combination of fiscal restraint, solid economic growth, and limited regulation. Throughout that decade, Congress actually reduced annually appropriated "discretionary" spending after adjusting for inflation. In 1997, following 2 years of confrontation, President Clinton finally joined the Republican Congress in striving to surpass the timid and unsuccessful pursuit of mere deficit *reduction,* and commit to *eliminating* deficits—and to do so entirely through spending restraint. The Balanced Budget Act of 1997 was paired with tax cuts then estimated at $95.3 billion over 5 years and $275.4 billion over 10 years.[2] Perhaps not surprisingly, eco-

[1] Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026,* January 2016, Table B–1, p. 119.

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

nomic growth surged: Growth in real gross domestic product [GDP] exceeded 4 percent annually in the latter part of the decade. With this combination, the plan to reach balance in 5 years actually produced surpluses in 1 year—surpluses that continued to grow.

To address today's fiscal problems, and to create a foundation for robust growth, this resolution retains longstanding convictions about budgeting and governing. It reverses the drift toward ever higher spending and larger government; it reinforces the innovation and creativity stirring in the myriad institutions and communities across the country; and it revitalizes the prosperity that creates ever-expanding opportunities for all Americans to pursue their destinies. Like any good budget resolution, this one expresses a vision of governing, and of America itself. As described further in this report, this fiscal blueprint does the following:

- Balances the budget within 10 years without raising taxes, and places the government on a path to paying off the debt.
- Ensures a strong national defense, the highest priority of the Federal Government, through robust funding of troop training, equipment, and compensation.
- Restores the principle of federalism, to encourage the innovation and creativity of State and local governments.
- Calls for a fairer, simpler tax code to promote job creation and a healthy economy—an economy that ensures all Americans can prosper and achieve their goals.
- Saves, strengthens, and secures Medicare, Medicaid, and other income security programs.
- Repeals Obamacare, clearing the way for real, patient-centered health care reform.
- Reforms welfare and other automatic spending programs.
- Creates reconciliation to advance solutions through Congress and to the President's desk.

The guiding principles of the resolution follow in this introduction.

Balancing the Budget

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

The current President's cavalier attitude about deficit spending adds to the problem. He has contended that deficits in the range of 3 percent of gross domestic product [GDP] are acceptable, as

long as they remain relatively stable. The inevitable result: deficits are growing, inexorably. Only a firm commitment to balancing the budget will deliver a truly sustainable fiscal outlook.

Until the early 1960s, policymakers broadly accepted the aim of balancing the Federal budget in peacetime. For many, the conviction was practical, uncomplicated common sense: Government simply should not outspend its resources. For others, such as Nobel Laureate James M. Buchanan, balancing budgets was an ethical commitment.

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

With his alternative views of deficit financing, John Maynard Keynes upended the norm of budgeting and challenged its ethical underpinnings. As James Q. Wilson put it, Keynes was more than an important economist:

> [H]e was a moral revolutionary. He subjected to rational analysis the conventional restraints on deficit financing, not in order to show that debt was always good but to prove that it was not necessarily bad. Deficit financing should be judged, he argued, by its practical effect, not by its moral quality.[4]

Although Keynes published his theory in the 1930s, it was not until three decades later that deficit financing became politically acceptable. Even then, President Johnson insisted on balancing his final budget, notwithstanding the costs of the Vietnam War and his ambitious Great Society programs. After that, however, policymakers increasingly found deficits to be tolerable, then acceptable—and then, predictably, deficit spending became chronic.

The practical effect has been devastating. For a time in the early 1990s, it appeared the structural gap between outlays and revenues was so entrenched it could not be overcome. As noted previously, the balanced budgets later in that decade resulted from a sustained stretch of spending restraint and an unexpected boost in economic output. In January 2001, CBO was projecting budget surpluses totaling $5.6 trillion over 10 years. Following 9–11, as Congress of necessity boosted resources for national defense and homeland security, lawmakers also gave up restraints on other spending. The tolerance for deficits returned, and the government has not seen a balanced budget since. In recent years, the red ink exceeded $1 trillion annually, so that nearly 40 percent of the government's spending was financed with borrowed money.

---

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

[4] James Q. Wilson, "The Rediscovery of Character: Private Virtue and Public Policy," *On Character* (Washington DC: The AEI Press, 1995), p. 18.

It is noteworthy that the loss of surpluses and growth in deficits was not the result of tax cuts. In August 2001, and again in January 2002, CBO reported that the projected 10-year revenue impact of the 2001 tax relief package was about $1.3 trillion, leaving $3.4 trillion in surpluses (economic and technical factors, as well as debt service, accounted for most of the remainder).[5] In January 2002, well after the events of 9–11, when CBO reported a steeper decline in surpluses, the estimated revenue effects of the tax relief package remained at $1.3 trillion; roughly $2.7 trillion of the change in the surplus/deficit outlook resulted from spending increases and economic and technical factors.[6] Subsequent data show that from 2002 through 2011, of the $11.7-trillion total surplus reduction/deficit increase, only $1.5 trillion resulted from the tax cuts of 2001 and 2003.

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

The durability of the balanced budget principle is demonstrated even by the Keynesian-leaning Congressional Budget Office itself. Every time the CBO publishes its regular updates of budget and economic conditions, the first item it reports is the magnitude of the deficit or surplus—that is, the relationship between total outlays and total tax revenue. It is the very same measure that underlies the balanced budget principle. Further, CBO's clear implication is that the more spending exceeds revenue, and the more rapidly the two diverge, the more unstable is the government's fiscal condition.[7] There is simply no more straightforward measure of the government's fiscal health and stability.

CBO's projections make clear the temporary decline in deficits over the past few years is over; as predicted, deficits are now rising again (see Figure 1). Some details about that trend include the following:[8]

- The deficit in the current year—fiscal year 2016—will rise to $544 billion, an increase of $105 billion from the prior year ($439 billion).
- Deficits will continue to rise in subsequent years and reach $1.4 trillion in 2026, CBO estimates. At these levels, the deficit would rise from 2.9 percent of GDP in fiscal year 2016 and to

[5] Congressional Budget Office, *The Budget and Economic Outlook: An Update,* August 2001, Table 2, p. x.

[6] Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2003–2012,* January 2002, Summary Table 1, p. xiv.

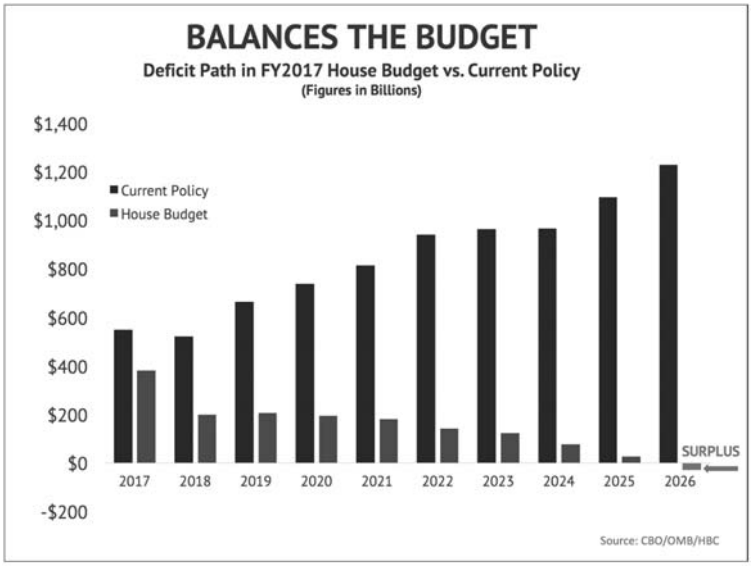
[7] For example, the first three sentences of the summary in the recent *The Budget and Economic Outlook: 2016 to 2026* (p. 1) read: "In 2016, the Federal budget deficit will increase, in relation to the size of the economy, for the first time since 2009, according to the Congressional Budget Office's estimates. If current laws generally remained unchanged, the deficit would grow over the next 10 years, and by 2026 it would be considerably larger than its average over the past 50 years, CBO projects. Debt held by the public would also grow significantly from its already high level."

[8] Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026,* January 2016.

4.9 percent in fiscal year 2026—well above the 50-year historical average of 2.7 percent of GDP.

- CBO has increased its 10-year deficit projection by $1.5 trillion compared with estimates as recently as last August, to $9.4 trillion. That increase is largely due to the anemic Obama economy: CBO projects $771 billion less tax revenue over 10 years due to "slower growth in economic output over the 10-year projection period."[9] This is the result of a weakening economic outlook, not because of any tax changes legislated by the Congress.

FIGURE 1



- CBO also blames $425 billion of the deficit increase on reduced revenue due to Congress's recent extension of certain tax provisions that were scheduled to expire. That, however, is merely an artifact of CBO's scoring conventions. *These are not new tax cuts;* Congress merely continued tax relief policies that already existed. By law, CBO is required to compare the extension of such tax relief provisions with the *higher* revenue levels that would have occurred if the policies had expired as scheduled.[10] Putting it differently, Congress chose not to *raise* taxes, which would have resulted from failing to extend these provisions.

While the President claims some deficit reduction in his own budget—largely from $3.4 trillion in new taxes over 10 years—he never tries to reach balance. In fact, deficits under the President's budget increase starting in 2019, and approach $800 billion in 2026. This is largely due to $2.5 trillion in spending increases over

[9] Ibid., p. 11.
[10] See section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99–177).

the decade. This is not a fiscal policy; it is an abandonment of sound fiscal norms.

The chronic and growing deficits that will result will push up debt from its already historically high levels. Due to profligate spending—and the President's resistance to working with Congress on controlling spending—total debt on Obama's watch has almost doubled, to nearly $19 trillion. CBO projects that debt held by the public will reach $14.0 trillion, or 75.6 percent of GDP, at the end of fiscal year 2016, up $861 billion from its $13.1 trillion level (73.6 percent of GDP) at the end of fiscal year 2015.[11] By the end of fiscal year 2026, CBO estimates debt held by the public will reach $23.8 trillion, or 86 percent of GDP—a $9.8 trillion increase over the next 10 years. This is by far the highest level of debt since just after World War II. A significant difference, however, is that the post-war debt resulted from large but temporary surges of spending to save the free world. Today's deficits and debt are the product of permanent automatic spending programs, and these trends are occurring even as the government has reduced its spending for military and diplomatic activities overseas.

Gross Federal debt, which includes funds owed to the Social Security Trust Fund and other Federal accounts, is projected to rise from $18.1 trillion at the end of 2015 to $29.3 trillion in 2026—an $11.2 trillion increase.

A rising debt level is ultimately unsustainable because its growth eventually begins to exceed that of the overall economy. As a result, debt service costs absorb an increasing share of national income and the country must borrow an increasing amount each year—likely in the face of gradually higher interest rates—to both fund its ongoing services and make good on its previous debt commitments. Ultimately, this dynamic leads to a decline in national saving and a "crowding out" of private investment, sapping economic output and diminishing the country's standard of living. In a worst-case scenario, this dynamic could also lead to a full-blown debt crisis, which would not only be devastating at the macroeconomic level, but would also inflict acute pain upon families and businesses.

Investors and businesses make decisions on a forward-looking basis. They know that today's large debt levels are simply tomorrow's tax hikes, interest rate increases, or inflation—and they act accordingly. This debt overhang, and the uncertainty it generates, can therefore weigh on growth, investment, and job creation.

Interest payments on the debt (the "legacy cost" of deficit spending) will sum to a staggering $5.6 trillion over the next decade according to CBO. These payments threaten to overwhelm other spending priorities in the budget. In 2012, Deloitte LLP—a tax, audit, and consulting firm—discussed the ways in which debt will hamper U.S. competitiveness in the years ahead.

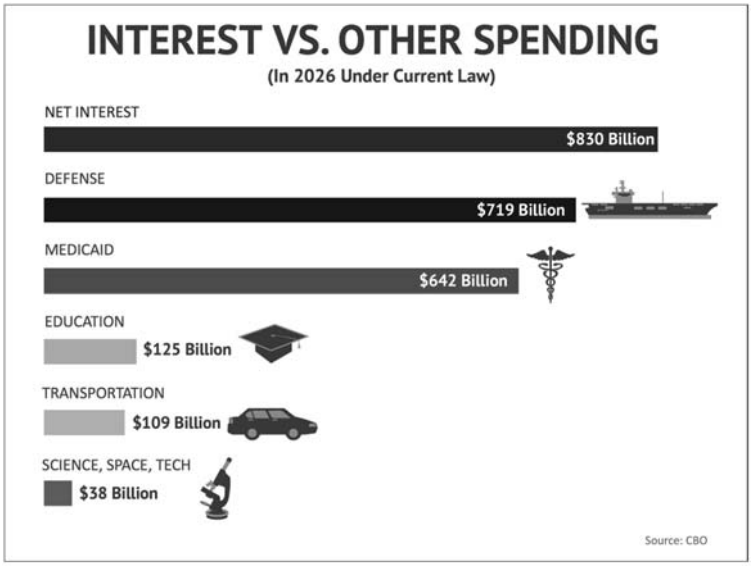
> [A] great variety of meaningful investments will almost certainly be left undone simply because interest payments will push them out of the budget. This is the silent cost of prior debts that, unless explicitly recognized, crucially

[11] Debt held by the public increased about $300 billion in 2015 and is projected to rise by $861 billion in 2016.

leads policymakers to underestimate the effect that prior deficits have already had on this decades planned expenditures.[12]

Debt service is already projected to dominate the budget. Within a decade, the government will reach a point at which it spends more on interest payments that it does on national defense, Medicaid, Federal education spending, and infrastructure, among others (see Figure 2). Interest on the debt will become the government's third largest program, following only Social Security and Medicare.

FIGURE 2



All these factors point to the need for returning to the balanced budget standard. It is also the soundest principle for limiting government. A balanced budget commitment establishes real-time restraint on the expansion of the public sector: The size and scope of government, as measured by its spending, may not exceed the amount that taxpayers provide and the economy will sustain. This empowers the people, on an ongoing basis, to hold their government in check.

The pursuit of balance also has distinct economic and fiscal benefits. Nearly all economists, including those at the CBO, explain that reducing budget deficits (thereby bending the curve on debt levels) increases the pool of national savings and boosts investment, thereby raising economic growth and job creation.

The greater economic output that stems from a large deficit reduction package would have a sizeable impact on the Federal budget. For instance, higher output would lead to greater revenues through the increase in taxable incomes. Lower interest rates, and a reduction in the stock of debt, would lead to lower government

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

spending on net interest expenses. Former Federal Reserve Chairman Bernanke has said that putting in place a credible plan to reduce future deficits "would not only enhance economic performance in the long run, but could also yield near-term benefits by leading to lower long-term interest rates and increased consumer and business confidence." [13]

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

Automatic Spending Programs

Just as important as pursuing balance is the way in which lawmakers achieve it. Some experts and policymakers advocate a mix of spending restraint and tax increases—the so-called "balanced" approach—as if the two were merely opposite sides of the same coin. That sterile, policy-neutral concept, however, masks the fundamental cause and effect of government budgeting: Spending comes first. Spending—one of the best measures of the size and scope of government—is how government does what it does. Government's programs and activities exist only if government spends money to implement them. "In a fundamental sense," writes longtime budget expert Allen Schick, "the Federal Government is what it spends." [14] It is because of spending that the government taxes and borrows. Spending is the root cause of all other fiscal consequences.

CBO's own figures further demonstrate that spending control is the indispensable element of controlling the budget. In its most recent long-term projections, CBO shows that even excluding interest payments, government programs will outspend revenue persistently over the next 25 years. Indeed, while CBO projects tax revenue to rise to historically high levels—19.4 percent of GDP by 2040, well above the 17.4-percent average of the past 50 years—spending will still persistently outpace revenue (see Figure 3). The inevitable debt service will drive total spending above 25 percent of GDP, generating relentlessly deepening deficits. Only by controlling spending can Congress alter this disastrous course.[15]

That requires controlling automatic, or direct, spending. Unlike the government's "discretionary" spending, in which Congress sets fixed limits on total budget authority, direct (or "mandatory") spending is open-ended and flows from effectively permanent authorizations. Programs funded this way—typically called "entitlements"—pay benefits directly to groups and individuals without an intervening appropriation. They spend without limit. Their totals are determined by numerous factors outside the control of Congress: caseloads, the growth or contraction of GDP, inflation, and many others. To put it simply, spending in these programs is uncontrolled and uncontrollable—because it is designed to be.

---

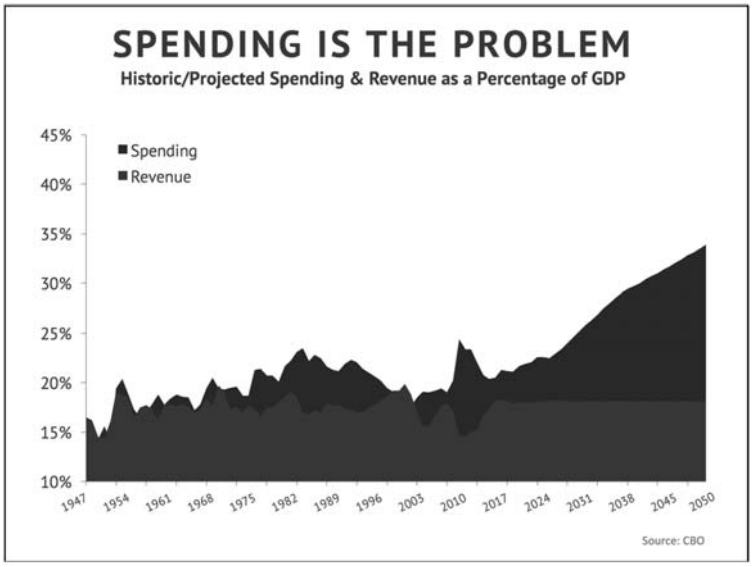
[13] Bernanke speech at the Committee for a Responsible Federal Budget Fiscal Accountability conference, 14 June 2011.

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

[15] Congressional Budget Office, *The 2015 Long-Term Budget Outlook,* June 2015, Summary Table 1.

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

FIGURE 3



In 1965, as President Johnson's Great Society programs were being enacted, net direct spending represented about 27 percent of the budget. By 1974, when the Congressional Budget Act was adopted, it had swollen to 41 percent of total spending. Today it has surged to nearly 60 percent. Combined with net interest—a mandatory payment in the true sense of the word—the government's automatic direct spending consumes more than two-thirds of the budget,[16] and in just 10 years it will swell to 78 percent[17] (see Figure 4). It is the main driver of the government's debt.

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

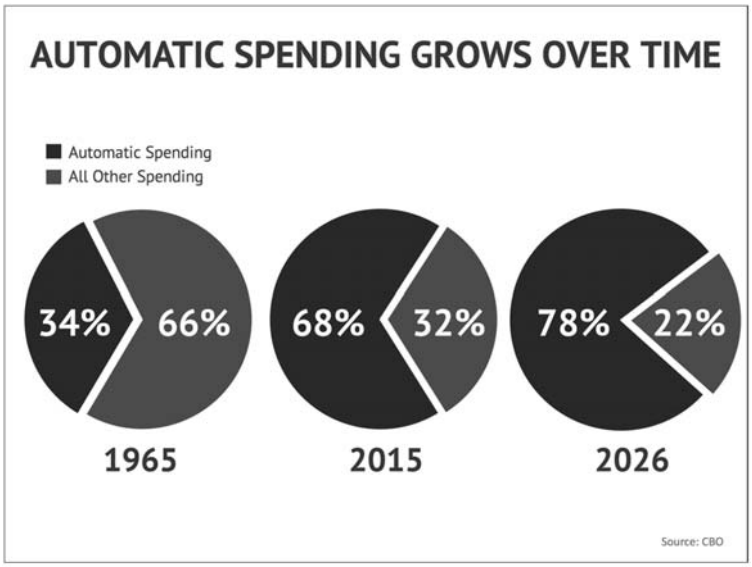
Gaining control of spending need not be seen, however, as some daunting exercise in "mindless austerity," as the President so ominously puts it. As long as reform is necessary, it can be approached as an opportunity to save and strengthen these programs—to make them better for the people they are intended to serve.

[16] Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026,* January 2016, Table 3–1.
[17] Ibid., Table 1–2.

Consider a few examples.

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

FIGURE 4



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

Another area of automatic spending, assistance for low-income Americans, should be revised to encourage self-sufficiency, not to trap people in dependency. Clearly, persons with chronic disadvantages need and deserve a sturdy safety net. Others require assistance at particular times of economic downturns or personal misfortune. Still, the most compassionate way to provide government assistance is to help free individuals from the need for it. Welfare programs should encourage recipients toward supporting themselves to the greatest degree possible. As was proved with the successful welfare reform of the 1990s, when struggling people are challenged to work and earn on their own, they rise to the occasion—and they are better off for it.

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

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

Federalism

The republic of the United States reached a turning point in 1936: That was the first peacetime year in which the Federal Government's total spending exceeded the combined outlays of the State and local governments. "It can even be argued," writes Amity Shlaes, "that one year—1936—created the modern entitlement challenge that so bedevils both parties." [18]

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

Over time, States in some respects have been reduced to carrying out the wishes of Washington, rather than serving as the "laboratories of democracy."

This is precisely contrary to the Founders' vision:

> The powers delegated by the proposed Constitution to the Federal Government are few and defined," Madison wrote. "Those which are to remain in the State governments are numerous and indefinite. The former will be ex-

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

> ercised principally on external objects, as war, peace, negotiation, and foreign commerce; with which last the power of taxation will, for the most part, be connected. The powers reserved to the several States will extend to all the objects which, in the ordinary course of affairs, concern the lives, liberties, and properties of the people, and the internal order, improvement, and prosperity of the State.[19]

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

Indeed, Madison argued the Federal Government would depend on the States—not the other way around: "The State governments may be regarded as constituent and essential parts of the Federal Government; whilst the latter is nowise essential to the operation or organization of the former."[20] This point is proved in reality by the countless activities, essential to the lives of individuals and communities, that predated the national government and would continue without it. Even if the 50 States stood as separate entities, they would still operate schools and hospitals; they would find ways to build roads and bridges; scientific research would continue; energy and communications companies would emerge.

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

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

This will remain a necessity even if Congress gains control of entitlement spending. Yet the fiscal concerns are only part of the reason. The increasing centralization of government smothers the energy of State and local policymakers. Restoring State autonomy will deliver benefits for the entire Nation in critical areas such as education, health care, infrastructure, energy, the environment, and employment.

The budget resolution supports these aims. It promotes State flexibility in areas such as Medicaid and the Supplemental Nutrition Assistance Program. It encourages State and local initiative in education. It sheds the conceit that Washington knows best what is right for the people. The very structure of this report reflects a distinction between those activities required of the Federal Govern-

[19] James Madison, Federalist 45.
[20] Ibid.

ment from those best suited to States and localities and the private sector (see the explanation in Functional Presentation).

Restoring Congressional Budgeting

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

These failures have unquestionably worsened in recent years. Last year was the first time since 2001 that the House and Senate agreed to a 10-year balanced budget plan. In recent years, lawmakers manufactured ad hoc procedures that have done next to nothing to stabilize the government's catastrophic long-term fiscal outlook. For a while, the budgetary mismanagement became the new norm. The budget calendar was not merely ignored, it was deliberately breached, rendering the fiscal year irrelevant and leading to a stream of omnibus spending bills of varying durations negotiated by a handful of leaders—undermining the committee system and depriving lawmakers of the deliberation so central to the legislative process. Though Congress has made progress, it is still struggling to overcome many of those vices.

This unraveling does have profound consequences. The first and most obvious is that without regular budget resolutions, Congress has all but abandoned any serious attempt to manage fiscal policy. It is true the Budget Control Act of 2011 established caps on discretionary spending (which have been adjusted upward since then), and applied the automatic enforcement regime of sequestration. At the same time, however, it did nothing to rein in direct spending, the greatest threat to the government's fiscal stability. None of the other manufactured procedures employed since then has accomplished much along these lines either.

Equally troubling is the effect on Congress's ability to govern. The failure in budgeting is the most visible and regular evidence of Congress's decline as a governing institution: "The importance of conflicts over the size and distribution of the budget—failure to pass a budget on time or at all has become a sign of inability to govern—testifies to the overriding importance of budgeting. Nowadays, the State of the Union and the state of the budget have become essentially equivalent."[21]

Thus, the collapse of budgeting hastens the erosion of congressional authority. The more Congress tolerates its fiscal ineptitude, the more inept it becomes at legislating in general.

Yet as discouraging as these conditions may be, they can be corrected. The restoration of congressional budgeting can start, and is essential to, the regeneration of Congress as a governing institution. This can follow two tracks.

First, it is imperative that Congress this year pursue, as far as possible, the "regular order" of budgeting envisioned in the Congressional Budget Act. The existing process is far from perfect. It

[21] Aaron B. Wildavsky and Naomi Caiden, *The New Politics of the Budgetary Process—Third Edition* (New York: Addison-Wesley Educational Publishers Inc., 1997).

is complicated, time-consuming, and often frustrating. The estimating conventions underlying budget procedures reflect a distinct bias in favor of higher spending and larger government.

Nevertheless, if employed, the process does provide a general schedule for spending and tax bills. The budget resolution represents an agenda and work plan in legislative form unmatched by any other procedure. It gives coherence to the legislature's many fiscal measures that did not exist before the Congressional Budget Act was adopted. With the creation of the budget resolution, Congress's budget became the working blueprint for fiscal policy, embracing lawmakers' consensus vision of governing.

Returning to the regular order also offers lawmakers an opportunity to learn for themselves, directly, whether the process truly is "broken," and if so by how much. "I could easily argue that the budget process isn't broken at all," remarked former House Budget Committee Chairman Jim Nussle at a September 2011 committee hearing on process reform. "[T]oday the budget process is not even being used or at best is simply being ignored." [22]

Recently, various Members and experts in the policy community have offered a range of proposals built on a kind of problem-solving model. That is, proponents identify a specific weakness in the process—say, the difficulty Congress has in passing annual spending bills on time—and then offer an ostensible solution, such as a 2-year budget and appropriations cycle. Some argue that the President should be more involved in budget development at the beginning of the process, as a possible means of heading off crisis-style confrontations late in the year.

Many of these proposals focus on practical matters—how to make budget procedures more efficient and workable, or how to enhance enforcement of budget levels. All this is perfectly reasonable. A budget process, no matter how skillfully designed, is pointless if lawmakers cannot or will not use it, or if it fails to achieve real fiscal control.

Nevertheless, the focus on these piecemeal changes may slow the momentum toward the kind of broad rewrite of the process that is necessary. The process designed in 1974 was complicated to begin with; it merely added new procedures onto existing spending and tax practices. Since then, Congress has enacted additional layers of complexity, such as the Balanced Budget and Emergency Deficit Control Act of 1985, the Budget Enforcement Act of 1990, and the Statutory Pay-As-You-Go Act of 2010, among others. Given all this, it may be time to dismantle the entire process and build a new one. The lessons of the past four decades of congressional budgeting will certainly inform that development. Still, in thinking about a new process, lawmakers should step back and ask a threshold question: What is the congressional budget process for?

The obvious first answer is fiscal control. That, however, is part of a more fundamental act: the act of governing. Because budgeting truly is governing, the budget process should be seen as a principal means of exercising constitutional government.

---

[22] Jim Nussle, "Perspectives on Budget Process Reform," testimony to the Committee on the Budget, U.S. House of Representatives, 22 September 2011.

The Constitution does not prescribe how big government should be, but it does establish a framework for limiting government. One of the best ways to determine that limit is to limit spending—one of the best measures of the size and scope of government.

The budget also is Congress's main instrument for policymaking, the legislature's essential authority. As Madison wrote: "This power of the purse may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representatives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure."[23] Any new budget process should enhance Congress's policymaking role.

The process also must reinforce the balance of powers, one of the most critical protections of liberty. For nearly a half century after enactment of the 1921 Budget and Accounting Act—which attempted to straddle the separation of powers by establishing an executive-centered budget process modeled after Great Britain's—the presidency grew increasingly powerful. Starting in the 1950s, presidents began deliberately tying their budgets together with their legislative programs, increasing their ability to set the legislative agenda, and helping sustain what Schlesinger called "the imperial presidency."[24] The 1974 Congressional Budget Act was, in part, an attempt to restore the legislature's agenda-setting role. The new budget process should advance that effort.

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

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

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

---

[23] *The Federalist,* No. 58.

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

Conclusion

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

TABLE 1.—FISCAL YEAR 2017 BUDGET RESOLUTION TOTAL SPENDING AND REVENUE

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
SUMMARY												
Total spending:												
BA	3,900,967	3,848,121	4,007,366	4,179,555	4,309,637	4,449,397	4,651,534	4,839,943	5,000,532	5,173,555	20,245,646	44,360,606
OT	3,882,461	3,849,342	3,988,526	4,163,470	4,301,136	4,445,385	4,621,834	4,791,398	4,947,282	5,136,345	20,184,934	44,127,178
On-budget:												
BA	3,086,332	2,984,016	3,084,551	3,192,964	3,254,411	3,319,284	3,443,779	3,551,204	3,624,651	3,704,462	15,602,273	33,245,653
OT	3,072,428	2,990,509	3,071,424	3,182,999	3,252,237	3,321,899	3,420,907	3,509,889	3,578,931	3,675,084	15,569,597	33,076,306
Off-budget:												
BA	814,635	864,105	922,815	986,592	1,055,226	1,130,113	1,207,755	1,288,739	1,375,882	1,469,093	4,643,372	11,114,954
OT	810,033	858,833	917,101	980,471	1,048,900	1,123,486	1,200,927	1,281,509	1,368,352	1,461,261	4,615,337	11,050,872
Revenues:												
Total	3,521,497	3,659,353	3,789,990	3,958,001	4,117,566	4,285,579	4,464,033	4,653,472	4,859,831	5,075,638	19,046,407	42,384,960
On-budget	2,692,937	2,799,875	2,902,418	3,040,763	3,168,226	3,301,656	3,443,940	3,595,338	3,762,041	3,936,429	14,604,219	32,643,623
Off-budget	828,560	859,478	887,572	917,238	949,340	983,923	1,020,093	1,058,134	1,097,790	1,139,209	4,442,188	9,741,337
Recommended Change in Revenues:												
Total	+10,700	+26,000	+43,000	+41,400	+42,000	+41,900	+43,400	+43,400	+42,200	+41,000	+163,100	+375,000
On-budget	+10,700	+26,000	+43,000	+41,400	+42,000	+41,900	+43,400	+43,400	+42,200	+41,000	+163,100	+375,000
Off-budget	0	0	0	0	0	0	0	0	0	0	0	0
Surplus/Deficit (−):												
Total	−381,672	−198,531	−207,457	−194,777	−181,008	−141,019	−122,876	−76,487	−26,040	28,731	−1,163,444	−1,501,134
Macroeconomic Impact of Deficit Reduction Path	−20,709	−8,542	−8,921	10,692	2,562	18,787	34,925	61,439	61,411	89,438	−24,917	241,084
On-budget	−379,491	−190,634	−169,006	−142,236	−84,011	−20,243	23,033	85,449	183,110	261,345	−965,378	−432,683
Off-budget	18,527	645	−29,529	−63,233	−99,560	−139,563	−180,834	−223,375	−270,562	−322,052	−173,149	−1,309,535
Debt Held by the Public (end of year)	14,400,000	14,726,000	14,976,000	15,190,000	15,436,000	15,576,000	15,808,000	15,934,000	15,812,000	15,960,000		
Debt Subject to Limit (end of year)	19,848,354	20,314,389	20,647,523	20,904,600	21,161,285	21,296,902	21,510,772	21,598,523	21,373,459	21,412,056		
BY FUNCTION												
National Defense (050):												
BA	559,254	593,759	607,553	619,761	631,991	644,193	657,101	670,425	683,163	698,114	3,012,318	6,365,314
OT	566,461	574,049	592,442	605,138	617,088	634,044	641,635	649,501	667,016	681,216	2,955,179	6,228,591
International Affairs (150):												
BA	39,780	39,778	39,777	38,852	38,726	39,784	40,805	41,694	42,622	43,596	196,913	405,413
OT	43,705	40,260	39,273	38,830	38,404	38,893	39,506	40,102	40,735	41,473	200,471	401,179

TABLE 1.—FISCAL YEAR 2017 BUDGET RESOLUTION TOTAL SPENDING AND REVENUE—Continued

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
General Science, Space and Technology (250):												
BA	30,215	30,855	31,500	32,174	32,879	33,585	34,326	35,070	35,845	36,658	157,623	333,107
OT	30,451	30,654	31,174	31,732	32,297	32,957	33,678	34,390	35,148	35,933	156,308	328,414
Energy (270):												
BA	−2,914	1,601	1,675	1,683	1,747	1,816	1,888	1,959	2,029	−189	3,792	11,295
OT	1,442	1,119	1,239	1,155	1,164	1,186	1,218	1,243	1,263	−927	6,119	10,102
Natural Resources & Environment (300):												
BA	38,641	39,185	39,720	40,862	40,712	41,518	42,878	43,874	44,845	44,026	199,120	416,261
OT	41,170	41,109	40,846	42,022	41,151	41,802	43,057	43,489	44,369	43,059	206,298	422,074
Agriculture (350):												
BA	23,809	23,344	21,067	20,012	19,674	19,600	19,934	19,961	20,283	20,724	107,906	208,408
OT	24,912	22,883	20,267	19,399	19,097	19,021	19,502	19,463	19,760	20,195	106,558	204,499
Commerce & Housing Credit (370):												
On-budget:												
BA	−3,096	−4,977	−7,162	−9,990	−11,207	−11,154	−11,122	−11,361	−10,905	−11,363	−36,432	−92,337
OT	−17,777	−22,531	−21,735	−23,337	−25,448	−26,187	−28,281	−29,993	−30,126	−30,184	−110,828	−255,599
Off-budget:												
BA	129	−3,473	−3,662	−4,024	−4,392	−4,621	−4,850	−5,087	−5,335	−5,701	−15,422	−41,016
OT	205	−3,444	−3,647	−4,014	−4,387	−4,617	−4,845	−5,083	−5,330	−5,696	−15,287	−40,858
Transportation (400):												
BA	87,879	89,099	90,727	84,831	64,777	65,727	66,762	67,794	68,887	70,000	417,313	756,483
OT	90,628	89,793	91,114	92,137	86,962	77,691	73,991	73,041	72,534	72,380	450,634	820,271
Community & Regional Development (450):												
BA	7,561	6,381	5,721	5,749	5,815	6,021	6,250	6,683	8,183	8,374	31,227	66,738
OT	20,693	17,774	15,678	13,538	11,435	8,929	8,113	6,908	8,278	8,442	79,118	119,788
Education, Training, Employment, and Social Services (500):												
BA	78,795	84,083	85,451	86,862	88,102	88,818	93,490	94,414	95,476	96,049	423,293	891,540
OT	91,997	85,833	86,078	87,440	88,757	89,802	92,500	95,172	96,493	97,506	440,105	911,578
Health (550):												
BA	465,184	366,670	369,978	381,404	390,584	398,225	407,107	416,534	426,598	454,051	1,973,820	4,076,335
OT	458,633	375,603	370,695	380,274	388,437	395,694	404,121	413,211	422,901	449,930	1,973,642	4,059,499
Medicare (570):												
BA	590,086	583,750	643,371	684,911	731,321	817,737	834,731	839,165	914,301	973,544	3,233,439	7,612,917
OT	590,068	583,690	643,267	684,816	731,237	817,648	834,638	839,021	914,164	973,401	3,233,078	7,611,950

Income Security (600):												
BA	497,523	471,709	480,783	491,841	479,718	488,273	497,873	507,892	518,397	529,675	2,421,574	4,963,684
OT	491,960	461,357	473,392	483,961	472,117	486,470	491,557	495,442	507,575	525,323	2,382,787	4,889,154
Social Security (650):												
On-budget:												
BA	37,199	40,124	43,373	46,627	50,035	53,677	57,540	61,645	66,076	70,376	217,358	526,672
OT	37,227	40,141	43,373	46,627	50,035	53,677	57,540	61,645	66,076	70,376	217,403	526,717
Off-budget:												
BA	918,632	972,586	1,033,289	1,098,345	1,167,189	1,239,765	1,314,911	1,393,028	1,475,537	1,562,058	5,190,041	12,175,340
OT	913,954	967,285	1,027,560	1,092,214	1,160,858	1,233,134	1,308,078	1,385,794	1,468,002	1,554,221	5,161,871	12,111,100
Veterans Benefits and Services (700):												
BA	174,766	173,539	187,777	194,202	200,763	217,151	214,690	211,449	229,055	236,447	931,047	2,039,839
OT	182,047	174,275	187,312	193,407	199,856	216,047	213,505	210,297	227,790	235,210	936,897	2,039,746
Administration of Justice (750):												
BA	64,515	59,085	60,630	62,172	63,250	64,866	66,560	68,275	70,357	73,432	309,652	653,142
OT	58,672	59,739	62,389	64,685	64,691	65,051	66,555	68,059	69,986	73,381	310,176	653,208
General Government (800):												
BA	23,367	22,293	22,087	21,924	21,758	23,680	23,932	24,183	24,426	24,620	111,429	232,269
OT	22,749	21,650	21,516	21,629	21,565	23,221	23,647	23,924	24,177	24,391	109,109	228,469
Net Interest (900):												
On-budget:												
BA	393,678	446,615	499,334	540,201	569,849	594,309	620,683	638,813	648,404	655,665	2,449,676	5,607,550
OT	393,678	446,615	499,334	540,201	569,849	594,309	620,683	638,813	648,404	655,665	2,449,676	5,607,550
Off-Budget:												
BA	−87,204	−87,518	−88,743	−89,073	−88,311	−85,152	−81,796	−78,044	−72,494	−64,748	−440,850	−823,084
OT	−87,204	−87,518	−88,743	−89,073	−88,311	−85,152	−81,796	−78,044	−72,494	−64,748	−440,850	−823,084
Allowances (920):												
BA	−39,520	−52,890	−54,216	−57,006	−59,733	−61,661	−63,814	−65,767	−67,933	−65,057	−263,365	−587,597
OT	−20,821	−38,653	−48,261	−52,626	−56,411	−59,168	−61,148	−63,141	−65,208	−64,663	−216,772	−530,100
Government-Wide Savings (930):												
BA	34,478	32,662	−29,983	−37,042	−45,175	−115,840	−68,634	−13,285	−81,290	−131,037	−45,059	−455,145
OT	14,610	46,700	−22,263	−29,889	−37,802	−107,032	−59,149	−3,260	−74,838	−113,780	−28,644	−386,702
Undistributed Offsetting Receipts (950):												
On-budget:												
BA	−88,561	−89,314	−81,278	−83,732	−87,842	−91,041	−99,201	−108,213	−114,167	−123,243	−430,727	−966,592
OT	−88,561	−89,314	−81,278	−83,732	−87,842	−91,041	−99,201	−108,213	−117,567	−123,243	−430,727	−969,992
Off-budget:												
BA	−16,922	−17,490	−18,069	−18,656	−19,260	−19,879	−20,510	−21,158	−21,826	−22,516	−90,397	−196,286
OT	−16,922	−17,490	−18,069	−18,656	−19,260	−19,879	−20,510	−21,158	−21,826	−22,516	−90,397	−196,286

TABLE 1.—FISCAL YEAR 2017 BUDGET RESOLUTION TOTAL SPENDING AND REVENUE—Continued

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
Overseas Contingency Operations/Global War on Terrorism (970):												
BA	73,693	26,666	26,666	26,666	26,666	0	0	0	0	0	180,357	180,357
OT	38,485	27,762	25,573	25,592	25,598	8,884	3,240	776	0	0	143,010	155,910

Notes:

1. Only on-budget amounts for fiscal years 2017–2026 are entered into the budget resolution legislative text. Off-budget amounts are shown for display purposes only.
2. The Office of Management and Budget and the Congressional Budget Office do not separately track outlays for Overseas Contingency Operations/Global War on Terrorism (GWOT) once funds have been appropriated. The budget, therefore, shows in function 970 OCO/GWOT outlays that result from new budget authority occurring in fiscal years 2017–2026 only. Outlays resulting from OCO/GWOT activity prior to fiscal year 2016 are included in budget functions 050 and 150.

TABLE 2.—FISCAL YEAR 2017 BUDGET RESOLUTION DISCRETIONARY SPENDING

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
SUMMARY												
Total spending:												
BA	1,143,292	1,084,135	1,097,737	1,109,745	1,121,753	1,107,096	1,119,848	1,132,970	1,145,469	1,159,356	5,556,662	11,221,401
OT	1,202,910	1,165,964	1,162,879	1,169,491	1,171,186	1,157,678	1,154,217	1,157,300	1,172,936	1,184,229	5,872,430	11,698,790
Base Defense (050):												
BA	551,068	585,469	599,071	611,079	623,087	635,096	647,848	660,970	673,469	687,356	2,969,774	6,274,513
OT	557,743	565,121	583,345	596,062	607,911	624,797	632,317	640,020	657,296	670,488	2,910,183	6,135,101
Base Non Defense:												
BA	518,531	472,000	472,000	472,000	472,000	472,000	472,000	472,000	472,000	472,000	2,406,531	4,766,531
OT	606,682	573,081	553,961	547,836	537,677	523,997	518,660	516,505	515,640	513,740	2,819,237	5,407,778
BY FUNCTION												
National Defense (050):												
BA	551,068	585,469	599,071	611,079	623,087	635,096	647,848	660,970	673,469	687,356	2,969,774	6,274,513
OT	557,743	565,121	583,345	596,062	607,911	624,797	632,317	640,020	657,296	670,488	2,910,183	6,135,101
International Affairs (150):												
BA	35,762	36,732	37,449	38,228	39,058	39,868	40,873	41,747	42,664	43,627	187,229	396,007
OT	45,320	41,843	40,767	40,075	39,666	39,927	40,561	41,175	41,830	42,592	207,670	413,754

General Science, Space and Technology (250):												
BA	30,108	30,755	31,400	32,074	32,779	33,485	34,226	34,970	35,745	36,558	157,116	332,100
OT	30,345	30,552	31,074	31,632	32,197	32,857	33,578	34,290	35,048	35,833	155,800	327,406
Energy (270):												
BA	2,739	2,816	2,880	2,947	3,017	3,086	3,159	3,231	3,309	3,388	14,399	30,572
OT	3,101	2,922	2,913	2,972	3,029	3,086	3,149	3,220	3,293	3,370	14,937	31,055
Natural Resources & Environment (300):												
BA	36,118	37,078	38,081	39,108	40,189	41,263	42,390	43,555	44,748	46,001	190,574	408,531
OT	38,039	38,304	38,796	39,601	40,445	41,459	42,508	43,068	44,195	44,969	195,185	411,384
Agriculture (350):												
BA	6,347	6,514	6,688	6,868	7,052	7,237	7,437	7,635	7,846	8,060	33,469	71,684
OT	6,190	6,391	6,597	6,773	6,955	7,138	7,333	7,530	7,737	7,948	32,906	70,592
Commerce & Housing Credit (370):												
On-budget:												
BA	−12,590	−13,788	−14,999	−16,066	−16,795	−17,066	−17,120	−17,160	−17,196	−17,174	−74,238	−159,954
OT	−11,971	−13,495	−15,017	−16,144	−16,865	−17,150	−17,214	−17,257	−17,300	−17,281	−73,492	−159,694
Off-budget:												
BA	274	283	294	304	315	326	337	350	361	374	1,470	3,218
OT	273	283	294	304	315	325	337	349	360	373	1,469	3,213
Transportation (400):												
BA	29,396	30,093	30,794	31,516	32,277	33,030	33,849	34,675	35,543	34,810	154,076	325,983
OT	89,728	89,373	91,020	92,410	87,683	78,818	75,529	74,999	74,918	73,571	450,214	828,049
Community & Regional Development (450):												
BA	8,158	7,453	6,850	6,227	6,395	6,567	6,741	6,923	7,112	7,308	35,083	69,734
OT	20,037	17,513	15,371	12,710	10,646	7,916	6,932	6,853	7,003	7,165	76,277	112,146
Education, Training, Employment, and Social Services (500):												
BA	86,622	95,111	97,058	98,925	100,599	102,355	104,088	105,789	107,587	108,872	478,315	1,007,006
OT	93,668	93,784	95,483	97,323	99,033	100,751	102,457	104,146	105,870	107,471	479,291	999,986
Health (550):												
BA	59,727	61,176	61,837	62,557	63,146	63,765	64,369	64,924	65,270	65,794	308,443	632,565
OT	59,606	60,560	60,583	61,267	61,640	62,127	62,600	63,086	63,365	63,822	303,656	618,656
Medicare (570):												
BA	6,549	6,898	7,263	7,651	8,055	8,482	8,920	9,376	9,846	10,345	36,416	83,385
OT	6,581	6,876	7,202	7,587	7,987	8,411	8,847	9,300	9,769	10,262	36,233	82,822
Income Security (600):												
BA	65,510	66,441	67,571	68,812	69,753	71,233	72,765	74,338	75,929	77,577	338,087	709,929
OT	66,595	67,149	67,843	68,675	69,453	70,653	71,929	73,446	75,000	76,613	339,715	707,356

TABLE 2.—FISCAL YEAR 2017 BUDGET RESOLUTION DISCRETIONARY SPENDING—Continued

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
Social Security (650):												
On-budget:												
BA	0	0	0	0	0	0	0	0	0	0	0	0
OT	28	17	0	0	0	0	0	0	0	0	45	45
Off-budget:												
BA	5,362	5,522	5,688	5,862	6,039	6,219	6,406	6,600	6,800	7,009	28,473	61,507
OT	5,384	5,521	5,659	5,831	6,008	6,188	6,373	6,566	6,765	6,972	28,403	61,267
Veterans Benefits and Services (700):												
BA	74,734	76,948	79,236	81,585	84,012	86,483	89,048	91,700	94,450	97,325	396,515	855,521
OT	74,697	76,125	78,554	80,702	83,090	85,506	88,008	90,661	93,346	96,211	393,168	846,900
Administration of Justice (750):												
BA	55,032	56,471	58,195	59,973	61,811	63,671	65,619	67,618	69,703	72,051	291,482	630,144
OT	54,916	56,291	57,905	59,624	61,319	63,151	65,090	67,072	69,137	71,129	290,055	625,634
General Government (800):												
BA	15,733	14,822	14,480	14,261	13,957	15,788	16,010	16,196	16,353	16,492	73,253	154,091
OT	15,190	14,355	14,029	14,047	13,832	15,376	15,750	15,981	16,159	16,324	71,453	151,043
Allowances (920):												
BA	−33,561	−51,173	−52,103	−54,580	−58,171	−59,731	−61,840	−63,748	−65,966	−67,034	−249,588	−567,907
OT	−17,687	−37,171	−46,170	−50,454	−54,639	−57,290	−59,315	−61,286	−63,379	−64,903	−206,121	−512,294
Government-Wide Savings (930):												
BA	46,511	1,849	−6,662	−14,252	−21,489	−34,061	−45,277	−56,719	−68,103	−79,383	5,958	−277,585
OT	26,643	15,887	1,058	−7,099	−14,116	−25,253	−35,792	−46,694	−57,477	−68,700	22,373	−211,542
Overseas Contingency Operations/Global War on Terrorism (970):												
BA	73,693	26,666	26,666	26,666	26,666	0	0	0	0	0	180,357	180,357
OT	38,485	27,762	25,573	25,592	25,598	8,884	3,240	776	0	0	143,010	155,910

TABLE 3.—FISCAL YEAR 2017 BUDGET RESOLUTION MANDATORY SPENDING

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
SUMMARY												
Total spending:												
BA	2,757,675	2,763,986	2,909,629	3,069,810	3,187,884	3,342,301	3,531,686	3,706,973	3,855,063	4,014,199	14,688,984	33,139,205
OT	2,679,551	2,683,378	2,825,647	2,993,979	3,129,950	3,287,707	3,467,617	3,634,098	3,774,346	3,952,116	14,312,505	32,428,388
On-budget:												
BA	1,948,676	1,905,686	1,992,796	2,089,385	2,139,012	2,218,733	2,330,674	2,425,184	2,486,343	2,552,489	10,075,554	22,088,977
OT	1,875,175	1,830,349	1,914,499	2,019,644	2,087,373	2,170,734	2,273,400	2,359,504	2,413,120	2,498,200	9,727,039	21,441,997
Off-budget:												
BA	808,999	858,300	916,833	980,426	1,048,872	1,123,568	1,201,012	1,281,789	1,368,721	1,461,710	4,613,429	11,050,229
OT	804,376	853,029	911,148	974,336	1,042,577	1,116,973	1,194,217	1,274,594	1,361,227	1,453,916	4,585,465	10,986,392
BY FUNCTION												
National Defense (050):												
BA	8,186	8,290	8,482	8,682	8,904	9,097	9,253	9,455	9,694	10,758	42,544	90,801
OT	8,718	8,928	9,097	9,076	9,177	9,247	9,318	9,481	9,720	10,728	44,996	93,490
International Affairs (150):												
BA	4,018	3,046	2,328	624	−332	−84	−68	−53	−42	−31	9,684	9,406
OT	−1,615	−1,583	−1,494	−1,245	−1,262	−1,034	−1,055	−1,073	−1,095	−1,119	−7,199	−12,575
General Science, Space and Technology (250):												
BA	107	100	100	100	100	100	100	100	100	100	507	1,007
OT	106	102	100	100	100	100	100	100	100	100	508	1,008
Energy (270):												
BA	−5,653	−1,215	−1,205	−1,264	−1,270	−1,270	−1,271	−1,272	−1,280	−3,577	−10,607	−19,277
OT	−1,659	−1,803	−1,674	−1,817	−1,865	−1,900	−1,931	−1,977	−2,030	−4,297	−8,818	−20,953
Natural Resources & Environment (300):												
BA	2,523	2,107	1,639	1,754	523	255	488	319	97	−1,975	8,546	7,730
OT	3,131	2,805	2,050	2,421	706	343	549	421	174	−1,910	11,113	10,690
Agriculture (350):												
BA	17,462	16,830	14,379	13,144	12,622	12,363	12,497	12,326	12,437	12,664	74,437	136,724
OT	18,722	16,492	13,670	12,626	12,142	11,883	12,169	11,933	12,023	12,247	73,652	133,907

TABLE 3.—FISCAL YEAR 2017 BUDGET RESOLUTION MANDATORY SPENDING—Continued

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
Commerce & Housing Credit (370):												
On-budget:												
BA	9,494	8,811	7,837	6,076	5,588	5,912	5,998	5,799	6,291	5,811	37,806	67,617
OT	−5,806	−9,036	−6,718	−7,193	−8,583	−9,037	−11,067	−12,736	−12,826	−12,903	−37,336	−95,905
Off-budget:												
BA	−145	−3,756	−3,956	−4,328	−4,707	−4,947	−5,187	−5,437	−5,696	−6,075	−16,892	−44,234
OT	−68	−3,727	−3,941	−4,318	−4,702	−4,942	−5,182	−5,432	−5,690	−6,069	−16,756	−44,071
Transportation (400):												
BA	58,483	59,006	59,933	53,315	32,500	32,697	32,913	33,119	33,344	35,190	263,237	430,500
OT	900	420	94	−273	−721	−1,127	−1,538	−1,958	−2,384	−1,191	420	−7,778
Community & Regional Development (450):												
BA	−597	−1,072	−1,129	−478	−580	−546	−491	−240	1,071	1,066	−3,856	−2,996
OT	656	261	307	828	789	1,013	1,181	55	1,275	1,277	2,841	7,642
Education, Training, Employment, and Social Services (500):												
BA	−7,827	−11,028	−11,607	−12,063	−12,497	−13,537	−10,598	−11,375	−12,111	−12,823	−55,022	−115,466
OT	−1,671	−7,951	−9,405	−9,883	−10,276	−10,949	−9,957	−8,974	−9,377	−9,965	−39,186	−88,408
Health (550):												
BA	405,457	305,494	308,141	318,847	327,438	334,460	342,738	351,610	361,328	388,257	1,665,377	3,443,770
OT	399,027	315,043	310,112	319,007	326,797	333,567	341,521	350,125	359,536	386,108	1,669,986	3,440,843
Medicare (570):												
BA	583,537	576,852	636,108	677,260	723,266	809,255	825,811	829,789	904,455	963,199	3,197,023	7,529,532
OT	583,487	576,814	636,065	677,229	723,250	809,237	825,791	829,721	904,395	963,139	3,196,845	7,529,128
Income Security (600):												
BA	432,013	405,268	413,212	423,029	409,965	417,040	425,108	433,554	442,468	452,098	2,083,487	4,253,755
OT	425,365	394,208	405,549	415,286	402,664	415,817	419,628	421,996	432,575	448,710	2,043,072	4,181,798
Social Security (650):												
On-budget:												
BA	37,199	40,124	43,373	46,627	50,035	53,677	57,540	61,645	66,076	70,376	217,358	526,672
OT	37,199	40,124	43,373	46,627	50,035	53,677	57,540	61,645	66,076	70,376	217,358	526,672
Off-budget:												
BA	913,270	967,064	1,027,601	1,092,483	1,161,150	1,233,546	1,308,505	1,386,428	1,468,737	1,555,049	5,161,568	12,113,833
OT	908,570	961,764	1,021,901	1,086,383	1,154,850	1,226,946	1,301,705	1,379,228	1,461,237	1,547,249	5,133,468	12,049,833
Veterans Benefits and Services (700):												
BA	100,032	96,591	108,541	112,617	116,751	130,668	125,642	119,749	134,605	139,122	534,532	1,184,318
OT	107,350	98,150	108,758	112,705	116,766	130,541	125,497	119,636	134,444	138,999	543,729	1,192,846

Administration of Justice (750):												
BA	9,483	2,614	2,435	2,199	1,439	1,195	941	657	654	1,381	18,170	22,998
OT	3,756	3,448	4,484	5,061	3,372	1,900	1,465	987	849	2,252	20,121	27,574
General Government (800):												
BA	7,634	7,471	7,607	7,663	7,801	7,892	7,922	7,987	8,073	8,128	38,176	78,178
OT	7,559	7,295	7,487	7,582	7,733	7,845	7,897	7,943	8,018	8,067	37,656	77,426
Net Interest (900):												
On-budget:												
BA	393,678	446,615	499,334	540,201	569,849	594,309	620,683	638,813	648,404	655,665	2,449,676	5,607,550
OT	393,678	446,615	499,334	540,201	569,849	594,309	620,683	638,813	648,404	655,665	2,449,676	5,607,550
Off-Budget:												
BA	−87,204	−87,518	−88,743	−89,073	−88,311	−85,152	−81,796	−78,044	−72,494	−64,748	−440,850	−823,084
OT	−87,204	−87,518	−88,743	−89,073	−88,311	−85,152	−81,796	−78,044	−72,494	−64,748	−440,850	−823,084
Allowances (920):												
BA	−5,959	−1,717	−2,113	−2,426	−1,562	−1,930	−1,974	−2,019	−1,967	1,977	−13,777	−19,690
OT	−3,134	−1,482	−2,091	−2,172	−1,772	−1,878	−1,833	−1,855	−1,829	240	−10,651	−17,806
Government-Wide Savings (930):												
BA	−12,033	30,813	−23,321	−22,790	−23,686	−81,779	−23,357	43,434	−13,187	−51,654	−51,017	−177,560
OT	−12,033	30,813	−23,321	−22,790	−23,686	−81,779	−23,357	43,434	−17,361	−45,080	−51,017	−175,160
Undistributed Offsetting Receipts (950):												
On-budget:												
BA	−88,561	−89,314	−81,278	−83,732	−87,842	−91,041	−99,201	−108,213	−114,167	−123,243	−430,727	−966,592
OT	−88,561	−89,314	−81,278	−83,732	−87,842	−91,041	−99,201	−108,213	−117,567	−123,243	−430,727	−969,992
Off-budget:												
BA	−16,922	−17,490	−18,069	−18,656	−19,260	−19,879	−20,510	−21,158	−21,826	−22,516	−90,397	−196,286
OT	−16,922	−17,490	−18,069	−18,656	−19,260	−19,879	−20,510	−21,158	−21,826	−22,516	−90,397	−196,286

COMPARISON WITH THE PRESIDENT'S BUDGET

To this day, more than four decades since the adoption of the Congressional Budget Act, some budget "experts" still describe the congressional budget as a "response" to the President's. That is true only in terms of timing. Merely as a carryover from a 1921 law, the 1974 Budget Act scheduled the President's submission before the congressional budget. The effect, however, has been more significant than most might think—largely because the sequence is taken for granted. Since the executive budget process was installed nearly a century ago, and increasingly since the 1950s, presidents have used this instrument not mainly as an accounting tool—showing the fiscal effects of *executing* existing policies—but as an expression of their own policy agenda. Over the course of 50 years, the President's budget became an ever-more effective tool empowering one person to determine the Nation's direction—contrary to what the Constitution intended. It is no mere coincidence that the practice corresponded with the rise of what political historian Arthur M. Schlesinger termed "the imperial presidency."

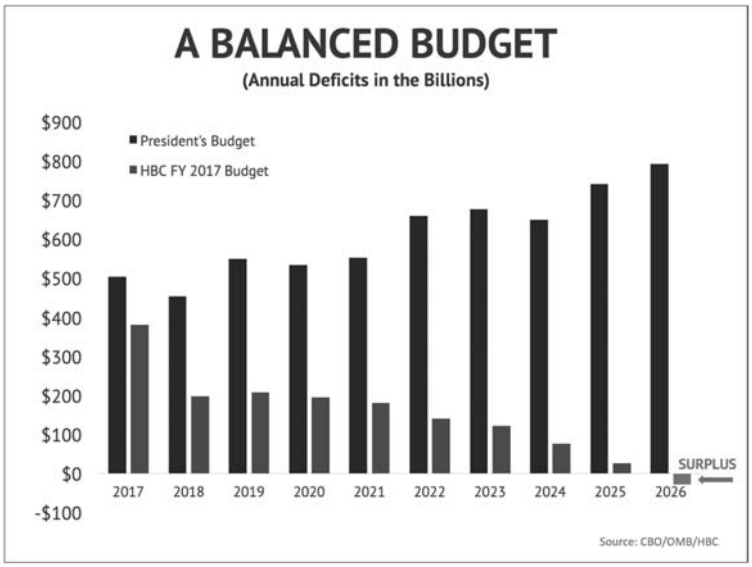
The Obama budgets provide an especially troubling example. This President has been notorious in exceeding his authority. He has made, for example, numerous legislative changes in his own health care program after he had signed it—clearly imposing on a prerogative reserved to the Congress. Reflecting his own cavalier attitude about fiscal policy, he has submitted his budgets late more often than not—including the latest one.

Worse are the irresponsible policies his budgets continue to advance. His latest proposal, for fiscal year 2017, once again does not even try to balance. While the House budget reduces debt held by the public as a share of the economy, the President's budget maintains debt at its historically high levels. His budget makes no attempt to confront the government's massive fiscal challenges, or to save critical programs such as Medicare and Social Security. It is a status quo budget that does nothing to advance the conversation about maintaining a strong national defense, promoting a more robust economy, and ensuring health and retirement security. The President's budget expresses the progressive policies that have led to a swollen and out-of-control government, and the stagnation of economic growth and standards of living.

For these reasons, the President's budget was not even worth the time for a hearing on it—at which the administration would presumably attempt to defend the indefensible. Yet to further detail its failures, a comparison between the House budget and the President's is informative. Here are some examples.

- As a foundation for the congressional budget, the Budget Committee uses the modest economic projections of the Congressional Budget Office [CBO], which expects real gross domestic product [GDP] to grow by an average of 2.1 percent per year over the next decade. For his budget, the President employs the more optimistic forecasts of his own economists, who expect average annual growth of 2.3 percent per year over the next decade. Both figures are disturbingly low, compared with the roughly 3-percent average annual growth rate of the past 50 years. In addition, the seemingly small difference between the two estimates has significant budgetary effects. Following a CBO "rule of thumb," that two-tenths percentage point difference would give the President roughly $650 billion in lower deficits than the Budget Committee faced in writing this package. Yet he manages to increase deficits after he leaves office.
- While the Committee has developed a plan to balance the budget within 10 years, the President's budget never balances. It never tries to. In fact, deficits under the President's budget begin to increase in 2021, and approach $800 billion in 2026. This is the product of the President's casual attitude that deficits in the range of 3 percent of GDP are acceptable. This is not a fiscal policy; it is an abandonment of fiscal norms that leads to chronic and growing deficits and debt. Only by restoring the goal of balancing the budget in peacetime can Congress establish fiscal sustainability. No other standard has substituted for this simple conviction. As a result, fiscal policy has been adrift.

FIGURE 5

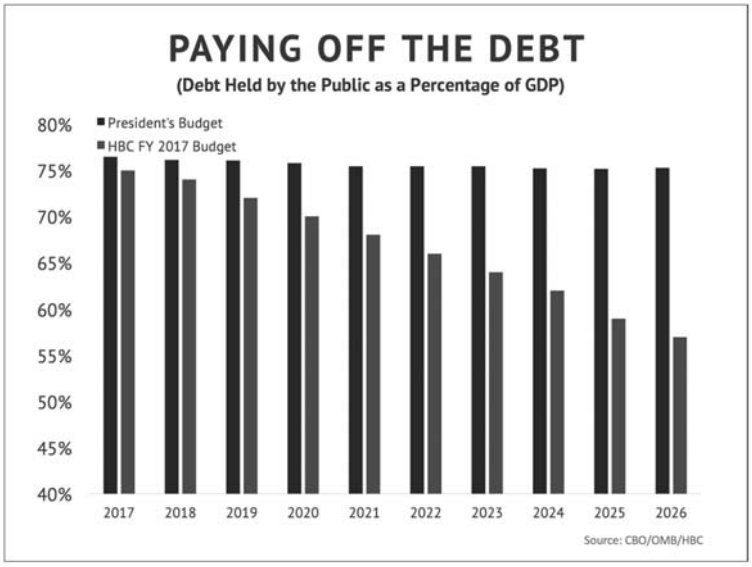


- The House budget resolution reduces spending by $6.5 trillion over 10 years compared with current policy projections. The

President, even in the face of historically high levels of debt, increases spending by $2.5 trillion over the decade.

- The House budget embraces tax reform that will promote growth and encourage work, saving, and investment, and it contains no tax increases. The President, by contrast, raises taxes by $3.4 trillion over the next decade—and still cannot reduce deficits.
- The House budget reduces publicly held debt from 74 percent of GDP to 57 percent over the decade. The President's budget makes no attempt to reduce debt, keeping it constant at 74 percent of GDP over the next 10 years. That is the highest level of debt since just after World War II. A significant difference, however, is that the post-war debt resulted from large but temporary surges of spending to save the free world. Today's deficits and debt are the product of permanent automatic spending programs.

FIGURE 6



- The House budget restores the time-tested principle of federalism, encouraging the initiative of State and local governments in addressing more of the Nation's domestic policy concerns. The President's budget merely repeats the failed and crippling notion that Washington knows best, directing how individuals should live their lives, how State and local governments should govern, and how businesses should serve their customers.
- The House budget advances patient-centered, personalized health care and health coverage—and this principle applies both to commercial insurance and major government-sponsored programs such as Medicare. The Obama budget predictably

clings to the conceit of centralized, Washington-based, one-size-fits-all health care—even as its failure becomes ever clearer.

- The House budget saves $487 billion over 10 years by strengthening Medicare and establishing a patient-centered option in Medicare. It achieves another $3 trillion in health savings, by repealing Obamacare and allowing greater State flexibility in Medicaid. The budget saves $1.5 trillion in other automatic spending. The President, by contrast, traps increasing numbers of lower income people in Medicaid, where many sick individuals cannot get appointments, new beneficiaries cannot find doctors, and Medicaid cards are mere pieces of plastic. His health care law will increase Federal spending for Medicaid and the State Children's Health Insurance Program by $1 trillion over the next 10 years, with no substantial reforms to improve the program. Meanwhile, he imposes $501 billion in new Medicare cuts to medical providers—part of the cuts needed to finance Obamacare, at least on paper—with no meaningful restructuring of a program going bankrupt.
- The House budget provides more resources for national security than the President does in fiscal year 2017 and over 10 years. The President claims illusory defense spending increases with no plan to pay for adjusting statutory defense spending caps upward.

The President's budget is a typically unserious set of proposals that should nevertheless be taken seriously. It expresses and leads a progressive impulse heavy on spending, regulation, and debt—one that ultimately views the Nation as the government's servant, not the other way around. This comparison reflects some of the dangerous and self-defeating flaws in that vision.

HOUSE BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET

House Budget Resolution	President's Budget
Uses modest economic growth projections of the Congressional Budget Office.	Relies on more optimistic economic assumptions of White House forecasters.
Achieves balance within 10 years.	Never balances; deficits climb starting in 2021 and approach $800 billion by the end of the decade.
Reduces spending by $6.5 trillion over 10 years.	Spends $2.5 trillion more than the House budget over 10 years.
Calls for growth-promoting tax reform that reduces rates and broadens the tax base. Contains no tax increases.	Increases taxes by $3.4 trillion over 10 years.

HOUSE BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET—Continued

House Budget Resolution	President's Budget
Reduces debt held by the public from the current 74 percent of gross domestic product [GDP] to 57 percent within 10 years.	Keeps publically held debt at about three-fourths of economic output—the highest level since just after World War II.
Restores the principle of federalism, encouraging the initiative of State and local governments in addressing more of the Nation's domestic policy concerns.	Advances the failed notion that Washington knows best, dictating how individuals should live, how State and local governments should serve constituents, and how businesses should serve their customers.
Promotes patient-centered, personalized health care both in the private sector and in Medicare.	Maintains the conceit of centralized, Washington-based, one-size-fits-all health care.
Saves $487 billion over 10 years by strengthening Medicare and establishing a patient-centered Medicare option. Achieves another $3.0 trillion in health savings, partly by repealing Obamacare and allowing greater State flexibility in Medicaid. Saves another $1.5 trillion in other direct spending.	Increases Federal Medicaid and State Children's Health Insurance Program spending by more than $1 trillion over 10 years due to the President's health care law, with no substantial reforms to improve the program. Imposes $501 billion (gross) in new Medicare cuts to hospitals and skilled nursing facilities, while ignoring the fundamental structural flaws in the program.
Spends more than the President for national defense in fiscal year 2017 and over 10 years.	Claims illusory defense spending increases with no plan to pay for raising statutory defense spending caps.

TABLE 4.—SUMMARY OF FISCAL YEAR 2017 BUDGET RESOLUTION

[As a percentage of GDP]

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Average 2017–2026
Deficit(+)/Surplus(−):											
Committee Recommendation	+2.0%	+1.0%	+1.0%	+0.9%	+0.8%	+0.6%	+0.5%	+0.3%	+0.1%	−0.1%	+0.7%
CBO	+2.9%	+2.8%	+3.5%	+3.7%	+4.0%	+4.4%	+4.4%	+4.3%	+4.6%	+4.9%	+4.0%
President's Budget	+2.6%	+2.3%	+2.6%	+2.4%	+2.4%	+2.8%	+2.7%	+2.5%	+2.7%	+2.8%	+2.6%
Debt Held by the Public:											
Committee Recommendation	75.0%	74.0%	72.0%	70.0%	68.0%	66.0%	64.0%	62.0%	59.0%	57.0%	n.a.
CBO	75.7%	75.7%	76.7%	77.8%	78.8%	80.3%	81.7%	82.8%	84.3%	86.1%	n.a.
President's Budget	76.5%	76.1%	76.1%	75.8%	75.5%	75.5%	75.4%	75.2%	75.2%	75.3%	n.a.
Outlays:											
Committee Recommendation	20.2%	19.3%	19.2%	19.2%	18.9%	18.8%	18.7%	18.6%	18.5%	18.3%	19.0%
CBO	21.1%	20.9%	21.5%	21.8%	22.0%	22.5%	22.4%	22.3%	22.8%	23.1%	22.0%
President's Budget	21.5%	21.6%	22.1%	22.3%	22.4%	22.7%	22.6%	22.4%	22.7%	22.8%	21.6%
Revenues:											
Committee Recommendation	18.3%	18.4%	18.2%	18.2%	18.1%	18.2%	18.1%	18.1%	18.1%	18.1%	18.2%
CBO	18.2%	18.1%	17.9%	18.0%	18.0%	18.0%	18.0%	18.1%	18.1%	18.2%	18.1%
President's Budget	18.9%	19.4%	19.5%	19.8%	20.0%	19.9%	19.9%	19.9%	20.0%	20.0%	19.7%

TABLE 5.—FISCAL YEAR 2017 HOUSE BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
SUMMARY												
Total spending:												
BA	3,900,967	3,848,121	4,007,366	4,179,555	4,309,637	4,449,397	4,651,534	4,839,943	5,000,532	5,173,555	20,245,646	44,360,606
OT	3,882,461	3,849,342	3,988,526	4,163,470	4,301,136	4,445,385	4,621,834	4,791,398	4,947,282	5,136,345	20,184,934	44,127,178
On-budget:												
BA	3,086,332	2,984,016	3,084,551	3,192,964	3,254,411	3,319,284	3,443,779	3,551,204	3,624,651	3,704,462	15,602,273	33,245,653
OT	3,072,428	2,990,509	3,071,424	3,182,999	3,252,237	3,321,899	3,420,907	3,509,889	3,578,931	3,675,084	15,569,597	33,076,306
Off-budget:												
BA	814,635	864,105	922,815	986,592	1,055,226	1,130,113	1,207,755	1,288,739	1,375,882	1,469,093	4,643,372	11,114,954
OT	810,033	858,833	917,101	980,471	1,048,900	1,123,486	1,200,927	1,281,509	1,368,352	1,461,261	4,615,337	11,050,872

Revenues:												
Total	3,521,497	3,659,353	3,789,990	3,958,001	4,117,566	4,285,579	4,464,033	4,653,472	4,859,831	5,075,638	19,046,407	42,384,960
On-budget	2,692,937	2,799,875	2,902,418	3,040,763	3,168,226	3,301,656	3,443,940	3,595,338	3,762,041	3,936,429	14,604,219	32,643,623
Off-budget	828,560	859,478	887,572	917,238	949,340	983,923	1,020,093	1,058,134	1,097,790	1,139,209	4,442,188	9,741,337
Surplus/Deficit(−):												
Total	−381,672	−198,531	−207,457	−194,777	−181,008	−141,019	−122,876	−76,487	−26,040	28,731	−1,163,444	−1,501,134
Macroeconomic Fiscal Impact	−20,709	−8,542	−8,921	10,692	2,562	18,787	34,925	61,439	61,411	89,438	−24,917	241,084
On-budget	−379,491	−190,634	−169,006	−142,236	−84,011	−20,243	23,033	85,449	183,110	261,345	−965,378	−432,683
Off-budget	18,527	645	−29,529	−63,233	−99,560	−139,563	−180,834	−223,375	−270,562	−322,052	−173,149	−1,309,535
Debt Held by the Public (end of year)	14,400,000	14,726,000	14,976,000	15,190,000	15,436,000	15,576,000	15,808,000	15,934,000	15,812,000	15,960,000	n.a.	n.a.
Debt Subject to Limit (end of year)	19,848,354	20,314,389	20,647,523	20,904,600	21,161,285	21,296,902	21,510,772	21,598,523	21,373,459	21,412,056	n.a.	n.a.
PRESIDENT'S FY2017 BUDGET AS SUBMITTED												
Total Spending:												
BA	4,234,877	4,374,189	4,674,166	4,933,090	5,178,555	5,459,300	5,691,832	5,911,899	6,225,061	6,529,224	23,394,877	53,212,193
OT	4,147,224	4,352,222	4,644,309	4,879,818	5,124,248	5,415,425	5,625,782	5,826,653	6,151,854	6,462,436	23,147,821	52,629,971
On-budget:												
BA	3,403,270	3,484,403	3,725,153	3,917,538	4,099,023	4,308,739	4,463,956	4,604,220	4,834,174	5,052,751	18,629,387	41,893,227
OT	3,318,636	3,467,898	3,702,365	3,871,656	4,052,084	4,272,745	4,406,330	4,527,678	4,769,921	4,995,241	18,412,639	41,384,554
Off-budget:												
BA	831,607	889,786	949,013	1,015,552	1,079,532	1,150,561	1,227,876	1,307,679	1,390,887	1,476,473	4,765,490	11,318,966
OT	828,588	884,324	941,944	1,008,162	1,072,164	1,142,680	1,219,452	1,298,975	1,381,933	1,467,195	4,735,182	11,245,417
Revenues:												
Total	3,643,742	3,898,625	4,095,054	4,345,701	4,571,990	4,755,848	4,948,853	5,176,519	5,411,188	5,669,299	20,555,112	46,516,819
On-budget	2,816,842	3,035,325	3,196,854	3,413,801	3,591,790	3,728,348	3,876,853	4,053,019	4,237,888	4,436,899	16,054,612	36,387,619
Off-budget	826,900	863,300	898,200	931,900	980,200	1,027,500	1,072,000	1,123,500	1,173,300	1,232,400	4,500,500	10,129,200
Surplus/Deficit(−):												
Total	−503,482	−453,597	−549,255	−534,117	−552,258	−659,577	−676,929	−650,134	−740,666	−793,137	−2,592,709	−6,113,152
On-budget	−501,794	−432,573	−505,511	−457,855	−460,294	−544,397	−529,477	−474,659	−532,033	−558,342	−2,358,027	−4,996,935
Off-budget	−1,688	−21,024	−43,744	−76,262	−91,964	−115,180	−147,452	−175,475	−208,633	−234,795	−234,682	−1,116,217
Debt Held by the Public (end of year)	14,763,197	15,323,508	15,982,242	16,614,892	17,263,523	18,016,476	18,793,499	19,548,109	20,395,652	21,301,880	n.a.	n.a.
Debt Subject to Limit (end of year)	20,143,189	20,879,678	21,693,743	22,447,564	23,201,455	24,004,097	24,839,340	25,679,835	26,541,534	27,438,173	n.a.	n.a.
FY2017 HOUSE BUDGET VS. FY2017 PRESIDENT'S BUDGET												
Total Spending:												
BA	−333,910	−526,068	−666,800	−753,535	−868,918	−1,009,903	−1,040,298	−1,071,956	−1,224,529	−1,355,669	−3,149,231	−8,851,587
OT	−264,763	−502,880	−655,783	−716,348	−823,112	−970,040	−1,003,948	−1,035,255	−1,204,572	−1,326,091	−2,962,887	−8,502,793

TABLE 5.—FISCAL YEAR 2017 HOUSE BUDGET RESOLUTION VS. THE PRESIDENT'S BUDGET—Continued

[In millions of dollars]

Fiscal year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017–2021	2017–2026
On-budget:												
BA	−316,938	−500,387	−640,602	−724,574	−844,612	−989,455	−1,020,177	−1,053,016	−1,209,523	−1,348,289	−3,027,114	−8,647,574
OT	−246,208	−477,389	−630,941	−688,657	−799,847	−950,846	−985,423	−1,017,789	−1,190,990	−1,320,157	−2,843,042	−8,308,248
Off-budget:												
BA	−16,972	−25,681	−26,198	−28,960	−24,306	−20,448	−20,121	−18,940	−15,005	−7,380	−122,118	−204,012
OT	−18,555	−25,491	−24,843	−27,691	−23,264	−19,194	−18,525	−17,466	−13,581	−5,934	−119,845	−194,545
Revenues:												
Total	−122,245	−239,272	−305,064	−387,700	−454,424	−470,269	−484,820	−523,047	−551,357	−593,661	−1,508,705	−4,131,859
On-budget	−123,905	−235,450	−294,436	−373,038	−423,564	−426,692	−432,913	−457,681	−475,847	−500,470	−1,450,393	−3,743,996
Off-budget	1,660	−3,822	−10,628	−14,662	−30,860	−43,577	−51,907	−65,366	−75,510	−93,191	−58,312	−387,863
Surplus/Deficit(−):												
Total	−121,810	−255,066	−341,798	−339,340	−371,250	−518,558	−554,053	−573,647	−714,626	−821,868	−1,429,265	−4,612,018
Macroeconomic Fiscal Impact	20,709	8,542	8,921	−10,692	−2,562	−18,787	−34,925	−61,439	−61,411	−89,438	24,917	−241,084
On-budget	−122,303	−241,939	−336,505	−315,619	−376,283	−524,154	−552,510	−560,108	−715,143	−819,687	−1,392,649	−4,564,252
Off-budget	−20,215	−21,669	−14,215	−13,029	7,596	24,383	33,382	47,900	61,929	87,257	−61,533	193,318
Debt Held by the Public (end of year)	−363,197	−597,508	−1,006,242	−1,424,892	−1,827,523	−2,440,476	−2,985,499	−3,614,109	−4,583,652	−5,341,880	n.a.	n.a.
Debt Subject to Limit (end of year)	−294,835	−565,290	−1,046,220	−1,542,964	−2,040,170	−2,707,195	−3,328,568	−4,081,312	−5,168,075	−6,026,118	n.a.	n.a.

THE ECONOMY AND ECONOMIC ASSUMPTIONS

An Anemic Recovery

The economy is still languishing in the weakest recovery of the modern era and the expansionist government policies of the current administration are among the factors weighing on growth.

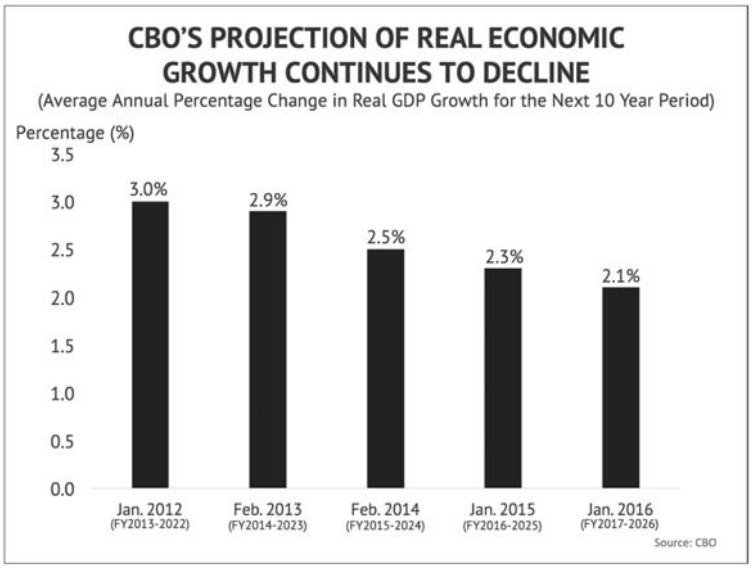
The U.S. economy technically emerged from recession nearly 7 years ago, but the subsequent recovery has been subpar. Since 2010, real growth in gross domestic product [GDP] has averaged only slightly better than 2.0 percent annually, well below the 3.0 percent historical trend rate of growth in the U.S.

This trend of prolonged anemic growth has surprised most economic forecasters. Back in 2010, the Congressional Budget Office [CBO] expected real GDP to grow by a relatively brisk 3.0 percent annual average over the 10-year budget window. By 2014, that average slipped to 2.5 percent. In CBO's latest economic forecast, expected average real GDP growth fell to just 2.1 percent (see Figure 7). CBO has significantly lowered its expectation of long-term growth in potential GDP as well, due mainly to negative developments in the labor market. CBO expects slower growth in the potential labor force later this decade, which is linked to the aging of the population and the retirement of the baby-boom generation. With a smaller labor force, there will also be less business investment and slower growth in the country's capital stock. This "new normal"—if that is what it is—is especially troubling because without more robust growth the economy will struggle to support the 80 million retirees expected over the next couple decades, as well as the working age population. Standards of living will suffer, especially for middle-income earners.

The President's policies also play a role in this trend. The heavy spending promoted by the current administration drains economic resources that otherwise would be available for growth-producing activities. In addition, the sharp increase in government debt—which now stands at near-record post-World War II levels—will crowd out additional capital investment in the long term. Meanwhile, CBO projects the Affordable Care Act—the President's nationalized health program—will create incentives for people to work fewer hours over the medium and longer term. The overall picture that CBO's latest economic forecast paints is that sluggish economic growth has evolved from mainly a cyclical issue to a longer-term structural problem. The clear downward trend in the economic forecast in recent years has raised the hurdle significantly for those trying to correct the fiscal imbalance over the next decade. This is important because CBO's annual economic assumptions are adopted for the budget resolution. As discussed in the

next section, however, a meaningful change in fiscal policy can repay in stronger economic growth and budgetary dividends.

FIGURE 7



The Benefits of a Stronger Economy

A stronger economy would provide a number of tangible benefits for the average American. Back in the latter part of the 1990s, real GDP was growing at a rate of about 4.5 percent—roughly *twice* the rate of growth today. From 1995 to 1999, real median household income grew by $5,000, nearly 10 percent. Not coincidentally, this was a time when the Federal budget achieved a string of surpluses. In contrast, fiscal policy today features large deficits combined with a historically large stock of government debt—and real median income has fallen $3,700, or 6.5 percent, over the past 7 years.

A robust labor market also fosters more opportunity and upward mobility. Currently, 6 million Americans are working part-time due to poor business conditions or because that was the only employment option available. In the latter part of the 1990s roughly half as many Americans faced this problem. A stronger economy also naturally alleviates poverty. By the year 2000, after multiple years of robust economic growth, the rate of poverty in the U.S. had declined to a 25-year low. A more robust economy also provides more resources to the government to maintain a strong safety net.

Achieving a stronger rate of growth requires the right economic policies. This is the central theme of remarks delivered in January at the annual meeting of the American Economic Association by Stanford University economist John B. Taylor.[25] According to Taylor, key policies needed to bolster growth include fundamental tax reform to lower tax rates on people and businesses and thus reduce

[25] John B. Taylor, "Can We Restart the Recovery All Over Again?" presented at the 2016 annual meeting of the American Economic Association, January 2016.

disincentives to work and invest; regulatory reforms to scale back and prevent regulations, such as Dodd-Frank, that fail cost-benefit tests and hamper economic growth; and entitlement reforms to prevent a debt explosion and improve incentives. The Congressional Budget Office has also concluded that putting the Federal budget on a path to balance is essential to creating more economic growth and greater prosperity. CBO finds that a significant deficit reduction package of $4 trillion would lead to growth in real output per capita (a proxy for a country's standard of living) of about 5 percent (about $4,000 per person) by 2040 compared to the current law trajectory.[26]

The Current Economic Situation

Economic output weakened sharply in the last quarter of 2015, falling to just 1.0 percent real GDP growth on a seasonally adjusted, annualized basis. This weakness echoed how the year began—with quarterly growth of just 0.6 percent. For the year as a whole, real GDP grew by 2.4 percent (measured on a year-over-year basis) in 2015, unchanged from the growth rate posted in 2014. Since 2010, real GDP growth has averaged just more than 2.0 percent annually, well below the roughly 3.0-percent historical trend rate of growth in the U.S. Sluggish economic growth has contributed to the government's fiscal problems. It leads to lower revenue levels than would otherwise occur while government spending (on welfare programs, for example) is higher. According to CBO, if real GDP growth is just 0.1 percentage point lower per year, the budget deficit will be higher by $327 billion over 10 years. Conversely, stronger economic growth would greatly improve the fiscal outlook.

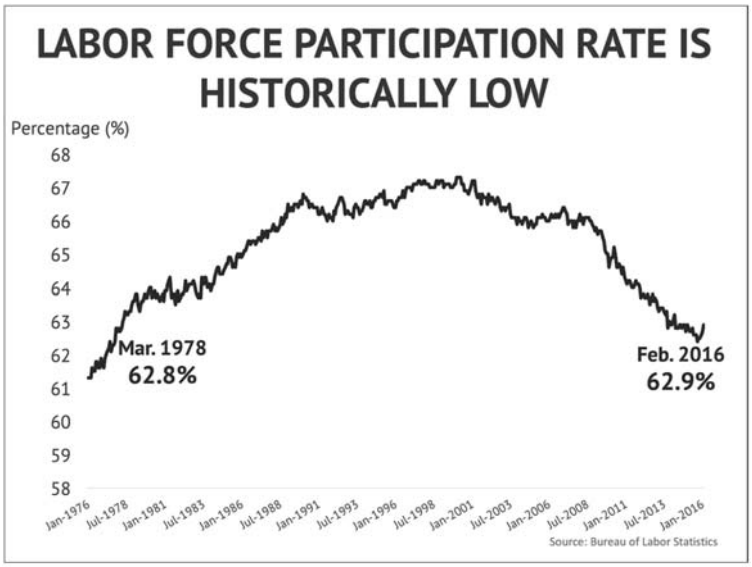
The pace of job growth appeared to be trending upward at the start of 2016. Nonfarm payroll employment increased by 242,000 in February, compared to 172,000 in January and the 229,000 average monthly increase posted in 2015. The unemployment rate ticked down to 4.9 percent in early 2016, the lowest rate in 8 years and down 0.8 percentage point from the rate at the start of 2015. The steady decline in the unemployment rate, however, masks less healthy underlying trends. When discouraged workers, marginally employed, and underemployed persons are counted, the unemployment rate is closer to 10 percent.[27]

Although the overall trend of job gains has been solid of late, and the unemployment rate has continued to decline, other aspects of the labor market are not as robust. The labor force participation rate has increased in recent months, but still stands at just 62.9 percent, down roughly 3 percentage points since early 2009, and remains near its lowest level since 1978 (See Figure 8). Long-term unemployment also remains a problem. Of the 7.8 million people who are currently unemployed, more than 2 million (28 percent) have been unemployed for more than 6 months. Prior to the recession, only about 17 percent of the unemployed were out of work for that long. Long-term unemployment has genuinely corrosive consequences. For individuals, it erodes their job skills, further detach-

[26] Congressional Budget Office, *The 2015 Long-Term Budget Outlook,* 16 June 2015.
[27] Bureau of Labor Statistics, U–6 Index, Table A–15, March 2016.

ing them from employment opportunities. At the same time, it undermines the long-term productive capacity of the economy.

FIGURE 8



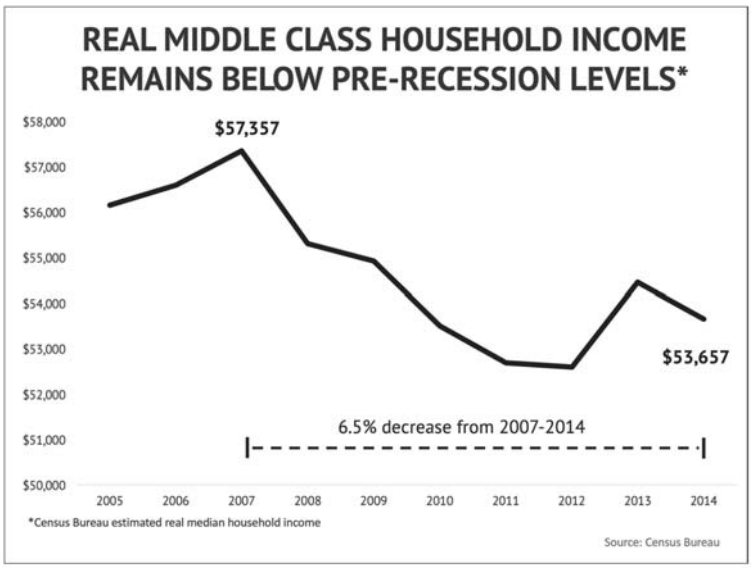
In previous episodes when the unemployment rate was at or below 5.0 percent, the overall labor market was much healthier than it is today. For instance, about a decade ago, in 2005, the unemployment rate was trending lower and even dipped below 5.0 percent. Yet the labor force participation rate was 66 percent, more than 3 percentage points above the rate today. The number of people not in the labor force (or "on the sidelines") is currently 22 percent higher than the figure back in 2005. Similarly, the under-employment rate (which includes discouraged and marginally employed persons) is still quite elevated at close to 10 percent. A decade ago, that rate was about 8.5 percent. Also, more people today are working part-time because of poor business conditions or they can only find part-time work. Currently, 6 million Americans face this problem, whereas that figure was slightly more than 4 million in 2005.

For most of the working population, wage gains have been subpar. Average hourly earnings of private-sector workers increased by 2.4 percent over the past year. Prior to the recession, average hourly earnings were tracking closer to 4 percent. Likewise, average income levels have remained relatively flat in recent years. Real median household income declined by roughly $800 in 2014 (latest year available) to $53,657. That represents a sharp decline of 6.5 percent, or $3,700, since 2007.

Oil prices have plunged over the past year and a half. Since mid-2014, crude oil prices have dropped from just above $100 per barrel to less than $30 per barrel early this year. Although lower oil prices are a net benefit for consumers (e.g. in lower gasoline prices), the price decline has hurt output and investment in the

growing U.S. energy sector and has therefore weighed on the economy's overall growth rate.

FIGURE 9



The sharp decline in oil prices has contributed to the downward slide in headline inflation rates. For instance, the price index for personal consumption expenditures [PCE] has increased by 1.3 percent over the latest 12 months. The so-called core PCE index (which excludes energy and food prices), the Federal Reserve's preferred inflation gauge, has increased 1.7 percent over the past year. That level of inflation remains below the Federal Open Market Committee's 2 percent objective for inflation over the longer run.

After years of an extremely loose monetary policy stance, the Federal Reserve finally increased interest rates in December. The Fed had been holding interest rates near zero since the depths of the financial crisis in 2008. Looking ahead, the Fed has signaled that future rate increases will be "gradual." Despite the Fed's recent move, the yield on the 10-year Treasury note has declined back below 2 percent in early 2016 from a recent peak of 2.4 percent in mid-2015.

A portion of the fallback in Treasury rates, even as the Fed has begun to raise the Federal funds rate, is likely due to a "flight to quality" on the part of global investors as economic prospects outside the U.S. have soured and market volatility has increased significantly, particularly in China, the world's second largest economy.

Many global central banks have signaled their intention to keep interest rates low and their overall monetary policy loose—in contrast to the Federal Reserve's disposition. This divergence in central bank policy stances on interest rates, as well as the differing economic outlook between the U.S. and the rest of the world, has

caused the U.S. dollar to appreciate vis-a-vis other foreign currencies.

The U.S. dollar has appreciated more than 11 percent on a trade-weighted basis since early 2015. The dollar's appreciation tends to dampen the competitiveness of U.S. exporters as their goods become more expensive for foreign consumers. A stronger dollar, and weaker global growth, has led to a fall in exports, a headwind for U.S. growth. Exports of U.S. goods and services are down 7 percent over the past 12 months.

Mirroring the recent trend in global financial markets, the U.S. stock market has experienced renewed volatility and has been trending lower in early 2016.

The Economic Outlook

The administration's economic forecast is less hopeful than it was last year but it remains more upbeat than either CBO or the Blue Chip consensus of private-sector forecasters—who also are less optimistic than last year. The administration expects real GDP growth of 2.6 percent in calendar years 2016 and 2017, 2.4 percent in 2018, and 2.3 percent in later years measured on a year-to-year basis. CBO—upon whose economic assumptions the budget resolution is based—expects real GDP to grow by 2.5 percent in calendar year 2016, 2.6 percent in 2017, 2.2 percent in 2018 and stabilizing at 2.0 percent in 2023 and later years. CBO concedes its relatively weak near-term projections are somewhat more optimistic than other private and government forecasts: "The economic projections in this report indicate a slightly stronger economy in the near term than do the Blue Chip consensus forecast (published in January) and the forecasts developed by the Federal Reserve (and presented at the Federal Open Market Committee's December 2015 meeting)." [28]

The Blue Chip consensus projects real GDP growth of 2.5 percent in 2016 and also 2017, 2.4 percent in 2018, and 2.2 percent in later years. Over the 10-year window of the budget resolution, the administration's Office of Management and Budget [OMB] expects real GDP growth to average 2.3 percent, modestly higher than Blue Chip and significantly higher than CBO which projects a 2.1 percent growth rate average over this period.

Like other forecasters, the administration expects the unemployment rate to decline gradually in the coming years. According to OMB, the unemployment rate will average 4.7 percent in 2016, decline to 4.5 percent in 2017, and rise to 4.6 percent in 2018. The administration sees the unemployment rate rising very gradually in subsequent years before leveling off at 4.9 percent in 2023. (By comparison, the unemployment rate was 4.6 percent in 2007, the year before the financial crisis.) That path is similar in the near term but is more optimistic in the latter part of the window than the CBO forecast. CBO expects the unemployment rate to average 4.7 percent in 2016 and decline to 4.4 percent in 2017, before rising to 4.6 percent in 2018, 4.8 percent in 2019 and leveling off at 5.0 percent in 2020. The Blue Chip consensus sees a near-term decline

[28] Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026,* January 2016, p. 32.

in the unemployment rate similar to both CBO and the administration, but is closer to CBO's forecast in the latter part of the window. According to Blue Chip, the unemployment rate will average 4.8 percent in 2016, decline to 4.6 percent by 2017, and rise to 4.7 percent in 2018 and further in later years before leveling off at 5.0 percent in 2022.

The administration expects consumer price inflation, measured by the year-to-year percent change in the consumer price index, to rise to 1.5 percent in 2016 from 2015's unusually low level of 0.1 percent which reflected last year's sharp drop in oil prices. The administration expects price inflation of 2.1 percent in 2017 and 2.3 percent in 2021 and later years. CBO expects price inflation of 1.3 percent in 2016, 2.3 percent in 2017 and 2.4 percent in 2018 and later years. The Blue Chip consensus expects inflation over the next two years that is similar to the administration's and CBO's forecasts. According to Blue Chip, price inflation will average 1.6 percent in 2016, 2.3 percent in 2017, and 2.4 percent in 2018 and 2019 before leveling off at 2.3 percent in later years.

OMB expects interest rates will rise to more normal levels in the coming years. The 10-year Treasury note, which was about 2.1 percent in 2015, is projected to rise to about 2.9 percent in 2016, 3.5 percent in 2017, and 3.9 percent in 2018. OMB expects the 10-year Treasury to hit 4.2 percent in 2020 and remain there in later years. CBO expects interest rates to rise to more normal levels as well but sees slightly lower rates than the administration for most years. CBO sees the 10-year Treasury averaging 2.8 percent in 2016, 3.5 percent in 2017, and 3.8 percent in 2018, and then stabilizing at 4.1 percent in 2020 and later years. The Blue Chip consensus also sees a gradual increase in interest rates over the next two years but at lower levels than the administration. The Blue Chip consensus forecasts the 10-year Treasury note to average 2.6 percent in 2016, 3.2 percent in 2017, 3.8 percent in 2018 and gradually rising further until stabilizing at 4.1 percent in 2022 and later years.

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

[Calendar years]

	Estimated 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Year to Year, Percent Change												
Real GDP:												
Administration Budget	2.4	2.6	2.6	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
CBO (Jan. 2016)	2.4	2.5	2.6	2.2	1.8	1.9	2.1	2.1	2.0	2.0	2.0	2.0
Blue Chip (Oct. 2015 and Jan. 2016)	2.5	2.5	2.5	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Consumer Price Index:												
Administration Budget	0.1	1.5	2.1	2.1	2.3	2.2	2.3	2.3	2.3	2.3	2.3	2.3
CBO (Jan. 2016)	0.1	1.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Blue Chip (Oct. 2015 and Jan. 2016)	0.1	1.6	2.3	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Annual Average, Percent												
Unemployment Rate:												
Administration Budget	5.3	4.7	4.5	4.6	4.6	4.7	4.7	4.8	4.9	4.9	4.9	4.9
CBO (Jan. 2016)	5.3	4.7	4.4	4.6	4.8	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Blue Chip (Oct. 2015 and Jan. 2016)	5.3	4.8	4.6	4.7	4.7	4.8	4.9	5.0	5.0	5.0	5.0	5.0

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

[Calendar years]

	Estimated 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
3–Month Treasury Bill:												
Administration Budget	*	0.7	1.8	2.6	3.1	3.3	3.4	3.4	3.3	3.3	3.2	3.2
CBO (Jan. 2016)	0.1	0.7	1.6	2.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Blue Chip (Oct. 2015 and Jan. 2016)	0.1	0.7	1.7	2.8	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
10–Year Treasury Note:												
Administration Budget	2.1	2.9	3.5	3.9	4.1	4.2	4.2	4.2	4.2	4.2	4.2	4.2
CBO (Jan. 2016)	2.1	2.8	3.5	3.8	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Blue Chip (Oct. 2015 and Jan. 2016)	2.1	2.6	3.2	3.8	4.0	4.0	4.0	4.1	4.1	4.1	4.1	4.1

*0.05 percent or less.

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

TABLE 7.—ECONOMIC ASSUMPTIONS OF THE FISCAL YEAR 2017 BUDGET RESOLUTION

[Calendar years]

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Year to Year, Percent Change											
Real GDP:											
CBO (Jan. 2016)	2.5	2.6	2.2	1.8	1.9	2.1	2.1	2.0	2.0	2.0	2.0
Consumer Price Index:											
CBO (Jan. 2016)	1.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Annual Average, Percent											
Unemployment Rate:											
CBO (Jan. 2016)	4.7	4.4	4.6	4.8	5.0	5.0	5.0	5.0	5.0	5.0	5.0
3–Month Treasury Bill:											
CBO (Jan. 2016)	0.7	1.6	2.5	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
10–Year Treasury Note:											
CBO (Jan. 2016)	2.8	3.5	3.8	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2015–2019 [1]

[Billions of dollars]

Function	Corporations					Individuals					Total 2015–19
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	
National Defense:											
Exclusion of benefits and allowances to armed forces personnel	.....	.....	.....	.....	.....	5.8	6.0	6.4	6.8	7.0	31.9
Exclusion of military disability benefits	.....	.....	.....	.....	.....	0.3	0.3	0.3	0.3	0.3	1.4
Deduction for overnight-travel expenses of national guard and reserve members	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of combat pay	.....	.....	.....	.....	.....	1.4	1.4	1.5	1.6	1.6	7.5
International Affairs:											
Exclusion of certain allowances for Federal employees abroad	.....	.....	.....	.....	.....	2.1	2.2	2.3	2.3	2.4	11.2
Exclusion of foreign earned income:											
Housing	.....	.....	.....	.....	.....	1.3	1.3	1.4	1.5	1.6	7.1
Salary	.....	.....	.....	.....	.....	6.4	6.7	7.2	7.6	8.0	35.7
Inventory property sales source rule exception	1.7	1.7	1.8	1.8	1.8	.....	.....	.....	.....	.....	8.8
Deduction for foreign taxes instead of a credit	0.3	0.3	0.3	0.3	0.3	.....	.....	.....	.....	.....	1.3
Interest expense allocation:											
Unavailability of symmetric worldwide method*	−1.2	−1.2	−1.2	−1.3	−1.3	.....	.....	.....	.....	.....	−6.2
Separate grouping of affiliated financial companies	0.5	0.5	0.5	0.5	0.5	.....	.....	.....	.....	.....	2.5
Apportionment of research and development expenses for determination of foreign tax credits	0.2	0.2	0.2	0.2	0.2	.....	.....	.....	.....	.....	1.1
Special rules for interest-charge domestic international sales corporations	0.6	0.6	0.6	0.7	0.7	.....	.....	.....	.....	.....	3.2
Tonnage tax	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Deferral of active income of controlled foreign corporations	99.3	108.9	114.0	118.1	123.2	.....	.....	.....	.....	.....	563.6
General Science, Space, and Technology:											
Expensing of research and experimental expenditures	4.7	5.2	5.7	6.0	6.0	0.1	0.1	0.1	0.1	0.1	28.3
Therapeutic research credit	0.1	0.1	0.1	.....	.....	0.1	0.1	0.1	.....	.....	0.8
Energy:											
Credit for energy-efficient improvements to existing homes	.....	.....	.....	.....	.....	0.5	.....	.....	.....	.....	0.5
Credit for holders of clean renewable energy bonds (Code sections 54 and 54C) [2,3]	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1	0.1	0.1	0.6
Exclusion of energy conservation subsidies provided by public utilities	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	(4)	0.1
Credit for holders of qualified energy conservation bonds [2,3]	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	(4)	0.3
Energy credit (section 48)	1.0	1.5	1.6	1.6	1.7	0.2	0.3	0.2	0.1	0.1	8.3
Solar	0.9	1.4	1.5	1.5	1.6	0.1	0.2	0.2	0.1	0.1	7.7
Geothermal	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Fuel Cells	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Microturbines	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Combined heat and power	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2015–2019 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2015–19
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	
Small wind	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Geothermal heat pump systems	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Credits for electricity production from renewable resources (section 45):											
Wind	2.2	2.5	3.1	3.3	3.3	0.1	0.2	0.3	0.4	0.4	15.8
Closed-loop biomass	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Geothermal	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Qualified hydropower	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Small irrigation power	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Municipal solid waste	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.4
Open-loop biomass	0.3	0.3	0.3	0.3	0.3	(4)	(4)	(4)	(4)	(4)	1.8
Special rule to implement electric transmission restructuring	−0.2	−0.2	−0.2	−0.2	−0.2	.....	.....	.....	.....	.....	−1.0
Credits for investments in clean coal facilities	0.2	0.2	0.2	0.2	0.2	.....	.....	.....	.....	.....	1.0
Coal production credits:											
Refined coal	(4)	(4)	(4)	(4)	(4)	.....	.....	.....	.....	.....	0.1
Indian coal	(4)	(4)	(4)	(4)	(4)	.....	.....	.....	.....	.....	0.1
Credits for alternative technology vehicles:											
Other alternative fuel vehicles	(4)	(4)	(4)	(4)	(4)	.....	.....	.....	.....	.....	0.1
Residential energy-efficient property credit	.....	.....	.....	.....	.....	1.1	1.2	0.7	.....	.....	3.0
Credit for plug-in electric vehicles	(4)	(4)	(4)	(4)	(4)	0.2	0.2	0.2	0.2	0.2	1.2
Credit for investment in advanced energy property	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.2
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.2
Expensing of exploration and development costs, fuels:											
Oil and gas	1.0	1.1	1.1	1.1	1.0	0.3	0.4	0.3	0.3	0.3	7.0
Other fuels	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.5
Excess of percentage over cost depletion, fuels:											
Oil and gas	1.4	1.3	1.4	1.6	1.6	(4)	(4)	(4)	(4)	(4)	7.4
Other fuels	0.2	0.2	0.3	0.3	0.3	(4)	(4)	(4)	(4)	(4)	1.4
Amortization of geological and geophysical expenditures associated with oil and gas exploration	0.1	0.1	0.1	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.7
Amortization of air pollution control facilities	0.4	0.4	0.3	0.3	0.3	.....	.....	.....	.....	.....	1.7
Depreciation recovery periods for energy-specific items:											
5-year MACRS for certain energy property (solar, wind, etc.)	0.3	0.3	0.3	0.2	0.2	(4)	(4)	(4)	(4)	(4)	1.3

10-year MACRS for smart electric distribution property	0.2	0.2	0.2	0.2	0.2	.....	.....	.....	.....	.....	1.0
15-year MACRS for certain electric transmission property	0.2	0.2	0.2	0.2	0.2	.....	.....	.....	.....	.....	1.0
15-year MACRS for natural gas distribution line	0.2	0.2	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.8
Exceptions for publicly traded partnership with qualified income derived from certain energy-related activities	.....	.....	.....	.....	.....	1.1	1.2	1.2	1.2	1.2	5.9
Natural Resources and Environment:											
Special depreciation allowance for certain reuse and recycling property	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Expensing of exploration and development costs, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.5
Excess of percentage over cost depletion, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.5
Expensing of timber-growing costs	0.3	0.3	0.3	0.3	0.3	(4)	(4)	(4)	(4)	(4)	1.5
Special rules for mining reclamation reserves	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.2
Special tax rate for nuclear decommissioning reserve funds	0.2	0.2	0.3	0.3	0.3	.....	.....	.....	.....	.....	1.3
Exclusion of contributions in aid of construction for water and sewer utilities	(4)	(4)	(4)	(4)	(4)	.....	.....	.....	.....	.....	0.2
Exclusion of earnings of certain environmental settlement funds	(4)	(4)	(4)	(4)	(4)	.....	.....	.....	.....	.....	0.1
Amortization and expensing of reforestation expenditures	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.3
Special tax rate for qualified timber gain (including coal and iron ore)	.....	.....	.....	.....	.....	0.3	0.3	0.4	0.4	0.4	1.8
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Agriculture:											
Expensing of soil and water conservation expenditures	(4)	(4)	(4)	(4)	(4)	0.1	0.1	0.1	0.1	0.1	0.6
Expensing of the costs of raising dairy and breeding cattle	(4)	(4)	(4)	(4)	(4)	0.2	0.2	0.2	0.2	0.1	0.9
Exclusion of cost-sharing payments	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of cancellation of indebtedness income of farmers	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Income averaging for farmers and fishermen	.....	.....	.....	.....	.....	0.1	0.2	0.2	0.2	0.2	0.9
5-year carryback period for net operating losses attributable to farming	(4)	(4)	(4)	(4)	(4)	0.1	0.1	0.1	0.1	0.1	0.4
Expensing by farmers for fertilizer and soil conditioner costs	(4)	(4)	(4)	(4)	(4)	0.1	0.2	0.2	0.2	0.2	0.9
Cash accounting for agriculture	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Commerce and Housing:											
Housing:											
Deduction for mortgage interest on owner-occupied residences	.....	.....	.....	.....	.....	71.0	77.0	84.3	91.1	96.4	419.8
Deduction for property taxes on real property	.....	.....	.....	.....	.....	32.4	34.7	36.9	39.2	41.3	184.5
Exclusion of capital gains on sales of principal residences	.....	.....	.....	.....	.....	24.1	29.0	30.6	32.2	34.0	149.9
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing [5]	0.3	0.4	0.4	0.4	0.4	0.9	0.9	1.0	1.1	1.1	6.9
Credit for low-income housing	7.3	7.8	8.3	8.6	9.2	0.3	0.3	0.4	0.4	0.4	43.0
Credit for rehabilitation of historic structures	0.7	0.7	0.7	0.8	0.8	0.2	0.2	0.2	0.2	0.2	4.6
Credit for rehabilitation of structures, other than historic structures	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1	0.1	0.3
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.3	0.3	0.3	0.3	0.3	0.7	0.7	0.8	0.8	0.9	5.4
Depreciation of rental housing in excess of alternative depreciation system	0.5	0.4	0.4	0.4	0.4	4.2	4.0	3.9	3.9	3.8	22.0

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2015–2019 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2015–19
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	
Other business and commerce:											
Exclusion of interest on State and local government small-issue qualified private activity bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	2.1
Carryover basis of capital gains on gifts	.....	.....	.....	.....	.....	−4.6	11.3	10.5	8.9	9.3	35.4
Deferral of gain on non-dealer installment sales	6.9	6.8	6.7	6.7	6.7	2.1	1.7	1.4	1.2	1.2	41.3
Deferral of gain on like-kind exchanges	11.0	11.1	11.4	11.7	12.2	5.8	5.9	6.0	6.2	6.4	87.7
Expensing under section 179 of depreciable business property	4.8	1.8	0.8	0.8	0.6	7.8	2.9	1.3	1.2	1.0	22.9
Amortization of business startup costs	(4)	(4)	(4)	(4)	0.1	(4)	(4)	(4)	0.1	0.1	0.2
Reduced rates on first $10,000,000 of corporate taxable income	4.0	4.2	4.2	4.2	4.2	.....	.....	.....	.....	.....	20.8
Exemptions from imputed interest rules	(4)	(4)	(4)	(4)	(4)	0.6	0.6	0.7	0.7	0.7	3.4
Expensing of magazine circulation expenditures	0.1	0.1	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Special rules for magazine, paperback book, and record returns	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.2
Completed contract rules	0.9	0.9	0.9	1.0	1.0	0.1	0.1	0.1	0.1	0.1	5.2
Cash accounting, other than agriculture	0.3	0.3	0.3	0.3	0.3	1.8	1.9	1.9	2.0	2.0	11.1
Credit for employer-paid FICA taxes on tips	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8	6.9
Deduction for income attributable to domestic production activities	11.7	12.1	12.3	12.6	12.8	4.5	4.6	4.7	4.8	4.8	84.8
Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories	(4)	(4)	(4)	(4)	(4)	.....	.....	.....	.....	.....	(4)
Reduced rates of tax on dividends and long-term capital gains	.....	.....	.....	.....	.....	131.7	134.6	137.1	140.9	145.4	689.6
Surtax on net investment income*	.....	.....	.....	.....	.....	−34.8	−35.9	−36.9	−38.3	−40.0	−186.0
Exclusion of capital gains at death	.....	.....	.....	.....	.....	32.4	32.9	33.8	35.2	36.8	171.3
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion for gain from certain small business stock	.....	.....	.....	.....	.....	0.9	1.0	1.0	1.1	1.1	5.1
Distributions in redemption of stock to pay various taxes imposed at death	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	(4)	0.2
Inventory methods and valuation:											
Last in first out	1.5	1.6	1.6	1.6	1.7	0.3	0.3	0.3	0.3	0.3	9.4
Lower of cost or market	0.1	0.1	0.1	0.1	0.1	(4)	(4)	(4)	(4)	(4)	0.4
Specific identification for homogeneous products	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of gain or loss on sale or exchange of brownfield property	(4)	(4)	(4)	(4)	(4)	.....	.....	.....	.....	.....	0.1
Income recognition rule for gain or loss from section 1256 contracts	0.1	0.1	0.1	0.1	0.1	1.0	1.0	1.0	1.0	1.0	5.3
Net alternative minimum tax attributable to net operating loss limitation*	−0.5	−0.5	−0.5	−0.5	−0.5	−0.1	−0.1	−0.1	−0.1	−0.1	−3.0
Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1

Depreciation of buildings other than rental housing in excess of alternative depreciation system	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	2.2
Depreciation of equipment in excess of the alternative depreciation system [6]	−20.0	−18.0	−3.1	6.4	13.8	−8.2	−7.4	−1.3	2.6	5.7	−29.6
Financial institutions:											
Exemption of credit union income	2.2	2.4	2.5	2.7	2.9	.....	.....	.....	.....	.....	12.7
Insurance companies:											
Small life insurance company taxable income adjustment	(4)	(4)	(4)	(4)	(4)	.....	.....	.....	.....	.....	0.2
Special treatment of life insurance company reserves	2.9	3.2	3.3	3.3	3.3	.....	.....	.....	.....	.....	16.0
Special deduction for Blue Cross and Blue Shield companies	0.4	0.4	0.4	0.4	0.5	.....	.....	.....	.....	.....	2.2
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	2.3	2.6	2.6	2.6	2.6	.....	.....	.....	.....	.....	12.7
Proration for property and casualty insurance companies	0.4	0.4	0.4	0.4	0.5	.....	.....	.....	.....	.....	2.1
Transportation:											
Exclusion of employer-paid transportation benefits (parking, van pools, and transit passes)	.....	.....	.....	.....	.....	5.0	5.2	5.5	5.7	5.9	27.2
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities	(4)	(4)	(4)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of interest on State and local government qualified private activity bonds for high-speed intercity rail facilities	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities	0.2	0.3	0.3	0.3	0.3	0.7	0.7	0.7	0.7	0.8	4.9
Community and Regional Development:											
Empowerment zone tax incentives	0.2	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.2
New markets tax credit	1.1	1.1	1.2	1.1	1.0	(4)	(4)	(4)	(4)	(4)	5.5
District of Columbia tax incentives	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Credit for Indian reservation employment	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.4	0.4	2.3
Recovery zone economic development bonds [2,3]	(4)	(4)	(4)	(4)	(4)	0.2	0.2	0.2	0.2	0.2	0.9
Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest	0.5	0.5	0.5	0.5	0.5	.....	.....	.....	.....	.....	2.6
Disaster Relief:											
National disaster relief	[Estimate contained in other provisions]										
Education, Training, Employment, and Social Services:											
Education and training:											
Deduction for interest on student loans	.....	.....	.....	.....	.....	2.0	2.1	2.2	2.3	2.4	11.1
Exclusion of earnings of Coverdell education savings accounts	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of scholarship and fellowship income	.....	.....	.....	.....	.....	2.7	2.9	3.0	3.2	3.4	15.2

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2015–2019 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2015–19
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	
Exclusion of income attributable to the discharge of certain student loan debt and NHSC and certain state educational loan repayments	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	0.8
Exclusion of employer-provided education assistance benefits	.....	.....	.....	.....	.....	1.2	1.2	1.2	1.3	1.3	6.2
Exclusion of employer-provided tuition reduction benefits	.....	.....	.....	.....	.....	0.3	0.3	0.3	0.3	0.3	1.6
Parental personal exemption for students aged 19 to 23	.....	.....	.....	.....	.....	4.5	4.7	4.9	5.2	5.5	24.7
Exclusion of interest on State and local government qualified private activity bonds for student loans	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.5	0.5	3.0
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	1.0	1.0	1.0	1.1	1.1	2.6	2.6	2.8	2.9	3.1	19.1
Credit for holders of qualified zone academy bonds [2,3]	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.4
Deduction for charitable contributions to educational institutions	0.3	0.4	0.4	0.4	0.4	6.2	6.4	6.6	6.8	7.1	35.0
Credits for tuition for post-secondary education [3]	.....	.....	.....	.....	.....	19.7	21.0	21.2	12.5	9.6	84.0
Exclusion of tax on earnings of qualified tuition programs:											
Prepaid tuition programs	.....	.....	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.3
Savings account programs	.....	.....	.....	.....	.....	0.7	0.9	1.1	1.3	1.4	5.5
Qualified school construction bonds [2,3]	([4])	([4])	([4])	([4])	([4])	1.0	1.1	1.2	1.3	1.4	6.0
Employment:											
Exclusion of employee meals and lodging (other than military)	.....	.....	.....	.....	.....	2.1	2.1	2.2	2.3	2.4	11.1
Exclusion of benefits provided under cafeteria plans [7]	.....	.....	.....	.....	.....	35.2	36.1	37.6	39.4	40.2	188.5
Exclusion of housing allowances for ministers	.....	.....	.....	.....	.....	0.8	0.8	0.8	0.8	0.8	4.0
Exclusion of miscellaneous fringe benefits	.....	.....	.....	.....	.....	7.5	7.7	7.8	8.0	8.2	39.2
Exclusion of employee awards	.....	.....	.....	.....	.....	0.3	0.3	0.3	0.3	0.4	1.7
Exclusion of income earned by voluntary employees' beneficiary associations	.....	.....	.....	.....	.....	3.2	3.2	3.3	3.3	3.4	16.4
Special tax provisions for employee stock ownership plans (ESOPs)	1.4	1.5	1.6	1.6	1.7	0.1	0.1	0.1	0.1	0.1	8.3
Deferral of taxation on spread on acquisition of stock under incentive stock option plans*	−1.1	−1.2	−1.2	−1.1	−1.1	0.4	0.4	0.3	0.3	0.3	−4.1
Deferral of taxation on spread on employee stock purchase plans*	−0.1	−0.2	−0.2	−0.2	−0.2	([4])	([4])	0.1	0.1	0.1	−0.6
Disallowance of deduction for excess parachute payments (applicable if payments to a disqualified individual are contingent on a change of control of a corporation and are equal to or greater than three times the individual's annualized includible compensation) [8]*	−0.2	−0.2	−0.2	−0.2	−0.2	.....	.....	.....	.....	.....	−1.2
Limits on deductible compensation [8]*	−0.8	−0.8	−0.9	−0.9	−0.9	.....	.....	.....	.....	.....	−4.3
Work opportunity tax credit	0.4	0.1	.....	.....	.....	0.1	([4])	.....	.....	.....	0.6
Social services:											
Credit for children under age 17 [3]	.....	.....	.....	.....	.....	57.1	56.0	55.8	55.6	42.5	267.0

Credit for child and dependent care and exclusion of employer-provided child care [3,9]	.....	.....	.....	.....	.....	4.7	4.8	4.8	4.8	4.9	24.0
Credit for employer-provided dependent care	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of certain foster care payments	.....	.....	.....	.....	.....	0.4	0.4	0.4	0.4	0.4	2.1
Adoption credit and employee adoption benefits exclusion	.....	.....	.....	.....	.....	0.4	0.4	0.4	0.5	0.5	2.2
Deduction for charitable contributions, other than for education and health [10]	1.0	1.1	1.1	1.1	1.1	36.2	37.3	38.5	39.8	41.1	198.4
Credit for disabled access expenditures	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.3
Health:											
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums [11]	.....	.....	.....	.....	.....	145.5	143.8	151.4	159.6	169.4	769.8
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare	.....	.....	.....	.....	.....	2.6	2.7	2.8	2.9	2.9	13.9
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare	.....	.....	.....	.....	.....	0.9	0.9	1.0	1.0	1.1	4.9
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	.....	.....	.....	.....	.....	5.2	5.1	5.4	4.8	4.8	25.3
Deduction for medical expenses and long-term care expenses	.....	.....	.....	.....	.....	10.1	11.1	11.4	12.2	13.7	58.5
Exclusion of workers' compensation benefits (medical benefits)	.....	.....	.....	.....	.....	4.9	5.0	5.1	5.2	5.3	25.6
Health savings accounts	.....	.....	.....	.....	.....	1.8	2.1	2.4	2.8	3.3	12.4
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities	0.7	0.7	0.7	0.7	0.7	1.8	1.8	2.0	2.0	2.1	13.1
Deduction for charitable contributions to health organizations	1.9	1.9	2.0	2.0	2.1	3.2	3.3	3.4	3.5	3.6	26.7
Credit for purchase of health insurance by certain displaced persons [3]	.....	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	0.2
Credit for orphan drug research	0.8	1.0	1.1	1.2	1.3	(4)	(4)	(4)	(4)	(4)	5.3
Tax credit for small businesses purchasing employer insurance	0.2	0.2	0.1	0.1	0.2	1.2	0.9	0.6	0.8	0.9	5.2
Subsidies for insurance purchased through health benefit exchanges [3]	.....	.....	.....	.....	.....	29.6	53.5	72.5	82.1	84.8	322.5
Income Security:											
Exclusion of workers' compensation benefits (disability and survivors payments)	.....	.....	.....	.....	.....	2.7	2.9	3.0	3.2	3.3	15.1
Exclusion of damages on account of personal physical injuries or physical sickness	.....	.....	.....	.....	.....	1.7	1.7	1.7	1.7	1.8	8.5
Exclusion of special benefits for disabled coal miners	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	(4)	0.1
Net exclusion of pension contributions and earnings:											
Plans covering partners and sole proprietors (sometimes referred to as Keogh plans)	.....	.....	.....	.....	.....	8.0	9.3	10.7	15.5	17.7	61.1
Defined benefit plans	.....	.....	.....	.....	.....	48.6	57.4	62.9	69.6	77.0	315.6
Defined contribution plans	.....	.....	.....	.....	.....	72.8	82.7	98.9	117.6	132.9	504.8
Individual retirement arrangements:											
Traditional IRAs	.....	.....	.....	.....	.....	20.9	12.9	13.6	14.5	15.3	77.2
Roth IRAs	.....	.....	.....	.....	.....	7.1	7.0	7.7	8.5	9.2	39.5
Credit for certain individuals for elective deferrals and IRA contributions	.....	.....	.....	.....	.....	1.2	1.2	1.2	1.2	1.2	6.0
Exclusion of other employee benefits:											
Premiums on group term life insurance	.....	.....	.....	.....	.....	3.2	3.2	3.3	3.3	3.4	16.4
Premiums on accident and disability insurance	.....	.....	.....	.....	.....	4.1	4.2	4.4	4.6	4.8	22.2

TABLE 8.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2015–2019 [1]—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 2015–19
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	
Additional standard deduction for the blind and the elderly	.....	.....	.....	.....	.....	2.7	2.8	3.0	3.3	3.5	15.3
Deduction for casualty and theft losses	.....	.....	.....	.....	.....	0.4	0.5	0.5	0.5	0.6	2.5
Earned income credit [3]	.....	.....	.....	.....	.....	72.7	73.3	76.0	73.8	75.6	371.4
Phase out of the personal exemption for the regular income tax, and disallowance of the personal exemption and the standard deduction against the alternative minimum tax*	.....	.....	.....	.....	.....	−15.0	−15.9	−16.9	−17.9	−19.0	−84.6
Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	(4)	0.1
Exclusion of disaster mitigation payments	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.2
ABLE accounts [12]	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	0.1	0.1
Social Security and Railroad Retirement:											
Exclusion of untaxed Social Security and railroad retirement benefits	.....	.....	.....	.....	.....	37.6	39.6	41.9	44.2	46.8	210.1
Veterans' Benefits and Services:											
Exclusion of veterans' disability compensation	.....	.....	.....	.....	.....	6.8	7.6	7.4	7.1	7.9	36.8
Exclusion of veterans' pensions	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	0.9
Exclusion of veterans' readjustment benefits	.....	.....	.....	.....	.....	1.6	1.8	1.8	1.9	2.0	9.1
Exclusion of interest on State and local government qualified private activity bonds for veterans' housing	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.3
General Purpose Fiscal Assistance:											
Exclusion of interest on public purpose State and local government bonds	9.7	9.8	10.1	10.3	10.6	25.6	26.0	26.7	29.1	29.9	187.7
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes	.....	.....	.....	.....	.....	62.2	65.1	68.4	71.7	74.9	342.3
Build America bonds [2,3]	.....	.....	.....	.....	.....	3.2	3.2	3.2	3.2	3.2	16.0
Interest:											
Deferral of interest on savings bonds	.....	.....	.....	.....	.....	1.2	1.3	1.3	1.3	1.3	6.4

Note: Details may not add to totals due to rounding. An "*" indicates a negative tax expenditure for the 2015–2019 period.

[1] Reflects legislation enacted by September 30, 2015.

[2] Estimate includes an outlay to State and local governments. For the purposes of this table outlays are attributed to individuals.

[3] Estimate includes refundability associated with the following outlay effects:

	Corporations					Individuals					Total 2015–19
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	
Credit for holders of clean renewable energy bonds	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	(4)	0.2

Credit for holders of qualified energy conservation bonds	.....	.....	.....	.....	(4)	(4)	(4)	(4)	(4)	0.3
Recovery zone economic development bonds	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	0.8
Credit for holders of qualified zone academy bonds	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.3
Credits for tuition for post-secondary education	.....	.....	.....	.....	6.4	7.4	7.8	8.0	.....	29.6
Qualified school construction bonds	.....	.....	.....	.....	1.0	1.1	1.2	1.3	1.4	5.9
Credit for children under age 17	.....	.....	.....	.....	33.7	33.9	34.5	35.0	22.1	159.2
Credit for child and dependent care and exclusion of employer-provided child care	.....	.....	.....	.....	0.9	1.0	1.0	0.9	0.9	4.7
Credit for purchase of health insurance by certain displaced persons	.....	.....	.....	.....	.....	(4)	(4)	(4)	(4)	0.1
Subsidies for insurance purchased through health benefit exchanges	.....	.....	.....	.....	25.8	46.3	63.0	71.3	73.7	280.1
Earned income credit	.....	.....	.....	.....	63.3	63.7	66.1	63.8	65.3	322.1
Build America bonds	.....	.....	.....	.....	3.2	3.2	3.2	3.2	3.2	16.0

[4] Positive tax expenditure of less than $50 million.
[5] Estimate includes effect of credit for interest on certain home mortgages (Section 25).
[6] Includes bonus depreciation and general acceleration under MACRS.
[7] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.
[8] Estimate does not include effects of changes made by the Emergency Economic Stabilization Act of 2008.
[9] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.
[10] In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rules.
[11] Estimate includes employer-provided health insurance purchased through cafeteria plans and TRICARE medical insurance, which are also included in other line items on this table.
[12] Estimate does not include outlays due to Medicaid

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. According to the Congressional Budget Office [CBO], if growth in real gross domestic product is just 0.1 percentage point higher than expected over its 10-year window, revenue would be $286 billion higher—without tax increases—spending would be nearly $41 billion lower, and the cumulative deficit would fall by $327 billion.

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

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

CBO's analysis of the fiscal path of this year's House budget resolution estimates that reducing budget deficits, thereby bending the curve on debt levels, would be a net positive for economic growth. According to that analysis, the fiscal year 2017 budget would increase real economic output per person by 1.7 percent, or about $1,100 in calendar year 2026, and by 6.3 percent, or about $4,900 in calendar year 2040 when compared with CBO's extended baseline. The analysis concludes that deficit reduction creates long-term economic benefits because it increases the pool of national savings and boosts investment, thereby raising economic growth and job creation.[29] The greater economic output that stems from a large deficit-reduction package would have a sizeable impact on the Federal budget. For instance, higher output would lead to greater

[29] Congressional Budget Office, "Budgetary and Economic Outcomes Under Paths for Federal Revenues and Noninterest Spending Specified by Chairman Price, March 2016," March 2016: https://www.cbo.gov/sites/default/files/114th-congress-2015–2016/reports/51260-BudgetaryPaths1.pdf.

revenues through the increase in taxable incomes. Lower interest rates and a reduction in the stock of debt would lead to lower government spending on net interest expenses.

This year's budget resolution reduces deficits compared to CBO's January 2016 baseline by a total of $651 billion over 10 years due to macroeconomic feedback effects on the budget. Lower deficits of $194 billion—consisting of $150 billion in higher revenues and $44 billion in lower mandatory outlays—is due to revised economic assumptions resulting from the macroeconomic feedback effects of legislation enacted late last year that made certain tax provisions permanent. These effects also include economic developments through the end of calendar year 2015 that were not included in the CBO baseline.[30]

An additional $216 billion in lower deficits—a combination of $225 billion in higher revenues, without tax increases, and $9 billion in higher outlays—is due to the macroeconomic feedback effects of fully repealing the Affordable Care Act [ACA].[31] CBO and the Joint Committee on Taxation [JCT] estimate that repealing the ACA would increase the level of gross domestic product by about 0.7 percent, on average, during the latter half of the budget window relative to current-law projections, mostly by increasing the supply of labor above what would be expected under a continuation of the ACA. In addition, CBO estimates the fiscal path of this budget resolution—which provides 10-year savings in spending of $6.5 trillion from policy changes and debt service compared to current policy—would result in positive macroeconomic feedback effects that would further lower the deficit by approximately $241 billion.[32]

[30] Congressional Budget Office preliminary estimate of the macroeconomic feedback effects on the budget of recent legislation and economic developments not included in the CBO January 2016 baseline, released by email to House and Senate Budget Committees on 9 February 2016.

[31] June 2015 published CBO/JCT estimate shifted forward 1 fiscal year of the macroeconomic feedback effects on the budget of a full and immediate repeal of the Affordable Care Act.

[32] Congressional Budget Office, "Budgetary and Economic Outcomes Under Paths for Federal Revenues and Noninterest Spending Specified by Chairman Price, March 2016," March 2016.

FUNCTIONAL PRESENTATION

For decades, the budget resolution and accompanying report have presented the function-by-function breakdown in a manner that evolved mostly from practical and accounting considerations. The arrangement has changed little since enactment of the Congressional Budget Act of 1974.

This resolution retains those conventional categories, as do the summary tables in the report. The narrative discussion below, however, takes a different approach. While keeping the content of the functional categories intact, it arranges them differently to reflect two important considerations: the crucial role of federalism in the United States' governing system, and the increasing burden of automatic spending programs (formally called "direct" or "mandatory" spending).

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

The narratives below are arranged to make such a distinction. The presentation retains the content of each functional category, just as in the conventional format, but organizes the functional discussions in four broader categories as described below. The aim is to provoke a re-evaluation of the roles of different layers of government, and to group together the government's major domestic benefits programs, reflecting their substantial and growing impact on the budget. Put another way, the format encourages lawmakers and the public to think differently about the budget by looking at it differently.

The groupings are as follows:

Principal Federal Responsibilities. The first grouping consists of those activities clearly associated with the national level of government. Everyone would place national defense and international affairs in this group, as directed by the Constitution itself. That simplistic division, however, fails to acknowledge several other categories for which the Federal Government also has the central responsibility. These include veterans' benefits (an aspect of the compensation for military service), Federal courts and law enforcement, and general government, the last of which mainly fi-

nances the Legislative and Executive branches of the Federal Government. Also included here are the Overseas Contingency Operations/Global War on Terrorism, which finance non-recurring military and diplomatic activities in the Middle East. The overall grouping, using the formal functional titles, is as follows:

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

Domestic Priorities. This second set of functions draws together mainly the discretionary spending for activities that may be best administered or initiated by State and local governments or the private sector—and most of which would exist even if there were no Federal Government. This does not suggest they are of lesser priority; indeed, their importance is so immediate and direct that they benefit most from the initiative of those closest and most directly involved. This arrangement aims to encourage greater flexibility for States and localities and the private sector to drive these activities. (In the conventional format, these are Functions 250 through 650.) Although the discussion here focuses on the discretionary spending in these categories, two sections—Energy and Transportation –reflect both the discretionary and direct spending components. This is because in these areas, the two forms of spending are intertwined in ways unlike those of other functional categories.

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

Direct Spending Programs. This group reflects solely the automatic spending components of Functions 250 through 650 in the conventional format. The aim is to show the magnitude of these programs—mostly for social insurance and safety net programs—in the overall budget. This form of spending is largely open-ended and flows from effectively permanent authorizations. Most of the programs funded this way pay benefits directly to groups and individuals without an intervening appropriation. They spend without limit, and their totals are determined by numerous factors outside the control of Congress: caseloads, the growth or contraction of GDP, inflation, and many others.

- Social Security
- Medicare

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

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

- Net Interest
- Allowances
- Undistributed Offsetting Receipts

Principal Federal Responsibilities

The two most obvious responsibilities of the national government are providing for the common defense of all the constituent States, and conducting diplomacy on behalf of the Nation as a whole. Related to these two is the supplemental spending for the Overseas Contingency Operations/Global War on Terrorism. As part of the compensation for military service, the government also offers a range of benefits specifically for veterans. The category called Administration of Justice mainly reflects funding for Federal law enforcement agencies—such as the Federal Bureau of Investigation and the Drug Enforcement Administration, among others—as well as the Federal judiciary. The vast majority of funding for the General Government function supports the Executive and Legislative Branches of the Federal Government. Included in this grouping as well are several government-wide savings policies.

NATIONAL DEFENSE

Function Summary

The Federal Government has no higher responsibility than to "provide for the common defense" of the Nation. No other level of government can do this, and it is not an option; it is a constitutional duty—one whose gravity is intensifying. The global security environment is growing more dangerous, as the United States faces increasingly complex and evolving threats around the world. These include, but are not limited to, the following:

- Russian aggression in Eastern Europe;
- Terrorist activities by the Islamic State and other networks;
- The nuclear and missile programs of North Korea and Iran;
- China's ambitions to aggressively exert influence in the Asia-Pacific.

As Henry A. Kissinger, former Secretary of State, testified to the Senate Armed Services Committee last year on the global security environment: "[W]e haven't faced such diverse crises since the end of the Second World War."[33] General Martin E. Dempsey, former Chairman of the Joint Chiefs of Staff, echoed this assessment more recently, testifying that "the global security environment is as uncertain as I've ever seen it . . . the world is rapidly changing ev-

[33] Committee on Armed Services, U.S. Senate, "Global Challenges and the U.S. National Security Strategy," hearing 29 January 2015.

erywhere, and we're seeing significant shifts in an already complex strategic landscape."[34]

Recent terrorist attacks in Paris and San Bernardino, CA, reflect this new reality. Americans deserve leaders who are committed to executing their constitutional duty to defend the Nation. Truly assessing the threats and developing a strategy to deter and combat them while mitigating risk as far as possible should be the ultimate objective of the administration and defense leaders. The President and the Congress must then be honest about the true costs of the strategy, and provide full funding for its implementation.

According to the House Armed Services Committee: "Reclaiming our role as a global leader does not mean the United States must 'police' the world; rather, the United States must engage when hostile actors threaten our interests and must reassure allies in order to preserve the international order that the United States has painstakingly established. If not, as we have seen in places such as Syria, Ukraine, and the South China Sea, others will fill the vacuum and establish an order that is inconsistent with our values and our security." To meet the demands of the 21st century, the committee says, the U.S. military needs both strength and agility. "Military strength requires enough capability to deal with a wide array of threats—both quality and quantity." As for agility, the committee argues: "We must have the military capability able to protect us from unknown and unexpected threats. We have to be able to learn, to anticipate, and to adapt faster than anyone else."[35]

Following the prescription above for executing national security policy has been challenging in recent years due to laws designed to curtail spending and put the Federal Government on a fiscally sustainable path. While the Department of Defense has been expected to do more in terms of foreign engagement, funding for these requirements has been reduced. The national defense budget has carried the bulk of sequestration's effects after the enactment of the Budget Control Act [BCA] of 2011. Compared to the planned defense spending requested by then-Secretary Robert M. Gates in 2011—the last time the Department was able to truly align a funding request with a strategy—the automatic enforcement procedures of the BCA will arbitrarily cull almost $1 trillion from defense, eroding critical warfighting capabilities, modernization, and readiness across all the services. According to General Dempsey, the Department's request for fiscal year 2016 was insufficient to execute the national security strategy with acceptable levels of risk: the budget request was "at the lower ragged edge of manageable risk" and offered "no slack, no margin left for error or strategic surprise."[36] Yet Congress underfunded defense by $5 billion. Every year since the BCA was enacted, budgetary prescriptions have been shaping national defense strategy, not the other way around, resulting in higher risks for service members and the Nation. Accord-

[34] Committee on Armed Services, U.S. Senate, "Counter-ISIL (Islamic State of Iraq and the Levant) Strategy," hearing 7 July 2015.

[35] Committee on Armed Services, U.S. House of Representatives, *Views and Estimates,* 5 February 2016.

[36] Committee on Armed Services, U.S. Senate, "Review of the Defense Authorization Request for Fiscal Year 2016 and the Future Years Defense Program," hearing 3 March 2015.

ing to the House Armed Services Committee: "[O]ur national security strategy has not evolved to mitigate the risks we face or reconcile the resources available to counter those threats."[37] The mismatch between strategy and funding is unacceptable and needs to change.

Turning to the fiscal year 2017 budget, the administration is requesting $551 billion for base national defense funding for the budget year, in line with the Bipartisan Budget Act of 2015, and $6.2 trillion over the 10-year window. In fiscal years 2018 and beyond, the administration assumes base defense spending above the Budget Control Act caps claiming "the nation's defense strategy cannot be executed at sequester-levels of funding."[38] While this budget matches the administration's fiscal year 2017 defense request, consistent with the maximum level allowed under current law, it provides $6.3 trillion over the 10-year window, nearly $90 billion above the administration's plan. Further, this budget assumes $23 billion in overseas contingency operations funding to be dedicated to base defense requirements, bringing total resources for base defense funding to $574 billion (see section on Overseas Contingency Operations/Global War on Terrorism). It is now 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.

The resolution specifies $559.3 billion in total budget authority and $566.5 billion in total outlays in fiscal year 2017, per current law (see Function 050 in the summary tables). These amounts include funding to compensate, train, maintain, and equip the military forces of the United States. More than 95 percent of the funding in this function goes to Department of Defense military activities. The remainder funds the atomic energy defense programs of the Department of Energy, and other defense-related activities (primarily in connection with homeland security).

Almost all of defense funding comes through annually appropriated, discretionary spending, which in this resolution totals $551.1 billion in budget authority and $557.7 billion in outlays in fiscal year 2017. This is the established level provided for in the Bipartisan Budget Act of 2015, which amended the Budget Control Act caps. Direct spending in 2017 for this category—which includes allowances, offsetting receipts, and retirement payments—is $8.2 billion in budget authority and $8.7 billion in outlays in fiscal year 2017. The 10-year totals for the entire defense category are $6.4 trillion in budget authority and $6.2 trillion in outlays.

Funding for the Pentagon's non-enduring activities in Afghanistan and Iraq is carried in a separate function called Overseas Contingency Operations/Global War on Terrorism (see Function 970 in the summary tables).

Illustrative Policy Options

Policy development in this area rests with the Committee on Armed Services and the Appropriations Subcommittee on Defense.

---

[37] Committee on Armed Services, U.S. House of Representatives, *Views and Estimates,* 5 February 2016.

[38] Department of Defense Office of the Under Secretary of Defense (Comptroller) Chief Financial Officer, *Defense Budget Overview Fiscal Year 2017 Budget Request,* February 2016.

They will arrange priorities for maintaining robust national defense capabilities while responsibly managing taxpayer resources. Some illustrative areas of particular concern include the following.

Military Compensation and Benefits. As discussed in last year's budget resolution, the current compensation and benefits system for military personnel, retirees, and their families is unsustainable. Consequently, the fiscal year 2016 budget resolution encouraged the committees of jurisdiction to review the recommendations of the Military Compensation and Retirement Modernization Commission [MCRMC][39] and consider reforms to sustain the long-term fiscal health of these programs, especially the retirement and health care benefits. In the Fiscal Year 2016 National Defense Authorization Act (Public Law 114–92), the Armed Services Committees successfully included substantial reforms to the military retirement system, expanding the benefits to all military personnel while simultaneously putting the program on a fiscally sustainable path. According to the Congressional Budget Office [CBO], the new system will yield significant long-term savings in direct spending, with expected annual outlay reductions of about 20 percent, or $10 billion.[40] This laudable achievement on the part of the Armed Services Committee members and the Congress will ultimately provide a better and fairer benefit for all military personnel in the future, while maintaining the benefit's sustainability.

Military Health Care. The health care system that benefits military personnel, their families, and retirees also needs reform. In their findings, the MCRMC members reported that "the quality of TRICARE benefits as experienced by service members and their families has decreased, and the fiscal sustainability of the program has declined."[41] In 1990, funding for military health care accounted for approximately 4 percent of the Department's budget; in 2016, the administration requested, and Congress appropriated, health care funding accounting for 9 percent of the Department's base budget.[42] This increased proportional growth in health care spending occurred even as the total defense budget significantly increased between 2000 and 2012. Consequently, Congress made changes to the system to help rein in cost growth rates, including Federal ceiling prices for prescription drugs. Nevertheless, more needs to be done. Reforming the military health care system is a priority for the House Armed Services Committee, which plans on "examining the whole military health care system" with the goal of ensuring it "can sustain trained and ready health care providers to support the readiness of the force and a quality health care benefit

[39] The Fiscal Year 2013 National Defense Authorization Act established the MCRMC to conduct a comprehensive review of military compensation and retirement systems and ultimately make recommendations to do the following: ensure the long-term viability of the All-Volunteer Force; enable quality of life for military personnel that fosters successful recruitment, retention, and careers; and modernize and achieve fiscal sustainability for the compensation and retirement systems.

[40] Congressional Budget Office, Cost Estimate of H.R. 1735 National Defense Authorization Act for Fiscal Year 2016, 11 May 2015.

[41] Military Compensation and Retirement Modernization Commission, *Final Report of the Military Compensation and Retirement Modernization Commission,* January 2015, p. 81.

[42] Congressional Budget Office, *Long-Term Implications of the 2016 Future Years Defense Program,* January 2016.

that is valued by its beneficiaries."[43] Once again, this budget supports the Armed Services Committee's efforts to tackle this issue, and the Budget Committee looks forward to seeing the resulting policy recommendations expected later this year.

Budget Transparency. Like all government agencies, the Department of Defense has a responsibility to account for and effectively manage its taxpayer-provided resources. The continued failure of the Defense Department to receive a clean audit from the Government Accountability Office not only limits transparency and congressional oversight of defense programs, but also erodes public confidence in the Department's ability to effectively spend taxpayer resources. According to the House Armed Services Committee: "For more than 20 years, the Comptroller General of the United States has consistently identified the financial management of the Department of Defense as a high-risk area."[44] This is especially disconcerting during times of fiscal constraint, when it is more important than ever for agencies to complete self-assessments to make tough decisions on setting priorities with limited resources. The Fiscal Year 2010 National Defense Authorization Act (Public Law 111–84) required the Department to implement the Financial Improvement and Audit readiness plan, and the Department expects full auditability by the end of fiscal year 2017. The budget anticipates the Pentagon's full attention to meeting its auditability goals and continued Department efforts to effectively allocate existing resources.

Defense Industrial Base and Sustainment. A robust industrial base is vital to the national security of the United States and to military readiness. As defense budgets have declined, there has been a much needed focus on the acquisition of new weapons systems to modernize the armed forces. Little attention, however, has been given to the inescapable fact that sustainment is 60 percent to 80 percent of the total lifecycle cost of a weapons system, according to the Department of Defense.[45] Therefore, the ongoing health of the defense industrial base, in its entirety, also must be carefully considered.

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

---

[43] Committee on Armed Services, U.S. House of Representatives, *Views and Estimates,* 5 February 2016.

[44] Ibid.

[45] Government Accountability Office, *Weapon Systems Management: DOD Has Taken Steps to Implement Product Support Managers but Needs to Evaluate Their Effects,* April 2014.

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

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

INTERNATIONAL AFFAIRS

Function Summary

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

From World War II, through the end of the Cold War, and into the 21st century, the United States has remained essential to the security of its allies and the international community.[46] The U.S. is vital to international peace, security, stability, and the spread of democracy and freedom. America needs to maintain a diplomatic and economic engagement in the world that will ensure its "principles of democracy, opposition to aggression and intimidation by authoritarian regimes, and a strong assistance program that assists allied partners."[47]

According to the Committee on Foreign Affairs, reducing poverty through economic growth is a "key objective of the U.S. national security strategy and core responsibility of the Federal departments and agencies implementing U.S. foreign assistance programs."[48] The failure to properly manage foreign aid resources will not only

[46] The Foreign Policy Initiative, *Foreign Policy 2015,* 30 September 2015, http://foreignpolicyi.org/files/uploads/images/2015–09–30-Foreign%20Policy%202015.pdf.

[47] Ibid.

[48] Committee on Foreign Affairs, U.S. House of Representatives, *Views and Estimates,* 4 February 2016.

doom U.S. development programs, but will also continue the cycle of dependence on U.S. foreign aid.[49]

The United States and its citizens face grave new threats, and must "refrain from pursuing a protectionist and isolationist retreat."[50] The new challenges America faces today require a "vision and policies anchored not in the fatalism of U.S. decline, but rather in a renewed commitment to a strong and enduring American global leadership."[51]

For this budget category (Function 150 in the summary tables), the budget resolution proposes a total of $39.8 billion in budget authority and $43.7 billion in outlays for fiscal year 2017. This funding covers the following: international development, food security, and humanitarian assistance; international security assistance; the conduct of foreign affairs; foreign information and exchange activities; and international financial programs. The primary agencies responsible for executing these programs are the Departments of State, Agriculture, and the Treasury; the U.S. Agency for International Development [USAID]; and the Millennium Challenge Corporation. Over 10 years the budget totals are $405.4 billion in budget authority and $401.2 billion in outlays.

The majority of the funding is discretionary spending, which is $35.8 billion in budget authority and $45.3 billion in outlays for fiscal year 2017. Direct spending in this function—totaling $4.0 billion in budget authority and −$1.6 billion in outlays for fiscal year 2017—includes loan guarantee programs, payments to the Foreign Service Retirement and Disability Fund, and foreign-military sales programs. The negative figures reflect receipts from foreign-military sales and financing programs.

As with National Defense, funding for the State Department and USAID's incremental, non-enduring civilian activities in the frontline states of the global war on terrorism is reflected in the category called Overseas Contingency Operations/Global War on Terrorism.

Reorganize the Department of State

The Constitution invests foreign-policymaking power in the President by granting that office the authority to negotiate treaties and appoint ambassadors. To assist the President in discharging his foreign affairs duties, the Congress in 1789 created the Department of State, the first executive department established.[52] The core responsibilities of the Department's Secretary are diplomacy, providing foreign policy advice to the President, understanding the international environment, and advancing U.S. interests abroad.[53]

An effective American foreign policy depends on a strong State Department, but strategic guidance and accountability are hard to find. State's diminished relevance can be attributed to failings in

[49] Ibid.
[50] The Foreign Policy Initiative, op cit.
[51] Ibid.
[52] U.S. Department of State, "Duties of the Secretary of State," 20 January 2009: http://www.state.gov/secretary/115194.htm.
[53] Ibid.

three principal areas: human resources, programs, and the Department's organizational structure.[54]

As identified in the Department's Quadrennial Diplomacy and Development Review [QDDR] of 2015, the Department needs to modernize how it recruits or acquires necessary skill sets and invest in training for employees to meet current and forthcoming challenges.[55] The Department is unable to pivot from crisis to crisis efficiently as obsolete skill sets cannot be downsized to create room for those in demand. Currently, the Department does not give priority to the training of its employees, especially with respect to leadership skills. As a result, Department staff members do not build expertise commensurate with their private sector counterparts.

The 2015 QDDR identified the need to "deepen expertise in planning and performance management."[56] This is especially true with respect to how the Department deploys foreign assistance programs. Currently, monitoring and evaluation of Department programs is sporadic and does not inform future programming decisions. The Department's goals and objectives are vague or broad to the point that they could not reasonably be identified. At the country level, goals such as encouraging a given country to become more democratic are empty and provide no strategic guidance on implementation.[57] At the program level, every program is deemed a success because goals are quantitative (e.g. number of people trained or textbooks distributed) rather than qualitative. As a result, foreign assistance funding does not advance discrete foreign policy objectives, and only anecdotal success is identifiable. To date, only one country (Greece) has ever "graduated," or advanced on both the political and economic scale, to warrant an end to U.S. foreign assistance.[58] Such stark figures should call into question the entire foreign assistance model as currently employed by the Department of State.

With the increase in crises around the world, the Department has assumed new responsibilities leading to an ever-expanding bureaucracy, now desperately in need of rightsizing. While the number of assistant secretary positions is capped by Congress at 24, the Department has vastly increased its use of "special envoys," "ambassadors-at-large," "special advisers," and "coordinators."[59] Issues that are naturally cross-regional or cross-functional are given their own office or bureau and associated budget thereby creating redundancy with existing offices and activities. The Department has struggled to reduce these areas of overlap as bureaus and offices fiercely protect budgets and resources.

The Department is now approaching a period of transition and new leadership, providing a natural opportunity to undertake far-reaching, and long overdue, reforms. In addition to the three areas addressed above, State should consider other reforms that have been initiated but remain incomplete. For example, integrating

[54] Quadrennial Diplomacy and Development Review, *Enduring Leadership in A Dynamic World,* 2015: http://www.state.gov/documents/organization/241429.pdf.
[55] Ibid.
[56] Ibid.
[57] Ibid.
[58] Ibid.
[59] Ibid.

USAID into the Department of State will enable the U.S. to structure more effective foreign assistance programs. When it comes to advancing democracy, which is inherently tied to America's diplomacy, USAID will be best served by being integrated into a single entity responsible for all of America's foreign policy.

Illustrative Discretionary Spending Policy Options

The committees of jurisdiction—the Committees on Foreign Affairs and Agriculture, as well as the Appropriations Subcommittee on State, Foreign Operations, and Related Programs—should continue effective oversight of international affairs programs to ensure resources are used efficiently to achieve desired results that ultimately support U.S. national interests. While the final policy choices will lie with the committees, some options worthy of consideration might include the following.

Reform Food Aid. One of the areas where the international affairs budget fails to use taxpayer dollars efficiently and effectively is the U.S. international food aid program, including Food for Peace (Public Law 480, Title II), which provides emergency food assistance abroad and supports development programs in developing nations. Its failings result primarily from enduring program constraints, including the cargo preference (which dictates at least 50 percent of food aid must be shipped on U.S. flagged vessels). Other impediments include the requirement that 100 percent of food commodities be produced in the U.S., and monetization requirements, the practice of selling U.S. commodities on foreign markets to fund development projects. Several bipartisan efforts have called for reforming food programs. According to a 2011 report by the Government Accountability Office [GAO], the practice of monetization loses an average of 25 cents of every dollar spent on food aid.[60] This budget therefore endorses food aid reforms to get maximum benefit out of every dollar spent on this program.

Overhaul the Broadcasting Board of Governors. For years, the Office of the Inspector General and the Government Accountability Office have noted inefficiencies and redundant bureaucratic structures within the Broadcasting Board of Governors [BBG]. This budget calls for overhauling the governing structure and organization of the BBG, with a reduction in funds until such changes are made. The BBG, which became an independent entity in 1998, is responsible for directing and overseeing all U.S. international broadcasting services, such as Voice of America. BBG is mostly known for programs that educate the world on American culture, society, and governance, in addition to promoting democratic principles such as human rights and religious freedom. While international broadcasts can be an effective tool in executing America's foreign policy objectives, BBG fails to efficiently implement its mission due to egregious mismanagement, lack of accountability, and program overlap. In July 2014, the House passed H.R. 4490, the United States International Communications Reform Act of 2014, a bipartisan reform bill that addresses these problems to improve

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

the management and effectiveness of BBG programs. The Committee on Foreign Affairs reiterates the critical need to reform the BBG: "In order to confront the challenges posed by Islamic State and Russian propaganda, among others, Congress must first fix the organization charged with leading this effort."[61] Consequently, this budget supports a reduction in funding for BBG until significant reforms are made as to safeguard taxpayer dollars from continued waste at the hands of governmental mismanagement.

Eliminate Contributions to the Clean Technology Fund and the Strategic Climate Fund. The Obama Administration created the Clean Technology and Strategic Climate Funds in 2010. They provide foreign assistance to support energy-efficient technologies intended to reduce energy use and mitigate climate change. Borrowing funds abroad to provide financial assistance in this area is not a core U.S. foreign policy function—especially during times of large and mounting debt. In addition, the government should not attempt to pick winners and losers in terms of which technologies and companies to favor and advance abroad. Both programs should be considered for elimination.

Reduce Education Exchange Programs. Function 150 includes two education exchange accounts intended to encourage mutual understanding between Americans and citizens around the world through scholarship and leadership programs: Educational and Cultural Exchange Programs and the Open World Leadership Center. Although their mission is laudable, exchange programs are a non-essential component of the foreign-affairs budget and should be reduced accordingly. When reduction decisions for these accounts are made, the priority should go to programs that are in line with U.S. strategic interests and that receive matching foreign-government contributions, such as the Fulbright Program.

Reduce Contributions to International Organizations and Programs. The United States makes voluntary contributions to several multilateral organizations and programs. These often duplicate funding provided in the Contributions to International Organizations [CIO] account, which makes payments to organizations pursuant to treaties the United States has signed. Further, United States contributions to the United Nations Development Program [UNDP], which has been flagged by the Special Inspector General for Afghanistan Reconstruction [SIGAR] as problematic, flow through this account. According to SIGAR, UNDP's oversight and management of the Law and Order Trust Fund for Afghanistan—to which the United States and other donors have contributed more than $3 billion since 2002—is weak, making taxpayer dollars susceptible to fraud, waste, and abuse.[62] Although this budget fully funds the CIO account, it does not support voluntary contributions for the International Organizations and Programs account, including contributions to the UNDP.

---

[61] Committee on Foreign Affairs, U.S. House of Representatives, *Views and Estimates,* 4 February 2016.

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

Eliminate Funding for Peripheral Foreign-Affairs Institutions. The United States funds multiple independent agencies and quasi-private institutions through the foreign-affairs budget. Included in this list are the Inter-American Foundation, the African Development Foundation, the East-West Center, and the Asia Foundation. These institutions all engage in activities that overlap the State Department and USAID activities. Consolidating and eliminating funding for multiple institutions that perform similar tasks will make U.S. engagement with the world more efficient and cost-effective. Further, some of these organizations already receive private funding and could continue with non-government funds.

Make the Millennium Challenge Corporation Lead Agency on Foreign-Development Assistance. The United States has two primary foreign-development assistance programs: USAID's Development Assistance program and the Millennium Challenge Corporation [MCC].[63] Funding for foreign aid and helping other nations rise toward prosperity keep the United States safe and strengthen the economy by establishing new trading partners and markets. Such development assistance is worthwhile, however, only if it produces results for the aid recipients.

America's experience with having two development-assistance programs has shown that MCC's model has been more effective in achieving results. MCC's emphasis on outcomes rather than inputs should be the foundation of all U.S. development-assistance programs. Other elements of MCC's model that should be extended throughout U.S. development-assistance programs include the following:

- Strict requirements on recipient countries to prove strong commitments to good governance, economic freedom, and investment in their citizens in order to be considered for aid;
- A willingness of the U.S. government to terminate assistance if an aid recipient starts to fail on these critical commitments;
- Country ownership, which requires the country to plan its own aid projects and lead implementation;
- Strict timelines for aid projects.

These principles are critical to ensuring the long-term sustainability of projects once U.S. assistance concludes. Further, MCC's model is resulting in the "MCC Effect," in which countries are independently making reforms in favor of good governance, economic freedom, and other MCC requirements, to qualify for a compact—and the effectiveness of this approach appeared early on. For example, in July 2007 the MCC signed a compact with Lesotho only after the country passed the Legal Capacity of Married Persons Act in 2006 that ensured married women, who had previously been legally categorized as minors, were granted basic economic, financial, and social rights.[64] In 2010, USAID announced a reform agenda, USAID Forward, and claims to be in the process of adopting more

[63] Committee on Foreign Affairs, U.S. House of Representatives, *Views and Estimates,* 4 February 2016.

[64] Millennium Challenge Corporation, "One Step Closer to Achieving Gender Equality in Lesotho," 2013: https://www.mcc.gov/our-impact/story/story-one-step-closer-to-achieving-gender-equality-in-lesotho.

accountable policy standards, country ownership, and timetables. Although some changes have been made to the agency's practices, success continues to remain elusive. MCC's model is more effective and efficient in delivering foreign aid. It also generates the most benefits for the taxpayer dollar. For these reasons, the committees of jurisdiction should consider making MCC the lead agency on foreign-development assistance.

International Religious Freedom. The United States should promote freedom of religion or belief around the world, given the importance of religious freedom to human rights, economic development, stability, and democracy. The independent U.S. Commission on International Religious Freedom [USCIRF] has provided important oversight and recommendations in this regard, including redirecting and conditioning aid. It calls for budget justifications to take into account the findings and recommendations of USCIRF. Additionally, the Office of International Religious Freedom continues to serve as an important voice on these issues in the State Department and should be supported.

OVERSEAS CONTINGENCY OPERATIONS/ GLOBAL WAR ON TERRORISM

Function Summary

This category reflects non-enduring funding for the execution of Global War on Terrorism [GWOT] and other closely related activities, also known as Overseas Contingency Operations [OCO]. It provides funding for Department of Defense military operations and for the incremental civilian activities in Afghanistan, Pakistan, and Iraq led by the Department of State and the U.S. Agency for International Development [USAID]. The funding is entirely discretionary, with no direct spending components.

The resolution calls for $73.7 billion in total budget authority and $38.5 billion in new outlays in fiscal year 2017 for OCO/GWOT (shown in Function 970 in the summary tables). This funding level is consistent with the Bipartisan Budget Act of 2015. Due to the evolving nature of contingency operations, if the administration determines additional funds are needed to execute the war mission, the President should request supplemental funding as he deems necessary for these defense operations only.

Policy Assumptions

Base Defense Requirements. Russian aggression and the growing threats of the Islamic State in the Middle East shape the parameters of an increasingly complex and challenging security environment. Out of the total OCO funding level of approximately $74 billion for fiscal year 2017, this resolution assumes $23 billion of these funds will be used for base defense requirements. Combined with the $551 billion in base National Defense funding (Function 050), the total spending level for base defense requirement needs for fiscal year 2017 is $574 billion. This is consistent with the funding level provided in H. Con. Res. 27, the Concurrent Resolution on the Budget—Fiscal Year 2016.

Budgeting for OCO. Funding provided in the OCO/GWOT budget, if enacted, will occur 16 years after the 9/11 terrorist attacks on the United States, which triggered wars in Afghanistan and Iraq. Consistent with the administration's plan, this budget supports phasing out the Overseas Contingency Operations/Global War on Terrorism designation for both defense and civilian programs, and assumes a transition to base budget funds in future years.

OCO Transparency. All Federal program funding should be fully transparent and subject to agency accountability and congressional oversight. For both defense and civilian efforts in the frontline states funded with OCO monies, this budget supports full transparency of where the funds have been spent in the past, the present, and, if applicable, the future. The committees of jurisdiction have ably enforced such requirements, including section 1534 of the Fiscal Year 2016 National Defense Authorization Act, which calls for a Comptroller General report on the use of OCO operation and maintenance funds for base requirements.[65]

VETERANS BENEFITS AND SERVICES

Function Summary

The Department of Veterans Affairs provides an array of benefits to veterans and their families, including disability compensation and pensions, education benefits, survivor benefits, medical treatment, life insurance, vocational rehabilitation, and burial and memorial benefits. The benefits are provided through three administrative agencies: the Veterans Health Administration, the Veterans Benefits Administration, and the National Cemetery Administration.

The VA budget includes both discretionary and direct funding. Discretionary accounts fund medical care, medical research, construction programs, information technology, and general operating expenses, among other things. Direct spending accounts fund disability compensation, pensions, vocational rehabilitation and employment, education, life insurance, housing, and burial benefits, among other benefits and services.

The budget resolution calls for $174.8 billion in total budget authority and $182.0 billion in total outlays in fiscal year 2017. Discretionary spending is $74.7 billion in budget authority and $74.7 billion in outlays in fiscal year 2017, about 4 percent higher than last year's levels for VA's discretionary budget. Direct spending in fiscal year 2017 is $100.0 billion in budget authority and $107.4 billion in outlays. The 10-year totals for budget authority and outlays are $2.0 trillion and $2.0 trillion, respectively. This resolution accommodates up to $66.4 billion for fiscal year 2018 in discretionary advance appropriations for medical care, consistent with the Veterans Health Care Budget and Reform Transparency Act of 2009.

[65] The National Defense Authorization Act for Fiscal Year 2016, (Public Law 114–92), section 1534.

A Culture of Mismanagement and Wasteful Spending

For years, the Department of Veterans Affairs [VA] has been plagued with problems in health care delivery, business processes, and performance across the country. These are the products of growing bureaucratic mismanagement, in addition to leadership and staffing failures. In 2015, the Government Accountability Office added both VA health care and information technology acquisitions to their High-Risk List, which calls attention to "agencies and program areas that are high risk due to their vulnerability to fraud, waste, abuse, and mismanagement, or are most in need of transformation." [66]

The following examples highlight why GAO views the VA as high risk.

- VA Medical Construction Projects. The Department of Veterans Affairs medical center in Aurora, Colorado cost taxpayers $1.7 billion in 2015, more than $1 billion over budget.[67,68] According to an April 2013 GAO report, "VA's largest medical center construction cost increases ranged from 59 percent to 144 percent, with a total cost increase of nearly $1.5 billion and an average increase of approximately $366 million per project. The schedule delays ranged from 14 to 74 months with an average of 35 months per project." [69]
- VA Information Technology Systems. In 2015, the VA Inspector General highlighted VA information technology [IT] systems development—of which the Veterans Benefit Management System [VBMS] is a component—as a "long-standing high-risk challenge, susceptible to cost overruns, delays, performance problems, and, in some cases, complete project failures." [70] The Veterans Benefits Administration [VBA] reported it has made progress in reducing the backlog claims through VBMS; nevertheless, recent audits and reports contradicted that claim and did not attribute the decrease in backlogs specifically to VBMS. Further, the VBMS budget increased from $580 million in 2009 to $1.3 billion in 2015, with no end in sight. Even with a 122-percent increase in funding to end the backlog, VBMS continues to fail in providing needed services.
- Contract Regulation Noncompliance. In 2015, a 35-page document addressed to VA Secretary McDonald detailed how VA officials made $6 billion in medical supply purchases that were in direct violation of Federal contracting rules.[71] The document

[66] Government Accountability Office, *High-Risk Series: An Update,* February 2015.

[67] Ibid.

[68] "Cost of Aurora veteran's hospital leaps to $1.73 billion," *The Denver Post,* 18 March 2015: http://www.denverpost.com/news/ci_27730588/cost-aurora-veterans-hospital-leaps-1–73-billion; and "VA's Colorado hospital has a 'shocking' sticker price: $1.7 billion. Yes, billion," *The Washington Post,* 18 March 2015: https://www.washingtonpost.com/news/federal-eye/wp/2015/03/18/vas-colorado-hospital-has-a-shocking-sticker-1–7-billion-yes-billion/.

[69] Government Accountability Office, *VA Construction Additional Actions Needed to Decrease Delays and Lower Costs of Major Medical-Facility Projects,* April 2013: http://www.gao.gov/assets/660/653585.pdf.

[70] VA Office of Inspector General, *Department of Veterans Affairs Follow-up Review of the Veterans Benefits Management System,* 14 September 2015: http://www.va.gov/oig/pubs/VAOIG–13–00690–455.pdf.

[71] "Senator asks VA Chief about 'continuing culture of chaos' that fails veterans," *The Washington Post,* 22 June 2015: https://www.washingtonpost.com/news/federal-eye/wp/2015/06/22/sen-

also described a culture of lawlessness and chaos at the Veterans Health Administration [VHA]. The VA's failure to abide by Federal contracting regulations makes taxpayer dollars more susceptible to fraud, waste, and abuse and is unacceptable.

The Way Forward

VA needs to adopt a new way of thinking to address its most challenging 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.

All VA programs vulnerable to significant moral hazard should require adequate cost sharing to assure that beneficiaries commit enough of their own resources to act responsibly, with amounts scaled to what they can afford. Reducing moral hazard on the part of government agencies and program beneficiaries is one of many ways to improve VA programs.[72] Last, Congress should require any VA rule or regulation with an annual economic impact of $100 million or more to come before Congress for an up-or-down vote before that rule or regulation takes effect.[73]

VA should conduct a thorough analysis to sort out and reassess its missions based on their importance, difficulty, and past success. VA leaders can achieve this by thinning out the bureaucracy by, among other things, reducing the number of layers between top and bottom employees; reducing the number of managers; accelerating the hiring and appointments 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.[74]

The agency also needs personnel reforms. VA's workforce is in serious crisis, experiencing a long-term decline in quality, accountability, vision, energy, and professional commitment. No organization or Federal agency can function effectively without maintaining an effective workforce—and that includes disciplining employees when necessary. At the VA, however, it is nearly impossible to fire, demote, or suspend staff members (civil servants and Senior Executive Service [SES]).[75] The Veterans Committee Chairman remains a strong advocate of providing the VA with authority to take such actions when justified.

Another way to hold SES and supervisors accountable is to change the positions from the General Schedule to a GG schedule (excepted service). Within the intelligence community, each intelligence organization (i.e., the Defense Intelligence Agency, the National Geospatial-Intelligence Agency, the National Security Agen-

---

ator-to-va-chief-what-are-you-doing-to-address-continuing-culture-of-chaos-that-fails-our-veterans/.

[72] Peter H. Schuck, *Why Government Fails So Often and How It Can Do Better,* 2014.

[73] Neil Siefring, "The REINS Act will keep regulations and their costs in check," *The Hill.* 16 February 2016: http://thehill.com/blogs/pundits-blog/economy-budget/250178-the-reins-act-will-keep-regulations-and-their-costs-in; and Passage of H.R. 427 (H. Rept. 114–214), the Regulations from the Executive in Need of Scrutiny Act of 2015 (REINS Act), (H.R. 427, H. Rept. 114–214): https://www.congress.gov/bill/114th-congress/house-bill/427.

[74] Schuck, op. cit.

[75] Ibid.

cy, and the National Reconnaissance Office) uses the GG schedule that enables the agencies to dismiss employees that do not meet performance goals.

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

As Congress continues to operate under statutory spending caps, all agency budget submissions should receive congressional scrutiny to ensure that every taxpayer dollar requested is thoroughly justified and used effectively and efficiently. Exposing funds to mismanagement is not an option during times of fiscal restraint. Moreover, continuing to throw more money at a dysfunctional agency that refuses to be transparent and accountable, without significant reforms, is a disservice to all veterans and the public.

Illustrative Policy Options

While specific policy decisions will fall to the Committee on Veterans' Affairs and the Appropriations Subcommittee on Military Construction, Veterans Affairs, and Related Agencies, the following options reflect ways to apply the principles described above.

DISCRETIONARY SPENDING

Limit Awards and Bonuses. In 2014, the Department of Veterans Affairs awarded more than $142 million in cash bonuses, in addition to $276 million for items including retention and relocation payments and rewards for saving money on travel and inventive ideas.[76] Incredibly, the VA leadership made these awards the same year that the VA's health scandal denied veterans access to VA health care. Committee on Veterans' Affairs Chairman Miller has been spearheading VA bonus reform and warned: "Until VA leaders learn this important lesson and make a commitment to support real accountability at the Department, efforts to reform VA are doomed to fail."[77] This budget option calls for reducing the aggregate amount of awards and bonuses paid to VA employees by 30 percent. This option was also included in the House-passed H.R. 294 Long-Term Care Veterans Choice Act with bipartisan support.[78]

Consolidate VA's Transition Assistance Program Goals, Plans, Success Program with Other Federal Agencies. Redundant Federal programs are leading to million, if not billions, in wasteful spending. At a time of increased budget pressure, American taxpayers

---

[76] Martin Matishak, "Still Mired in Scandal, VA Awards $142 Million in Bonuses," *The Fiscal Times,* 11 November 2015: http://www.thefiscaltimes.com/2015/11/11/Still-Mired-Scandal-VA-Awards-142-Million-Bonuses; Donovan Slack and Bill Theobald, "Veterans Affairs pays $142 million in bonuses amid scandals,". USA Today, 11 November 2015: http://www.usatoday.com/story/news/politics/2015/11/11/veterans-affairs-pays-142-million-bonuses-amid-scandals/75537586/; Anna Giaritelli, "VA gave 156,000 employees $142 million bonuses in 2014," the *Washington Examiner,* 11 November 2015: http://www.washingtonexaminer.com/va-gave-156000-employees-142-million-in-bonuses-in-2014/article/2576155.

[77] Rep. Jeff Miller, *Miller Newsletter,* 15 November 2015: http://jeffmiller.house.gov/news/email/show.aspx?ID=Z5MPA3CVK5FYYORBX7RZEZH4KM

[78] Congressional Budget Office cost estimate for H.R. 294, the Long-Term Care veterans Choice Act, 2 March 2015: https://www.cbo.gov/sites/default/files/114th-congress-2015–2016/costestimate/hr2940.pdf.

cannot afford to keep buying the same service twice. The Transition Assistance Program Goals, Plans, Success Program [TAP GPS] is designed to facilitate service members' transition to civilian life and is governed by a working group from the Departments of Defense, Education, and Labor [DOL], the Small Business Administration, and the Office of Personnel Management. The working group designs the curriculum composed of a 5-day core class focused on job hunting skills and VA benefits plus the optional 2-day course focused on education, small business, and trades training. TAP GPS is taught largely by contractors hired by DOL and VA. Unfortunately, instead of combining the training curricula requirements into one overarching contract, VA and DOL have awarded separate contracts, thus doubling the overhead costs. Additionally, VBA leaders have shifted TAP GPS funding to cover the costs of other VA non-statutory job placement programs unrelated to the statutory TAP GPS program. This option would consolidate duplicative VA and DOL transition programs to achieve greater service member and veteran transition results.

Establish Accountability Standards for the Veterans Benefits Management System. In 2009, VBA initiated efforts to address the disability claims backlog by modernizing the way it receives and processes benefits claims. The VBA proposed a multi-pronged transformation to retrain, reorganize, and streamline business processes, in addition to building and implementing technology solutions including the Veterans Benefits Management System [VBMS]. The intent of transitioning to a paperless claims process is to enable a more efficient workflow by reducing processing time and minimizing rating inconsistencies and errors.

According to the Committee on Veterans' Affairs, VBMS suffers from a range of program problems including inadequate cost control, unplanned changes in system and business requirements, inefficient contracting practices, and lack of a concrete plan to decommission redundant legacy systems.[79] VBMS Program Management Office reports significant increases of VBMS life-cycle costs from $580 million in September 2009 to about $1.5 billion in January 2015.[80] As a result, the VA cannot ensure an effective return on its investment to taxpayers and the total VBMS system development cost remains unknown. The VA needs to properly address the above problems if it is to decrease the disability claims backlog. Until the VBA and the VA's Office of Information Technology are able to deliver a reasonable and cost-efficient path forward, including an objective and true scope of milestones and progress, VBMS resources should be frozen at current levels. This budget option would freeze current funding levels for VBMS until the VA successfully creates benchmarks that would ensure proper progress, good governance, and efficient spending on this program.

Allow Veterans to Deposit Disability Compensation into the Thrift Savings Plan. Similar to a civilian 401k plan, the Thrift Savings Plan [TSP] is a government-sponsored retirement program that al-

[79] Committee on Veterans' Affairs, U.S. House of Representatives, *Fiscal Year 2017 Views and Estimates,* 5 February 2015.

[80] VA Office of Inspector General, *Department of Veterans Affairs: Follow-up Review of the Veterans Benefits Management System,* 14 September 2015: http://www.va.gov/oig/pubs/VAOIG–13–00690–455.pdf.

lows Federal employees and military personnel to save money for retirement. Once separated from military service, veterans are unable to continue contributions into their TSP accounts unless employed by the Federal Government.[81] Many non-retired veterans face obstacles that may delay—or prevent—financial success. According to a 2014 National Foundation for Credit Counseling survey, service members are more likely to rely or misuse credit cards than their civilian counterparts leading to higher debt when they transition out of the military.[82] The survey also found 77 percent of service members worry about lack of savings to cover unexpected expenses, cover retirement, and being able to make debt payments on time.[83] This option would allow non-retired veterans the opportunity to invest their disability compensation into a TSP account, providing these individuals an opportunity to plan for their future retirement.[84] All veterans, not just retirees, should have access to the TSP benefit.

Improve Oversight of Certain Contractual Arrangements. According to a 2015 GAO report to the Chairman of the Veterans' Affairs Subcommittee on Oversight and Investigations, the VA could not produce proper documentation identifying the extent to which it used interagency contracts for services provided by another agency in fiscal years 2012 through 2014.[85] While the VA claims it obligated about $1.7 billion to other government agencies between fiscal years 2012 through 2014,[86] GAO's analysis of VA's accounting system data found the total amount transferred over the same time period was between $2.3 billion and $2.6 billion, a difference of $600 million to $900 million.[87] These inconsistences place the VA resources at risk of fraud, waste, and abuse. The GAO report found documentation from the VA's contract management and accounting systems were incomplete and the VA's management of contract awards lacked justification for granting interagency contracts. This option would require the VA to reconcile data between the contract management and accounting systems, review interagency contracts, and ensure all interagency contracts are properly reviewed and documented in both systems.

DIRECT SPENDING

Modify Housing Stipend Paid to Children Who Use Transferred Post-9/11 GI Bill Education Benefits. The GI Bill's primary use is assisting a veteran's reintegration into civilian life by providing the education and skills necessary to gain meaningful employment after military service. To provide both a recruiting and retention

---

[81] David Goldich, "Substance Over Sound Bite: Better Veterans Policy In The NDAA," 1 October 2015: http://warontherocks.com/2015/10/substance-over-sound-bite-better-veterans-policy-in-the-ndaa/.

[82] Harris Poll, *A Survey about Financial Literacy Among the U.S. Military,* .The survey reflects service members concerns prior to their transition to veteran status. Poll, Harris (2014). *A Survey about Financial Literacy Among the U.S. Military,* prepared for The National Foundation for Credit Counseling, undated: https://www.nfcc.org/wp-content/uploads/2013/06/NFCC_Pioneer_Military_Survey_DATASHEET_and_KEY_FINDINGS_0517141.pdf

[83] Ibid.

[84] Goldich, op. cit.

[85] Government Accountability Office, *Veterans Affairs Contracting: Improved Oversight Needed for Certain Contractual Arrangements,* July 2015: http://gao.gov/assets/680/671116.pdf.

[86] Ibid.

[87] Ibid.

incentive, the Post-9/11 GI Bill allows each military service to determine which service members who meet the statutory eligibility requirements to transfer all or some of their education benefits to their dependents. Instead of targeting the benefit to retain service members with critically needed skills, the services have made eligible all service members who qualify under the time-in-service requirements. Notably, the Military Compensation and Retirement Modernization Commission suggested eliminating the housing stipend paid to children. This option would revert the Post-9/11 GI Bill back to its original intent by focusing resources on veterans readjusting into society post military career.

Prevent VA from Providing Unlimited Amounts for Flight Training at Public Schools. Brought to Congress' attention by the VA, Veterans Service Organizations [VSOs], and the National Association of State Approving Agencies [NASAA], some flight schools are exploiting an aviation training tuition loophole in the Post-9/11 GI Bill.[88] Some institutions of higher learning have applied extreme costs for flight fees as there are no caps in place for such institutions with third-party flight contractors. According to representatives from NASAA, some student veterans are taking flight classes as electives with no cost cap for flight fees.[89] In response to concerns from stakeholders regarding this loophole, the Chairman of the Veterans' Affairs Subcommittee on Economic Opportunity introduced legislation grandfathering current flight school students' tuition for 2 years and making improvements to veterans' educational assistance. In 2016, the measure passed the House on a bipartisan basis. This option reflects the provision in the legislation that applies a tuition cap for flight programs at public institutions of higher learning that is consistent with other veterans' educational programs.[90] A similar option was also included in the President's fiscal year 2017 budget request.

Round Down Annual Cost-of-Living Allowance to the Next Lower Whole Dollar. This option would require VA to round down increases in the monthly compensation rate resulting from an annual cost-of-living adjustment [COLA] to the next lower whole dollar. The VA would apply this round down to both disability compensation and dependency and indemnity compensation payments. A similar requirement expired at the end of 2013 and this option would reinstate this policy. It has also been included in the President's requests for the past 5 years.

Reconcile and Properly Manage Concurrent VA and Military Drill Compensation. Under statute, reservists and National Guard members are prohibited from receiving VA compensation or pension benefits and military drill pay concurrently.[91] According to a 2014

[88] Curtis L. Coy, Deputy Under Secretary for Economic Opportunity, Veterans Benefit Administration, testimony before the House Veterans' Affairs Subcommittee on Economic Opportunity, 19 November 2014: https://veterans.house.gov/witness-testimony/mr-curtis-l-coy-7. The Iraq and Afghanistan Veterans of America, the American Legion, and the Veterans of Foreign Wars all support closing this loophole.

[89] Ibid.

[90] The Veterans Employment, Education, and Healthcare Improvement Act (H.R. 3016): https://www.congress.gov/bill/114th-congress/house-bill/3016/text.

[91] Title 10—Armed Forces, Subtitle E—Reserve Components, Part II Personnel Generally, Chapter 1209—Active Duty, Sec. 12316—Payment of certain Reserves while on duty: https://

Continued

VA Inspector General's report: "VA did not process VA benefit offsets to disability compensation benefits in a timely manner when reservists earned drill pay concurrently during fiscal years 2011 and 2012." The report also found VBA's VA compensation and military drill unprocessing rates for fiscal years 2011 and 2012 were not significantly different from a similar 1997 VA Inspector General's audit. Therefore, it is likely the VBA has not processed offsetting claims since 1997.[92] This budget option calls for immediate recovery of all offsets from previous fiscal years in addition to enhanced oversight to ensure the VA follows the law and collects drill pay offsets in a timely manner.

Reconcile Post-9/11 GI Bill Monthly Housing Allowance and Book Stipend Payments. The size of the current Post-9/11 GI Bill program and its associated financial risks are of great concern. In 2013, VBA paid about $5.4 billion in housing allowances and book stipends to approximately 789,000 students. The VA's Inspector General found about $41 million in improper or inaccurate payments.[93] This option would require Congress to align education service recovery procedures with Federal regulations, and require the VA to review and reconcile book stipend collection procedures, and collect outstanding improper payments.

Temporarily Reduce VA Reporting Fees to Postsecondary Education Institutions. The VA pays schools a reporting fee based on the number of students receiving VA educational benefits. Title 38 U.S. Code § 3684 mandates that reporting fees must be used for the purpose of certifications or otherwise supporting programs for veterans.[94] The usage and application of reporting fees has been less and less scrutinized. Many institutions have used the reporting fees as an offset to their overall budget and personal staff salaries. This option would require the VA to verify proper usage of reporting fees during every compliance survey and audit. This option was also included in Senate-passed legislation, with bipartisan support.[95]

Recover Post-9/11 GI Bill Education Overpayments. VA provided $11 billion in Post-9/11 GI Bill education benefits to almost 800,000 veterans in fiscal year 2015.[96] According to a GAO report in 2015: "VA identified $416 million in Post-9/11 GI Bill overpayments in fiscal year 2014, affecting approximately one in four veteran bene-

---

www.gpo.gov/fdsys/granule/USCODE–2011-title10/USCODE–2011-title10-subtitleE-partII-chap1209-sec12316, and Title 38, Veterans' Benefits, Part IV—General Administrative Provisions, Chapter 53—Special provisions relating to benefits, section. 5304, Prohibition against duplication of benefits.

[92] VA Office of Inspector General, *Veterans Benefits Administration: Audit of the Management of Concurrent VA and Military Drill Pay Compensation,* 3 June 2014: http://www.va.gov/oig/pubs/VAOIG–13–02129–177.pdf.

[93] VA Office of Inspector General, *Veterans Benefits Administration: Audit of Post-9/11 G.I. Bill Monthly Housing Allowance and Book Stipend Payments,* 11 July 2014: http://www.va.gov/oig/pubs/VAOIG–13–01452–214.pdf.

[94] Title 38—United States Code Veterans' Benefits (Public Law 112–7), § 3684: https://veterans.house.gov/sites/republicans.veterans.house.gov/files/documents/Title%2038–SCRAPrint3.pdf.

[95] Congressional Budget Office, Cost Estimate for S. 1203 the 21st Century Veterans Benefits Delivery and Other Improvements Act, 1 October 2015: https://www.cbo.gov/sites/default/files/114th-congress-2015–2016/costestimate/s1203.pdf.

[96] Government Accountability Office, *Post-9/11 G.I. Bill: Additional Actions Needed to Help Reduce Overpayments and Increase Collections,* October 2015: http://www.gao.gov/assets/680/673230.pdf.

ficiaries and about 6,000 postsecondary institutions of higher education." The VA was able to recover $264 million, but has still failed to collect the remaining $152 million in overpayments from fiscal year 2014, and an additional $110 million from prior years.[97] This option would require VA to do the following: (1) recover Post-9/11 GI Bill education overpayments; (2) address overpayments to student veterans and institutions of higher learning; and (3) improve its notification process with student veterans and those institutions.

Reinstate Eligibility Verification Reports for Pension Benefits. In December 2012, VBA officials discontinued requesting eligibility verification reports [EVRs]. Under this change, veterans and beneficiaries do not have to submit an annual EVR to prove eligibility and continue receiving pension payments.[98] Eliminating EVRs represents a serious risk to VA that it will not receive changes that affect eligibility. This option would require VA to implement Pension and Fiduciary Service procedures that confirm veteran and beneficiary eligibility, and implement a plan to reduce the amount of overpayments due to the changes in income and dependency status.[99]

Review All Temporary 100-Percent Disability Evaluations. According to a 2014 Inspector General's report, the Veterans Benefits Administration has not correctly assessed and monitored 100-percent disability evaluations, and failed to ensure each temporary 100-percent evaluation had a future examination date in the veteran's record. In addition, the report estimates the VBA paid more than $85 million in improper disability compensation benefits without medical evidence. The VBA's continued failure to conduct timely reviews of these evaluations will result to an estimated $222.6 million in unsupported payments over the next 5 years.[100] This option calls for Congress to change regulations and require the VA to monitor temporary 100-percent disability evaluations and allow it to recover payments made in error.

ADMINISTRATION OF JUSTICE

Function Summary

In the 15 years since 9–11, Americans have grown accustomed to living in an environment of enhanced security. Airports, government buildings, major sporting venues, and myriad other public facilities now feature the instruments of vigilance that have become necessarily common. Yet despite these measures, terrorism continues to lurk in the shadows, striking out all too unexpectedly—as demonstrated in Boston, Paris, and San Bernardino. The President's relatively sanguine attitude—describing Al Qaeda as "decimated" and dismissing the brutal Islamic State as a "jay-vee"

[97] Ibid.

[98] VA Office of Inspector General, *Veterans Benefits Administration: Audit of Pension Payments, 4 September 2013:* http://www.va.gov/oig/pubs/VAOIG–12–00181–299.pdf; and Department of Veterans Affairs Office of Inspector General (2015). *Semiannual Report to Congress Issue 74/1 April—30 September 2015:* http://www.va.gov/oig/pubs/VAOIG–12–00181–299.pdf.

[99] Ibid.

[100] VA Office of Inspector General, *Veterans Benefits Administration: Follow-up Audit of 100 Percent Disability Evaluations,* 6 June 2014: http://www.va.gov/oig/pubs/VAOIG–14–01686–185.pdf.

team—does not help. The threat of further terrorist acts on America's homeland remains.

The answer does not lie in throwing more money at the challenge. The ongoing risk of domestic terrorism, and the tidal wave of government debt, call for better targeting of Federal law enforcement funds. Federal tax dollars for the Departments of Justice and Homeland Security should be focused on administering justice, arresting and prosecuting terrorists, protecting and securing the Nation's borders, investigating Federal crimes, and seeking punishment for those guilty of unlawful behavior. Local law enforcement, in contrast, is the responsibility of the States and local communities, and they should determine the best course of action in deterring localized crime.

In 2015, more than $2 billion in discretionary grants were disbursed by the Department of Justice [DOJ] from three sources: Community Oriented Policing Services, the Office of Justice Programs, and the Office on Violence Against Women. The GAO reported in 2012 that many of DOJ's some 11,000 annual grants are awarded without consideration of overlap or duplication with other grant programs, and that DOJ should better target its grants. GAO's 2015 update of that report states that DOJ has only partially addressed this area of potential duplication.[101] According to the President's fiscal year 2017 budget, Washington will award $7.2 billion in total justice and homeland security grants in fiscal year 2016 to State and local governments. The administration needs clear guidance from Congress in facing the Nation's continuing security threats. Furthermore, it is not the function of the Federal Government to finance State and local governments. Federal law enforcement needs to focus on its core responsibilities.

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

The vast majority of this category's funding is discretionary, provided by the Appropriations Subcommittees on Commerce, Justice, Science and Related Activities, and Homeland Security. The Committee on the Judiciary and the Committee on Homeland Security have the main authorizing duties. The resolution calls for $55.0 billion in discretionary budget authority and $54.9 billion in outlays for fiscal year 2017. The small amount of direct spending in the category—which funds certain immigration activities, the Crime Victims Fund, the Assets Forfeiture Fund, and the Treasury Forfeiture Fund, among others—totals $9.5 billion in budget authority

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

and $3.8 billion in outlays. The 10-year totals for the function are $653.1 billion in budget authority and $653.2 billion in outlays.

Illustrative Policy Options

In developing policies to meet their budget targets, the committees of jurisdiction cited above should give priority to those activities that are essential for the Federal Government. This does not necessarily require more funding in each area; it means addressing those Federal responsibilities first. The proposals below indicate policy options that the committees might consider.

DISCRETIONARY SPENDING

Consolidate Justice Grants. In fiscal year 2015, DOJ awarded nearly $4.7 billion in total grants to conduct research, provide training assistance, and support the State and local criminal justice system. The Congressional Research Service and GAO have identified overlap and duplication within many of these grant programs, and it is clear that they fund law enforcement activities that are primarily State and local responsibilities. In addition, Federal grants should not be awarded to State and local law enforcement agencies unless they comply with the Federal law. This includes jurisdictions that refuse to honor Federal detainers, harbor illegal aliens, or fail to share information on criminal illegal aliens. This option streamlines grants into three categories—first responders, law enforcement, and victims—while eliminating waste, inefficiency, and bureaucracy.

Eliminate Unnecessary Headquarters and Construction Funding for DHS, DOJ, and the Judiciary. Construction funding for various agencies within this budget function have increased without due oversight and cost-benefit analysis, though the committees of jurisdiction have focused on addressing cost overruns and increasing accountability. This budget recommends reducing DHS and DOJ construction budgets by 15 percent to rein in unnecessary construction projects, while exempting those agencies involved with border security and immigration enforcement. The budget recommends additional scrutiny of cost overruns of DHS's St. Elizabeth's project, the largest Federal building project in the District of Columbia since the Pentagon. Additionally, no funding should be provided for the Office of Public Advocate, or any similar or successor position, in Immigration and Customs Enforcement. The President's fiscal year 2017 budget request includes $1.4 billion to build a new FBI headquarters, along with the $390.0 million already provided in the current year's budget. This budget questions such a request, given the current, fiscally constrained environment.

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

DIRECT SPENDING

Permanently Extend Customs User Fees. Continuing the policy of the Emergency Unemployment Compensation Extension Act of 2014, the budget assumes the Bureau of Customs and Border Protection continues to collect customs user fees through fiscal year 2026, the last year of the budget window. With the passage of the Emergency Unemployment Compensation Extension Act of 2014, authority to collect these fees expires in 2024. The Bipartisan Budget Agreement of 2015 extended customs user fee collections through 2025. This budget recommends making these customs user fees permanent.

GENERAL GOVERNMENT

Function Summary

A government that seeks greater efficiency in its programs should demand no less from its own operations. Yet this has not been the case with many of the Federal Government's agencies. Funding in the category of General Government (Function 800 in the summary tables) has increased by roughly 30 percent since fiscal year 2007, but no one would contend the additional resources have produced a smooth, businesslike operation. The budget resolution aims to eliminate identified waste across all Federal Government branches and agencies. If a program or activity is poorly targeted, ineffective, duplicative of other efforts, or could be better performed by the private sector, it merits consideration for elimination or restructuring by the committees of jurisdiction.

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

Most of this funding comes through annual appropriations (discretionary spending), which in fiscal year 2017 totals $15.7 billion in budget authority and $15.2 billion in outlays. Budget authority for direct spending in this area will total $7.6 billion, with $7.6 billion in accompanying outlays. Over 10 years, the budget anticipates $232.3 billion in total budget authority and $228.5 billion in outlays.

Illustrative Discretionary Spending Policy Options

While specific policy options will be determined by the committees of jurisdiction—which include the Committees on Transportation and Infrastructure, House Administration, Ways and Means,

Natural Resources, Oversight and Government Reform—the discussion above offers practical guidelines they might follow. Some potential examples are presented below. Funding for Federal operations and mismanagement of properties are just a few areas where savings should be achieved. Some other potential examples are presented below. This resolution also urges the Office of Management and Budget and relevant agencies to make a top priority of implementing the data aggregation and transparency initiatives in the Digital Accountability and Transparency Act.

Some specific options worthy of consideration are described below.

Decrease Costs of the Government Printing Office by Increasing the Use of Electronic Copies. The Government Printing Office [GPO] prints thousands of pages of government documents each year—most of which have gained a ubiquitous online presence. Federal departments and agencies, for example, maintain their key budget documents, reports, and data online and available to the public. This resolution supports greater selectivity in the material GPO prints, allowing users to rely more heavily on increased electronic access to materials. It is consistent with recommendations to establish a sustainable business model for GPO and continue meeting demands to make information available in a digital age.[102]

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

Accompany Pro-Growth Tax Reform with Responsible Reductions to the Internal Revenue Service. The Internal Revenue Service [IRS] has more than 90,000 employees and spends in excess of $11 billion annually. Additionally, the Internal Revenue Code now contains approximately four million words, and each year taxpayers and businesses spend more than six billion hours complying with filing requirements.[103] The investigation related to the IRS targeting American citizens demonstrates that the massive budget has not resulted in the IRS serving taxpayers better; rather, it has created a bloated bureaucracy filled with inefficiency and abuse.

The President's budget makes the tax code more complex and proposes to increase the IRS budget. This resolution calls for simplifying the burdensome tax code through tax reform (see the Revenue and Tax Reform section of this report), naturally reducing the agency's size by promoting policies that lead to less reliance on the IRS. As outlined in a 2012 Government Accountability Office report, simplifying the tax code may reduce accidental errors in tax

[102] National Academy of Public Administration, *Rebooting the Government Printing Office: Keeping America Informed in the Digital Age,* January 2013: https://www.gpo.gov/pdfs/about/GPO_NAPA_Report_FINAL.pdf.

[103] National Taxpayer Advocate, *2013 Annual Report to Congress,* December 2013.

filing and improve voluntarily compliance.[104] A simplified tax code would have the dual benefits of reducing both the time taxpayers devote to complying with an overly complex code, and the taxpayer dollars needed to administer and enforce it.

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

Further Consolidate Federal Data Centers. This budget supports the bipartisan Federal Data Center Consolidation Initiative [FDCCI], which was created in 2010 to reverse the widespread escalation of Federal data center construction, acquisition, management, and maintenance. By increasing efficiencies and continued efforts to incorporate cloud computing technologies, the Federal Government can significantly decrease taxpayer spending on underused infrastructure.[105]

Reform Information Technology. The Office of Management and Budget and multiple agencies could help the Federal Government realize savings by strengthening oversight and taking steps to better implement PortfolioStat, a bipartisan-supported process to help agencies manage their information technology investments.[106] This budget supports strengthening congressional oversight of key Federal agencies' major information technology investments. Federal agencies should also apply better management of software licenses and the Office of Management and Budget should issue a directive to assist agencies in doing so.

GOVERNMENT–WIDE POLICY

Function Summary

This category includes various policies that produce government-wide savings in multiple categories rather than in a single, specific budget function. For fiscal year 2017, the resolution calls for $34.5 billion in budget authority and $14.6 billion in outlays. The 10-year totals for budget authority and outlay savings are −$455.1 billion and −$386.7 billion, respectively. (The figures appear in Function 930 in the summary tables.) As is true elsewhere, specific policies will be determined by the appropriate committees of jurisdiction.

---

[104] Government Accountability Office, *Opportunities to Improve the Taxpayer Experience and Voluntary Compliance,* April 2012.

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

[106] Chief Information Officer [CIO], Federal CIO Council, "PortfolioStat": https://cio.gov/drivingvalue/portfoliostat/.

Illustrative Policy Options

DISCRETIONARY SPENDING

The total base discretionary budget authority for fiscal year 2017 assumed in the resolution is $1.070 trillion—the same level required by the discretionary spending caps in the Bipartisan Budget Act [BBA] of 2015. The resolution offers approximately $46.5 billion in fiscal year 2017 non-defense discretionary savings in several budget functions should Congress choose to enact additional deficit reduction for that year. Because these additional savings would cause the resolution to display a lower total base discretionary level than contemplated by the BBA, $46.5 billion in non-defense discretionary spending is added back to Function 930 to make the total budget resolution base discretionary level match the amount specified in the BBA.

Over the 10-year budget window, the resolution assumes $277.6 billion in savings beyond what is contemplated in the BCA. Much of the assumed savings can be accomplished by the illustrative policy options presented in the various budget function summaries in this report. Additional illustrative options to achieve further discretionary savings are presented below.

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

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

Implement Transition to Shared Services. The current structure and operations of the Federal Government requires most agencies and departments to maintain and employ their own management services. Drawing on improvements made throughout the private sector, this budget calls for a bipartisan-supported, government-wide transition to shared services. Moving to cross-agency and interagency support for management of internal functions such as information and technology, supply chain, financial activities, human resources, and administration will not only help government to run more effectively, but will also allow individual departments and agencies to function better together.[107]

[107] Partnership for Public Service, "Building A Shared Services Marketplace: Recommendations from the Shared Services Roundtable," March 2015: http://ourpublicservice.org/publications/viewcontentdetails.php?id=470.

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

Improper payments are widespread and growing, and now cost U.S. taxpayers in the neighborhood of $100 billion per year—and government departments and agencies seem unable to reduce these excessive payments. Even more troubling is the current administration's apparent lack of concern and unwillingness to take corrective action.

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

A March 2015 report by the Government Accountability Office found that government-wide improper payment estimates pursuant to the Improper Payments Information Act of 2002, as amended, totaled $124.7 billion in fiscal year 2014, an increase of $19 billion from the previous year. These improper payments were attributable to 124 programs spread among 22 agencies. The reported government-wide error rate was 4.5 percent of program outlays in fiscal year 2014, compared to 4.0 percent reported in fiscal year 2013. Nevertheless, roughly 65 percent of these excessive payments—or $80.9 billion—fall in just three programs: Medicare fee-for-service, Medicaid, and the Earned Income Tax Credit.

GAO reported that agencies continue to face difficulties in reducing improper payments. In addition, GAO found that sharing death data can help prevent improper payments to deceased individuals or those who use deceased individuals' identities, but the Social Security Administration has trouble maintaining these data, and other Federal agencies face difficulty obtaining them.[108]

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

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

Fund are rewarded with a long-term rate on what is essentially a short-term security.

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

Domestic Priorities

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

The activities presented here are mainly the discretionary spending components in Functions 250 through 650 in the conventional budget format. In two areas, however—Energy (Function 270) and Transportation (Function 400)—both the discretionary and direct spending components are presented. This is because in these two categories, discretionary and direct spending are uniquely intertwined.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Function Summary: Discretionary Spending

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

The budget resolution reduces questionable and unjustified spending, while supporting core government responsibilities. The resolution emphasizes basic research, providing stable funding for NSF to conduct priority biological, computing, and information sciences; basic research in math and the physical sciences; and

science, technology, engineering, and math [STEM] education. The budget provides continued support for NASA and recognizes the vital strategic importance of the United States remaining the preeminent space-faring Nation. This budget aligns funding in accordance with NASA's core principles: to support robust space capability, to allow for exploration beyond low Earth orbit, and to support the Nation's scientific and educational base.

The vast majority of this category's funding is discretionary, provided by the House Committee on Science, Space, and Technology and the Appropriations Subcommittee on Commerce, Justice, Science, and Related Activities. The resolution calls for $30.1 billion in discretionary budget authority and $30.3 billion in outlays in fiscal year 2017. The 10-year totals for discretionary budget authority and outlays are $332.1 billion and $327.4 billion, respectively.

Illustrative Discretionary Spending Policy Options

The committees of jurisdiction will determine policies to align with the spending levels in the resolution. The options below are offered as illustrations of the kinds of proposals that can help meet the budget's fiscal guidelines.

Restore Core Government Responsibilities. In fiscal year 2016, $66.4 billion was dedicated to research across the Federal Government, more than half to applied research. The resolution's levels support preserving the Federal scientific community's original role as a venue for groundbreaking discoveries and a driver of innovation and economic growth. It responsibly pares back applied and commercial research and development and areas of wasteful spending that do not provide a high return on taxpayer resources. The proper role of the Federal Government is to support basic research, and funding should be distributed accordingly. For example, spending for the Department of Energy's Office of Science includes several high-risk projects, which in a time of needed fiscal constraint, should be embarked on by the private sector instead. The Advanced Research Projects Agency-Energy program, created specifically for high-risk/high-reward energy projects, received almost $300 million in 2015. The Government Accountability Office [GAO] and the House Committee on Science, Space, and Technology have identified many of these grants as neither high-risk/high-reward nor something private industry could not take on itself. Of the 44 smaller companies that received these grants, GAO found that 18 had received grants from private industry for a similar technology. Funding for nuclear physics received almost $600 million in 2015 for research and development, and grants were issued to research groups at 90 public and private universities, along with nine federally funded laboratories. Much of the research conducted at these universities and laboratories has clear overlap and duplication. There must be greater oversight of the grants that the Department of Energy awards.

Similarly, the NSF needs to be more transparent and accountable to the taxpayer. Every grant issued should be accompanied by an explanation of the project's scientific merits and how it serves the national interest as prescribed in the House-passed Scientific

Research in the National Interest Act (H.R. 3293). NSF-funded studies—such as a $1.3 million project to measure the effectiveness of koozies in varying temperatures;[109] an $853,000 project investing in a winemaking curriculum aimed at teenagers; and a $706,000 project to fund a shrimp fight club at Duke University measuring the punching power of mantis shrimp—do not serve a vital national interest. Funding for these programs and similarly wasteful or low-return studies should be redirected to scientific research that better serves the national interest.

Lastly, in NASA, spending on earth science, not space, has increased by more than 60 percent in recent years, even though it is not NASA's mission priority. This spending should be cut back to previous funding levels and redistributed to those missions unique to NASA.

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

ENERGY

Function Summary

The Obama Administration incorrectly believes that climate change is a greater threat to Americans than terrorism,[110] which may be why the administration wastes billions of taxpayer dollars annually subsidizing green energy projects. In the President's budget request for fiscal year 2017, the administration requested approximately $3 billion for the purposes of energy conservation efforts and research, as well as development and commercialization of low- or zero-carbon energy sources.[111]

In December 2015, the United States joined 195 countries at the Paris, France "COP21" United Nations Conference in an agreement to take steps to limit global warming. This was one of the President's international objectives within his Climate Action Plan. The Obama Administration entered into the agreement without any consultation with Congress. In fact, the administration has taken extraordinary steps to limit congressional oversight, advice, and consent with respect to this agreement. Given the President's inclination to bypass Congress, the agreement amounts to nothing more than a political gesture rather than a binding legal commitment, which would have to go through Congress. The administration's ultimate goal is to send billions of dollars to the Green Climate Fund—the key financing arm of the United Nations Framework Convention on Climate Change—without congressional authorization. In light of this executive overreach, the budget recommends increased accountability and oversight related to the President's Climate Action Plan initiatives.

---

[109] A koozie is an insulated sleeve designed to keep a beverage cold.

[110] Brian Hughes, "Josh Earnest: Climate Change a greater threat to Americans than terrorism," *NewsFeeding.Net,* 10 February 2015.

[111] Department of Energy, *Fiscal Year 2017 Budget Justification,* Volume 3, February 2015: http://energy.gov/cfo/downloads/fy-2017-budget-justification.

Just as troubling was the President's veto of bipartisan legislation to develop the Keystone XL pipeline. This legislation would expand an existing pipeline that runs from the Western Canadian Sedimentary Basin through the southern United States to provide more economical transportation of oil. A January 2014 report, prepared by the U.S. Department of State, concluded that a total of 42,100 jobs throughout the United States would be supported by the construction of the proposed pipeline.

Meanwhile, from 2009 through 2013, the White House provided more than $67 billion in subsidies to green energy companies through tax credits and loan guarantees alone.[112] Despite the excessive subsidies, solar power and wind energy combined only grew from 0.9 percent to 2.0 percent of domestic energy consumption over the same time period.[113]

Many of the administration's loan guarantee projects have failed. Abound Solar, which received $400 million in loan guarantees, was cited by the Colorado Department of Public Health and Environment for hazardous waste left from its failed solar panels.[114]

Another grant recipient, A123, was given permission to hand out as much as $3.7 million in bonuses to top executives as a part of its bankruptcy proceedings.[115] This is particularly problematic, because unlike the private sector, in which this company would eventually be held accountable to its investors for these payouts, taxpayers have no way of holding the Federal Government accountable for each "investment."

This negative return for the American taxpayer has not deterred this administration's penchant for failed policies. In a never-ending pursuit to appease the far-left political base and its liberal agenda, this administration, in its fiscal year 2017 budget request, has intensified its efforts to pick winners and losers within the energy market. The administration's budget includes a $10 per barrel tax on domestically produced and imported petroleum products to pay for President Obama's 21st Century Clean Transportation System.[116]

This plan would tax low- and middle-class energy consumers at the pump and in their homes, to subsidize inefficient investments in clean transportation infrastructure. The White House National Economic Council confirmed the administration is well aware of the harm this will cause consumers by stating: "We recognize that oil companies will likely pass on some of these costs."[117] The Congressional Research Service concluded that "consumers would see higher prices, not only directly for gasoline and other consumer products, but, in general, for many products to varying degrees," and

---

[112] Terry M. Dinan, "CBO Testifies on Federal Financial Support for Fuels and Energy Technologies," Congressional Budget Office, 13 March 2013.

[113] Energy Information Administration, "Primary Energy Consumption by Source": http://www.eia.gov/totalenergy/data/monthly/pdf/sec1<7.pdf.

[114] Michael Sandoval, "Bankrupt Abound Solar to Bury Unused Solar Panels in Cement," *The Daily Signal*, The Heritage Foundation, 26 February 2013.

[115] Paul Chesser, "A123's Executives Get Their Richly Undeserved Bonuses," National Legal and Policy Center, 13 November 2012: http://nlpc.org/stories/2012/11/13/a123s-executives-get-their-richly-undeserved-bonuses.

[116] Office of Management and Budget, *Budget of the U.S. Government for Fiscal Year 2017,* 9 February 2016.

[117] Nathan Bomey, "Obama's $10 oil tax proposal would cost motorists," *USA Today,* 5 February 2016, http://www.usatoday.com/story/money/2016/02/04/president-obama-oil-tax-gasoline/79835274/.

". . . the fee would likely result in decreased discretionary consumer purchasing power which may translate into lower expected economic growth."[118] With stagnant wages and anemic economic growth under this administration, Americans are still struggling with the weakest economic recovery since the Great Depression. Consumers simply cannot afford this 10-year, $319-billion tax increase.[119]

None of this is to say that the search for newer technologies and low-carbon sources of energy is without merit—only that these activities are best suited for the private sector. This administration prefers to pick winners and losers in the market, which crowds out disfavored energy sources, even if they are more reliable and come at significantly lower costs. The President was so concerned about low-cost energy pushing consumers away from his preferred, more expensive options that he named Steven Chu as his first Secretary of Energy less than a year after Chu said: "Somehow we have to figure out how to boost the price of gasoline to the levels in Europe."[120]

After 7 years, the verdict is in: increased oil and natural gas production by private sector companies on private land has made the U.S. the world's number one energy producer. The world has experienced an energy boom that continues to drive gas and other energy prices lower. Yet at least $67 billion of government spending has brought the Nation no closer to cost-effective zero-carbon energy. Technological breakthroughs will continue to occur—such as the combination of horizontal drilling and hydraulic fracturing that emerged in the mid-2000s—but the Federal Government must resist the temptation to intervene at taxpayers' expense.

Discretionary spending in this category includes some of the civilian energy and environmental programs of the Department of Energy [DOE]. It also includes funding for the basic operations of the Nuclear Regulatory Commission. A large majority of the DOE discretionary budget is allocated to commercial and applied research and development for new energy technologies—activities that are better left to the private sector. It also includes Electricity Delivery and Energy Reliability, as well as operations and maintenance accounts for some of DOE's direct spending programs, like the Power Marketing Administrations.

According the National Science Foundation, private sector companies in the U.S. spent more than $302 billion on research and development [R&D] in 2012. While these efforts focus on more than just energy, detailed NSF surveys indicate that funding for more efficient fuel consumption, electric vehicles, energy efficiency, and fossil fuel R&D total billions of dollars' worth of private sector capital per year. As a result, DOE's research and development should focus solely on breakthrough innovations.

Direct spending in this category includes the remaining civilian energy and environmental programs at the DOE. It also includes the Rural Utilities Service of the U.S. Department of Agriculture

---

[118] Congressional Research Service, *Subject: $10 Fee/Tax on Oil,* memorandum to the Senate Energy and Natural Resources Committee, 8 February 2015.

[119] Department of the Treasury, *General Explanations of the Administration's Fiscal Year 2017 Revenue Proposals,* February 2016.

[120] Neil King Jr. and Stephen Power, "Times Tough for Energy Overhaul," *The Wall Street Journal,* 12 December 2008.

[USDA], the Tennessee Valley Authority, and the Federal Energy Regulatory Commission. (It does not include DOE's national security activities, conducted by the National Nuclear Security Administration, which are in Function 050, or its basic research and science activities, which are in Function 250.)

For fiscal year 2017, the budget resolution provides $2.7 billion in discretionary budget authority, with $3.1 billion in related outlays (shown in Table 2, Function 270). Direct spending figures (shown in Table 3, Function 270) are −$5.7 billion in budget authority and −$1.7 billion in outlays. The negative balances reflect the incoming repayment of loans and receipts from the sale of electricity produced by Federal entities, which are accounted for as "negative spending," as well as rescissions of unobligated balances in green energy loan programs. Over 10 years, the resolution provides discretionary budget authority of $30.6 billion and $31.1 billion in outlays. Ten-year totals for direct spending are −$19.3 billion in budget authority and −$21.0 billion in outlays.

Illustrative Discretionary Spending Policy Options

In the House, discretionary spending energy programs (Function 270 in Table 2) fall under the jurisdiction of the Committee on Energy and Commerce. Funding for these programs comes from the Appropriations Subcommittees on Energy and Water Development, and Related Agencies, and Interior, Environment, and Related Agencies. These committees will determine specific policy options to meet the budget's fiscal guidelines.

A central aim of their policies should be to ensure that private sector capital is not crowded out by government overreach and bureaucratic waste. They should also protect taxpayers from poor government decision-making that wastes Federal dollars and increases energy prices. Finally, streamlining R&D activities across the Department of Energy will increase efficiency, consolidate operations, and reduce costs. The following illustration reflects this approach.

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

Illustrative Direct Spending Policy Options

In the process of transforming policy in this area, the Committee on Energy and Commerce can be guided in part by seeking to reverse the damage caused by the excesses of the administration's energy policies. They can also evaluate each program's merit by asking a simple question: If this program did not exist, would there be a private sector industry or entity that would fund similar activities? If the answer is "'yes," the program should be viewed as ripe for reform, or even elimination. The options below indicate some possible directions the Energy and Commerce Committee could take.

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

Rescind Funding for Biomass Research and Development. The Biomass Research and Development program is a joint initiative of the USDA and the DOE, intended to "carry out research on and development and demonstration of (A) biofuels and biobased products, and (B) the methods, practices, and technologies for the production of biofuels and biobased products." [121]

Unreasonable mandates in the Renewable Fuel Standard have already forced private sector gasoline refiners and importers to spend billions of dollars of their own money to assist bringing uneconomic biofuels to market. Piling on millions of Federal dollars only perpetuates the problem and exposes taxpayers to financial risk.

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. This authority was inserted into the 2009 stimulus bill without the opportunity for debate. Of most concern, the authority includes a bailout provision that would require American taxpayers to pay outstanding balances on projects that private developers fail to repay. The budget rescinds the program's unobligated funds, saving taxpayers more than $1 billion.

NATURAL RESOURCES AND ENVIRONMENT

Function Summary: Discretionary Spending

America's bountiful environment—her breathtaking parks and forests, diverse wildlife, rivers and lakes, and land, water, and mineral resources—represent an extraordinary national heritage worthy of preservation and responsible stewardship. Yet over the years the Federal Government has contorted the aims of preservation into a justification for ever more centralized regulation.

For instance, the primary role of the Environmental Protection Agency [EPA] is to ensure that the air Americans breathe and the water they drink is clean and unpolluted. For too long, however, rather than making human health and the environment a priority, the EPA has viewed itself as an energy policy authority, regulating low-cost, reliable energy sources out of the market and mandating

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

increased use of uncompetitive and less reliable ones. Given these circumstances, any EPA funding should require the EPA Administrator to certify that all scientific and technical information and data relied on to support a risk, exposure, limitation, regulation, regulatory impact analysis, or guidance has been made available to the public.

The Obama Administration's Clean Power Plan—which not only regulates power plants but also expands EPA's reach into State power markets generally—is a perfect example. The Supreme Court recently ruled that implementation should be halted until multiple legal challenges against the plan are resolved. The EPA estimates the plan will cost energy providers up to $8.8 billion in annual compliance costs by 2030, a large share of which will likely be passed on to taxpayers in the form of higher energy prices. Private researchers believe the impact could be even more profound, because the EPA did not include in their estimate the costs of new transmission infrastructure, intermittent resource integrations, or stranded assets. The budget recommends withholding any funding to implement this program as well as other unnecessary, costly regulatory regimes, such as the soon-to-be-proposed ozone standards, the proposed "Waters of the United States" rule, the stream buffer rule, and the "coal ash" rule relating to disposal of coal residuals.

The National Association of Manufacturers released a study in 2015 indicating that tightening the ozone standard to 65 parts per billion, the low end of the range being considered by the EPA, could cut U.S. gross domestic product by $140 billion per year.[122] Similarly, the Office of Surface Mining's stream buffer rule would cause a dramatic decline in domestic coal production. This would lead to the elimination of 44,000 to 77,000 American jobs, according to the National Mining Association.[123] In addition to withholding funding for these executive overreaches, Members of Congress have recommended their own solutions. The House of Representatives recently passed the Supporting Transparent Regulatory and Environmental Actions in Mining [STREAM] Act (H.R. 1644), sponsored by Representative Mooney (R–WV). This common sense legislation would bring transparency and accountability to the regulatory overreach of the Office of Surface and Mining; the Senate should consider it.

On 17 April 2015, the EPA finalized its rule regarding disposal of coal combustion residuals from electric utilities, known as the "coal ash" rule. This rule creates uncertainty for plant operators. While EPA appropriately characterized coal ash as non-hazardous under Subtitle D of the Solid Waste Disposal Act, because of EPA's limited authority under Subtitle D, the final rule is flawed: It is self-implementing and enforceable only through citizen suits. This means regulated entities will have to interpret the rule, and enforcement will result in a patchwork of regulatory interpretations made by Federal District Courts around the country. The final rule is also problematic because State permit programs will not operate in lieu of the final rule. Consequently, even if States adopt the final

[122] NERA Economic Consulting, *Economic Impact of a 65 ppb National Ambient Air Quality Standard for Ozone,* February 2015.

[123] National Mining Association, *Economic Analysis of Proposed Stream Protection Rule: Final Report,* October 2015.

rule, regulated entities in compliance with a State permit can still be sued for non-compliance with the final rule. Furthermore, this rule negatively burdens State and local economies. The EPA's own data conclude this regulation will cost $735 million per year. The EPA further concluded the cost of this rule will outweigh the benefits by two-and-a-half times.[124] This compliance burden will be borne by small businesses and local communities in the form of lower wages and less economic opportunity.

H.R. 1734, which passed the House on 22 July 2015, would alleviate both of the key concerns with the final rule. The legislation will result in the establishment of enforceable State permit programs that directly incorporate EPA's technical requirements in the final rule. This means there will be direct enforcement of the requirements in the final rule by a regulatory agency. The proposed McKinley amendment to H.R. 22 (also introduced in the Senate as S. 2446) addressed the issue in the Statement of Administration Policy from July 2015, and in particular would require EPA to review State permit programs prior to State implementation.

The budget focuses on paring back unnecessary spending used to carry out overreaching regulatory expansion. This budget also emphasizes core government responsibilities, while reducing spending in areas of duplication or non-core functions. Pursuant to these guidelines, the resolution provides $36.1 billion in discretionary budget authority for fiscal year 2017, with $38.0 billion in related outlays (see Function 300 in Table 2). These funds will finance programs within the Departments of Interior, Agriculture, Commerce, and Transportation, as well as the Army Corps of Engineers, and the EPA.

Some of the larger spending programs subject to appropriations are the EPA's clean water and drinking water programs, as well as the agency's environmental programs and management account, the Army Corps construction account, operations and maintenance accounts, accounts responsible for operation of the National Park Service and the Wildland Fire Management accounts in the U.S. Forest Service and the Department of the Interior.

The Forest Service and the Interior Department have used a large amount of their overall budget allocations toward wildfire suppression in the Western region of the U.S. The frequency and severity of these wildfires pose a risk to the citizens, water, and wildlife of the region. Borrowing for wildfires is detrimental to the long-term planning of these agencies. This budget acknowledges the need to minimize the adverse effects of fire transfers on the budgets of other fire and non-fire programs, and the need to responsibly budget for wildfires. One solution is the Resilient Federal Forests Act of 2015 (H.R. 2647), a bipartisan measure introduced by Representative Westerman (R–AR) and passed by the House. The legislation sets in place responsible forest management and wildfire funding solutions.

This budget recognizes the negative impact of the drinking water crisis currently plaguing the people of Flint, Michigan, and the greater Michigan area. This crisis is a failure of leadership—spe-

[124] Environmental Protection Agency, *Hazardous and Solid Waste Management System; Disposal of Coal Combustion Residuals From Electric Utilities,* December 2014.

cifically by the EPA, which was aware of dangerously high levels of lead in Flint drinking water in April 2015, yet failed to act until January 2016 when they were forced to intervene. Nonetheless, Congress has a moral obligation to find positive solutions for all the people affected by this situation. Members of Congress are engaged in a full investigation through public hearings and other oversight measures to solve this problem and prevent it from happening again. The budget calls for a bipartisan way forward to address infrastructure needs of the Flint area and to ensure the health and safety of all the children, families, and citizens adversely affected by this crisis.

Illustrative Discretionary Spending Policy Options

The Committee on Natural Resources is the primary authorizer in this area. The Appropriations Subcommittees on Energy and Water Development, and Related Agencies, and Interior, Environment and Related Agencies are responsible for annual funding. As the committees determine policies here, they may be guided by the budget's effort to focus on core government activities and reduce duplication and waste. Options that may help meet budget targets include those described below.

Reduce Environmental Protection Agency Funding. The EPA continues to use its budget to implement its unprecedented activist regulatory policy to the detriment of States, localities, small businesses, and energy consumers. This is evidenced in the many ongoing legal challenges facing EPA's proposed regulations. The budget reduces annual funding levels for the EPA to allow the agency to focus on its core mission of simply enforcing laws passed by Congress rather than continually attempting to re-write them through regulations.

Eliminate the EPA Office of Regulatory Policy and Management. This office manages the regulatory development process for the EPA by providing support and guidance for the agency's national and regional offices in developing regulations. According to the EPA website, a primary function of this office is to "manage the Agency's policy priority agenda."[125] As an executive agency merely created to enforce congressional statutes, the EPA should have no policy priority agenda at all.

Cut Waste, Fraud, and Abuse. An examination of the Citizens Against Government Waste *Congressional Pig Book,* similar accounts by Senators Flake and Lankford, numerous reports by the Government Accountability Office and Federal agencies' Inspector Generals, and documents provided by other committees expose numerous instances of waste, fraud, and abuse that can be removed from the Federal ledger. The most offensive example is providing pay for EPA employees suspended for numerous reasons, including watching pornography during work hours.

Streamline Climate-Change Activities Across Government. This budget resolution reduces spending for numerous climate-change-

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

related activities and research within this function, primarily by reducing overlapping or unproductive policies. It also recommends better coordination of programs and funds to eliminate duplicative and unnecessary spending. Many of these programs are funded within the National Oceanic and Atmospheric Administration [NOAA] as well as the EPA.

Eliminate the National Sea Grant College and Fellowship Programs. Since 1966, NOAA has provided Federal funds to various universities and academic research organizations across 33 States to sponsor a variety of marine research, outreach, and education projects. The program also funds a National Sea Grant Office, which offers fellowship opportunities for graduate students. While the premise of these programs is reasonable, they illustrate a growing trend within individual agencies to offer and fund education-based grants and fellowships that are better suited for either the Department of Education or provided by State and local government.

AGRICULTURE

Function Summary: Discretionary Spending

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

The budget provides for fiscal year 2017 discretionary spending in these areas totaling $6.3 billion in budget authority and $6.2 billion in outlays. Over the 10-year period of 2017 through 2026, the budget assumes discretionary spending of $71.7 billion in budget authority and $70.6 billion in outlays. (See Function 350, Table 2).

Illustrative Discretionary Spending Policy Options

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

COMMERCE AND HOUSING CREDIT

Function Summary: Discretionary Spending

Supporting commerce—maintaining an environment that allows ingenuity and free enterprise to flourish—is a worthy and impor-

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

One example is the ruling of the Federal Communications Commission [FCC] to re-classify the Internet as a telecommunications service, rather than an information service, pursuant to the highly regulatory Title II of the 1934 Communications Act. The reclassification empowers the government to regulate rates and give priority to content, which will inevitably lead to increased fees and taxes on the consumer. This budget rejects the FCC's "Net Neutrality" rules and generally opposes the government's attempt to intervene in the free market. The Committee on Energy and Commerce has made commendable efforts to prohibit the FCC from onerous regulation of rates for broadband internet access, and this budget resolution supports the No Rate Regulation of Broadband Internet Access Act (H.R. 2666).

The resolution envisions a Federal system that supports commerce and regulates in an efficient manner, providing sufficient oversight where necessary without wasting taxpayer monies or stifling free enterprise. Additionally, as it is risky for the Federal Government to be in the business of picking winners and losers, subsidies to commercial entities should be minimized where possible.

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

On a unified basis, for fiscal year 2017, the budget resolution provides −$12.3 billion in discretionary budget authority and −$11.7 billion in outlays (Table 2). The negative discretionary budget authority and outlay figures mainly reflect the subsidy rates applied to certain loan and loan guarantee programs scored under the guidelines of the Federal Credit Reform Act, such as Federal Housing Administration and Government National Mortgage Association [Ginnie Mae] programs. This accounting method is further discussed in the section of this report titled "Banking, Commerce, Postal Service, and Related Programs."

Illustrative Discretionary Spending Policy Options

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

fles commerce and free enterprise. Options worthy of consideration include those cited below.

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

- The Hollings Manufacturing Extension Program, which subsidizes a network of nonprofit extension centers that provide technical, financial, and marketing services for small- and medium-size businesses. These services are largely available in the private market. The program already obtains two-thirds of its funding from non-Federal sources, and was originally intended to be self-supporting.
- The International Trade Administration [ITA]. This agency, within the Department of Commerce, provides trade-promotion services for U.S. companies. The fees it charges for these services do not cover the cost of these activities. Businesses can obtain similar services from State and local governments and the private market. The ITA should be eliminated or should charge for the full cost of these services.
- The National Network for Manufacturing Innovation. This program, also 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." [126]

Tighten the Belts of Government Agencies. Duplication, hidden subsidies, and large bureaucracies are symptomatic of many agencies within Function 370. For example, the Securities and Exchange Commission [SEC] now has more than 4,000 employees. Although its funding has grown by more than 60 percent since 2007, the President, in his annual budget submissions, has consistently requested additional increases. This resolution questions the premise that more funding for the SEC means better, smarter regulation, and recommends reforming the agency so it can perform its duties more efficiently.

Another example is the Federal Trade Commission's budget, which has increased 30 percent since 2008. This budget calls for assessing the ever-growing spending of Federal agencies, determining what levels are necessary to effectively and efficiently execute their missions, and adjusting funding accordingly.

Eliminate the Department of Commerce and Consolidate Necessary Functions Into Other Departments. Since its establishment in 1903, the Commerce Department has expanded in size and scope to include many elements whose priorities would be better suited

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

in other agencies. As a result, the Department of Commerce and its various agencies and programs are rife with waste, abuse, and duplication. This budget proposes 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 within the Department of State.
- Eliminate the Economic Development Administration.
- Consolidate trade adjustment activities within the Department of Labor, which already has a duplicate program.
- Consolidate the Minority Business Development Agency within 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 with the Federal Communications Commission as an independent agency.
- Consolidate the United States Census Bureau and the Bureau of Economic Analysis into the Department of Labor's Bureau of Labor Statistics.

TRANSPORTATION

Function Summary

A 21st century transportation system is one that enables people and goods to move freely, efficiently, and cost-effectively. To the extent possible, it responds to consumers' demands—in this case, the demands of the traveling public. Every day, people traveling to and from work and businesses moving their products to market expect reliable, safe, and convenient means of transportation. They understand they will have to pay for what they get, but they likewise expect to get what they pay for. All levels of government and the private sector fund transportation activities. It is incumbent on Congress to consider the proper Federal role within this system. Congress especially should identify those needs that are of national importance and are Federal in responsibility, and then focus on those, rather than be distracted by and spend precious funds on ancillary activities. A major component of the Nation's transportation system is its vast network of highways. This section offers a robust discussion of the challenges facing the Federal highway program as well as consideration of other categories of transportation.

The Interstate Highway System dates to 1944 legislation, though it was the Federal-Aid Highway Act of 1956 that established the program enabling its construction. That same year, Congress created the Highway Trust Fund (under the Highway Revenue Act of 1956) as a mechanism to ensure that the revenue generated from gasoline taxes would "not be diverted" to purposes other than building the Interstate Highway System. For decades the trust fund was self-financing. Then Congress began authorizing annual spending out of the trust fund above the amount tax receipts collected, and cash shortfalls resulted. Congress covered the first shortfall in 2008 with cash infusions from general revenues, and it has continued this practice for subsequent shortfalls. Notably, these transfers do not make the trust fund self-sustaining; rather, they enable the Federal Government to meet its financial obligations to States on time.

Federal motor fuel tax rates stand at 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel. These taxes, along with related fees, fill the trust fund and finance Federal surface transportation programs. The most recent fuel tax increase was enacted in 1993, originally as part of deficit-reduction legislation. Two years later, that additional tax was redirected to the Highway Trust Fund. Congress must approve any fuel tax increases or decreases, which do not automatically change with inflation. Federal fuel-economy standards are eroding the trust fund's balances. The Congressional Budget Office [CBO] projects new Federal fuel-economy standards will reduce trust fund revenue by 21 percent in 2040, when they are fully phased in. To illustrate the effect of a 21-percent drop, the CBO estimates that if all cars on the road now met the stricter efficiency standards, it would mean a $57-billion cumulative reduction in revenue between now and 2022.

Though gas-tax receipts have plateaued, spending continues to grow. From 1999 through 2008, outlays outpaced receipts in the trust fund by almost $1 billion a year, on average. The spending-revenue gap has widened further under the current administration, expanding to more than $11 billion a year. Recently enacted legislation, the Fixing America's Surface Transportation [FAST] Act, reauthorized Federal highway and transit programs for 5 years and also provided for a $70-billion general revenue transfer to the trust fund. The transfer is intended to cover projected trust fund deficits, which range from $12 billion in fiscal year 2016 to $16 billion in fiscal year 2020. The CBO projects the trust fund's transit account will face a $2-billion shortfall sometime in fiscal year 2021, and the trust fund's cumulative deficits will grow from $21 billion in fiscal year 2022 to $108 billion by fiscal year 2026.[127]

Continuing on the present course will lead to one of two outcomes within about 5 years. Under current law, the Highway Trust Fund cannot incur negative balances, so spending will automatically decrease and the Department of Transportation will have to ration and delay reimbursements to States to maintain a "prudent balance" in the fund. Alternatively, Congress will need to provide

[127] Congressional Budget Office, "Projections of the Highway Trust Fund Accounts"—CBO's January 2016 Baseline, 25 January 2016: https://www.cbo.gov/publication/43884.

additional bailouts (i.e. more transfers from the general fund) with borrowed money.

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

For these programs and agencies, the budget resolution calls for $87.9 billion in budget authority and $90.6 billion in outlays in fiscal year 2017. Discretionary budget authority in 2017 is $29.4 billion, with outlays of $89.7 billion (see Table 2); direct spending is $58.5 billion in budget authority and $900 million in outlays (Table 3). Over 10 years, budget authority totals $756.5 billion, with outlays of $820.3 billion.

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

Basic transportation policies in this area fall under the jurisdiction of the Committee on Transportation and Infrastructure and the Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. Policies for the Transportation Security Administration and Federal Air Marshals are determined by the Committee on Homeland Security and the Appropriations Subcommittee on Homeland Security. These committees will determine the policy choices in their jurisdictions. The budget supports maintaining essential funding for surface transportation, aviation, and safety—offset by reductions in other transportation activities of lower priority to the Federal Government.

Illustrative Direct Spending Policy Options

Ensure the Solvency of the Highway Trust Fund. The Highway Trust Fund [HTF] has required large general fund contributions totaling $141 billion since 2008. While no trust fund shortfall is imminent for several years, the budget resolution continues a reform that would require any future general fund transfer to the HTF to be fully offset. CBO estimates that, under current law, the Highway Trust Fund again will face insolvency during fiscal year 2021, the year after expiration of the FAST Act.

Congress has time to address the systemic factors that have been driving the trust fund's bankruptcy. It can continue asking general taxpayers to assume an increasing share in the cost of Federal

transportation programs, as has been the practice since the first trust fund bailout. Doing so would further unravel the crucial user-pays/user-benefits model that proved successful over the program's history—that of a highway program funded directly with motorists' user fees. Congress could reconsider the mission of the program, including which activities belong in a Federal program versus being run by State or local governments or even funded by groups in civil society. Doing so would allow Congress to distinguish between the programs it believes are national in scope and Federal in responsibility from those that another level of government could provide more effectively. Congress may conclude, for example, that it bears some role in the great task of rebuilding the decades-old Interstate Highway System, while building bicycle and recreational trails, sidewalks, and streetcars, which produce local benefits, lies outside its purview.

The budget encourages reform that puts the trust fund back on sound financial footing, and it dispenses with the habit of raiding general funds and increasing the deficit. It recommends sensible reforms to avert the projected bankruptcy of the Highway Trust Fund within the budget window, by aligning spending with incoming revenues, and it also includes a provision to ensure any future general-fund transfers will be fully offset.

Congress has many options to consider. One is exploring innovative financing mechanisms to support surface-transportation infrastructure and safety programs—with, for example, further public-private sector partnerships demonstrated in the Transportation Infrastructure Finance and Innovation Act program. Additionally, the budget recommends giving States more flexibility to fund the highway projects they feel are most critical. Doing so means reconsidering current spending mandates on non-highway projects through program set-asides or the eligibility of non-highway activities for funding. One possible reform could include a pilot program for States to fund their transportation priorities with State revenues, opt out of the Federal fuel taxes, and forgo Federal allocations. Such reform may be viewed as reflecting an ongoing dynamic: that of many States proposing or enacting funding solutions to pay for their transportation programs. No two States' transportation situations are identical, and thus neither their preferred sources of funding nor their spending priorities will be the same.

Restructure the Air Traffic Control System. Upgrading the United States' air traffic control [ATC] system, by reforming its governance and funding structures, is in the interests of air travelers, businesses that operate within the National Airspace System, and Federal taxpayers. Without reform, improvements such as reduced airport congestion, timely technological upgrades, improved service, and stable funding for investments will remain out of reach. Restructuring the system, on the other hand, would have numerous benefits, including attracting a talented workforce, meeting demand in the skies, and cost-effectively maintaining the safest ATC system in the world. A model successfully adopted by some other countries is that of a federally chartered, not-for-profit corporation. The corporation operates and modernizes the ATC system and is self-funded through service charges paid by users. A government

entity—the Federal Aviation Administration in the U.S.—remains as the safety regulator.

The budget supports a new approach for providing ATC services and modernization, but it does not assume savings from this policy. It includes a reserve fund to accommodate the budgetary effects of such a proposal, and the reserve fund requires the downward revision of the Budget Control Act's discretionary spending limits to reflect the reduction in appropriated spending on ATC-related activities that should occur as part of ATC reform.

AN UPGRADE IS NEEDED

The FAA operates a safe ATC system, but it is not because the Federal Government owns and operates it. It is safe due to the daily efforts of the FAA's approximately 14,000 air traffic controllers and to safety being at the fore of aircraft design and maintenance. Technology used by the FAA is obsolete. Its computer system relies on ground-based radar, not the Global Positioning System [GPS]. As a point of contrast, the thousands of travelers who fly daily within the system carry GPS-enabled phones. For at least two decades Congress has legislated, with little success, reforms requiring the FAA to operate its Air Traffic Organization [ATO] like a business and expedite modernization. The ATO remains a massive bureaucracy with high operating costs, losses in productivity, and a culture that resists change. The FAA also has received criticism over its implementation of the multibillion-dollar Next Generation Air Transportation System [NextGen] program, which is to upgrade the ATC system. In a recent letter to the FAA's Administrator, the Department of Transportation's Inspector General wrote: "While FAA reports improvements in its management of acquisitions, major projects continue to experience problems that delay the introduction of new technologies, such as performance-based navigation; postpone benefits to users; and defer the retirement of costly legacy systems . . . Notwithstanding reforms, several underlying and systemic issues—including overambitious plans, shifting requirements, software development problems, ineffective contract and program management, and unreliable cost and schedule estimates—affect the FAA's ability to introduce new technologies and capabilities that are critical to transitioning to NextGen." [128]

Instead, the U.S. needs is a high-tech ATC service provider that will respond quickly to market forces. Recognizing this need in their respective situations, more than 50 countries—from Canada, the United Kingdom, and Spain, to Germany, Australia, and New Zealand—have remodeled their ATC systems over the past few decades. While the countries have adopted different corporation models, they have enjoyed similar results: consistent or increased safety, modernized systems, improved service, and lower costs.

Likewise, modernization of the United States' ATC system would help the U.S. remain competitive. It would allow for better cost

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

management, safe and efficient delivery of services, and a more direct connection between system users and funding.

BUDGETARY EFFECTS

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

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

Phase Out Subsidies for Essential Air Service. Essential Air Service [EAS] is a classic example of a temporary government program that has become immortal. EAS funding—originally intended to provide transitional assistance to small communities to adjust to the airline deregulation in the late 1970s—has not only continued but has grown rapidly in recent years. The budget recommends phasing out this spending.

Illustrative Discretionary Spending Policy Options

Eliminate Funding for Amtrak Operating Subsidies. The budget supports eliminating operating subsidies that have insulated the National Railroad Passenger Corporation [Amtrak] from making the structural changes necessary to start producing returns. It also supports reforms enabling Amtrak's management to make sound business decisions that ultimately allow it to run as a self-supporting business, eliminating the need for taxpayer subsidies to the passenger rail service. For example, Amtrak's management, in coordination with stakeholders, could be empowered to make repair

and safety a priority over route expansion; eliminate food and beverage service losses once and for all; reduce headquarters and administrative costs; and even discontinue unprofitable lines or sell them to interested private parties who may repurpose the lines. Another option for Congress is requiring Amtrak to gradually begin contracting out the operation of its lines, as other commuter rail lines in the U.S. have done. The aims would be to improve the quality of service for riders, reduce costs, and potentially result in a greater role for the private sector.

Provisions in the FAST Act restructured Amtrak funding accounts, setting up a National Network account and a Northeast Corridor account. Generally routes in the Northeast Corridor operate at a profit but have high capital costs, while long-distance routes in the National Network tend to operate at a loss but have low capital costs. The 1997 Amtrak authorization law required Amtrak to operate free of subsidies by 2002. Yet taxpayers continue subsidizing approximately $45 of the cost of the average Amtrak ticket sold.[129] The budget recommends judicious reforms that help Amtrak change course.

Prohibit Funding for High-Speed Rail. High-speed rail is not profitable or self-sustaining in the U.S. for several reasons. The U.S. has low population densities relative to high-speed rail markets in Europe and Asia. American travelers have wide access to personal vehicles, along with competitively priced air and bus transportation. Both factors mean high-speed rail cannot attract sufficient numbers of riders, which in turn makes it challenging to meet revenue targets. Several governors across the country rejected Federal high-speed rail funding in recent years, because they recognized the risk to their taxpayers, who would have had to subsidize the proposed lines. Only two high-speed rail lines in the world are profitable: one in France and another in Japan.[130] They serve densely populated areas where gasoline is expensive. Similar success is far from certain in the U.S. Committing American taxpayers to such risky projects is not a proper role of the Federal Government.

Phase Out New Starts Transit Grants. New Starts grants are for fixed-guideway mass transit projects that are largely of local, not national, benefit. The budget supports phasing out these grants to give States and cities time to plan their future transportation priorities and spending accordingly. This Federal grant money can have the perverse consequence of distorting local decisions about which types of transportation projects to build. The bias can favor more expensive projects. For example, a city may opt to build a new, more expensive rail transit project in one part of town at the expense of expanding more cost-effective, flexible bus service in an area where that service is already in high demand. Without the subsidies, that decision may be the reverse. Moreover, if a transit project fails to produce promised ridership and revenue levels, local

[129] Based on fiscal year 2015 ridership of approximately 30.8 million customers and a $1.4 billion total appropriation.

[130] See the Reason Foundation, *High-Speed Rail in Europe and Asia: Lessons for the United States,* May 2013, http://reason.org/files/high_speed_rail_lessons.pdf.

citizens must make up the difference to cover operating costs, often through higher taxes.

Eliminate TIGER Grants. The Transportation Investment Generating Economic Recovery [TIGER] Program was a 2009 stimulus measure established as a competitive grant program. Though the program was intended to drive funding to critical transportation needs for the country, more than 60 percent of the grants support local transit or so-called "enhancement" projects. With grantee selection based on vague metrics, including "livability," the Department of Transportation has failed to provide more information to the public regarding documentation of its review process as requested by the Government Accountability Office.[131]

Make Rail Safety a Priority Through User Fees. The budget supports the vital role of the Federal Railroad Administration in ensuring freight- and passenger-rail safety, while reducing spending on non-essential transportation programs. Without compromising the ongoing implementation of technology aimed at preventing train crashes, one option in this area would be to connect users of the freight and passenger-rail system to the funding for safety programs, rather than fund them through general revenues. The Congressional Budget Office has included such a policy in its compilation of options for reducing the Federal deficit.

Require Improved Performance at Washington Metropolitan Area Transit Authority [WMATA]. WMATA, commonly called "Metro," is a local transit authority that operates rail, bus, and paratransit services in the Nation's capital and nearby communities. In addition to fare box and advertising revenue, it receives Federal aid through annual appropriations acts. The District of Columbia, Maryland, and Virginia also raise matching funds through dedicated sources to pay for Metro's services. Congress appropriated $150 million to Metro in fiscal year 2016. Approximately 40 percent of Metro's rush hour passengers are Federal Government employees. The transit agency has been beleaguered by poor performance in several areas: low on-time performance, weekly service disruptions, maintenance backlogs, smoky rail tunnels, high operating costs, and a tragically fatal rail accident in early 2015. In October 2015, U.S. officials at the Federal Transit Administration assumed direct safety supervision of Metro's rail system.

Customer satisfaction has hovered around 81 percent during the past 2 years. More recently, from the first through the third quarter of 2015, Metrorail customers' satisfaction dropped to 67 percent, and Metro cites unreliable service as the primary cause.[132] Metro's ridership is also falling short of projections. In fiscal year 2015, Metrorail ridership was higher than in fiscal year 2014 but came up 16.5 million trips short of projections. This shortfall includes lower-than-expected ridership on the new Silver Line, for which expansion plans are under way. The budget supports legislative reforms that require Metro to contain its costs and operate more like a business, rather than continue rewarding the poorly performing

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

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

system with subsidies from Federal taxpayers. Metro customers would benefit from more reliable, safer service. Options for Metro could range from further reducing administrative costs to competitively contracting some of its operating activities, as the nearby Virginia Railway Express and the Maryland Area Regional Commuter systems have done.

COMMUNITY AND REGIONAL DEVELOPMENT

Function Summary: Discretionary Spending

Federal funding for economic and community development in both urban and rural areas appears in this category. It includes Community Development Block Grants; the non-power activities of the Tennessee Valley Authority; the regional commissions, including the Appalachian Regional Commission; the Economic Development Administration; and partial funding for the Bureau of Indian Affairs. Homeland Security spending in this function includes the State- and local-government grant programs of the Department of Homeland Security, as well as part of the funding for the Federal Emergency Management Agency.

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

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

The resolution calls for $8.2 billion in discretionary budget authority and $20.0 billion in outlays in fiscal year 2017. The 10-year totals for discretionary budget authority and outlays are $69.7 billion and $112.1 billion, respectively. The figures appear in Function 450 of Table 2.

Illustrative Discretionary Spending Policy Options

As elsewhere, the committees of jurisdiction will make final policy determinations. The proposals below indicate policy options that might be considered.

Eliminate Non-Core Programs. At a time when reducing spending is imperative for the government's fiscal well-being, this resolution recommends taking a hard look at community and regional programs, focusing on those that deliver funds for non-core Federal Government functions, and consolidating and streamlining programs wherever possible. The following programs should be considered in this review:

- The Community Development Fund [CDF]. Historically, about 80 percent to 90 percent of funding for the CDF is spent on the Community Development Block Grant program [CDGB], a program that dates to the 1974 Housing and Community Development Act of 1974. CDBG is an annual formula grant directed

to State and local governments. In 2016, Congress appropriated $3.0 billion for CDBG. A vast range of activities are eligible for funds, such as home water and energy efficiency activities, historic preservation, demolishing blighted properties, street and sidewalk repairs, job training, grants to local businesses, and community planning.

Local organizations, private business, and sometimes local communities at-large are the ultimate recipients of CDBG funds. Likewise, the benefits are enjoyed locally, not nationally. The program's effectiveness has been compromised over the decades by debates over formulas, which have allowed wealthier communities to receive funding at the expense of lower-income communities; currently there is no maximum community poverty rate to determine eligibility for funds, nor are communities with high average income limited or excluded. Further, wasteful and inefficient projects have received grants, and the program has been criticized for incurring unnecessarily high administrative costs, which drain funding for actual projects.

- The Economic Development Administration [EDA]. Although the program purports to give financial aid to economically distressed areas, it is nothing more than a mask for political pet projects. Essentially, the agency provides "grants" and "investments" for local projects, including private sector projects that should not be eligible for Federal Government's help to begin with. Just as with earmarks, the EDA uses taxpayer dollars to target local projects with a very narrow benefit—in many cases just one particular company or small segment of population, and should be eliminated.

Focus Department of Homeland Security Urban Area Security Initiative Grants. Urban Area Security Initiative grants to more than 30 cities have not produced measurable results for the most critical municipalities. This option would limit the grants to the top 11 cities on a risk-based formula basis.

Reform the Federal Emergency Management Agency. The budget supports implementation of reforms at the Federal Emergency Management Agency [FEMA] passed by Congress to improve service delivery and cost efficiencies in disaster assistance, while at the same time proposing further steps to eliminate overlap and inefficiencies.

The budget also acknowledges the need to look at reforms in disaster-relief assistance to ensure those State and local governments most in need are receiving the assistance required. The disaster declaration is intended as a process to help State and local governments receive Federal assistance when the severity and magnitude of the disaster exceeds State and local resources, and when Federal assistance is absolutely necessary, but recent administrations have come to use it almost promiscuously. From 1953 through 1992, presidents made 1,153 total disaster declarations—including Major Disasters Declarations, Emergency Declarations, and Fire Management Assistance Declarations—for an average of 29 declarations

per year.[133] The past three administrations alone have more than doubled that number, making in excess of 2,400 declarations to date—including a single-year high of 242 by the current administration in 2011.

When disaster relief decisions are not made judiciously, limited resources are diverted away from communities that are truly in need. This budget supports Government Accountability Office recommendations and takes a closer look at the following: (1) reducing Federal expenditures by updating disaster-declaration-eligibility indicators—such as per-capita thresholds and other major disaster metrics—by, for example, adjusting for inflation; and (2) providing more scrutiny on cost-share levels and waivers. For example, preparedness programs such as the Emergency Management Performance Grants have shown greater buy-in by State and local governments; demonstrated better performance in delivering resources to first responders; and ensured efficient and effective response operations. These types of reforms will increase transparency in the way that disaster declaration decisions are made and in accurately measuring a State's capacity to respond to a disaster.

Waste, Duplication, and Abuse of Federal Emergency Management Agency Programs. In addition to the reforms listed above, this budget proposes the elimination of duplicative programs that are not providing their designated benefit, and whose funds are not being used for the purposes originally intended.

- The Intercity Passenger Rail Grant Program. This program, run by FEMA on behalf of the Department of Homeland Security [DHS], this program provides security funds solely for Amtrak. Amtrak already receives $1.5 billion annually from the Federal Government that could be used for funding security upgrades. In addition, the Amtrak grant program could be eliminated and the Department of Homeland Security could allow Amtrak to competitively apply for funding through the Transit Security Grant Program, which provides security grants to transit systems.
- Intercity Bus Security Grant Program. This is another program run by FEMA for the DHS. It was created to provide funding for security on intercity bus systems. Many grant recipients, however, are private companies whose focuses are not public transportation but rather private contracting and event transportation. The President has put this grant program on the chopping block, stating that the grants are not awarded based on risk. The administration believes making risk-based awards "is the best way to allocate resources to the areas with the greatest need so as to maximize security gains for the Nation."[134] In addition, this grant program could be rolled into the Transit Security Grant Program, which provides funding for transit systems.

[133] Federal Emergency Management Agency, "Disaster Declarations by Year," February 2015.
[134] See Office of Management and Budget, *Terminations, Reductions, and Savings: Budget of the U.S. Government, Fiscal Year 2012,* Page 38: https://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/trs.pdf

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Function Summary: Discretionary Spending

One of the Federal Government's most important goals should be creating and supporting an environment of opportunity for all Americans. A key component of this endeavor is ensuring that all Americans have access to a high-quality education. A well-educated workforce drives strong economic performance and international competitiveness.

Education is a national priority and therefore of great interest to Washington policymakers. The question is how best to advance the cause of quality education. In recent years, the primary approach to furthering educational opportunity has consisted of creating additional Federal programs and spending more money. While pursued with the best of intentions, this approach has stripped local entities of opportunities to make decisions about how their educational systems and programs will be measured. It is biased toward programs that spend more but pays little attention to what the country is getting for all of that money. Higher spending has not led to higher achievement.

Principally, Federal support 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 smothering their effectiveness and innovation. The Federal Government does have an interest in education, but that interest is chiefly in promoting the initiatives of local educators, not dictating them.

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

For fiscal 2017, the budget resolution in this category (Function 500 in Table 2 of this report) provides $86.6 billion in discretionary budget authority and $93.7 billion in outlays, which primarily goes to the Departments of Education, Labor, and Health and Human Services.

Illustrative Discretionary Spending Policy Options

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

port America's students and workforce without overstepping the Federal Government's boundaries or usurping the authority of State and local entities. Options worthy of consideration include the following.

Reform Job-Training Programs. The Bureau of Labor Statistics reports that 7.8 million Americans are unemployed. Yet they also report 5.6 million job openings. This gap is due in part to the failure of the Nation's workforce-development programs to successfully match workers' skills with employers' needs. In the 113th Congress, the Committee on Education and the Workforce made laudable progress toward consolidating these programs with enactment of the Workforce Innovation and Opportunity Act (Public Law 113–128).

This budget builds on these efforts by calling for further consolidation of duplicative Federal job-training programs and improved coordination with the recently reformed workforce development system. This budget will also improve the remaining programs' accountability by aligning their performance indicators with those passed as part of the Workforce Innovation and Opportunity Act. A streamlined approach with increased oversight and accountability will not only provide administrative savings, but will improve access, choice, and flexibility, enabling workers and job seekers to respond quickly and effectively to whatever specific career challenges they face. In addition, the budget recommends a 15-percent State flexibility allotment under the Workforce Innovation and Opportunity Act.

Make the Pell Grant Program Sustainable. The Pell Grant program is the foundation of Federal student aid, helping low-income students better afford a college education. After years of decisions to raise the Pell Grant award levels, however, the program is on unstable financial ground, with real consequences for future students. The Congressional Budget Office projects the program will face a shortfall again in fiscal year 2022. Between fiscal year 2006 and 2016, Pell Grant discretionary costs ballooned from $12.8 billion to $23.6 billion. CBO estimates the costs will total $28.1 billion by fiscal year 2026, the last year of the 10-year budget window. Instead of confronting the program's cost drivers, previous Congresses increasingly relied on mandatory spending to make up for discretionary funding deficiencies. Instead of implementing necessary, structural reforms to set up the program for long-term success, lawmakers repeatedly resorted to short-term funding patches—a temporary answer that will not prevent another severe funding cliff for the program in the future. Any reforms to Pell Grants should aim toward helping low-income students gain access to higher education. The budget recommends making responsible adjustments so that Pell Grants will continue to remain available for future students. These include the following:

- Roll back certain recent expansions to the needs analysis to ensure aid is targeted to needy students. The Department of Education attributed 14 percent of program growth between 2008 and 2011 to recent legislative expansions to the needs-analysis formula. The biggest cost drivers come from changes made in the College Cost Reduction and Access Act [CCRAA]

of 2007, such as the expansions of the level at which a student qualifies for an automatic zero Expected Family Contribution and the income-protection allowance. These should be returned to pre-CCRAA levels.

- Eliminate administrative fees paid to participating institutions. The government pays participating schools $5 per grant to administer and distribute Pell awards. Schools already benefit significantly from the Pell program because the aid makes attendance at those schools more affordable.
- Consider setting a maximum-income cap that accounts for family size and other qualifying factors. Currently there is no fixed upper-income limit for a student to qualify for Pell. Figures are plugged into a formula to calculate the grant amount for which the student qualifies. The higher the income level of the student and the student's family (and therefore expected family contribution to the student's education), the smaller the grant he or she receives.
- Eliminate eligibility for less-than-half-time students. Some students eligible for Pell grants may be balancing a job and college courses, along with other responsibilities. Timely completion of required course credits remains important, and the budget supports reserving funding for students who are enrolled on at least a half-time basis.
- Consider reforms to Return of Title IV Funds regulations. Simple changes to this policy, such as increasing the amount of time a student must attend class to withdraw without debt owed for back assistance, will increase the likelihood of students completing their courses and reduce incentives for fraud.
- Adopt a sustainable maximum-award level. The Department of Education attributed 25 percent of recent program growth to the $619 increase in the maximum award done in the stimulus bill that took effect in the 2009–2010 academic year. To get program costs back to a sustainable level, the budget recommends maintaining the maximum award for the 2016–2017 award year throughout the budget window. This award would be fully funded through discretionary spending.

Encourage Higher Education Policies That Promote Innovation. Federal higher-education policy should focus not solely on financial aid but on policies that maximize innovation and ensure a robust menu of institutional options from which students and their families can choose. Such policies should include reexamining the data made available to students, to make certain they are armed with information that will assist them in making decisions about their individual postsecondary education. Additionally, the Federal Government should remove regulatory barriers in higher education that act to restrict flexibility and innovative teaching, particularly as it relates to non-traditional or contemporary models, such as online coursework.

Eliminate Administrative Fees Paid to Schools in the Campus-Based Student-Aid Programs. Under current law, participating higher-education institutions are allowed to use a percentage of

Federal program funds for administrative purposes. The budget suggests prohibiting this practice. Schools already benefit significantly from participating in Federal student-aid programs.

Ensure Federal Early Childhood Programs Work for Children and Families. Recently enacted legislation, the Every Student Succeeds Act, is intended to scale back Federal overreach into local education decisions and reorganize and streamline many programs and funding streams. In short, it aims to better target resources and shrink bureaucracy. As the legislation is implemented, the budget supports giving priority to funding for programs with demonstrated success, and facilitating State and local efforts. In future legislation, it also supports reforms to consolidate or eliminate programs and activities that are not improving outcomes for participating children and parents. For example, a study released in 2010 by the Department for Health and Human Services [HHS], found that the decades-old Head Start program was not improving participating children's math, language, and literacy skills. Nor was it improving parenting practices.[135] Children and their parents deserve better. The administration has since taken regulatory action aimed at correcting the program's course, but without engaging Congress in discussions about how best to do so. More can be done, and the budget supports efforts by the committees of jurisdiction to ensure that the focus at HHS is not on perpetuating bureaucracy or ineffective programs but on adequately supporting parents, expanding parental choice, and preparing low-income children for kindergarten and later education. Overall, winding down early childhood programs that are not working, and resisting efforts to establish or fund new programs while existing ones are failing to fulfill their promises, is in the best interests of children and their parents and taxpayers.

Reform Federal Primary and Secondary Education Programs. The Every Student Succeeds Act is aimed at prohibiting Federal overreach in the area of academic standards for K–12 education, too. Certain provisions prevent the Federal Government from coercing States into adopting specific sets of academic standards, such as Common Core. Setting standards, devising curricula, and conducting related activities are not Federal duties; they are of State and local concern. The budget supports work to implement these provisions as well as future efforts that stop Federal edicts and instead empower States and local communities.

Further, the current structure for K–12 programs at the Department of Education is fragmented and ineffective. Many programs are duplicative, not working as intended, or are highly restricted, serving only a small number of students. Given the budget constraints, Congress must focus resources on programs that truly help students. The Every Student Succeeds Act was crafted to eliminate or consolidate 49 of these programs and replace them with a single Student Support and Academic Enrichment Grant.[136] The budget encourages the timely transition from a morass of K–12 programs to the new streamlined system, which will increase ef-

[135] See U.S. Department of Health and Human Services, *Head Start Impact Study,* 15 January 2010: http://www.acf.hhs.gov/sites/default/files/opre/executive_summary_final.pdf.
[136] Became Public Law 114–95.

ficiency and empower State and local entities. Students and families deserve choice and flexibility in their educational decisions. Downsizing the number and scope of programs, and making more Federal aid dollars portable will make that possible. Federal dollars should be spent not on more bureaucracy, but on efforts that improve academic outcomes.

The budget also recommends that, as efforts to consolidate and streamline are undertaken, the committees of jurisdiction continue giving priority to funding for students with disabilities provided under the Individuals with Disabilities Education Act [IDEA]. IDEA funding has consistently fallen short of the 40-percent Federal contribution threshold established in statute. In a letter requesting the Budget Committee give priority to IDEA funding, Chairman Kline (R–MN) of the Committee on Education and the Workforce, along with several other House Members, write that inadequate funding means "[S]chool districts struggle to offer special needs students the necessary placements, supports, and services to which they are legally entitled."[137] Congress should refocus efforts to support this existing commitment before it entertains new education programs or initiatives.

Encourage Private Funding for Cultural Agencies. Federal subsidies for the National Endowment for the Arts, the National Endowment for the Humanities, and the Corporation for Public Broadcasting can no longer be justified. The activities and content funded by these agencies go beyond the core mission of the Federal Government. The agencies can raise funds from private-sector patrons, which will also free them from any risk of political interference.

Make Way for State, Local, and Private Funding for Museums and Libraries. The Institute of Museum and Library Services is an independent agency that makes grants to museums and libraries. This is not a core Federal responsibility. This function can be funded at the State and local level and augmented significantly by charitable contributions from private-sector businesses, organizations, and individuals in civil society.

Promote More Private Funding for the Smithsonian Institution. The Smithsonian Institution consists of 19 museums and galleries, a zoological park, and research and supporting facilities. Approximately 26.7 million visitors enjoyed the Smithsonian complex in fiscal year 2015. That same year, it raised nearly $230 million in private funds. Through Federal grants and appropriated funds, general taxpayers contribute about 60 percent of its annual budget. The remaining 40 percent is derived from trust fund sources and non-Federal funds, including private gifts, endowment disbursements, membership contributions, external grants, and business income.[138] The budget supports continued efforts by the Smithsonian to generate non-Federal revenue. Given the current Federal fiscal environment, increased private funding can better enable the

[137] Letter to Budget Committee Chairman Price, M.D. (R–GA) and Ranking Member Van Hollen (D–MD), from Chairman Kline and Representatives McMorris Rodgers (R–WA), Sessions (R–TX), and Smith (R–TX), 11 March 2016: http://edworkforce.house.gov/uploadedfiles/idea_budget_letter_fy_2017.pdf.

[138] See Smithsonian Dashboard, Finances: http://dashboard.si.edu/finances.

Smithsonian to expand its collections, improve existing facilities, and make business decisions it deems necessary.

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

HEALTH

Function Summary: Discretionary Spending

America should maintain its world leadership in medical science by encouraging competitive forces to work through the marketplace in delivering cures and therapies to patients. Federal policies should foster innovation in health care, not stifle it. Yet too often the bureaucracy and red tape in Washington hold back medical innovation and prevent new lifesaving treatments from reaching patients. This resolution recognizes the valuable role of government support for organizations, such as the National Institutes of Health [NIH], but also the indispensable contributions to medical research coming from outside Washington.

In addition to the NIH, programs and agencies that receive discretionary funding in this category (Function 550 in Table 2) include Project Bioshield, the Food Safety and Inspection Service, and the Food and Drug Administration. The resolution's discretionary totals for fiscal year 2017 are $59.7 billion in budget authority and $59.6 billion in outlays. The 10-year discretionary totals are $632.6 billion in budget authority and $618.7 billion in outlays.

Illustrative Discretionary Spending Policy Options

The principal authorizing committees in this category are the Committee on Energy and Commerce and the Committee on Oversight and Government Reform. Funding is provided by the Appropriations Subcommittees on Labor, Health and Human Services, Education, and Related Agencies; Agriculture, Rural Development, Food and Drug Administration, and Related Agencies; and the Legislative Branch. These panels will make the actual policy choices, which might be guided by the principles and policy options described below.

Support Global Health Responses. Threats to public health must be taken seriously. As the first line of defense for the American people, the budget protects funding for the NIH and the Centers for Disease Control and Prevention [CDC]. This resolution recog-

nizes the importance of resources to combat infectious diseases and respond to global health crises, ensuring the nation's capability to prepare and act upon emerging health threats, such as Ebola, Zika, and the like.

Foster Medical Research, Innovation, and Development. Medical breakthroughs and discoveries are made every day, and the pace of medical innovation will continue to quicken due to advancements in groundbreaking fields such as genomic medicine, biomedical research, and molecular medicine. The NIH and the CDC foster fundamental creative discoveries, cures, and therapies, and serve as the first line of defense against health safety and security threats. The budget resolution supports a level of funding for these agencies that enables them to continue their important work.

Regrettably, much of this innovation has faced significant hurdles due to Federal over-regulation. For example, a recent report from the Mercatus Center at George Mason University highlights the proper role the Food and Drug Administration [FDA] should have in the 21st Century.[139] It should not be an organization that holds up products for 9 years before approving them.[140] It should not cost innovators close to $20 million to deal with the FDA's myriad requirements.[141] Most important, patients should not be left to suffer the true costs of delaying life-saving devices. This resolution calls for a complete examination of the FDA approval process to promote a more effective, efficient system that truly safeguards Americans' access to innovative cures and therapies.

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

Defend Life and Promote Access to Health Care. This resolution supports the long-standing policy to ban Federal taxpayer dollars from funding elective abortions and calls for a 1-year cessation of Federal funding for Planned Parenthood. The resolution would reinvest the Planned Parenthood funding in community health centers to promote greater access to care for women, men, children, and the unborn.

Limit Federal Health Coverage Funding for Members of Congress and Their Staffs. Currently, Federal contributions to the Federal Employee Health Benefits Program grow by the average weighted rate of change in these programs. This budget supports restricting the growth in these plans to inflation.

---

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

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

[141] AdvaMed, *FDA Impact on U.S. Medical Technology Innovation,* November 2010: http://advamed.org/res.download/30.

Make Common Sense Reforms to the Occupational Safety and Health Administration. The goal of the Occupational Safety and Health Administration [OSHA] should be to find ways to make even more progress on the excellent record of U.S. businesses in preventing workplace accidents, not to unnecessarily punish job creators. This budget would provide regulatory relief for businesses by preventing OSHA from imposing fines for non-serious infractions that are corrected within the time allotted in the citation, or by the end of the final appeals process.

Restrict Federal Funding for Advertising Against American-Made Products and Wasteful Government Activities Such as Pickleball. This budget repeals funding from the Prevention and Public Health Fund, created as part of the Affordable Care Act. The goals of the fund are laudable—and it is a goal of the budget to focus on preventing disease rather than simply treating people once they become ill. Nevertheless, funding for the Prevention and Public Health Fund is over and above the amount that Congress has appropriated for the activities covered by it. In effect, administrators at the Department of Health and Human Services can spend the funds made available however they want, without congressional oversight. As the Committee on Energy and Commerce has uncovered, the administration has used dollars in this fund to promote Pickleball, free pet neutering, massage therapy, kickboxing, and Zumba.

Additionally, this budget does not support the use of taxpayer dollars to advertise against American-made products. Following the passage of *the American Recovery and Reinvestment Act,* the CDC was allocated taxpayer dollars to award grants for wellness efforts. These funds were used, however, to run ads singling out and attacking legal American products and industries that the administration claimed contributed to bad health. The CDC does excellent work on early detection, prevention, and treatment for breast and cervical cancer, as well as on immunizations, flu vaccines, and many other worthy efforts. The agency should receive sufficient funding for these activities, but no government agency should receive American taxpayer dollars to advertise against American-made products

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

The budget also supports prudent investments to improve mental health care and awareness. In 2015, according to NIH, nearly 10 million adults in the U.S. lived with severe mental illness,[142] and it is important that the Federal Government give priority to treatment of the sickest and most vulnerable patients. The Government

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

Accountability Office recently did a study that identified more than 100 distinct programs supporting individuals with serious mental illness, and found interagency coordination for programs severely lacking.[143] Federal dollars should not be squandered on antiquated programs that fail to meet patients' needs. The budget calls for Federal programs to be reoriented to advance treatment for those facing serious mental illness. Any research conducted and grants awarded by the Federal Government should be firmly rooted in evidence-based practice. Programs and resources in this area should focus on psychiatric care for patients and families most in need of services.

Finally, the budget recognizes that the United States is in the midst of a deadly battle with opioid and heroin abuse. According to the CDC, drug overdose deaths have increased five-fold since 1980.[144] The Committee on Energy and Commerce has led an ongoing effort to ascertain which Federal programs have been effective in combatting opioid abuse, and which have not—and why the latter failed. This effort should continue. The budget calls for a complete examination of the Federal response to the crisis. The government should implement prevention activities, and evaluate them to identify effective strategies for preventing substance abuse. The budget resolution includes a policy statement that describes in greater detail the contours of how the Federal Government should respond to the ongoing substance abuse crisis.

INCOME SECURITY

Function Summary: Discretionary Spending

Programs that subsidize food and housing for low-income Americans remain largely unreformed, nearly two decades after the success of the Personal Responsibility and Work Opportunity Act—the major welfare reform bill enacted in 1996. This budget proposes to improve work incentives for these programs and increase State flexibility.

Discretionary spending components of this category (Function 600 in Table 2) include the Special Supplemental Nutrition Program for Women, Infants, and Children; the Low Income Housing Energy Assistance Program; housing assistance programs; and the Child Care and Development Block Grant. For these programs the budget resolution provides $65.5 billion in budget authority in fiscal year 2017, and $66.6 billion in outlays. The budget assumes discretionary spending of $709.9 billion in budget authority and $707.4 billion in outlays in this area over the 2017–2026 period.

Illustrative Discretionary Spending Policy Options

The main committees responsible for funding these programs are the Committee on Agriculture; the Committee on Financial Serv-

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

[144] Margaret Warner, Ph.D., et al, "Drug poisoning deaths in the United States, 1980–2008," Centers for Disease Control and Prevention, National Center for Health Statistics Data Brief No. 81, December 2011: http://www.cdc.gov/nchs/data/databriefs/db81.htm.

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

Make Responsible Reforms to Housing-Assistance Programs. This resolution supports taking actions that would make housing-assistance programs more sustainable and direct Federal dollars to serve those most in need. Despite dramatic funding increases, the Worst Case Housing Needs Report to Congress by the Department of Housing and Urban Development [HUD] suggests the number of families who are severely rent-burdened or live in substandard conditions remains alarmingly high. Reforms are needed to ensure assistance is available to those most in need and is structured in a way that best enables upward mobility. One option would be to gradually expand the Moving to Work program to high-performing public housing authorities. Moving to Work gives public housing authorities more flexibility in how they spend funds so that they can serve families more efficiently and effectively. This budget also supports the reforms incorporated into the Housing Opportunity Through Modernization Act of 2015 (H.R. 3700). Declaring households ineligible for assistance if they exceed the income and asset limits allows HUD to make sure that housing assistance is being provided to those who need it most.

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

Eliminate the Emergency Food and Shelter National Board Program [EFS]. This is the Federal Emergency Management Agency [FEMA] version of the Agriculture Department's The Emergency Food Assistance Program [TEFAP]. Both programs provide groceries and prepared meals to needy individuals through local government and non-profit entities. Providing comparable benefits to a similar population, but managing the programs separately, is an inefficient use of Federal funds. The sheer volume of Federal hunger programs, and the fact they are scattered among several agencies, prevent them from being used by those people they are intended to help. The Government Accountability Office cites the example of a director of a non-governmental organization who administers the FEMA version of the program; the director explains that it is often unclear which Federal food assistance programs are available to non-governmental organizations and which ones are best suited for his organization's mission and resources.[145] After eliminating the Emergency Food and Shelter National Board Program [EFS], the budget supports requiring the Department of Agri-

[145] Government Accountability Office, *Domestic Food Assistance: Multiple Programs Benefit Millions of Americans, but Additional Action Is Needed to Address Potential Overlap and Inefficiencies,* 20 May 2015: http://www.gao.gov/assets/680/670313.pdf.

culture to adopt any responsibilities currently being met by the EFS program and not currently being met by TEFAP.[146]

Continue Support for Efforts to End Chronic Homelessness. Thanks to efforts at the Federal, State, and local levels, chronic homelessness in the U.S. has declined by 21 percent since 2010. Yet much remains to be done. This resolution urges HUD to refocus efforts to accomplish the administration's laudable goal of helping to end chronic homelessness by 2020.

OTHER DISCRETIONARY SPENDING

Discretionary spending under the Medicare Program consists primarily of administration and management costs. The budget resolution totals for fiscal year 2017 are $6.5 billion in discretionary budget authority, with $6.6 billion in outlays. The 10-year totals in the budget resolution are $83.4 billion in discretionary budget authority and $82.8 billion in outlays (Function 570 in Table 2). This also includes the budget for the Medicare Payment Advisory Commission, a non-partisan, independent agency established by the Balanced Budget Act of 1997 to advise Congress on Medicare payment policies and analyze issues affecting beneficiaries, such as access to care, quality of care, health care outcomes, and so on.

For administering the Social Security Programs, the budget provides $5.4 billion in discretionary budget authority and $5.4 billion in outlays for fiscal year 2017. The 10-year totals for discretionary budget authority and outlays are $61.5 billion and $61.3 billion, respectively (Function 650 in Table 2). All the budget authority and all but a sliver of residual outlays are off budget. The Social Security Administration oversees the program.

The budget assumes that program integrity funding is provided to combat waste, fraud and abuse, and reduce improper payments. The resolution recommends these resources be provided within existing Budget Control Act cap levels for fiscal year 2017 through fiscal year 2026, thereby saving $10.0 billion over 10 years.

[146] The Department of Homeland Security proposed that the Department of Housing and Urban Development take over the Emergency Food and Shelter National Board Program, but no consolidation efforts were proposed. See Department of Homeland Security, *Congressional Budget Justification for Fiscal Year 2016,* pp. 31–42: https://www.dhs.gov/sites/default/files/publications/DHS_FY2016_Congressional_Budget_Justification.pdf.

Direct Spending

Uncontrolled automatic spending (formally called "direct" or "mandatory" spending[147]) has come to dominate the Federal budget, and its share of total outlays continues to increase. As noted previously, this form of spending is largely open-ended and flows from effectively permanent authorizations. Most of the programs funded this way pay benefits directly to groups and individuals without an intervening appropriation. They spend without limit, and their totals are determined by numerous factors outside the control of Congress: caseloads, the growth or contraction of GDP, inflation, and many others.

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

SOCIAL SECURITY

Function Summary: Direct Spending

The prevailing attitude among many in Congress—and in the broader policy community—is to deny the inevitable crisis facing the Social Security Program. This position ignores the unalterable fact that absent structural reform, Social Security will fail to fulfill its promises to the Nation's retired and disabled persons—and that outcome will occur sooner than expected.

Social Security benefits are financed through payroll taxes credited to two trust funds: one for Old-Age and Survivors Insurance [OASI], and the second for Disability Insurance [DI]. Under current law, both trust funds face insolvency within the next 20 years—one in less than 7 years—depleting their capacity to pay full benefits. The Social Security Program already is running a cash deficit, meaning it is paying more to beneficiaries annually than it collects in revenue. If not for balances of Treasury securities in the trust funds, built up from previous surpluses, the program would be unable to meet all its benefit payments now. With each year Congress delays, the policy changes needed to correct the program's fiscal

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

trajectory will become too large and wrenching to adopt. That will lead to sudden, steep reductions in benefits.

For these reasons, the House adopted a rule for the 114th Congress prohibiting legislation that improves the financial condition of DI at the expense of the OASI Trust Fund. The rule provides an exemption, however, for legislation that improves the financial condition of both trust funds.

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

This budget calls for a bipartisan way forward by amending a current-law trigger that would require the President and Congress to begin the process of reforming Social Security.

Social Security benefits are reflected in the direct spending of budget Function 650. It is the largest budget category in terms of outlays.

Under this budget, these benefits total $913.3 billion in budget authority in fiscal year 2017, and $908.6 billion in outlays. Over 10 years, the totals are $12.2 trillion in budget authority and $12.1 trillion in outlays. With respect to the budget resolution, these benefits are treated as off budget and do not appear in the legislative text. (In this report, they appear as off-budget direct spending in Table 3.)

While the Committee on Ways and Means will determine actual policies, the discussion below offers some guiding principles to include in the debate.

OASI's Looming Insolvency

Although the OASI Trust Fund is projected to remain solvent through 2035, its financial condition is more fragile than that estimate suggests.

Any value in the balances of the Social Security Trust Fund is derived from dubious government accounting. The trust fund is not a real savings account. From 1983 through 2010, more tax revenues were collected by the trust fund than what it paid out in Social Security benefits. The government borrowed these surplus funds for programs unrelated to Social Security. Critics called this a "raid" on Social Security that threatened retirees' future benefits—but it was not. All the borrowed funds were replaced with interest-bearing Treasury securities—the only kind of resources the trust fund holds—that can be redeemed as needed. That is what makes the trust fund a trust fund.

The real problem is that the ability to redeem these securities depends entirely on the Treasury's ability to raise money through taxes or borrowing. That is especially significant now that the program is running a cash deficit, and paying out more in benefits than it collects in payroll taxes. To pay full benefits, the government must pay back the money it owes Social Security. This trend will worsen, because 10,000 baby boomers are reaching retirement age every day. As stated in 2013 by the then-Director of the Con-

gressional Budget Office [CBO]: "[O]n a unified budget basis, taking account of just the tax revenues, the dedicated tax revenues, and the benefits, [Social Security] is contributing [to] the deficit now. If one instead looks at just the balance in the Social Security Trust Fund . . . the annual balance is positive now, but will be negative within about a half dozen years."[148]

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

This budget calls for a bipartisan path forward in addressing the long-term structural problems within Social Security. The path will require all parties to first acknowledge the fiscal realities of this critical program. Short-term policy proposals that merely delay addressing Social Security's long-term fiscal challenges are no longer acceptable. Neither borrowing between the OASI and DI trust funds, nor reallocating the apportionment of payroll tax revenues to each fund, is a long-term solution to Social Security's fiscal challenges. "If you want to help both programs you're not going to accomplish that by moving money around just between them."[149]

The President's Fiscal Commission elevated the debate, suggesting a more progressive benefit structure to ensure that the majority of benefits go to the Nation's most vulnerable. The Commission also acknowledged the reality of increasing longevity and proposed reforms to alleviate the demographic problems that are undermining Social Security's finances.

Certain details of the Commission's Social Security proposals, particularly on the tax side, are questionable. This budget does not endorse taking more money from families and businesses. Nonetheless, the Commission outlined a number of bold, positive solutions that would strengthen the long-term solvency of Social Security.

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

Starting the Process

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

---

[148] Douglas W. Elmendorf, Director of the Congressional Budget Office, testimony to the Committee on the Budget, U.S. House of Representatives, 13 February 2013.

[149] Ibid.

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

Disability Insurance

The Social Security Disability Insurance program provides an essential income safety net for persons with disabilities and their families. Due in large part to the predictable consequence of demographic factors and policy decisions, however, DI program revenues will be unable to cover the full costs of benefits in 2022, according to the Social Security Trustees, unless Congress acts.

In 2015 Congress took the first step toward comprehensive Disability Insurance reform that would solve the trust fund's long-term financing troubles. The Bipartisan Budget Act of 2015 included a number of provisions to reduce fraud and increase program integrity that strengthened the DI program and extended its solvency date to 2022.[150]

Despite this recent legislation, the structural problems facing the DI program remain the same. Under current law, its trust fund is expected to be exhausted in 2022. If lawmakers do not enact reforms to ensure the long-term solvency of the Disability Insurance Program, an immediate 11-percent reduction in benefits will be required when the trust fund becomes exhausted.[151]

The huge growth in the number of individuals receiving Disability Insurance, and the benefits paid to each, have contributed heavily to the worsening financial condition of the DI trust fund. In 2012, the Congressional Budget Office reported that the share of working-age adults receiving Disability Insurance benefits rose from 1.3 percent in 1970 to 4.5 percent in 2011.[152] Between 1990 and 2013, the total number of individuals receiving DI benefits increased from 4.3 million to 11.3 million, or by 155.8 percent.[153]

---

[150] Public Law 114–74.

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

[152] Congressional Budget Office, *Policy Options for the Social Security Disability Insurance Program,* July 2012, p. 2.

[153] Congressional Research Service, *Social Security Disability (DI) Trust Fund: Background and Solvency Issue,* 21 August 2014.

Meanwhile, tax revenues paid into the DI trust fund have remained relatively flat as a share of taxable payroll.

The demographic factors contributing to the problem include the aging of the baby boomers into their most disability-prone years, and the increased number of women in the workforce now eligible for benefits should they become severely disabled. In addition, policymakers have expanded the ways in which applicants may qualify for benefits. At the same time, those on disability are in many ways prevented from improving their situations. If they work too much, they see their benefits cut off.

Principles for Disability Insurance Reform

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

- Ensure benefits continue to be paid to individuals with disabilities and their family members who rely on them;
- Prevent an 11-percent across-the-board benefit cut;
- Make the Disability Insurance program work better; and
- Promote opportunity for those trying to return to work;

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

Illustrative Policy Option

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

MEDICARE

Function Summary: Direct Spending

The Medicare Program, along with Medicaid, reached its 50th anniversary in July 2015. By many measures, Medicare has seen remarkable successes, such as providing access to health care for millions of seniors, and contributing to increased life expectancies and decreased rates of poverty among seniors. Recent reforms have also introduced choice and market competition to the program through Medicare Advantage and Medicare Part D, an optional prescription drug benefit, which provide seniors with the opportunity to choose from an array of private plan options the coverage that best suits their health care needs.

Nevertheless, these successes have been accompanied by significant difficulties. Medicare and the other major health care pro-

grams are projected to consume an ever-increasing portion of the Federal budget over time.[154] In the next decade, annual spending on these programs will double, from $1.0 trillion to $2.0 trillion, the Congressional Budget Office estimates.[155] Furthermore, the basic benefit for Medicare Parts A and B—which cover hospital insurance and supplementary medical insurance, respectively—remains a complicated structure that conflicts with the experience a majority of beneficiaries enjoyed for a lifetime in the private health insurance market prior to entering the program. The complexity of the benefit structure, along with a multitude of rules and regulations, make Medicare a bureaucratic quagmire for both beneficiaries and providers. Many providers either no longer accept new Medicare patients or refuse to accept Medicare altogether simply to avoid the bureaucracy. Under current law, Medicare's promise to America's seniors will be broken during the next 50 years, as the program will no longer be able to provide health security for current or future beneficiaries. Such a prospect is unacceptable and actions must be taken to save, strengthen, and secure Medicare, ensuring the program's long-term sustainability for all generations.

Medicare's most notable challenge lies in its failing financial structure, which makes the program unsustainable for the long term. Over the past five decades, Medicare has expanded to include four parts—Part A, Part B, Part C (Medicare Advantage), and Part D (optional prescription drug coverage)—each with a different funding mechanism.

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

During the late 1990s, Medicare Part C, or Medicare Advantage [MA], was created. Medicare Advantage offers beneficiaries private plan options that cover services provided under Part A, Part B, and often Part D benefits. The Federal Government determines the level of spending per enrollee that will be provided to MA plans (with funds from the appropriate trust funds used to offset the Part A, Part B, and Part D costs), and beneficiaries pay a monthly premium as they do under Parts B and D.

Finally, Medicare Part D, prescription drug coverage, was established in 2003. Part D is structured similarly to Part B and is a separate account within the SMI Trust Fund. Beneficiary premiums account for approximately 25.5 percent of costs, with the remaining 74.5 percent funded through general revenues.[156] Unlike any other program in Medicare, however, Part D relies on market forces and competition among private plans to drive down costs. As

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

[155] Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026,* January 2016.

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

a result, year after year Part D reports costs millions of dollars lower than projected, while still maintaining high quality and beneficiary satisfaction—lessons that ought to be applied throughout the Medicare Program.

Medicare currently serves more than 57 million beneficiaries, and is the second largest direct, or automatic, spending program after Social Security.[157] In 2015, Medicare Program costs totaled $634 billion, and CBO projects spending to more than double by 2026, reaching $1.3 trillion that year.

Several factors contribute to the growth in program spending over the next decade. Foremost is the aging of the population. In 2011, the first baby boomer enrolled in Medicare. This generation will continue to age into the program over the next two decades at a rate of approximately 10,000 beneficiaries per day. By the time the baby-boom generation has fully aged into Medicare in 2030, the program will cover more than 75 million beneficiaries. Such an increase in the Medicare-covered population naturally corresponds with an increase in program costs, but this effect is further exacerbated by a number of additional factors. Since the beginning of the program, the average life expectancy has increased dramatically while the Medicare retirement age has remained unchanged. In 1965, the average life expectancy was 70 years, meaning Medicare provided 5 years of health care coverage on average. Today, life expectancy is almost 80 years, and the average Medicare beneficiary remains in the program roughly three times longer than those enrolled at its inception.

Additionally, revenues for Part A—supporting the HI Trust Fund—cannot meet the costs of the program due to a shrinking working-age population. When Medicare was created, there were 4.5 workers for every beneficiary enrolled in the program, which easily sustained the pay-as-you-go funding structure. Today, the ratio has declined, with approximately three workers per beneficiary. By 2030, when the baby-boom generation has fully aged into Medicare, the ratio will be closer to two workers per beneficiary, meaning less revenue will be available to offset ever-increasing program costs. Finally, although most beneficiaries pay into the Medicare Program throughout their working years, the Medicare benefit the average person receives far exceeds his or her contribution to the program through payroll taxes. For example, the present value of lifetime Medicare taxes for a married couple earning the average wage and retiring at age 65 in 2015 equaled approximately $140,000 contributed through payroll taxes, but the anticipated lifetime Medicare benefit is estimated to be $422,000—roughly three times the lifetime contribution.[158]

These trends play a significant role in Medicare's long-term outlook. The CBO recently updated enrollment projections for Medicare by age group. Currently, the majority of beneficiaries are under age 75, but by 2035 there will be more Medicare bene-

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

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

ficiaries over age 75 than under.[159] This is especially concerning when the difference in Medicare per capita spending between older and younger beneficiaries has widened. The average spending for a Medicare beneficiary of 85 years is now more than twice that of a 66-year-old, and spending is three times greater for a 95-year-old.[160] Not surprisingly, Medicare costs are expected to rise not only as a greater number of beneficiaries enter the program, but also as per-capita costs increase with the continued aging of the Medicare population. The CBO estimates net program spending to grow from 3 percent of gross domestic product [GDP] to 5.1 percent by 2040. Compared to the other major health care programs—Medicaid, the State Children's Health Insurance Program, and the Affordable Care Act [ACA]—that are expected to grow from 2.2 percent to 2.9 percent of GDP by 2040, this is a startling growth rate for a single program.[161] Furthermore, the Medicare Trustees estimate the total amount of unfunded obligations for the Medicare Program over the 75-year period to equal $3 trillion for the HI Trust Fund and $24.6 trillion for the SMI Trust Fund.[162]

In the short term, Medicare costs are projected to outpace income, creating a shortfall in the HI Trust Fund. In January of this year, the CBO reported the HI Trust Fund would be exhausted by 2026—4 years earlier than the date estimated by the Medicare Trustees—likely due to the decline in projected economic growth.[163] Expenditures from the trust fund, which is financed solely through the 2.9-percent payroll tax, have exceeded revenues annually since 2008. Although the Medicare trustees expect a slight surplus from 2015 through 2023, the ratio of revenues to costs declines quickly in the following years. The most recent projection, reported by the trustees in July 2015, estimated depletion of the HI Trust Fund in 2030. Upon depletion, Medicare may only pay for Part A services equal to the amount of revenues available in the HI Trust Fund, which are expected to cover only 86 percent of promised benefits. The Social Security Act is silent on what steps may be taken upon depletion of the HI Trust Fund, but beneficiaries' access to health care services would certainly be severely reduced without action.

Structural reforms to the Medicare Program are necessary to ensure the long-term viability of the program without compromising beneficiary access to quality care. The Affordable Care Act imposed across-the-board cuts on Medicare providers and services, and put those savings toward new government spending programs rather than to extend the solvency of the Medicare Program. Furthermore, the Medicare trustees have warned for several years that the low

---

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

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

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

[162] United States Department of the Treasury. *United States Government Notes to the Financial Statements for the Years Ended September 30, 2014, and 2013:* https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/14frusg/NotestoFinancialStatements_2014.pdf.

[163] Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026,* January 2016.

Medicare payment updates authorized by the ACA will lead to serious limitations of access over the long term, and create perverse incentives in the short term that further distort the health care sector. By 2040, approximately half of hospitals, 70 percent of skilled nursing facilities, and 90 percent of home health agencies will have negative margins, the Medicare trustees estimate—an unsustainable situation that will cause many providers to withdraw from the program, and will unquestionably limit access to quality care for Medicare beneficiaries.[164] Furthermore, the Independent Payment Advisory Board [IPAB] established by the ACA must submit proposals for further spending reductions if the estimated rate of growth in Medicare exceeds GDP plus 1 percent. Without congressional action to achieve the same level of savings, the IPAB's proposals will automatically take effect. Given these pressures, medical providers have acted accordingly, with record rates of consolidation among hospitals and physician practices. Medicare currently pays approximately 67 percent of what private insurance would otherwise pay for hospital services. Over time, however, reimbursements for services are expected to fall well below providers' overhead costs, such as rent, energy, equipment, and the cost of employing medical staff. A recent study by the Government Accountability Office [GAO] reported that from 2007 through 2013, the number of vertically consolidated physician practices nearly doubled, from 96,000 to 182,000; this occurred more rapidly in recent years across all regions and hospital sizes.[165]

As currently structured, Medicare cannot fulfill the promise of health care security for America's seniors. Medicare must be saved, strengthened, and secured to restore the trust that both current *and* future retirees will continue to have guaranteed access to health care providers, services, and treatments. Looking to examples both within the Medicare Program and the private sector, positive solutions can be discovered that reduce costs while maintaining access to high quality care through patient-centered reforms that foster competition, restore market forces, expand choices and empower individuals, promote innovation, and provide flexibility for patients and providers.

This budget resolution reflects the Medicare Program in the direct spending portion of Function 570 (see Table 3). The function includes all four program components: Medicare Part A Hospital Insurance Program, Part B Supplementary Medical Insurance Program, Part C Medicare Advantage Program, and Part D prescription drug coverage. For fiscal year 2017, the net direct spending totals in the resolution are $583.5 billion in budget authority and $583.5 billion in outlays. Over 10 years, Medicare direct spending is projected at $7.5 trillion in budget authority and $7.5 trillion in outlays.

---

[164] *2015 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.* July 2015. https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/reportstrustfunds/downloads/tr2015.pdf.

[165] Government Accountability Office, *Increasing Hospital Physician Consolidation Highlights Need for Payment Reform,* December 2015: http://www.gao.gov/assets/680/674347.pdf.

Illustrative Direct Spending Policy Options

As in past years, the President's fiscal year 2017 budget ignores the underlying structural flaws in the Medicare Program and imposes additional policies that follow the same principles of the Affordable Care Act: greater government control in strengthening the IPAB and the Federal bureaucracy, coupled with further reductions to reimbursements for providers. These tactics garner savings without regard for the impact on the doctor-patient relationship. In contrast, this budget provides policy proposals that protect seniors' health care security. The budget offers true structural reforms that generate savings, by allowing competition to derive greater efficiencies, without the loss of access to high-quality care for beneficiaries. The primary authorizing committees—Ways and Means and Energy and Commerce—have made a laudable commitment to structural Medicare reforms, along with efforts to improve transparency and eliminate waste, fraud, and abuse in the program.[166,167]

The authorizers retain jurisdiction over the Medicare Program and the ability to author necessary program reforms, but may choose to follow the framework outlined below to ensure Medicare's long-term sustainability for America's current and future retirees.

Enhance Quality and Choice in Medicare. Throughout Medicare's history, Washington has been slow to innovate and respond to transformations in health care delivery. Meanwhile, controlling costs in Medicare's open-ended fee-for-service system has proved impossible without limiting access or sacrificing quality. This is because policies in the main have merely controlled prices or payments, not costs; in the absence of real structural reform, the factors that drive costs higher remain. Today, costs continue to grow, seniors continue to lose access to quality care, and the program remains on a path to bankruptcy. Inaction will not protect Medicare; it will only hasten the program's demise.

Reform aimed at empowering patients—combined with a strengthened safety net for the poor and the sick—will not only ensure the fiscal sustainability of this program, the Federal budget, and the U.S. economy, but will also guarantee that Medicare can fulfill the promise of health security for America's seniors. Hence, this budget resolution fully supports a patient-centered program that enhances quality and choice in Medicare.

Under this program, traditional Medicare—which would always be an option available to beneficiaries—and private plans providing the same level of health coverage would compete for seniors' business, just as Medicare Advantage does today. By adopting the competitive structure of Part D, the prescription drug benefit, the program would also deliver savings for seniors in the form of lower monthly premium costs.

This improved program assumes a simplified benefit that provides comprehensive coverage for all beneficiaries, rather than the complex and fragmented structure in place today. Currently, beneficiaries must enroll in three separate programs to get the same

[166] Committee on Ways and Means Committee, *Views and Estimates,* 5 February 2016.

[167] Committee on Energy and Commerce, *Views and Estimates on the President's Fiscal Year 2017 Budget,* 4 February 2016.

comprehensive coverage. Seniors are required to enroll in Part A for hospitalization; coverage is provided separately for physician services and prescription medications, through the optional Parts B and D, respectively. None of these coverage options, however, offers financial protections for seniors, such as annual or lifetime limits, and many must sign up for an additional supplemental insurance policy called Medigap to obtain a fully comprehensive coverage package.

Today, only Medicare Advantage (Part C) offers seniors the opportunity to choose from a selection of comprehensive coverage plans. Not surprisingly, Medicare Advantage enrollment has tripled in the past decade and currently serves more than 16 million seniors.[168] Medicare Advantage also shows higher satisfaction rates than traditional Medicare. Beneficiaries were especially satisfied with the overall cost of Medicare Advantage plans and with the simplified health process compared to traditional Medicare.[169]

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

The enhanced program would also continue to offer a robust financial benefit to all beneficiaries. In many ways, the benefit provided would mirror the Federal Employees Health Benefits [FEHB] Program for Federal employees, retirees, and their families. FEHB boasts the widest selection of health plans in the country, from which its eight million members may choose. Plans offered under the FEHB Program may charge different premium amounts, competing for individuals' choices, and the government pays a certain percentage—or a defined contribution—to help offset the cost of coverage. Similarly, a Medicare recipient would choose from an array of guaranteed-coverage options, including traditional Medicare, for a health plan that best suits his or her needs.

The Federal Government contribution would go directly to the plan provider, following the current model under both the FEHB Program and Medicare Advantage. Furthermore, the government payment would be adjusted so the sick would receive more financial assistance if their conditions worsened, and lower-income seniors would receive additional support to help cover premiums and out-of-pocket costs. Wealthier seniors would assume responsibility for a greater share of their premiums.

Additionally, this enhanced Medicare program would ensure affordability by fixing the currently broken system and letting market competition work as a real check on widespread waste and skyrocketing health care costs—as successfully demonstrated through the competitive structure adopted by Medicare Part D. More than 70 percent of beneficiaries are currently enrolled in the prescription drug benefit, which enjoys extremely high satisfaction rates among

---

[168] Gretchen Jacobson, Anthony Damico, Tricia Neuman, and Marsha Gold, *Medicare Advantage 2015 Spotlight: Enrollment Market Update,* The Kaiser Family Foundation, 30 June 2015: http://kff.org/medicare/issue-brief/medicare-advantage-2015-spotlight-enrollment-market-update/.

[169] Morning Consult, *Seniors Love Their Medicare (Advantage),* 30 March 2015: http://morningconsult.com/2015/03/seniors-love-their-medicare-advantage/.

seniors.[170] In 2015, nearly 90 percent reported satisfaction with their coverage, and 85 percent consider the coverage to be a good value.[171] Similarly, this personalized arrangement puts patients in charge of how their health care dollars are spent, requiring providers to compete against one another on price and quality.

The improvements to Medicare derive from a long history of bipartisan reform plans based on the defined contribution model, or premium support, with a competitive bidding structure to lower costs. The 1999 Breaux-Thomas Commission, the Domenici-Rivlin 2010 Report, and the 2011 Wyden-Ryan plan all put forward this model of reform as it is designed to ensure security and affordability for seniors now and into the future.[172] All three recognize two fundamental truths: the current path of Medicare is unsustainable, and it is unacceptable for Washington to allow the program to fail current or future beneficiaries. Each proposal further developed the policy with the intent of preserving Medicare over the long term without reducing health care access or quality.

The policy continues to garner bipartisan support today. Most recently, the President's fiscal year 2017 budget proposal included a similar reform to introduce a competitive bidding structure into the Medicare Advantage program. His proposal fails, however, to offer the benefits of more choice and lower costs achieved through the competitive bidding structure to all beneficiaries.

Following these examples, the Congressional Budget Office preformed an analysis of two variations of premium support that established a defined government contribution using different formulas. CBO determined that a Medicare program following the premium support model that based the contribution level on an average of bids submitted by competing plans would result in savings for both beneficiaries and the program. Moreover, it would set up a carefully monitored exchange for Medicare plans. Health plans that chose to participate in the Medicare exchange would agree to offer insurance to all Medicare beneficiaries, to avoid cherry-picking, and to ensure that Medicare's sickest and highest-cost beneficiaries received coverage.[173] A patient-centered Medicare program would also adopt these protections to guarantee better health, better value, and better choice for America's seniors, and allow all those in traditional, fee-for-service Medicare the same opportunity as new retirees to remain there or transition into the improved program beginning in 2024.

This resolution envisions giving seniors the freedom to choose plans best suited for them, guaranteeing health security through-

---

[170] The Kaiser Family Foundation, The Medicare Part D Prescription Drug Benefit, 13 October 2015: http://kff.org/medicare/fact-sheet/the-medicare-prescription-drug-benefit-fact-sheet/#endnote_link_165022–4.

[171] Morning Consult, National Tracking Poll, conducted 8–13 July 2015: http://www.medicaretoday.org/pdfs/2015_Medicare_Today_National_Seniors_Poll.pdf.

[172] National Bipartisan Commission on the Future of Medicare, *Building a Better Medicare for Today and Tomorrow,* 16 March 1999: http://thomas.loc.gov/medicare/bbmtt31599.html; Bipartisan Policy Center, Restoring America's Future, November 2010: http://bipartisanpolicy.org/wp-content/uploads / sites / default / files / BPC%20FINAL%20REPORT%20FOR % 20PRINTER%2002 % 2028%2011.pdf.; Senator Ronald L. Wyden and Representative Paul D. Ryan. *Guaranteed Choices to Strengthen Medicare and Health Security for All: Bipartisan Options for the Future,* 15 December 2011: http://budget.house.gov/uploadedfiles/wydenryan.pdf.

[173] Congressional Budget Office, *A Premium Support System for Medicare: Analysis of Illustrative Options,* 18 September 2013: http://www.cbo.gov/sites/default/files/09–18-PremiumSupport.pdf.

out their retirement years. Further, it resolves the concerns regarding Medicare's long-term sustainability, while also lowering costs for beneficiaries. With the adoption of patient-centered improvements, this program would preserve the positive aspects of traditional Medicare, while modernizing the program to reflect the changes to health care delivery in the 21st century.

Implement a Unified Deductible and Reform Supplemental Insurance. This resolution strengthens the Medicare Program through another bipartisan proposal. The outdated and fragmented fee-for-service arrangement would be streamlined into one benefit, unifying the separate parts of the program, which would provide coverage for both hospital and physician services. Additionally, the reform would provide common sense financial protections for America's seniors and reform supplemental insurance policies. This proposal, which was also supported by a number of bipartisan commissions including Breaux-Thomas, Domenici-Rivlin, and Simpson-Bowles, would allow the Medicare benefit to operate more like private health insurance coverage.[174, 175, 176]

With this reform, Medicare will have a single, annual deductible for medical costs and include a catastrophic cap on annual out-of-pocket expenses—an important aspect of the private health insurance market to safeguard the sickest and poorest beneficiaries that is currently absent from Medicare. These reforms build in further protections for beneficiaries and for the preservation of the Medicare Program for future generations.

Means Test Premiums for High-Income Seniors. Under current law, high-income beneficiaries are responsible for a greater share of the premium costs for Medicare's Part B and Part D programs, or the optional coverage for physician services and prescription drug coverage, respectively. Medicare Advantage enrollees receiving coverage for these benefits similarly assume a share of the costs. Parts B and D must account for all additional program costs net of beneficiary premiums from general revenues, because these components of the Medicare Program do not have a dedicated income source like the 2.9-percent payroll tax that funds Part A benefits. Consistent with several bipartisan proposals, and the President's fiscal year 2017 budget, this resolution assumes additional means testing of premiums in Medicare Parts B and D for high-income seniors, including full responsibility of premium costs for individuals with annual income exceeding $1 million.

Equalize the Retirement Age with Social Security. One of the Nation's greatest achievements of the 20th century was the dramatic increase in the average life expectancy. As Americans' health improves, extending their lives, many enjoy the benefits of employment later in life. To further ensure Medicare's long-term sustainability, this resolution recommends a gradual increase of the Medicare retirement age to correspond with that of Social Security.

---

[174] National Bipartisan Commission on the Future of Medicare, op. cit., 16 March 1999; Bipartisan Policy Center, op. cit., November 2010.

[175] Bipartisan Policy Center, op. cit. November 2010.

[176] The National Commission on Fiscal Responsibility and Reform, *The Moment of Truth,* December 2010: http://www.fiscalcommission.gov/sites/fiscalcommission.gov/files/documents/TheMomentofTruth12<1<2010.pdf.

Reform Payment Systems to Promote Quality and Patient Outcomes. Many of the criticisms of the current Medicare Program are due to complicated payment systems for myriad providers and thousands of services, which encourage the fragmented nature of health care and discourage innovation. Therefore, this resolution includes payment reforms that would create incentives and reward providers for delivering high-quality, responsive, and coordinated care in the most clinically appropriate setting, based on each patient's individual medical needs. Such reforms include equal payments for services despite the site of care at which the service was delivered; coordination of post-acute care through an episodic payment; and modification of the Medicare Advantage benefit to improve care management for hospice and end-stage renal disease [ESRD] patients. Many patients often require additional care after hospital stays, but with many sites of care to choose from—ranging in both cost and intensity of services—patients and their families often suffer due to a lack of care coordination. This budget includes reforms that encourage providers to coordinate throughout the continuum of care, and offers a complementary episodic payment reform.

Under current law, Medicare's hospice and ESRD benefits are carved out of the Medicare Advantage program. The Medicare ESRD benefit severely restricts patient access to MA plans, reducing patient freedom of choice. Medicare's hospice benefit, however, ought to be fully studied to ensure the benefit serves its intended purpose. Hospice care was originally designed to preserve dignity at the end of life while reducing the financial burden that otherwise would have been incurred for those who are terminally ill. Although the hospice benefit is intended to cover an array of services—including skilled nursing services, inpatient care, home health care, drug coverage, and palliative care—the Medicare Program spent approximately $1 billion on non-hospice services while beneficiaries were enrolled in hospice care in 2012.[177] Moreover, a preponderance of evidence suggests that the benefit has actually increased, rather than decreased, the amount of spending that would have otherwise occurred for a terminally ill patient. The increasing concentration of the use of hospice care among the very old accounts for almost the entire increase in the spending per beneficiary at the end of life. To provide integrated, coordinated care for beneficiaries, reduce wasteful spending, and offer greater patient choice, this resolution assumes Medicare Advantage includes hospice and ESRD within its benefits package in a budget neutral manner. Furthermore, it calls on GAO to conduct a study examining the Medicare hospice benefit to ensure the program serves beneficiaries according to the original program design.

Streamline Support for Graduate Medical Education. All Americans benefit from a strong physician workforce. Since the creation of the Federal health care programs, Federal funds have supported physician training. The congressional report from the Social Security Amendments of 1965 comments on the need for Federal funds to support hospitals in the education and training of physicians,

[177] Medicare Payment Advisory Commission, *Report to the Congress Medicare Payment Policy:* March 2014: http://www.medpac.gov/documents/reports/mar14_entirereport.pdf?sfvrsn=0.

nurses and other medical personnel, "until the community undertakes to bear such education costs in some other way . . . "[178] Instead, the level of Federal support has grown over time, and the complexity of the payment formulas linked to a hospital's Medicare inpatient volume has made accountability and oversight next to impossible. The financing structure also props up an antiquated system that fails to recognize the rapidly changing care delivery model and the demographic shifts within the population—meaning the number of physicians is insufficient and cannot meet the Nation's needs either in terms of specialty or geography. Distributing funds directly to hospitals favors traditional acute care institutions and discourages physician training in various clinical or lower cost settings of care, including children's hospitals, safety net hospitals, ambulatory surgical centers, and so on.[179] The call for reform to enhance accountability, transparency, and flexibility in graduate medical education has been advanced by the Institute of Medicine, the Medicare Patient Advisory Commission, the American Enterprise Institute and the Heritage Foundation.[180, 181, 182, 183] This resolution recommends that support for medical education should accurately reflect the costs of training future physicians and be streamlined into a single payment, providing greater freedom and flexibility to encourage teaching institutions and States to develop innovative approaches to medical education.

Establish an Uncompensated Care Fund. Since 1986, Medicare has provided additional financial support to hospitals that serve a significant population of low-income patients in the form of a disproportionate share hospital [DSH] payment. This funding was intended to ensure access for low-income patients and those unable to afford the costs of care. Hospitals, in addition to receiving a Medicare DSH payment, may also receive a Medicaid DSH payment so long as they meet certain requirements. This has led to some States engaging in improper fund transfers in order to gain additional Federal support of State Medicaid budgets through the Federal Medical Assistance Percentage.

Additionally, limiting DSH payments to only hospitals fails to recognize the abundance of uncompensated care that occurs outside of the hospital setting. Therefore, this resolution recommends converting the separate DSH payments into a single flexibility fund to support uncompensated care, to more appropriately and equitably distribute funds in a targeted manner that recognizes all providers serving low-income populations.

---

[178] Committee on Finance, U.S. Senate, Social Security Amendments of 1965 (H.R. 6675), Report to the Committee on Finance, U.S. Senate (Rept. 404), 30 June 1965: https://ssa.gov/history/pdf/Downey%20PDFs/Social%20Security%20Amendments%20of%201965%20Vol%202.pdf.

[179] Institute of Medicine of the National Academies, *Graduate Medical Education that Meets the Nation's Health Needs,* 29 July 2014: http://www.nap.edu/read/18754/chapter/1#xi.

[180] Ibid.

[181] Medicare Payment Advisory Commission, *Does it Cost More to Train Residents or to Replace Them?,* September 2013: http://www.medpac.gov/documents/contractor-reports/sept13_residents_gme_contractor.pdf?sfvrsn=0.

[182] American Enterprise Institute, *Improving Health and Health Care: An Agenda for Reform,* December 2015: https://www.aei.org/wp-content/uploads/2015/12/Improving-Health-and-Health-Care-online.pdf.

[183] John O'Shea, *Reforming Graduate Medical Education in the U.S.,* The Heritage Foundation, 29 December 2014: http://www.heritage.org/research/reports/2014/12/reforming-graduate-medical-education-in-the-us.

Reform Medical Liability Insurance. This resolution also advances common sense curbs on abusive and frivolous lawsuits. 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 comprehensive study published in 2010 more than 30 percent of health care costs, or approximately $650 billion annually, were attributable to defensive medicine.[184] Even if the costs are only a fraction of this projection, such expenses are unnecessary and unsustainable for the Medicare Program and America's seniors. Therefore, this resolution supports several changes to laws governing medical liability.

MEDICAID, THE AFFORDABLE CARE ACT, AND RELATED PROGRAMS

Function Summary: Direct Spending

One of the worst conceits of Washington is that it can centrally manage the entire health care sector. Health care in America comprises a vast network of doctors and nurses, technicians, medical device manufacturers, pharmaceutical makers, hospitals and in-home services, educational institutions, financial arrangements, and, above all, patients—along with numerous others. It is a complex and dynamic set of interactions that employs more than $3 trillion of the Nation's resources; it is a sector in which the participants themselves—not academics and bureaucrats—are clearly best suited to establishing effective and efficient means of delivering this uniquely valued service.

Yet for decades, Federal policymakers have relentlessly sought to systematize health care to meet their ideological and bureaucratic aims. While no one objects to ensuring health care for as many Americans as possible, the government's increasing imposition distorts the medical market, drives up prices, requires tedious regulations, and undermines Americans' liberty in this most important and intimate realm: their health.

The products of this concept include Medicare (discussed previously), Medicaid, and now the Affordable Care Act [ACA].[185] Of these, Medicaid constitutes the majority of direct spending in this function (Function 550 in Table 3). The totals for fiscal year 2017 are $405.5 billion in budget authority and $399.0 billion in outlays. Over 10 years, the budget projects direct spending of $3.4 trillion in budget authority and $3.4 trillion in outlays.

---

[184] Jackson Healthcare, Physician Study: *Quantifying the Cost of Defensive Medicine,* 2010: http://www.jacksonhealthcare.com/media-room/surveys/defensive-medicine-study-2010.aspx.

[185] The Affordable Care Act consists of the two related measures enacted in March 2010 that constituted the health care legislation: the Patient Protection and Affordable Care Act (Public Law 111–148), and the Health Care and Education Reconciliation Act of 2010 (Public Law 111–152).

Medicaid is a crucial component of the American safety net. It provides a fundamental level of security for low-income Americans who struggle with long-term illnesses and disabilities. These are individuals who are unable to perform substantial gainful activities. Medicaid is often the only option for people in these difficult circumstances.

Medicaid is also a vital program for low-income children, parents, pregnant women, and seniors. The social safety net should catch these individuals when they fall. For those who are able-bodied, it should serve as a springboard to help them get back up.

For many, though, Medicaid's promises are empty, its goals are unmet, and its dollars are wasted. Sick individuals cannot get appointments, and new beneficiaries cannot find doctors, making Medicaid synonymous with poor access and little care. In fact, according to a study conducted by a team of renowned economists from the Massachusetts Institute of Technology, Harvard, and Dartmouth, Medicaid's value to its recipients is significantly lower than the government's cost of the program.[186] In addition, doctors who provide services to Medicaid patients are severely under-reimbursed,[187] a problem made worse by adding more individuals to the system.[188] Without reform, Medicaid will fail to deliver on its promise of providing a sturdy health care safety net for the Nation's most vulnerable.

Furthermore, Medicaid spending is not sustainable. The program turned 50 last year, but its next 50 years are highly uncertain. By 2030, Medicaid, along with Medicare, Social Security, and net interest payments, will take up every dollar of projected Federal Government revenue. That means that if these three programs stay on their current paths, the government will no longer be able to afford its other priorities and activities—national defense, education, transportation, and non-health safety net programs. Congress will have to either sharply constrain these programs or put very large sums on the government's credit card. The longer Congress waits to address the problem, the more intractable it becomes.

According to the CBO, since 1980, Medicaid spending has increased by more than 2,500 percent, and by 300 percent of gross domestic product. In just the past 15 years, Medicaid spending has increased by 200 percent, or 66 percent as a share of GDP. The CBO projects Federal spending on this program to be $381 billion in fiscal year 2016. This amount is expected to grow by 68 percent over the next 10 years, reaching $642 billion by fiscal year 2026.[189]

This number, however, masks the full cost of Medicaid, because it represents only the Federal share of spending. States also pay a significant portion of Medicaid costs, and their spending on the program is expected to follow these upward trends as well. According to the most recent data available from the Centers for Medicare

---

[186] Amy Finkelstein, Nathaniel Hendren, and Erzo F.P. Luttmer, *The Value of Medicaid: Interpreting Results from the Oregon Health Insurance Experiment,* June 2015, pp. 2, 40, 41: http://economics.mit.edu/files/10580. Furthermore, the study found that Medicaid does not have a "statistically significant impact on mortality or physical health measures" for recipients.

[187] The Henry J. Kaiser Family Foundation, "Medicaid-to-Medicare Fee Index," Accessed 8 January 2016: http://kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/.

[188] Congressional Budget Office, *The Budget and Economic Outlook: 2016 to 2026,* p. 73. In 2015, the average number of people enrolled in Medicaid, on a monthly basis, was 76 million, making Medicaid the largest health care provider in the country.

[189] Congressional Budget Office, op. cit., pp. 68–69. Also see p. 73, and pp. 152–153.

and Medicaid Services [CMS], total State Medicaid spending is expected to rise from about $216.0 billion in fiscal year 2015 to $337.5 billion in fiscal year 2023.[190]

Medicaid's current funding structure (the Federal Medical Assistance Percentage [FMAP]) creates a perverse incentive for States to expand the program while providing little incentive to save. For every dollar a State government spends on Medicaid, the Federal Government traditionally has paid an average of 57 cents. Expanding Medicaid coverage during boom years is tempting for States because they pay less than half the cost. Conversely, there is little incentive to restrain Medicaid's growth, because State governments only save an average of 43 cents for every dollar worth of coverage they rescind. The program's expansion under Obamacare exacerbates this challenge, with the Federal Government covering 100 percent of every dollar spent on a State's additional Medicaid population in 2016.[191] CBO estimates the President's health care law will increase Federal Medicaid and State Children's Health Insurance Program [SCHIP] spending by more than $1 trillion over the 2017–2026 period. This sharp increase is due to the millions of new beneficiaries the Affordable Care Act will drive into these programs. In fact, CBO estimates that in 2025, 14.5 million new enrollees will be added to the Medicaid Program as a result of the ACA, three million more than the agency projected just last August.[192]

Illustrative Direct Spending Policy Options

For all the reasons given above, the budget resolution calls for major reforms of the Medicaid Program and repeal of the Affordable Care Act. The status quo before the ACA is not acceptable, but repeal of the President's law is necessary to clear the way for patient-centered health care in America.

Americans should have more choices in what types of coverage options are available so they can pick a plan that best fits their unique health care needs. A first step in the right direction is eliminating Obamacare's burdensome one-size-fits-all mandates and regulations that are driving up the price of insurance and limiting options. Encouraging a robust, competitive insurance market would reduce costs, restore flexibility, and provide Americans more options to choose the coverage they want for themselves and their families.

Many Americans face high insurance costs due to pre-existing conditions. No one should be priced out of the market. Those who have a bad injury or illness should also have access to quality and responsive care. To guarantee affordable coverage, patient-centered health care would provide protections for patients with pre-existing conditions, reward those who maintain health coverage, and give States—who are better equipped to respond to the needs of their communities—more control over regulating insurance. Finally, pa-

[190] Office of the Actuary, Centers for Medicare and Medicaid Services, *2014 Actuarial Report on the Financial Outlook for Medicaid.* This reflects the most recent data available. The 2015 Actuarial report will be released some time this summer.

[191] This percentage will decrease over time, falling to 95 percent of the costs for a State's additional Medicaid population in 2017, and 90 percent in 2020 and thereafter.

[192] Congressional Budget Office, op. cit., p. 114. The comparison to 2025 is necessary because that was the last year of the estimating period in August.

tient-centered health care must break down costly and burdensome barriers to innovation so that life-saving technologies and treatments are reaching patients in need. By moving health care into the 21st Century, America can build on the remarkable advancements that have already been made, which make delivery of care more effective, efficient, and affordable.

These principles—affordability, accessibility, quality, choices, innovation, and responsiveness—provide the roadmap to health care that actually works for patients and providers, a responsive network that puts health care decisions in the hands of individuals, families, and their doctors, not Washington. The budget resolution includes a policy statement that describes in greater detail the contours of such a patient-centered approach.

The House committees responsible for the program changes in these areas are Energy and Commerce, Ways and Means, Education and the Workforce, Judiciary, Natural Resources, House Administration, and three Appropriations Subcommittees: Agriculture, Rural Development, Food and Drug Administration and Related Agencies; Labor, Health and Human Services, Education, and Related Agencies; and Legislative Branch. These panels will determine the exact parameters of structural Medicaid reform, as well as those for other policies flowing from the fiscal assumptions in this budget resolution. Nevertheless, meaningful Medicaid reform and other measures to slow the growth of Federal spending, while also providing recipients with a benefit that helps improve health outcomes, are critical. One set of potential approaches is outlined below.

Provide State Flexibility in Medicaid. One way to strengthen and secure the Medicaid benefit is to convert the Federal share of Medicaid spending into finite funding amounts that each State can tailor to meet its needs. Governors and State legislatures are closer to patients in their States and know better than Washington bureaucrats where there are unmet needs and opportunities to cut down on waste, fraud, and abuse.

This approach would end the misguided one-size-fits-all approach that ties the hands of State governments trying to make their Medicaid programs as effective as possible. The arrangement would provide each State with the freedom and flexibility to tailor a Medicaid program that fits the needs of its unique population.

Even with the limited flexibility of Medicaid's current waiver program, States have developed innovative reforms that produce cost savings and quality improvements. For example, the Healthy Indiana Plan (implemented prior to the ACA) provided that State's residents who did not qualify for Medicaid with access to health benefits such as physician services, prescription drugs, inpatient and outpatient hospital care, and disease management, all without additional funding. Other States could alter eligibility requirements, for example, or move able-bodied adults off the Medicaid rolls. The savings generated could then be redirected toward additional protections for the most vulnerable populations, or to other State health care priorities.

Regrettably, the more recent trend from the Obama Administration has been to limit the flexibility of States to overhaul State Medicaid programs this way. For example, the Centers for Medi-

care and Medicaid Services have not approved waiver requests from Arkansas, Iowa, Indiana, and Montana, which sought to implement premiums for individuals with incomes between 50 percent and 100 percent of the Federal poverty level. Also, CMS has denied States' requests to waive certain Medicaid benefits; has denied most attempts to impose cost-sharing in amounts greater than those allowed under Federal law; and has not approved Pennsylvania's attempt to include a work requirement for all able-bodied adults, ages 21–64, as a condition of eligibility.[193]

All States should have the flexibility to adapt their Medicaid programs—to design their benefit packages in a way that best meets the needs of their State populations; to promote personal responsibility and healthy behaviors; and to encourage a more holistic approach to care that considers not only Medicaid beneficiaries' health conditions, but also their economic, social, and family concerns. State legislators and governors know their people better than far-away Washington and should have the flexibility they need to provide the best care to their residents.

The budget resolution would transform Medicaid from an open-ended entitlement back to a quality safety net for the Nation's most vulnerable. States would have the option to choose one of two possible designs. The first arrangement, which has been included in the past several House-passed budgets, would combine Medicaid and SCHIP resources into a single lump sum that could then be distributed by the State. The second option would employ a per-capita-cap methodology to account for the variable populations—elderly, disabled, children, and adults—within the program.

The first arrangement would offer the following advantages.

- The designation of funds would rest solely with the State. States would be able to spend their own funds at whatever level they chose, with sole discretion over eligibility requirements, benefits, and provider reimbursement rates for both Federal and State sums. Federal Government health care mandates would be eliminated, allowing States to innovate and design their programs to best meet the unique needs of their citizens. For example, States could decide to target funds to the most vulnerable, choosing to improve the quality of care and access to vital services. As State reforms reduce dependence on government assistance, the people helped will be more likely to enter the workforce, have insurance, and be able to lift themselves up the economic ladder. Under this option, States could implement work requirements.
- The reform would encourage State innovation. Through this arrangement, both the Federal Government and the States would have budgetary certainty, which would create strong incentives for the States to manage the Federal funding wisely. Any spending that exceeded the amount provided to the State would have to be financed by the State. Conversely, the funding provided to States would not be reduced if they found innovative ways to reduce Medicaid costs. Any savings that a State

[193] Robin Rudowitz and MaryBeth Musumeci, *The ACA and Medicaid Expansion Waivers,* The Kaiser Family Foundation, 20 November 2015: http://kff.org/report-section/the-aca-and-medicaid-expansion-waivers-issue-brief/.

was able to achieve would be returned directly to that State's taxpayers. Under a traditional State Flexibility Fund, States could, for example, use money saved to support other welfare programs, including Temporary Assistance for Needy Families, Supplemental Security Income, and the Supplemental Nutrition Assistance Program (food stamps) if the need was greater in those areas.

- The fiscal outlook would improve for both States and the Federal Government. Level funding, provided by a traditional State Flexibility Fund, will help States focus on expanding private sector employment and getting their citizens out of poverty instead of increasing enrollments to collect more Federal money. Over the next decade, level funding would prevent the Federal Government from borrowing and spending money it does not have, and State policymakers would know with certainty the amount of Federal assistance they could count on, while Federal taxpayers would know its costs.

The second arrangement would bring its own set of benefits.

- The program design would ensure protections for the most vulnerable. This option would provide States with designated funding for those persons who are truly in need of care and support. Based on the four main eligibility categories as currently defined by the Federal Government in the Medicaid Program—the elderly, the blind and disabled, nondisabled adults, and children—a per-person payment amount would be established to account for the average cost of care, per enrollee, in each of these four principal categories, and would be indexed to a predetermined growth rate. The Federal Government would then provide Medicaid funds to the States based on the total number of enrollees in each category. This option accounts for the variation in spending amongst the four different categories, helping target funds to the most vulnerable.
- This arrangement would provide certainty for State budgets. The per-capita-payments made to the States would be made for all enrollees in the program, including anyone who might not have been expected to sign up. In times of slow economic growth or during a recession, this certainty will afford each State the opportunity to provide coverage to those who meet the eligibility requirements, without breaking the State budget.
- The reform would promote good behavior and innovation. States would also be encouraged to use the funds carefully, targeting the resources provided to those who need them most. States would receive the same amount from the Federal Government for each person enrolled according to the appropriate category, regardless of how much they spent on each enrollee. Further, Federal law would provide the basic template for the program to provide accountability for the funds and help root

out waste, fraud, and abuse.[194] Reforming Medicaid in this way also would enable States to design their Medicaid programs in a manner that will best serve their residents. Once the eligibility criteria were determined, each State would have the flexibility to pursue reforms of their choosing, without Washington dictating to the States the type of coverage each State should offer. For example, instead of entitling beneficiaries to a set of services, States could decide to use the per-capita-payment as a defined contribution payment and allow the Medicaid beneficiaries to use the amount to choose from among a number of competing insurance options. As another option for Medicaid beneficiaries, States could decide to use part of the per-capita-payment amount to fund Health Savings Accounts as part of their State-run design.

Ultimately, either reform would improve the health care safety net for low-income Americans by giving States the ability to offer their Medicaid populations more options and better access to care. This kind of reform would ease the fiscal burdens imposed on State budgets, contribute to the long-term stabilization of the Federal Government's fiscal path, and preserve the Medicaid safety net.

Establish an Uncompensated Care Fund. In both Medicare and Medicaid, hospitals that serve a disproportionately large number of low-income patients can qualify for higher payments. In Medicaid, hospitals have to meet certain Federal criteria to qualify for these payments. The hospitals that do qualify are known as Medicaid disproportionate share hospitals [DSH]. Currently, States are given discretion in deciding which hospitals receive Medicaid DSH payments and the size of those payments. That discretion, however, has led to wasteful spending, as some States engaged in funding transfers to increase their FMAPs above the amount specified in law.[195] To stop that practice, Congress established fixed ceilings on DSH payments to each State, but those ceilings have increased over time. Additionally, providing DSH payments only to hospitals fails to recognize the substantial uncompensated care that occurs outside the hospital setting. Therefore, this resolution recommends converting the separate Medicaid and Medicare DSH payments into a single flexibility fund to support uncompensated care, to more appropriately and equitably distribute funds in a targeted manner that recognizes all providers serving vulnerable populations.

Apply Work Requirements to Medicaid. The budget proposes to advance a work requirement for all able-bodied adults who are enrolled in Medicaid, modeled after the Temporary Assistance for Needy Families Program. This proposal would ensure that an able-bodied, working-age adult could qualify for Medicaid only if he or she were actively seeking employment or participating in an education or training program. Work not only provides a source of in-

[194] Committee on Oversight and Government Reform, *Uncovering Waste, Fraud, and Abuse in the Medicaid Program,* staff report 25 April 2012: https://oversight.house.gov/wp-content/uploads/2012/04/Uncovering-Waste-Fraud-and-Abuse-in-the-Medicaid-Program-Final-3.pdf.

[195] Government Accountability Office, *Improving Transparency and Accountability of Supplemental Payments and State Financing Methods,* November 2015: http://www.gao.gov/products/GAO–16–195T.

come and self-sufficiency, but also has been demonstrated as a valuable source of self-worth and dignity for individuals. In fact, employment and self-esteem are so intricately tied together that a Gallup-Healthways Well-Being Index found: "Unemployed adults and those not working as much as they would like are about twice as likely as Americans who are employed full time to be depressed."[196] Expanding work requirements to Medicaid will allow more people to escape poverty while also preserving their self-respect, their self-reliance, and their courage and determination.

Eliminate Waste, Fraud, and Abuse. The budget also advances several reforms to help root out waste, fraud, and abuse in the Medicaid Program. For example, under current law, States are required to enroll otherwise qualified immigrants in Medicaid while those individuals are arranging documentation verifying their U.S. citizenship or satisfactory immigration status. This proposal would prevent Federal funding for coverage until applicants have provided satisfactory evidence of their immigration status. Other reforms include counting lottery winnings toward Medicaid eligibility, counting parts of income-generating annuities toward eligibility, and making Medicaid coverage effective the first day of the month after application. All these reforms will help target the limited Medicaid resources to those who are actually in need of them.

In addition to these major reforms, the budget recognizes several options that can be implemented in the short term that will both strengthen and preserve the Medicaid Program. The first is to reform the 1115 waiver process. One potential improvement would be requiring that waivers be budget-neutral in actual costs and to ensure that any new spending does not duplicate other Federal programs. Another would be allowing States to adopt approved waivers, without having to go through the approval process again.

The second reform is to address the problem of Medicaid provider taxes. Currently, 49 States finance a portion of their Medicaid spending through provider taxes[197]—a gimmick used to garner greater financial assistance from the Federal Government and boost State Medicaid budgets. States impose taxes on the very same health care providers who are paid by the Medicaid Program, increase payments to those providers by the same amount, and then use that additional spending to boost the amount the Federal Government matches. In short, provider taxes decrease transparency by distorting Medicaid funding, and dramatically increase Federal spending.[198] The maximum amount a State can tax a provider is 6 percent. The budget recommends lowering this number to 5.5 percent immediately, and begin completely phasing out the practice over a longer period.

---

[196] Alyssa Brown and Kyley McGeeney, *In U.S., Employment Most Linked to Being Depression-Free,* Gallup, 23 August 2013: http://www.gallup.com/poll/164090/employment-linked-depression-free.aspx.

[197] Alaska is the only State that does not have at least one provider tax, but the State is evaluating the feasibility of such a tax.

[198] Government Accountability Office, *Medicaid Financing: States' Increased Reliance on Funds from Health Care Providers and Local Governments Warrants Improved CMS Data Collection,* July 2014, p. 14: In fiscal year 2012, for example, 41 of the 47 States with provider taxes reported revenue of $18.8 billion. Also see Brian C. Blase, *Medicaid Provider Taxes: The Gimmick That Exposes Flaws with Medicaid's Financing,* The Mercatus Center at George Mason University, February 2016.

Repeal the Medicaid Expansions in the Affordable Care Act. The ACA created major expansions in the Medicaid Program beginning in 2014. As noted previously, the Federal Government now pays a significantly larger share of the Medicaid expenses for individuals who are newly eligible for Medicaid due to the ACA, dramatically increasing Federal spending. Newly eligible beneficiaries will also add pressure to already-strained State budgets beginning in 2016, when the Federal matching rate begins to decrease and the health care law forces States to bear some of the expansion costs. According to CBO, 11 million new individuals will enroll in Medicaid in 2015, and by 2025, there will be 14.5 million new individuals in the program because of the ACA.[199]

This expansion not only magnifies the challenges to both State and Federal budgets, but also binds the hands of local governments in developing solutions that meet the unique needs of their citizens. The health care law exacerbates the already crippling one-size-fits-all enrollment mandates that have resulted in below-market reimbursements, poor health care outcomes, and restrictive service availability.

The budget calls for repealing the Medicaid expansions contained in the health care law and removing its burdensome programmatic mandates on State governments.

Repeal the Affordable Care Act Exchange Subsidies. The Affordable Care Act represents the worst aspects of Washington's conceit that health care decisions can be best determined by government bureaucrats rather than by patients, families, and their doctors. Six years after its enactment, Obamacare has proven to be a failure for families, employers, and the health care sector writ large, while 30 million Americans still remain without health insurance coverage. Rather than becoming more affordable, insurance coverage has grown too expensive to purchase or too expensive to use, as premiums and deductibles have skyrocketed. In 2014, 7.5 million Americans paid the individual mandate penalty, totaling $1.5 billion. Additionally, in CBO's most recent set of 10-year budget estimates, enrollment projections for 2016 were reduced by 38 percent from the March 2015 report—down from 21 million to 13 million. These results are reflected in recent public opinion polls that show the majority of Americans continue to oppose the Affordable Care Act.[200]

Predictably, the ACA has adversely affected the health care market generally, causing the most hardship for individuals and families. Americans with employer-provided health care coverage—approximately 147 million people—are paying higher premiums and higher deductibles under Obamacare.[201] President Obama promised premiums would decline $2,500 per family; instead, average premiums in the employer-sponsored market have increased by

[199] Congressional Budget Office, op. cit., p. 114.

[200] Andrew Dugan, *Americans Tilt More Negative Toward Affordable Care Act,* Gallup, 13 November 2015. http://www.gallup.com/poll/186629/americans-tilt-negative-toward-affordable-care-act.aspx

[201] The Kaiser Family Foundation, *2015 Employer Health Benefits Survey,* 22 September 2015: http://kff.org/health-costs/report/2015-employer-health-benefits-survey/.

$3,775.[202] Since 2010, family premiums in the employer-sponsored market have increased by 27 percent, to more than $17,000 annually. Deductibles are also increasing. Deductibles for individual plans in the employer-sponsored market are up an average of 67 percent, from $646 in 2010 to $1,077 in 2015. This is faster than the rise in individual premiums (24 percent), about seven times more than the rise in workers' wages (10 percent), and more than cumulative inflation over the period (9 percent).[203] Individuals and families are also facing higher prescription drug costs under Obamacare. The average person with a plan in the exchange marketplace has to pay 46 percent of his or her total drug costs, compared to 20 percent for someone with employer-sponsored health care, according to a recent *Health Affairs* article.[204]

Under the ACA's subsidy structure, government support shrinks as income rises, effectively penalizing two-income households and creating a disincentive for people to marry. For example, two singles can each make $46,680 per year (400 percent of the Federal poverty level) and still qualify for government subsidies. If the two marry, and their combined income hits $93,360 per year, they lose their government subsidy. A single mother who earns $47,190 per year (300 percent of the poverty level) can get a subsidy to buy health insurance for her and her child. If she decides to marry the child's father, who earns $46,680 per year (400 percent of poverty), then the family no longer qualifies for the subsidy help. The ACA also includes myriad new taxes and penalties to offset the roughly $2 trillion in new spending, including an increase in the Medicare payroll tax that one tax expert described as a "shockingly inequitable marriage penalty."[205] The policy taxes wages higher than $200,000 for individuals and $250,000 for couples. For example, if a single woman and a single man each earns less than the individual threshold per year, neither is required to pay the health law's additional Medicare payroll tax. If they marry, however, they could break the marriage threshold and owe thousands of dollars in additional taxes.

Furthermore, despite the President's promise, "if you like your health care plan, you can keep it"—labeled by PolitiFact as the 2013 Lie of the Year[206]—several hundred thousand people, across more than a dozen States, lost their plans due to the cancellation of policies that did not satisfy the coverage requirements mandated

---

[202] The Kaiser Family Foundation, *Premiums and Worker Contributions Among Workers Covered by Employer-Sponsored Coverage, 1999–2015.* September 2015: http://kff.org/interactive/premiums-and-worker-contributions/.

[203] The Kaiser Family Foundation/Health Research & Educational Trust [HRET]: http://kff.org/health-costs/press-release/employer-family-health-premiums-rise-4-percent-to-17545-in-2015-extending-a-decade-long-trend-of-relatively-moderate-increases/.

[204] "Out-Of-Pocket Prescriptions Costs Under A Typical Silver Plan Are Twice As High As They Are In The Average Employer Plan," *Health Affairs,* October 2015. The account is also cited in "Drug prices spike under Obamacare," *The Washington Examiner,* 6 October 2015: http://www.washingtonexaminer.com/article/2573465?utm-content=buffer305b8&utm-medium=social&utm-source=twitter.com&utm-campaign=buffer.

[205] Robert Pear, "New Taxes to Take Effect to Fund Health Care Law," *The New York Times,* 8 December 2012: http://www.nytimes.com/2012/12/09/us/politics/new-taxes-to-take-effect-to-fund-health-care-law.html?-r=1.

[206] http://www.politifact.com/truth-o-meter/article/2013/dec/12/lie-year-if-you-like-your-health-care-plan-keep-it/.

by the ACA.[207] Obamacare also has limited access to health care, as more health plans narrow networks—limiting the number of physicians and hospitals covered under the plan—in an effort to reduce costs, while still meeting the requirements mandated by the ACA. As reported by *Modern Healthcare,* 70 percent of plans sold on the Obamacare exchanges in 2014 consisted of narrow networks.[208] According to a recent Avalere study, Obamacare networks have 34 percent fewer providers compared to commercial plans. On average, Obamacare plans have 42 percent fewer oncologists and cardiologists and 32 percent fewer primary care physicians.[209] For many patients, especially those in rural areas, there are too few in-network providers, and patients are forced to travel long distances to find a hospital and doctor. Additionally, some plans cover the hospital stay, but not the physician, leaving patients with exorbitant bills. According to a recent Deloitte survey, only 30 percent of exchange enrollees were satisfied with their health coverage plan, significantly lower than other types of insurance, including employer-sponsored coverage, Medicaid, and Medicare.[210]

Effects of the law are also felt by employees, their employers, and throughout the U.S. economy. Individuals are discouraged from work because the premium subsidies become much less generous as people earn more income. For the individual or family, earning more makes their health coverage more expensive. The law's tax increases total more than $1 trillion over the next decade, reducing economic growth, wages, and work. The Congressional Budget Office estimates that by 2025, the ACA will reduce the labor supply by 0.86 percent, or 2 million full-time-equivalent workers. The individuals who will be most affected by this decrease are those who make less than 275 percent of the Federal poverty level, which translates into roughly less than $65,000 in income.[211]

The Affordable Care Act's employer mandate makes full-time workers—especially younger and less-skilled workers—more costly to hire by requiring employers to provide expensive Obamacare-compliant insurance. Under the mandate, employers with more than 50 full-time workers who fail to meet certain arbitrary health coverage criteria set by the administration will be subject to tax penalties of up to $3,000 per worker. Because of the mandate's penalty, employers will likely shift their hiring toward part-time workers (those who work less than 30 hours per week) to avoid triggering the ACA's employer penalty. There is evidence that this is already occurring. More than 2.1 million Americans are now work-

---

[207] "More than a Dozen States Plan to Cancel Health Care Policies Not in Compliance with Obamacare," Fox News, 9 October 2014: http://www.foxnews.com/politics/2014/10/09/more-than-dozen-states-plan-to-cancel-health-care-policies-not-in-compliance/?Source=GovD.

[208] Bob Herman, "Network Squeeze: Controversies Continue Over Narrow Health Plans," *Modern Healthcare,* 28 March 2015:
http://www.modernhealthcare.com/article/20150328/MAGAZINE/303289988.

[209] Avalere, *Exchange Plans Include 34 Percent Fewer Providers than the Average for Commercial Plans,* 15 July 2015: http://avalere.com/expertise/managed-care/insights/exchange-plans-include-34-percent-fewer-providers-than-the-average-for-comm.

[210] Deloitte, *Public Health Insurance Exchanges Opening the Door for a New Generation of Engaged Health Care Consumers:* https://www2.deloitte.com/content/dam/Deloitte/us/Documents/life-sciences-health-care/us-lshc-hix-consumer-survey.pdf.

[211] Edward Harris and Shannon Mok, *How CBO Estimates the Effects of the Affordable Care Act on the Labor Market,* Congressional Budget Office Working Paper 2015–09, December 2015: http://www.cbo.gov/sites/default/files/114th-congress-2015–2016/workingpaper/51065–ACA-Labor-Market-Effects-WP.pdf.

ing part-time because they cannot find full-time work;[212] that is nearly double the amount seen before the recession.[213] As the ACA takes full effect, this trend toward part-time work will likely increase over time. Even the President—by twice unilaterally delaying the punitive employer mandate for medium-sized businesses—has implicitly acknowledged the damage this tax will cause.[214] New data show a decline in the average hours worked per week by lower-wage employees and many more working just below 30 hours per week. Roughly 2.6 million people are at risk of having their work hours cut. Sixty-three percent of the people most at risk are female, and nearly 60 percent are 19–34 years old.[215]

The ACA expanded Washington bureaucracy through a number of new programs. Many of these programs were either duplicative of existing efforts or expend taxpayer dollars with no accountability. Still others created new programs exemplifying the ideology of Washington knows best. The Prevention and Public Health Fund, though intended to support prevention and public health activities, provided the administration with access to $15 billion that could be accessed without restraint, and was raided to supplement the costly ACA exchanges. The law also established the Patient-Centered Outcomes Research Institute to conduct research on the effectiveness of various medical treatments, and imposes a $2 fee for every covered life—the epitome of bureaucracy in health care determining the cost-benefit of treatments for patients. The Centers for Medicare and Medicaid Innovation [CMMI] presents another example: CMMI was designed to test new payment models in Medicare and Medicaid, but the administration has interpreted its authority beyond the ability to "test" payment models and announced it will "mandate" untested payment models that may adversely affect quality of care for Medicare and Medicaid patients.

The most egregious program created under the Affordable Care Act, however, is the Independent Payment Advisory Board—a panel of 15 unelected, unaccountable bureaucrats—charged with making coverage decisions on Medicare to decrease program spending levels without the authority of Congress.

Additionally, program management remains famously unimpressive. President Obama himself acknowledged the rollout of HealthCare.gov—the website to enroll individuals and families in health insurance plans available through the health exchanges—was a "well-documented disaster."[216] It is also the subject of a recent, scathing report by the Inspector General of the Department

---

[212] Bureau of Labor Statistics, U.S. Department of Labor, *The Employment Situation—December 2015,* 8 January 2016:
http://www.bls.gov/news.release/pdf/empsit.pdf.

[213] Bureau of Labor Statistics, U.S. Department of Labor. *The Employment Situation—December 2007,* 4 January 2008. http://www.bls.gov/news.release/archives/empsit-01042008.pdf.

[214] Grace-Marie Turner, *70 Changes to ObamaCare . . . So Far,* Galen Institute, 26 January 2016: http://galen.org/newsletters/changes-to-obamacare-so-far/.

[215] Lanhee Chen, *Hearing on the Impact of the Affordable Care Act (ACA) Employer Mandate's Definition of Full-Time Employee on Jobs and Opportunities,* Hoover Institution Economic Working Paper 14105, 28 January 2014: http://www.hoover.org/sites/default/files/14105-chen-hearing-on-the-impact-of-the-aca-employer-mandates-definition-of-full-time-employee-on-jobs-and-opportunities.pdf.

[216] "Obama: 'HealthCare.gov 'a well-documented disaster,'" *The Hill,* 16 June 2015: http://thehill.com/policy/healthcare/245128-obama-healthcaregov-a-well-documented-disaster.

of Health and Human Services [HHS].[217] Despite administration claims to the contrary, the website's troubles have continued. On 4 September 2014, the administration informed Congress that a hacker uploaded malicious software on HealthCare.gov in July of that year. The Department did not discover it until late August. Investigators attributed the hack to a basic security flaw.[218] A September 2015 HHS audit report found that the HealthCare.gov website was stored on a network with high-risk cybersecurity flaws, jeopardizing the confidentiality of personal information for millions of Americans. According to the report, the Centers for Medicare and Medicaid Services failed to perform basic vulnerability scans that might have uncovered website server weaknesses. Another September 2015 HHS audit found HealthCare.gov contracts were poorly managed, costing taxpayers tens of millions of dollars. According to reports, the total cost of the failed enrollment system surpassed $2 billion.

The administration has also failed to adequately safeguard families' incomes. For example, almost one million people received faulty Obamacare tax forms. In February 2015, the Obama Administration revealed it had botched tax forms for 800,000 people who purchased insurance through the Federal exchange. HHS had incorrect information on about 20 percent of forms. According to the administration, about 50,000 people had already filed their tax forms using the incorrect information. The corrected 1095–A forms were not made available until early March. As a result, many refund checks were delayed by weeks, if not months. The administration also allowed payment of subsidies to more than 300,000 people who did not have legal residence. Those who received unlawful premium subsidies likely cost Federal taxpayers more than $500 million. Most of this money will never be recovered.

In 2014, in a test of the system, the Government Accountability Office was able to enroll 11 of 12 people with false identities into subsidized exchange coverage. In mid-July, the GAO announced that all 11 maintained subsidized coverage through 2014 and were re-enrolled in 2015. Some fake applicants were approved for subsidized coverage based solely on their attestation without any supporting documents.[219] Six of the applicants received notices that their coverage was being terminated for failure to submit information or documentation. The GAO was able to have five of them reinstated just by calling the exchange—and they got higher subsidies. The fake applicants received confusing and erroneous information from the Federal exchange. The GAO also found that Federal contractors continued to accept documents as true without attempting to verify their authenticity.

These serious problems are not mere glitches in an otherwise smooth-running operation. They are the predictable and inevitable result of a program that remains profoundly and fundamentally flawed—notwithstanding numerous changes to the law. According

[217] Office of the Inspector General, Department of Health and Human Services, *HealthCare.gov: CMS Management of the Federal Marketplace—A Case Study,* February 2016.

[218] "HealthCare.gov was hacked in July, feds say," *The Hill,* 4 September 2014. http://thehill.com/policy/healthcare/216700-report-healthcaregov-was-hacked-in-july.

[219] Committee on Finance, U.S. Senate, *Nonpartisan Watchdog Finds HealthCare.gov Approving Subsidies for Fake Applicants,* 15 July 2015: http://www.finance.senate.gov/newsroom/chairman/release/?id=3e92ee66–2bb7–4ca3–8e38-ede4af367db6.

to the Galen Institute, more than 70 significant changes have been made to the law since it was enacted in 2010—43 of them through unilateral administrative action, 24 through legislation, and three by the Supreme Court.[220]

According to CBO estimates, the ACA's health insurance exchange subsidies will cost American taxpayers $729.5 billion over the next 10 years. The subsidies cost a lot more than that, however; they cost Americans the freedom to make decisions about their own health care coverage. This budget stands for the principles that individuals should be free to choose their own health insurance, health care providers should not be forced to be complicit in abortion, organizations should not be forced to finance activities or make health decisions that violate their religious or moral beliefs, and a single-payer health system—which the ACA will eventually foster if left unchecked—is wrong for America. Bureaucrats in Washington should not be trusted to determine what type of health insurance and how much health care Americans should get; that is a decision that should involve the individual and his or her doctor.

For all these reasons, this budget calls for full repeal of the Affordable Care Act.[221]

As mentioned earlier, however, repealing Obamacare is only the first step. The more important effort is to rethink health care fundamentally—to shed the hugely arrogant illusion that Washington bureaucrats and technicians can somehow control and manage the many moving parts that interact to create what is known as health care in America. Instead of trying to box this immensely valuable service into an homogenous, government-run system, policymakers should enlist the creativity of all the participants—and also open the door to innovators from outside the field, who may be able to deliver unexpected insights—and reform health care from the ground up. This should start from the most fundamental relationship in medicine: the one between the patient and the doctor.

Limit Federal Employee Health Benefit Growth for Retired Members of Congress and Their Staffs and Base Retirement Benefits on Length of Service. Currently, Federal contributions to the Federal Employees Health Benefits Program grow by the average weighted rate of change in these programs. This budget supports restricting the growth in these plans to inflation for retirees.[222] The budget also proposes basing Federal employee retirees' health benefits on length of service. This option would reduce premium subsidies for retirees who had relatively short Federal careers.

---

[220] Turner, op. cit.

[221] The insurance premium subsidies are provided in the form of refundable tax credits. This means some recipients receive the subsidy as a reduction in their tax liabilities. If all or part of the credit exceeds the individual's tax liability, that portion—the "refundable" part of the credit—is delivered as a payment and categorized as an outlay. Most of the subsidies are provided in the latter way. See Congressional Budget Office, "Insurance Coverage Provisions of the Affordable Care Act—CBO's January 2015 baseline," January 2015: http://www.cbo.gov/sites/default/files/cbofiles/attachments/43900–2015–01–ACAtables.pdf.

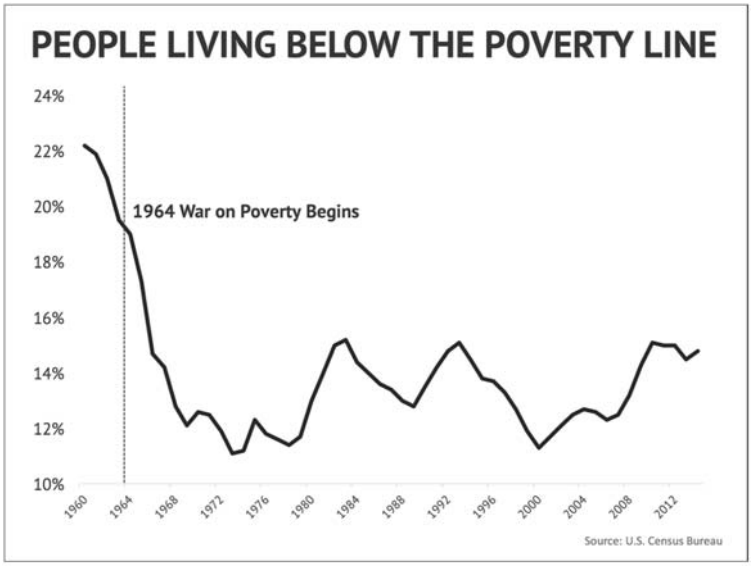
[222] The budget also restricts growth of the Federal Employees Health Benefits Program for current Members of Congress and their staffs. The cost savings from this proposal are reflected in the discretionary spending section of Function 550.

INCOME SUPPORT, NUTRITION, AND RELATED PROGRAMS

Function Summary

The War on Poverty began with a promise by President Johnson in 1964: "Our aim is not only to relieve the symptom of poverty, but to cure it and, above all, to prevent it." Over the next five decades, trillions and trillions have been spent on anti-poverty programs. The Census Bureau's poverty rate offers one measurement of the extent to which poverty was cured. Two years after the War on Poverty began, the poverty rate stood at 14.7 percent. In 2014, the poverty rate was unimproved from 48 years earlier at 14.8 percent. Reflecting on the divergence between higher spending and disappointing results, in 1988 President Reagan noted: "The Federal Government declared war on poverty, and poverty won."

FIGURE 10



The Federal Government continues to operate a patchwork of more than 90 welfare programs that lack any coordination in their efforts to help people escape poverty, for which spending by all levels of government exceeds $1 trillion. Multiple programs, overlapping services, and differing benefit structures often create significant disincentives to work, keeping many trapped in a cycle of poverty for years. While reforms during the 1990s reduced Temporary Assistance for Needy Families [TANF] caseloads by more than two-thirds, and helped many cash welfare recipients find work and escape poverty, those reforms were limited in scope and affected only a small part of the safety net.

If America is going to cure poverty and prevent it, the effectiveness of anti-poverty programs must be measured by the number of individuals lifted out of poverty rather than the number of dollars being spent. What's more, if the government continues running

unsustainable deficits and experiences a debt crisis, the poor and vulnerable will undoubtedly be the hardest hit, as the Federal Government's only recourse will be severe, across-the-board cuts. That is why the Committee on the Budget has engaged in an initiative called Restoring the Trust for all Generations. The initiative calls for solutions that promote positive outcomes and results for individuals and their families.

The goal of anti-poverty programs should be self-sufficiency, not extended dependency. To that end, this budget proposes to continue the successful welfare reforms of the 1990s by improving work requirements for means-tested programs to help more people escape poverty and move up the economic ladder. It focuses resources in programs that deliver real results, restraining spending to reasonable levels, reducing improper payments, and allowing States more ability to improve programs through policy innovation. It is focused on the following principles:

- Expect able-bodied adults receiving welfare to work or prepare for work in exchange for receiving benefits. Work—especially full-time work—is the surest way to avoid poverty. Many welfare programs provide benefits to alleviate immediate need, yet few expect able-bodied adults to work or assist them in finding and keeping jobs so they can move up the economic ladder. This budget proposes that able-bodied individuals receiving welfare benefits from a variety of programs be required to work or prepare for work in exchange for benefits, and that States be held accountable for engaging recipients in activities to help them find jobs and stay employed.
- Get incentives right when people move from welfare to work. The Nation's safety net should be designed to help those in need so they can get back on their feet and care for themselves and their family. Yet States and other service providers may lose money when someone leaves welfare for work, meaning they are better off failing than succeeding. Given the way the welfare system works now, it may not make sense for someone on welfare to work more because they can end up worse off in the end. Under this budget resolution, committees across Congress would work together to get these incentives right, to make sure everyone is better off when someone leaves welfare for work.
- Focus welfare programs on outcomes, not inputs. The Federal Government often evaluates programs based on inputs, such as benefits paid, classes held, or people served. Yet very few if any programs are measured based on their results to assess whether they are really helping people out of poverty and dependency. To make sure taxpayer dollars are spent wisely, this budget would require committees overseeing welfare programs to work together to develop similar outcome measures for their programs. These outcome measures will allow Congress and the American people to better judge whether these programs are working and whether they should continue, need to be reformed, or should end.

- Preserve welfare benefits for those most in need. The American public is faced with a steady stream of reports revealing how welfare benefits are being paid to those who should never receive them. This frustrates taxpayers paying for these programs and reduces resources for those who truly need access to these benefits. Advances in technology have made it possible to more easily protect against fraud and abuse, and States are beginning to use these tools more frequently. The budget would implement these technological and administrative processes across means-tested programs to better protect taxpayer dollars allocated for these programs. By reducing abuse, these welfare programs will be better focused on those who truly need help to move their families forward.

Finally, no set of government safety net programs can replace, or improve upon, nature's safety net: the family. For generation upon generation, the family has been the main source of comfort, security, and economic stability for the individual. It is where moral values and a sense of responsibility grow. The family reinforces the individual's place in the larger community. Government programs should recognize and support those who lose any connection to a family. At the same time, however, government should take care not to contribute to the dissolution of families. Government programs should aim to strengthen the family, the most important and enduring institution in society.

Social scientists across the political spectrum agree that children are better off with married parents.[223] Yet today, more than 40 percent of children are born to unwed mothers,[224] and the structure of anti-poverty programs places harsh anti-marriage penalties on those who currently depend on these programs when it is clear that "the married, two-parent family is one of the best weapons we have in the fight against poverty."[225] In 2014, the poverty rate for single mother-led families was almost five times the poverty rate for married-couple families, 30.6 percent and 6.2 percent, respectively.[226] This budget proposes to reduce, and wherever possible eliminate, the marriage penalties that have been unwittingly built into the current welfare system.

Most of the Federal Government's income-support programs are reflected in the direct spending components of Function 600, Income Security (see Table 3). These include Federal employee retirement and disability benefits (including military retirees); general retirement and disability insurance (excluding Social Security)—mainly through the Pension Benefit Guaranty Corporation—and benefits to railroad retirees; unemployment compensation; food and nutrition assistance, including food stamps and school lunch subsidies; and other income-security programs.

---

[223] "They Do: The scholarly about-face on marriage," *The Boston Globe,* 26 April 2015: http://www.bostonglobe.com/ideas/2015/04/25/scholarly-kiss-for-wedded-bliss/INyenlyr0FIuWzaJDuFWGK/story.html.

[224] Centers for Disease Control and Prevention, *Births: Final Data for 2013,* National Vital Statistic Report Volume 64, Number 1, 15 January 2015: http://www.cdc.gov/nchs/data/nvsr/nvsr64/nvsr64_01.pdf.

[225] Robert L. Doar, Morgridge Fellow in Poverty Studies at the American Enterprise Institute, testimony to the Committee on the Budget, U.S. House of Representatives, 28 October 2015.

[226] Carmen DeNavas-Walt and Bernadette D. Proctor, United States Census Bureau, *Income and Poverty in the United States: 2014,* issued September 2015: https://www.census.gov/content/dam/Census/library/publications/2015/demo/p60–252.pdf.

This last category includes: TANF, the government's principal cash welfare program; Supplemental Security Income [SSI]; and spending for the refundable portion of the Earned Income Tax Credit. Agencies administering these and other programs in Function 600 include the Departments of Agriculture, Health and Human Services, Housing and Urban Development, the Social Security Administration (for SSI), and the Office of Personnel Management (for Federal retirement benefits).

For these programs, the resolution provides $432.0 billion in direct spending budget authority for fiscal year 2017, and $425.4 billion in outlays. The 10-year figures are $4.3 trillion in budget authority and $4.2 trillion in outlays. The figures appear in Function 600 of Table 3.

Illustrative Direct Spending Policy Options

The main committees responsible for funding programs under Function 600 are Ways and Means, Agriculture, Oversight and Government Reform, and Education and the Workforce. They will make final policy determinations on how to increase State flexibility, reduce improper payments, and reform programs to eliminate marriage penalties and work disincentives. Some potential policy options following these guidelines might include the following.

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, and blocking the Obama Administration from waiving these work requirements altogether. This budget also calls for TANF reforms to provide States with more options to help people prepare to leave welfare for work, and to hold States accountable for their success in getting people off welfare and into jobs.

Convert the Supplemental Nutrition Assistance Program into State Flexibility Allotments. Spending on the Supplemental Nutrition Assistance Program [SNAP]—formerly known as the Food Stamp Program—has increased dramatically over the past 15 years, growing more than fourfold since 2001. Spending doubled from 2001 to the eve of the most recent recession, then doubled again during the recession, and has stayed at an elevated level during the recovery. Various factors are driving this growth, but one major reason is that while the States have the responsibility of administering the program, they have little incentive to ensure it is run well.

The budget resolution envisions converting SNAP into an allotment tailored for each State's low-income population. States would have to satisfy key conditions such as meeting work targets, as well as meeting certain program integrity requirements (such as preventing the use of benefits outside the State of residence, including photo identification on electronic benefit transfer [EBT]

cards, and restricting the program to non-junk food products). This option would make no changes to SNAP until 2021, providing States with time to structure their own programs.

Enforce SNAP Work Requirements. H.R. 3102, the Nutrition Reform and Work Opportunity Act of 2013, included the elimination of waivers from SNAP work requirements for Abled-Bodied Adults without Dependents. As was demonstrated by the welfare reforms of the 1990s, work requirements are central to ensuring that public assistance helps individuals transition to independence.

Eliminate Broad-Based Categorical Eligibility. Broad-based categorical eligibility allows households to become eligible for SNAP by receiving a minimal Temporary Assistance for Needy Families fund benefit or service. Typically, an individual is made eligible by receiving a TANF brochure or being referred to a social service telephone number. This allows individuals to qualify for SNAP benefits under less restrictive criteria.

Eliminate Abuse of the Low-Income Energy Assistance Program. The Low Income Energy Assistance Program [LIHEAP] provides low-income families with help to pay heating bills. However, States can provide as little as $20 in LIHEAP benefits in order to increase SNAP benefits (see Categorical Eligibility above). The most recent Farm Bill reformed this practice, but did not end the abuse entirely—and this proposal would.

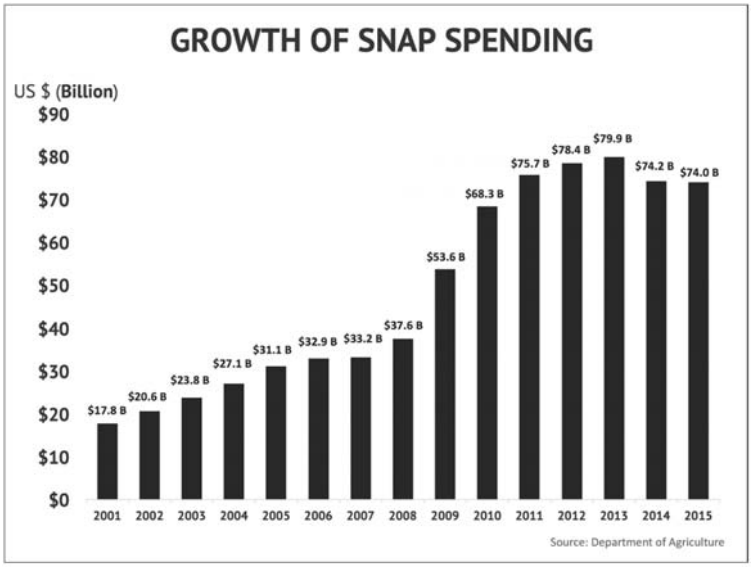
Limit SNAP Account Balances to Reasonable Levels. The SNAP program allows benefits to be carried over from month to month. In extreme cases, beneficiaries have accrued balances of more than $20,000, which goes against the program's purpose as a source of food for households who urgently need it. The budget proposes to cap a household's SNAP account balance at three months' worth of benefits (see Figure 11).

Reform Supplemental Security Income. Welfare programs typically pay benefits on a sliding scale. Supplemental Security Income [SSI] is different, paying an average of $630 for each and every child in a household who receives benefits. This reform would create a sliding scale for children on SSI. Advocates for individuals with disabilities have expressed support in the past for such a step. In 1995, Jonathan M. Stein—the lead advocate attorney in the landmark 1990 Supreme Court Case expanding SSI eligibility for children and witness at a 27 October 2011 Ways and Means Subcommittee hearing on SSI—said the following about this proposal: "[W]e have a long list of reforms that we do not have time to get into, but we would say for very large families there should be some sort of family cap or graduated sliding scale of benefits."[227] Additionally, Congress should review mental health categories in the children's SSI program, which have been the fastest growing categories of eligibility. This budget proposes a Government Accountability Office [GAO] recommendation that Continuing Disability Reviews be conducted every 3 years for children on the program who are deemed likely to improve upon initially receiving benefits.

[227] Committee on Ways and Means, *Contract with America: Welfare Reform, Part 2,* hearing 2 February 1995 (Serial No. 104–44), Washington: Government Printing Office, 1995.

Additionally, benefits should be linked to school attendance except where the Social Security Administration finds medical cause. Finally, the budget would prevent someone with an outstanding warrant from receiving Supplemental Security Income payments.

FIGURE 11



Allow State Flexibility for the Foster Care Program. Significant progress has been made among States, advocates, and Federal policymakers in developing proposals that would expand State flexibility in designing programs and pilot projects meant to better prevent child abuse and neglect. Such proposals would result in fewer children being removed from their homes, allowing more funds to be directed toward prevention efforts, as well as reducing the cost of the Nation's foster care system.

Give Schools Flexibility for Meeting National School Lunch Program Standards. The Healthy, Hungry Free Kids Act (Public Law 111–296) imposed new regulations on the school lunch program. No one disagrees with ensuring students have nutritious food, but the mandates on localities have the unintended consequence of reducing participation in the program. This budget calls for allowing schools more flexibility to meet nutrition standards.

Ensure that Certain Groups of Undocumented Workers Remain Ineligible for Federal Benefits. In his address to the Nation on 20 November 2014, the President said undocumented workers receiving deferral of removal under his executive actions should not be granted the same benefits that citizens receive. As a result of his executive actions that same month, however, potentially millions of undocumented workers would become eligible for Federal benefits, according to Congressional Budget Office estimates. The budget resolution supports reversing the overreach of the President's November 2014 actions and ensures that undocumented workers do

not create a bigger burden on an already strained public benefit system.

Strengthen the Earned Income Tax Credit and Child Tax Credit Program Integrity. The Earned Income Tax Credit [EITC] program is susceptible to fraud and abuse. According to the IRS, between 22 percent and 26 percent of EITC payments were issued improperly in fiscal year 2013 (between $13.3 billion and $15.6 billion). To reduce these errors in the EITC program, this budget proposes requiring substantiation of self-employment income. 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.

Modernize Child Support Enforcement. Enacted in 1975, the Child Support Enforcement [CSE] program was created to secure child support payments from non-custodial parents for families who relied on both the Federal and State governments for welfare benefits. The CSE program was designed to reimburse the government for those welfare benefits, as well as assist families in attaining self-sufficiency. Today, however, two-thirds of CSE collections are for helping families who have never received cash welfare payments from the TANF program—those it was intended to help. To ensure the CSE program is targeted for those who are most in need, this budget proposes to return the annual user fee for non-TANF families to its original value and index it for inflation. In addition, the budget would better align the financial incentives for States by modifying the Federal matching rate and the criteria for States receiving incentive payments to ensure they are truly rewarding innovation and effectiveness.

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

FARM SUPPORT AND RELATED PROGRAMS

Function Summary: Direct Spending

While agriculture experienced a period of high market prices and incomes during the initial years of this decade, net farm income in 2015 fell sharply from 2013's record-high level and is projected by the Department of Agriculture to remain weak again this year. The Agricultural Act of 2014—otherwise known as the Farm Bill—

made a number of reforms to agricultural policies, most notably by eliminating Direct Payments which had cost taxpayers almost $91 billion over the past 18 years and were paid regardless of market conditions. Significant declines in market prices over the past 2 years are expected to result in increased levels of assistance under the Farm Bill's new price- and revenue-based programs. While it is important to continue reforming agricultural programs, weather and market challenges continue to highlight the importance of maintaining a safety net for farmers.

Direct (or "mandatory") spending programs in this category include direct assistance and loans to food and fiber producers, export assistance, agricultural research, and other programs.

The Agriculture Committee has made commendable efforts to reduce overall direct spending in this area (Function 350 of Table 3). The budget resolution calls for direct spending of $17.5 billion in budget authority and $18.7 billion in outlays in fiscal year 2017. The 10-year direct spending totals for budget authority and outlays are $136.7 billion and $133.9 billion, respectively.

Illustrative Direct Spending Policy Options

Specific policies affecting direct spending in this function will be determined by the Agriculture Committee. Among the options it may wish to consider are the following:

Reform Agricultural Programs. The budget proposes that additional savings be found in this area. Under this option, mandatory agricultural outlays, other than food and nutrition programs, would be reduced by $23 billion relative to the currently anticipated levels for fiscal years 2017 through 2026. These savings could be achieved by continuing to reform agricultural programs. These proposed savings are coupled with significant benefits that will be realized from other provisions in this budget, including regulatory relief, fundamental tax reform, and stronger economic growth as the burden of Federal deficits is lifted from the economy.

BANKING, COMMERCE, POSTAL SERVICE, AND RELATED PROGRAMS

Function Summary: Direct Spending

As with its annually appropriated programs, the Federal Government has used direct spending in commerce and housing in a way that moves from healthy and productive support for industry to over-subsidizing corporations and unfairly exposing taxpayers to risk. One example is Fannie Mae and Freddie Mac, which were placed into Federal conservatorship in 2008 and remain a part of the Federal Government. As a result, taxpayers remain exposed to Fannie's and Freddie's more than $5 trillion of outstanding commitments.

On a unified basis, the resolution provides $9.3 billion in direct spending budget authority and −$5.9 billion in outlays in this area in fiscal year 2017 (shown in Function 370 of Table 3, Commerce and Housing Credit). Reforms will be determined by the Committee on Financial Services, the Committee on Energy and Commerce, and the Committee on Oversight and Government Reform. Criteria

the committees may wish to apply include promoting free enterprise and economic growth in a responsible way, scaling back corporate welfare, and protecting taxpayers from the risk of future bailouts.

Illustrative Direct Spending Policy Options

ON–BUDGET DIRECT SPENDING

Terminate Corporation for Travel Promotion. In 2010, Congress established a new annual payment to the travel industry and created a new government agency, the Corporation for Travel Promotion (now called Brand USA), to conduct advertising campaigns encouraging foreign travelers to visit the United States. This budget recommends ending these subsidies and eliminating the agency, because it is not a core responsibility of the Federal Government to pay, and conduct advertising campaigns, for any industry. Moreover, the travel industry can and should pay for the advertising from which it benefits.

Reform the Universal Service Fund. The Universal Service Fund [USF] provides subsidized telecommunications services through four main programs: High-Cost Support, E-rate Program, Lifeline Program, and Rural Health Care. The USF is funded through mandatory contributions by carriers, who pass these costs to consumers as fees on subscribers' telephone bills. This budget resolution aims to reform burdensome programs and has identified the Lifeline Program, which provides phone service subsidies to low-income Americans, as one example. The Lifeline Program, under the jurisdiction of the Federal Communications Commission, costs taxpayers an estimated $2 billion a year while being plagued by fraud, waste, and abuse. Reforming this program will significantly reduce the burden on taxpayers.

Restrict FDIC Authority Provided by Dodd-Frank to Bail Out Bank Creditors. Dodd-Frank expands and centralizes power in Washington, exacerbating the root causes of the 2008 financial crisis. It contains layer upon layer of new bureaucracy sewn together by complex regulations, yet it fails to address key problems, such as Fannie Mae and Freddie Mac, that contributed to the worst financial unraveling in recent history. Although the law is dubbed "Wall Street Reform," it actually intensifies the problem of too-big-to-fail by giving large, interconnected financial institutions advantages that small firms will not enjoy.

Although the proponents of Dodd-Frank went to great lengths to denounce bailouts, the law only sustains them. The Federal Deposit Insurance Corporation [FDIC] now has the authority to access taxpayers' dollars to bail out the creditors of large, 'systemically significant' financial institutions. The resolution calls for ending this regime, now enshrined into law, which paves the way for future bailouts. House Republicans put forth an enhanced bankruptcy alternative that, instead of rewarding corporate failure with taxpayer dollars, would place the responsibility for large, failing firms in the hands of the shareholders who own them, the managers who run them, and the creditors who finance them.

The resolution also supports cancelling the ability of the Bureau of Consumer Financial Protection (created by Dodd-Frank) to fund its operations by spending from the Federal Reserve's yearly remittances to the Treasury Department. Dodd-Frank was written to provide off-budget financing for the new bureau, which is housed within the Federal Reserve but enjoys complete autonomy. To preserve its independence as the Nation's monetary authority, the Federal Reserve is off budget, and its excess earnings from monetary operations are returned to the Treasury to reduce the deficit. Now, instead, Dodd-Frank requires diverting a portion of those remittances to pay for a new bureaucracy with the authority to write far-reaching rules on financial products and restrict credit to the very customers it seeks to 'protect,' outside the annual oversight of Congress through the appropriations process.

Privatize the Business of Government-Controlled Mortgage Giants Fannie Mae and Freddie Mac. In 2008, the Federal Government placed Fannie Mae and Freddie Mac[228] into conservatorship to prevent them from going bankrupt. The Treasury has already provided $187 billion in bailouts to Fannie and Freddie and, as mentioned above, taxpayers remain exposed to more than $5 trillion in Fannie's and Freddie's outstanding commitments as long as the entities remain in conservatorship. The Congressional Budget Office [CBO] has recorded Fannie and Freddie as explicit financial components of the Federal budget, accounting for their liabilities as liabilities of the government. In contrast, the administration does not fully account for taxpayer exposure to Fannie and Freddie, leaving them off budget. Despite recent dividend payments by Fannie and Freddie, both enterprises continue to assume outsized risks that place taxpayers in jeopardy in the event of future downturns in the housing market.

This budget suggests putting an end to corporate subsidies and taxpayer bailouts in housing finance. It envisions the eventual elimination of Fannie Mae and Freddie Mac, winding down their government guarantee, and ending taxpayer subsidies. In the interim, this resolution seeks to remove distortions to allow an influx of private capital back into the housing credit marketplace and to advance various measures that would bring transparency and accountability to these two government-sponsored enterprises, which could include measures described in H.R. 2767, the Protecting American Taxpayers and Homeowners Act of 2013.

Incorporate Fair-Value Accounting Principles in the Credit Reform Act. Not only are taxpayers exposed to the risks of Fannie and Freddie, but they are also vulnerable to having to bail out another housing giant, the Federal Housing Administration [FHA]. The capital ratio of the FHA's Mutual Mortgage Insurance fund has remained below the congressionally mandated 2 percent level for seven years. Recently, the FHA Actuarial Report released on 16 November 2015 notes FHA has achieved its 2 percent statutorily-required capital reserve ratio, but the report also highlights that FHA continues to support more than $1 trillion in mortgage credit

[228] Formally the Federal National Mortgage Association [FNMA] and the Federal Home Loan Mortgage Corporation [FHLMC].

risk.[229] Given the precarious financial condition of the FHA, the government should adopt measures to control the assumption of risk by the FHA as other government-backed entities (such as Fannie and Freddie) are wound down. Right now, the government accounts for the risks carried by the FHA differently than it accounts for those of Fannie Mae and Freddie Mac. These differences simply encourage just such a shift in risk.

The cost of FHA-insured loans are scored by calculating the net present value of the cash flows associated with loans and discounting those flows using a risk-free marketable Treasury security rate. In contrast, the CBO uses fair-value accounting for Fannie Mae- and Freddie Mac-guaranteed loans. Fair-value accounting recognizes that adverse economic events such as market downturns can cause loan defaults to rise; hence it reflects the full financial risk incurred by taxpayers for backing these loans. In other words, the current budgetary treatment of FHA loans understates the full costs associated with them, thereby encouraging policymakers to shift risk from Fannie and Freddie to the FHA.

This resolution requires the CBO to provide supplemental estimates using fair-value scoring for federally-backed mortgages and mortgage-backed securities, regardless of which Federal agency is acting as the insurer or guarantor.

As the government reforms its role in the U.S. housing market, which this resolution supports, Fannie, Freddie, and FHA loans should be treated with parity and full transparency. The current structure of the Federal housing finance system socializes potential losses in the housing market among all Americans. The housing-finance system of the future, however, should allow private-market secondary lenders to fairly, freely, and transparently compete, with the knowledge that they will ultimately appropriate risk for the loans they guarantee. Their viability will be determined by the soundness of their practices and the value of their services.

OFF–BUDGET DIRECT SPENDING

Reform the U.S. Postal Service. The U.S. Postal Service [USPS] is expected to be self-sustaining and was statutorily placed off-budget in the 1989 Omnibus Budget Reconciliation Act, where it remains today.

The mission of the USPS is to ". . . provide postal services to bind the Nation together through . . . correspondence of the people" and "provide prompt, reliable, and efficient services to patrons in all areas."[230] It boasts an iconic brand name, universal service, and certain efficiency advantages in package delivery. In recent decades, however, the USPS has faced financial challenges stemming largely from reduced demand for its services. Electronic mail is ubiquitous, while demand for paper mail has waned. From 2005 to 2015, for example, first-class mail volume dropped by 36 percent.[231] Further, USPS has suffered from inefficiencies in its business model. The organization faces financial challenges that threat-

[229] Committee on Financial Services, U.S. House of Representatives, *Views and Estimates,* 8 February 2016.

[230] Public Law 91–375.

[231] United States Postal Service, "First-Class Mail Volume Since 1926," http://about.usps.com/who-we-are/postal-history/first-class-mail-since-1926.pdf.

en its long-term viability and will ultimately lead to a taxpayer bailout if significant reforms are not implemented.

The USPS is unable to meet its financial obligations through its own business-like operation and desperately needs structural reforms. Since fiscal year 2007, the USPS has run annual operating losses; in fiscal year 2015 it defaulted on another $5.7 billion payment to prefund the retirement health care of its employees.[232] In 2009, the Government Accountability Office added the USPS to its "high-risk" list due to the Postal Service's "deteriorating financial situation," and found that the "USPS urgently needs to restructure to reflect changes in its customers' use of the mail, to align its costs with revenues, generate sufficient funding for capital investment, and manage its debt."[233] In its most recent high-risk report update, GAO still has the USPS on its list as needing attention by Congress and the administration.[234] According to GAO, as of the close of fiscal year 2015, the USPS has approximately $125.0 billion in unfunded long-term debt, including accrued health-benefit compensation for postal retirees, workers' compensation, and debt owed to the Treasury.[235]

The budget recommends giving the Postal Service the flexibility that any business needs to respond to changing market conditions, including declining mail volume. Examples of the flexibility that should be considered have been included in several reform proposals approved by the House Committee on Oversight and Government Reform and by the administration, including calls to modify both the frequency and type of mail delivery. The budget also recognizes the need to reform compensation of postal employees who currently pay a smaller share of the costs of their health and life insurance premiums than do other Federal employees. Taken together, these reforms are estimated to save more than $40 billion over 10 years and would help restore the Postal Service's solvency.

STUDENT LOANS, SOCIAL SERVICES, AND RELATED PROGRAMS

Function Summary: Direct Spending

For many, earning a college degree brings undeniable, long-lasting benefits, including better employment prospects and higher wages.[236] Thereafter, such financial security enables individuals to pursue professional and personal goals, such as launching a small business, climbing the career ladder, starting a family, and saving for their own children's college education. College students enjoy being able to choose within a vast arrange of disciplines as well as seize opportunities to take courses online and in other contem-

[232] Government Accountability Office, "U.S. Postal Service: Financial Challenges Continue," testimony before the Senate Committee on Homeland Security and Governmental Affairs, 21 January 2016: http://www.gao.gov/assets/680/674728.pdf.

[233] Government Accountability Office, *High-Risk Series: An Update,* February 2013: http://www.gao.gov/assets/660/652133.pdf.

[234] Government Accountability Office, *High-Risk Series: An Update,* February 2015: http://www.gao.gov/assets/670/668415.pdf.

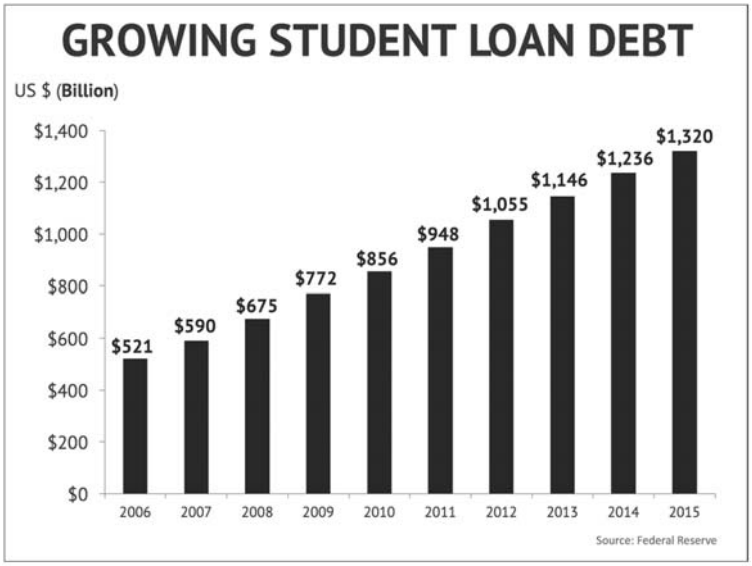
[235] Government Accountability Office, *U.S. Postal Service Financial Challenges Continue,* testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate, 21 January 2016: http://www.gao.gov/assets/680/674728.pdf.

[236] Pew Research Center, *The Rising Cost of* Not *Going to College,* 11 February 2014: http://www.pewsocialtrends.org/files/2014/02/SDT-higher-ed-FINAL–02–11–2014.pdf.

porary formats. Technology will only continue to develop, and new business models for delivering instruction will be devised and tested, to the benefit of students.

A strong higher education system—one that increases the competitiveness of America's workers—is a benefit to students, families, and the Nation as a whole. Recognizing these benefits, the Federal Government has provided substantial support for higher education, particularly student loans, since the 1960s. While support for higher education is important, government policies that were designed to help more Americans go to college have been accompanied by several troubling trends. Federal lending has expanded dramatically, consuming an ever-larger share of the student loan market. The government's direct loan portfolio has increased from roughly $106 billion outstanding in fiscal year 2007 to more than $840 billion today. As the Federal Government has broadened access to aid, colleges have consistently raised tuition and fees at a rate well above inflation. College has become more expensive for many Americans and thus less accessible—exactly the opposite of what the Federal policies were intended to do. Additionally, this dynamic can present students with two unwelcome options: choose not to go to college, or take on a sizeable amount of debt to pay for surging tuition. Under the former, students may miss out on achieving their highest educational potential and the lasting benefits college can offer. Taking the latter route, students may struggle to pay off their loans, especially in today's weak job market.

FIGURE 12



Equally problematic is that the way the government currently accounts for student loans (and most other Federal loan and loan guarantee programs) does not take market risk into account. Under these accounting procedures, established in the Federal Credit Re-

form Act of 1990 [FCRA], student loans appear less risky and less expensive than they really are. In fact, FCRA's rules make issuing loans appear profitable. In a report about the budget effects of student loans, the Congressional Budget Office explains: "FCRA accounting does not consider some costs borne by the government. In particular, it omits the risk taxpayers face because Federal receipts from interest and principal payments on student loans tend to be low when economic and financial conditions are poor and resources therefore are more valuable."[237] The Federal Government has a perverse incentive to issue more loans, according to FCRA's rules, regardless of whether that is what is best for students and their families. Further, this accounting structure penalizes public policy decisions that would protect students, such as by placing annual limits on certain borrowing, because they are estimated to cost the government money. Unrealistic assumptions in the currently-used accounting methodology cause the spending for this section of the resolution—which is bound by the same estimating conventions—to be negative: in fiscal year 2017, budget authority totals −$7.8 billion, and outlays are −$1.7 billion. As explained previously, these figures are misleading.

Rather than foster a system that accelerates tuition increases and presents too many students with the difficult choice between crippling debt or stopping short of their highest educational attainment, this resolution envisions a framework that uses Federal dollars more efficiently, accounts for student loans in a way that reflects their true cost, and invests in a sustainable higher education system that is good for students, institutions of higher education, and taxpayers.

Student loans are a major component of direct spending in this category, shown as Function 500 in Table 3. In addition, the function reflects numerous other programs supporting higher education, and some others that fund social services.

Illustrative Direct Spending Policy Options

The transformation of programs in this area will be determined primarily by the Committee on Education and the Workforce. Committee members may be guided by some of the principles described above. Potential policy options include those below.

Repeal New Funding from the Student Aid and Fiscal Responsibility Act of 2010. During the debate on the Student Aid and Fiscal Responsibility Act [SAFRA], the Congressional Budget Office provided estimates showing that projected future savings from a government takeover of all Federal student loans decreased dramatically when "market risk" was taken into account. Since that time, the President's National Commission on Fiscal Responsibility and the Pew-Peterson Commission on Budget Reform have recommended the incorporation of fair-value accounting for all Federal loan and loan-guarantee programs to enable a true assessment of their cost to taxpayers.

[237] Congressional Budget Office, *Options to Change Interest Rates and Other Terms on Student Loans,* June 2013, p. 2: https://www.cbo.gov/sites/default/files/113th-congress-2013–2014/reports/44318-StudentLoans-1Column.pdf.

SAFRA, however, exploited the higher non-adjusted savings projection to help subsidize the new health care law and to increase spending on several education programs. Although much of the funding allocations have already been spent, Congress could cancel some of the future spending by repealing recent expansions to some Federal income-based repayment programs. The Income-Based Repayment Program, created by the College Cost Reduction and Access Act of 2007, and accelerated by the Obama Administration, is still relatively new. Nevertheless, there are concerns that the expansions could disproportionately benefit graduate and professional students; they would have considerable amounts of debt forgiven, at a steep cost to taxpayers. Moreover the expansions could encourage students to borrow too much, which is the opposite signal policymakers should be sending to them.[238] Congress should reform these programs to ensure they are meeting their intended goals and are designed to give students proper incentives and protect taxpayer dollars.

Accept the Fiscal Commission's Proposal to Eliminate In-School Interest Subsidies for Undergraduate Students. The Federal Government focuses aid decisions on family income prior to a student's enrollment and then provides a number of repayment protections and, in some cases, loan forgiveness after graduation. There is no evidence that in-school interest subsidies are critical to individual matriculation.

Simplify the Existing Higher Education Programs to Protect Students and Taxpayers. The current Federal aid system is unduly complicated and contains provisions that treat students inconsistently. Making up the complex system are myriad programs offering different types of aid to different eligible groups of people, unique requirements that must be fulfilled, and an array of repayment options in the case of loans. As the House Committee on Education and the Workforce describes it: "Many students, particularly first-generation and low-income students, are bogged down with the complexity of the current system, which ultimately deters them from accessing aid that will make college an affordable reality."[239] Correcting the disparate treatment of students and simplifying both the aid and repayment options available to students and parents is of paramount importance. Actions taken by the committee of jurisdiction to reduce duplication and preferential treatment, and make the system less complicated, could include ending the Public Service Loan Forgiveness Program and the Teacher Loan Forgiveness Program.

Phase out Eligibility for TEACH Grants. Understanding all of the Federal aid options available is a difficult, time-consuming endeavor. Students must consider different eligibility criteria, program requirements, and penalties. The budget supports consolidating current Federal student aid programs. One option for the committee of jurisdiction would be to phase out the Teacher Education Assistance for College and Higher Education [TEACH] Grant Program.

---

[238] See American Enterprise Institute, *Balancing Risk and Responsibility: Reforming Student Loan Repayment,* 19 November 2015, p. 6–7.

[239] Committee on Education and the Workforce, *Budget Views and Estimates for Fiscal Year 2017,* 4 February 4, 2016.

TEACH Grants are aimed at encouraging promising undergraduate and graduate students to teach in high-needs fields in low-income schools. Under the program, undergraduate students can receive up to $16,000 total, and graduate students can receive up to $8,000. They must teach subjects such as math, science, and foreign language for 4 years within 8 years of graduating. If grant recipients do not fulfill the requirement, their grants are converted into loans with interest. That means recipients can pursue a teaching degree with the expectation of receiving thousands of dollars in grant aid to pay for school, only to find themselves in a situation, due to any number of factors, in which they have a sizeable loan on their hands.[240] The Government Accountability Office has reported several concerning findings about the program: one-third of TEACH grants have been converted to loans—some erroneously; the program has only a 19-percent utilization rate among eligible students; and the Department of Education does not yet adequately evaluate whether or not the program is effective.[241]

Terminate the Duplicative Social Services Block Grant. The Social Services Block Grant is an annual payment sent to States—without any matching, accountability, or evaluation requirements—intended to help achieve a range of social goals, including by providing child care, health, and employment services. Most of these activities are also funded by other Federal programs designed to support these same services. States are given wide discretion to determine how to spend this money and are not required to demonstrate the outcomes of this spending, so there is no evidence of its effectiveness. The budget assumes the elimination of this duplicative spending, which saves $17 billion over 10 years

FEDERAL LANDS AND OTHER RESOURCES

Function Summary: Direct Spending

The fiscal year 2017 budget resolution continues to support policies that will make America's natural resources available to producers who can provide a fair return to taxpayers. In addition to the receipts the Federal Government collects from royalties, rents, and bonus bids, increased economic activity on Federal land will create jobs and boost economic output.

Farm security and rural investment programs and the Fish and Wildlife Service's Federal aid in wildlife restoration programs are among the largest direct spending programs in this category. The remainder is distributed among numerous smaller programs. The direct spending budget totals for these programs are $2.5 billion in budget authority and $3.1 billion in outlays for fiscal year 2017; over 10 years, the figures are $7.7 billion in budget authority and $10.7 billion in outlays. (See Function 300 in Table 3.)

Oil and gas production on Federal land has fallen significantly under the Obama Administration. Production on private lands has

[240] Factors ranging from securing and then maintaining a teaching position at a qualifying school for four years to completing necessary paperwork can make fulfilling the program requirements a challenge. For further discussion, see United States Government Accountability Office, "Better Management of Federal Grant and Loan Forgiveness Programs for Teachers Needed to Improve Participant Outcomes," February 2015, http://gao.gov/assets/670/668634.pdf.

[241] Ibid.

increased, however, more than offsetting the drop on Federal land. In fiscal year 2009, the U.S. produced 5.2 million barrels of oil per day, with production on Federal property accounting for 33 percent of the total.[242] By fiscal year 2013, the U.S. was producing 7.2 million barrels per day, but production on Federal lands represented only 23 percent of the total.[243]

Similarly, timber harvests on Federal land have been declining for decades since peaking in the late 1980s and early 1990s. In fiscal year 1988, 14.6 million board feet of timber were harvested on Federal land, with a total value of roughly $2.5 billion (in 2013 dollars).[244] In fiscal year 2014, only 2.4 million board feet were harvested, generating less than $150 million.[245] This dramatic reduction in economic activity in States and counties that have Federal lands within their borders has wreaked havoc on their ability to fund local services, such as schools.

One large culprit: The administration is keeping Federal lands under lock and key, while it continues its politically-motivated climate change agenda. On 15 January 2016, the Obama Administration unilaterally imposed a moratorium on new leases for coal mined from Federal land.[246] This halt deals another crushing blow to the coal industry. Mining on Federal lands accounts for 40 percent of the coal production in America, and approximately 33 percent of U.S. coal reserves is located on Federal lands. The Bureau of Land Management itself estimates that nearly 1.9 billion tons of coal reserves in nine States will be placed off limits due to the Secretarial Order. Moreover, Federal coal leases provide thousands of jobs as well as revenue for State and local communities. This budget rejects the administration's war on coal.

The Federal Government owns "somewhere between 635–640 million acres of land—almost a third of the United States."[247] The government cannot properly manage all this land and, as a result, Federal agencies estimate a $19 billion maintenance backlog.[248] The budget resolution supports giving States and localities more control over the resources within their borders. This will lead to increased resource production and allow States and localities to take advantage of the benefits of increased economic activity.

Illustrative Direct Spending Options

As it develops policies in these areas, the Committee on Natural Resources may wish to consider the factors above. Below are options that could emerge from such consideration.

Maintaining Existing Land Resources. The President's budget seeks to convert certain Federal land acquisition accounts from discretionary to direct spending. The Federal Government already

---

[242] Marc Humphries, *U.S. Crude Oil and Natural Gas Production in Federal and Non-Federal Areas,* Congressional research Service, 10 April 2014.

[243] Ibid.

[244] Katie Hoover, *National Forest System Management: Overview, Appropriations, and Issues for Congress,* Congressional Research Service, 29 January 2015.

[245] Ibid.

[246] Joby Warrick and Juliet Eilperin, "Obama Announces Moratorium on New Federal Coal Leases," *The Washington Post,* 15 January 2016: https://www.washingtonpost.com/news/energy-environment/wp/2016/01/14/obama-administration-set-to-announce-moratorium-on-some-new-federal-coal-leases/.

[247] House Committee on Natural Resources, *Views and Estimates for Fiscal Year 2016.*

[248] Ibid.

struggles with a maintenance backlog on the millions of acres it controls—a backlog totaling between $17 billion and $22 billion—but the administration is seeking to acquire even more land. This budget keeps funding for land acquisition under congressional oversight, giving States and localities more control over the land and resources within their borders.

Expand Access to Federal Land for Timber Harvest. Timber harvest rates on Federal land have been declining for nearly 30 years. As a result, the States and localities that depend on their share of the receipts have been shortchanged the funding they expected to receive to pay for schools and other local priorities. Increased timber harvests will generate economic growth in localities throughout the country, increase receipts to the Federal Government, States, and localities, and reduce the need for funding replacement programs, such as Secure Rural Schools.

Expand Onshore and Offshore Energy Production. Despite the existence of abundant domestic resources, the Federal Government has adopted policies that hinder American production of oil and natural gas on Federal lands and in Federal waters. Breaking free of future dependence on energy supplies from countries whose interests differ from those of the U.S. requires producing more energy at home.

Unlocking domestic energy supplies in a safe, environmentally-responsible manner will increase receipts from bonus bids, rental payments, royalties, and fees. The budget allows for greater access in areas such as Alaska, the Outer Continental Shelf, the Gulf of Mexico, and the Intermountain West.

In addition, the budget rejects the Obama Administration's proposal to redirect funds allocated to the Gulf States through the Gulf of Mexico Energy Security Act to the U.S. Treasury. This policy, proposed in the President's recent fiscal year 2017 budget request, would negatively affect State and local communities with diverse coastal ecosystems.

OTHER DIRECT SPENDING

General Science, Space, and Technology

Almost all the government's science and technology funding is discretionary. Nevertheless, there is a small amount of direct spending within the National Science Foundation that funds the Directorate for Education and Human Resources [EHR]. The EHR focuses on science, technology, engineering, and math [STEM] programs at all educational levels.

The resolution calls for $107 million in direct spending budget authority and $106 million in outlays in fiscal year 2017. The 10-year totals are $1.0 billion for both budget authority and outlays. The figures appear in Table 3, Function 250.

Community and Regional Development

The main direct spending component of this function (Function 450 in Table 3) is the National Flood Insurance Program [NFIP]. The NFIP reauthorization will expire 30 September 2017. The Committee on Financial Services says: "[T]here is little to no pri-

vate sector alternative to the NFIP, exposing taxpayers to virtually all of the Nation's insured flood risk. In 1968, Congress recognized that the inherent challenges of managing flood risk were too great for the private sector and that no viable private sector insurance alternative existed. But 47 years later, given the dynamics of the market and the information now available, the Committee believes the biggest impediment to the development of a private flood insurance market is the subsidized monopoly of the NFIP. The Committee will explore legislative initiatives to facilitate the establishment of a private flood insurance market that serves the needs of all Americans and reduces the significant financial risk faced by taxpayers."[249] Other direct spending programs within the function include activities such as Community Development Financial Institutions, Rural Energy for America, the Bureau of Indian Affairs and Indian Education, and activities of the Gulf Coast Restoration Trust Fund. The resolution calls for −$597 million in direct spending budget authority and $656 million in outlays in fiscal year 2017. The 10-year totals for direct spending budget authority and outlays are −3.0 billion and $7.6 billion, respectively.

A potential savings option here is to reduce energy subsidies for commercial interests. The budget recommends spending reductions for rural green-energy loan guarantees. These loan guarantees come with Federal mandates that channel private investments into financing the administration's preferred interests at taxpayers' expense.

[249] Committee on Financial Services, U.S. House of Representatives, *Views and Estimates,* 8 February 2016.

Financial Management

The remaining categories chiefly concern major non-programmatic financing mechanisms for the Federal Government. Net Interest, for example, represents payments resulting from the government's prior borrowing. Allowances is a placeholder function for budgetary effects that the Congressional Budget Office has not yet assigned to other specific categories. Undistributed Offsetting Receipts represents payments to the government that are recorded as negative budget authority and outlays. These three functions round out the spending components of the budget overall.

NET INTEREST

Function Summary

One of the worst effects of large, chronic budget deficits is the high interest cost it produces. Interest payments yield no government services or benefits; they are simply excess costs resulting from a history of spending beyond the government's means. These costs are reflected in this category (Function 900 in Tables 1 and 3), which presents the interest paid for the Federal Government's borrowing less the interest received by the Federal Government from trust fund investments and loans to the public. It is a mandatory payment, in the true sense of the word, with no policy options and no discretionary components.

According to CBO, if government programs are not reformed, net interest payments are projected to nearly quadruple, from $223 billion in fiscal year 2015 to $830 billion by 2026. At this rate, interest costs are projected to grow at an average annual rate of approximately 12.7 percent—the fastest growing major component of the Federal budget. Net interest spending is projected to exceed the entire amount spent on the national defense base budget by 2024.

Reducing interest costs will require sustained spending restraint. This budget resolution provides such restraint, and it reduces net interest by $974.8 billion over 10 years compared with the CBO baseline.

Summary of Net Interest Payments

The resolution calls for $306.5 billion of direct spending for net interest payments in fiscal year 2017. The proposed 10-year total for net interest payments are $4.8 trillion.

On-budget direct spending—or net interest payments unrelated to Social Security—is $393.7 billion in fiscal year 2017 and $5.6 trillion over 10 years. The on-budget figure is larger than the budget Function 900 total, because the former is offset by off-budget interest payments to the Social Security Trust Fund. These off-budg-

et interest payments are presented as negative numbers, because they reflect money coming into, rather than flowing out of, the Treasury.

Off-budget direct spending is −$87.2 billion in fiscal year 2017 and −$823.1 billion over 10 years.

ALLOWANCES

Function Summary

The Allowances categories represent place-holders for certain budgetary impacts that the CBO has yet to assign to a specific budget function. They are presented as Function 920 in the summary tables. The particulars of the categories are described below.

In August 2011, the President and Congress enacted the Budget Control Act [BCA] of 2011 (Public Law 112–25), which provided for significant spending reductions, enforced by statutory spending caps, and an automatic enforcement procedure. The BCA did not specify a distribution of spending reductions in specific budget functions other than for National Defense (Function 050) and Medicare (Function 570), even though the law does require reductions in non-defense and non-Medicare areas of the budget. At the time of its January 2016 baseline release, CBO did not provide forward-looking, function-level information on what non-defense and non-Medicare reductions are under the terms of the BCA. The CBO has, instead, assigned the non-defense and non-Medicare reductions required by the BCA to Function 920.

The budget resolution recommends no changes in this function, leaving it instead at the CBO baseline levels. The CBO baseline for Function 920 includes a total of $587.6 billion and $530.1 billion in reductions for budget authority and outlays over 10-years, respectively, to reflect the impact of the BCA on non-defense and non-Medicare spending. The following two components are included in the baseline:

- A reduction of $567.9 billion in budget authority and $512.3 billion in outlays for non-defense activities, needed to comply with the discretionary spending caps set by section 101 of the BCA;
- A $19.7 billion and $17.8 billion reduction in budget authority and outlays, respectively, to non-Medicare and non-defense direct spending programs, necessary to comply with the automatic-enforcement procedure (the sequester) mandated by the BCA.

UNDISTRIBUTED OFFSETTING RECEIPTS

Function Summary

Offsetting receipts to the Treasury are recorded in this category as negative budget authority and outlays. Receipts appearing here are either intra-budgetary (a payment from one Federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some kind of business transaction with the government). The main types of receipts presented are the payments Federal agencies make to employee retire-

ment and health care funds; payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf; and payments by those who bid for the right to buy or use public property or resources, such as the electromagnetic spectrum. The category also contains an off-budget component that reflects the Federal Government's share of Social Security contributions for Federal employees.

All transactions in this area are recorded as direct spending and appear in Function 950 of Table 3. The resolution calls for −$105.5 billion in budget authority and outlays in fiscal year 2017 (the minus sign indicates receipts flowing into the Treasury). Over 10 years, budget authority and outlays total −$1.2 trillion.

On-budget amounts are −$88.6 billion in budget authority and outlays in fiscal year 2017, and −$966.6 billion in budget authority and −$970.0 billion in outlays over 10 years.

Off-budget amounts are −$16.9 billion in budget authority and outlays in fiscal year 2017, and −$196.3 billion in budget authority and outlays over 10 years. The major program in the off-budget category is Federal agency matching payments for retirement contributions on behalf of Federal employees to the Federal Old Age and Survivors and Disability Insurance Trust Fund—or Social Security. The budget resolution recommends no policy changes to the off-budget portion of Function 950.

Illustrative Policy Options

Federal Real-Property Sales. The Fiscal Commission highlighted potential budget savings from another area where the mismanagement of taxpayer-owned assets and the sheer amount of unnecessary costs are staggering: Federal real estate and other property. The Federal real-property inventory is so massive that the report accounting for it lags 2 years behind the current budget year. Complex procedural requirements, lack of organization, and delayed data reporting provide agencies with few incentives to dispose of unneeded properties and even fewer repercussions for holding onto these properties indefinitely. Real-property management has been on the Government Accountability Office's list of "high risk" government activities since 2003. According to the most recent Federal Real Property Profile, from fiscal year 2014, the Federal Government owns or leases more than 275,000 buildings and 481,000 structures.[250]

The government has a poor track record for real-estate asset sales. The fiscal year 2014 report shows that of the 18,619 assets the Federal Government disposed of in that year, 5,473, or almost 30 percent, were disposed of by way of demolition. Just under 5 percent were disposed of through a sale. Many assets were conveyed, or given away, at below-market value or for free.[251]

The resolution urges the Office of Management and Budget to streamline the asset-sale process; loosen regulations for the disposal and sale of Federal property to eliminate red tape and waste; set enforceable targets for asset sales; and hold government agen-

[250] General Services Administration, Federal Real Property Profile, Fiscal Year 2014: http://www.gsa.gov/portal/content/102880.
[251] Ibid.

cies accountable for the buildings they oversee. If these actions are done correctly, the Federal Government could save billions of dollars from selling unused government property.

Federal Land. Currently, the Federal Government owns nearly 650 million acres of land—almost 30 percent of the land area of the United States. In addition to Federal fleet and real-property sales, this resolution supports examining Federal lands, in consultation with State and local communities, to identify where certain lands may be more efficiently managed, thus reducing the burden on the Federal Government. Excluded from this policy are National Parks, wilderness areas, wildlife refuges, and wild and scenic rivers.

Reduce Strategic Petroleum Reserve [SPR] Through Asset Sales. The SPR was created following the energy crisis of 1973 when OPEC members proclaimed an oil embargo. Since then the U.S. has significantly reduced its dependence on overseas oil. Furthermore, the recent significant expansion of U.S. oil supplies allows the Federal Government to safely draw down the number of barrels it holds in reserve. The United States is required to hold in reserve a number of barrels equal to 90 days of net imports, pursuant to an agreement with International Energy Agency [IEA] member countries. This policy option would draw down reserves within the SPR in accordance with its international agreements.

REVENUE AND TAX REFORM

The U.S. tax code is notoriously complex, patently unfair, and highly inefficient. Its complexity distorts decisions to work, save, and invest, which leads to slower economic growth, lower wages, and less job creation. This budget proposes to address these problems with a reformed tax code that is simpler and fairer, and that promotes growth. A revamped tax code could raise just as much revenue as does the system in place today, *without* the harmful tax policies embedded in current law (such as the Affordable Care Act). A restructured and more efficient tax code would also spark greater economic growth and job creation.

The budget resolution's revenue projections—$3.521 trillion in fiscal year 2017, and $42.385 trillion through 2026—are built on a tax reform model derived from the principles below.

The Challenge

The current tax code is needlessly complex. It is estimated that individuals, families, and employers spend more than 6 billion hours and more than $160.0 billion a year trying to negotiate a labyrinth of special rules, deductions, and tax schedules. Over the past decade alone, there have been 4,107 changes to the tax code. Many of the major changes made over the years have carved out special preferences, exclusions, or deductions for various activities or groups. These loopholes exceed $1.0 trillion per year. To put that figure in perspective, the government *collected* about $1.5 trillion in individual income taxes last year.

As the tax code has grown in complexity, the Internal Revenue Service has increased its funding requests to support an army of tax examiners and agents. To cite just one example, the Treasury Department requested about $452.0 million in fiscal year 2015 simply to administer the tax elements of the Affordable Care Act over those 12 months. Nina E. Olson, the National Taxpayer Advocate [NTA], has consistently cited the complexity of the tax code as one of the most serious problems facing individuals and businesses. In the NTA's 2014 annual report to Congress, Olson said: "I believe we need fundamental tax reform, sooner rather than later, so the entire system does not implode."[252]

The large amount of tax preferences that pervade the code end up narrowing the tax base. A narrow tax base requires much higher tax rates to raise a given amount of revenue. Standard economic theory shows that high marginal tax rates dampen incentives to work, save, and invest, which reduces economic output and job cre-

[252] National Taxpayer Advocate, *Annual Report to Congress*, Vol. 1, 2014: http://www.taxpayeradvocate.irs.gov/Media/Default/Documents/2014-Annual-Report/Volume-One.pdf.

ation. Lower economic output, in turn, drains off the intended revenue gain from higher marginal tax rates.

The top tax rate has actually risen and fallen dramatically throughout U.S. history, with little effect on tax revenue as a share of the economy. For instance, the top U.S. tax rate has been as high as 90 percent and as low as 28 percent. Income tax revenue has remained fairly steady, despite these sharp rate swings. It turns out that the biggest driver of Federal revenue is not higher tax rates, but economic growth. A sizable majority of economists point out that a broad base and low rates are key in a tax system that fosters economic growth and competitiveness. Legislators on both sides of the aisle agree on this basic principle.

One hallmark of the U.S. economy is the role of smaller, unincorporated businesses. Roughly half of U.S. active business income and half of private sector employment are derived from business entities (such as partnerships, S corporations, and sole proprietorships) that are taxed on a "pass-through" basis. This means the income flows through to the tax returns of the individual owners and is taxed at the individual rate structure rather than at the corporate rate. Small businesses, in particular, tend to choose this form for Federal tax purposes, and the top effective Federal tax rate on such small business income can reach nearly 45 percent. For these reasons, sound economic policy requires lowering marginal rates on these pass-through entities.

The U.S. corporate income tax rate (including Federal, State, and local taxes) sums to slightly more than 39 percent. This is the highest rate in the industrialized world. The tax itself raises relatively little revenue: only about 10 percent of the total Federal tax take comes from taxing corporate income. Furthermore, corporate income is taxed twice: first at the corporate entity level, as it is earned, and also as the shareholder level, when corporations distribute earnings. This tax structure discourages investment and job creation, distorts business activity, and puts American businesses at a competitive disadvantage against foreign competitors. Policymakers should consider options to limit such double taxation when comprehensive tax reform is considered. Any tax that raises little revenue and creates a lot of economic distortions is particularly ripe for reform.

A high corporate tax rate hinders American competitiveness by making the U.S. a less desirable destination for investment and jobs. Decisions about where to locate a business and make investments are becoming more sensitive to country tax rates, as global integration increases. Foreign investment is important to an economy, because it is a key source of funding to finance innovation and jobs. Many countries have been lowering their business taxes to increase their competitiveness. The U.S. risks falling behind, as it maintains a high tax rate while other countries lowering theirs. The U.S. corporate tax constrains economic growth and job creation, because it deters potential investment. Also, the U.S. tax rate differential with other countries fosters a variety of complicated multinational corporate behaviors intended to avoid the tax—profit shifting, corporate inversions, and transfer pricing—which have the effect of moving the tax base offshore, destroying American jobs, and decreasing corporate revenue.

The structure of U.S. international taxation is also out of sync with the international standard used by the majority of other countries, putting U.S. businesses operating abroad at a competitive disadvantage. Most countries operate under a so-called "territorial" system of international taxation, whereby their businesses operating abroad are only subject to the tax of the country where they do business. The U.S. has an antiquated "worldwide" system of international taxation, in which U.S. multinational businesses operating abroad pay both the foreign-country tax and U.S. corporate taxes when profits are repatriated. They are essentially taxed twice. This puts them at an obvious competitive disadvantage.

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

Solution: Pro-Growth Tax Reform

Given the many problems with the current system, Congress should enact legislation that provides for a comprehensive reform of the U.S. tax code to promote economic growth, create American jobs, and increase wages. While the Committee on Ways and Means will develop the particular policies, these aims can be achieved through revenue-neutral, fundamental tax reform that does the following:

- Simplifies the tax code to make it fairer to American families and businesses and reduces the amount of time and resources necessary to comply with tax laws;
- Substantially lowers tax rates for individuals, and consolidates the current seven individual income tax brackets into fewer brackets;
- Repeals the Alternative Minimum Tax;
- Reduces the corporate tax rate;
- Transitions the tax code to a more competitive system of international taxation.

Economists have shown that lowering overall rates and broadening the tax base would create greater economic growth and support more job creation by the private sector. A faster-growing economy would help reduce the budget deficit. According to CBO, raising real GDP growth by just 0.1 percentage point per year would reduce the deficit by $327 billion over the next decade.

This resolution calls for comprehensive tax reform and lays out several principles, but it does not assume any particular plan. There are many good ideas on this front—growth-oriented tax plans that could strengthen the economy and support the Nation's spending priorities.

Representative Woodall (R–GA), for instance, has submitted a fundamental tax-reform plan for consideration by the Ways and Means Committee. It would eliminate taxes on wages, corporations, self-employment, and capital gains, as well as gift and death taxes, in favor of a personal consumption tax that would provide the economic certainty that American businesses, entrepreneurs, and taxpayers desire.

Representative Goodlatte (R–VA) has also submitted legislation that calls for fundamental, pro-growth tax reform. This legislation would shape the debate on tax reform by establishing a structure to provide for a tax system that encourages job creation and a healthy economy. Without prescribing any specific tax system, it calls for a low tax rate for all Americans, tax relief for working individuals, protection for the rights of taxpayers and a reduction in tax collection abuses. Additionally, under this legislation, a tax system would support savings and investment, and would not penalize marriage or families. Similar legislation has twice passed the House of Representatives in previous Congresses. The 114th Congress should consider enacting this legislation.

The committee report recognizes a number of possible solutions as Congress works to enact comprehensive tax reform. Congress should recognize the many factors businesses consider when they make property and capital investment decisions in the United States, such as cash flow impact, the macro-economic outlook, duration of investment, and costs of goods and services, and the regulatory environment.

It is no secret that Washington has a spending problem, not a revenue problem. (The Congressional Budget Office projects Federal revenue will hover right around 18.0 percent of gross domestic product throughout the next decade, well above the 17.4-percent average annual level of the past half century.) This is primarily due to the growing costs of health and retirement benefits. Therefore, this report discourages proposals offered by some members of Congress that seek to raise revenue to finance out of control spending, such as a financial transaction tax, a bank excise tax, or a carbon tax. These proposals would discourage savings and investment and increase the costs of individual, family, and employee retirement accounts.

This committee report recognizes that one way to relieve the ever-increasing burden of automatic spending is to encourage individuals and families to save. Maintaining and strengthening the critical role of the private sector in helping all Americans achieve retirement security is important. Tax reform that encourages taxpayers to save is pro-growth economic policy that would consequently enable individuals and families to rely less on the Federal Government.

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

DIRECT SPENDING TRENDS AND REFORMS

Background

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

The Congressional Budget Office [CBO] reports that total non-interest mandatory spending in fiscal year 2015 was $2.299 trillion, and will grow to $4.142 trillion by 2026, reflecting an average annual growth rate of 5.5 percent—faster than both CBO's projection of 2015 nominal economic growth of 3.4 percent and CBO's longer-term projection of economic growth of 4.0 percent. Within overall non-interest mandatory spending, the entitlements of Medicare and Social Security are projected to continue growing faster than the economy as a whole, with Social Security expected to grow from $882 billion in 2015 to $1.6 trillion in 2026 and Medicare expected to grow from $634 billion in 2015 to $1.3 trillion in 2026.

Over the next decade, the major means-tested automatic (or "direct") spending programs are expected to grow by 4.3 percent per year—from $744 billion in 2016 to $1.1 trillion in 2026. Not only are these programs expected to grow in the future, but they have grown significantly over the past 40 years. The Congressional Research Service calculated that spending on low-income assistance programs was $2.66 billion in inflation-adjusted dollars in 1962, or approximately 2.6 percent of total Federal outlays and 0.5 percent of gross domestic product [GDP]. Over just the past 10 years, major means-tested automatic spending programs have grown 7.3 percent per year, from $386 billion in 2007 to $744 billion in 2016.

There are a number of reasons for this growth. Most recently, the recession caused significant increases in spending on low-income programs. Spending is projected to remain at elevated levels for several programs—most notably, the Supplemental Nutrition Assistance Program, or SNAP (formerly known as food stamps). Over the past 10 years, the SNAP program grew at 8.1 percent annually, ballooning from $35 billion in 2007 to $75 billion in 2016. While this amount is projected to remain steady over the next 10 years, it remains at elevated levels compared to prerecession levels.

Other programs have also seen large increases. Supplemental Security Income was created as a needs-based program that provides cash benefits to aged, blind, or disabled persons with limited income and assets. When the program began, the majority of payments went toward the aged. As it matured, however, a much greater percentage of beneficiaries were under age 18 or between the ages of 18 to 64. Over the past decade, spending on SSI has grown by 4.8 percent per year.

The largest means-tested program in the Federal budget is Medicaid, the Federal-State low-income health program. Medicaid

spending– and its related State Children's Health Insurance Program [SCHIP]—doubled from $197 billion in 2007 to $394 billion in 2016. Going forward, the Congressional Budget Office [CBO] projects Federal Medicaid and SCHIP spending to reach $648 billion in fiscal year 2026. Absent reform, Medicaid will not be able to deliver on its promise to provide a sturdy health care safety net for society's most vulnerable. Because of the flawed incentives in this program, Medicaid grew at 7.7 percent a year over the past 10 years, and it is projected to grow 5.4 percent a year over the next 10 years. This level of growth is clearly unsustainable.

The Fiscal Year 2017 Budget

The fiscal year 2017 budget addresses both non-means-tested and means-tested direct spending. Most important, it tackles the primary drivers of debt and deficits: the government's health programs. For Medicare, this budget advances policies to put seniors, not the Federal Government, in control of their health care decisions. This resolution provides future retirees with the freedom to choose a plan best suited for them, and guarantees health security throughout their retirement years. Under this program, traditional Medicare and private plans—providing the same level of health coverage—compete for seniors' choices, just as Medicare Advantage does today. This improved Medicare program would also adopt the competitive structure of Part D, prescription drug benefit program, providing beneficiaries with a defined contribution to purchase coverage and, through competition, deliver savings for seniors in the form of lower monthly premium costs. By allowing seniors to choose the best plan for them, plans are required to compete against each other on price and quality. This means the program works better for patients and will save the program for future generations of seniors. The program also includes additional protections for the most vulnerable. Adjustments would be made to the Federal contribution based on the health of the beneficiary so that those with illnesses would receive higher payments if their condition worsened; lower-income seniors would receive additional assistance to help cover out-of-pocket costs; and wealthier seniors would assume responsibility for a greater share of their premiums.

For Medicaid, this budget converts the Federal share of Medicaid spending into allotments that give States the flexibility to tailor their programs to meet their fiscal needs, as well as serve the worst off in society. State Flexibility Funds would end the misguided one-size-fits-all approach that ties the hands of State governments trying to make their Medicaid programs as effective as possible. In addition, the budget proposes to advance a work requirement for all able-bodied adults who are enrolled in Medicaid. Work not only provides a source of income and self-sufficiency, but also has been demonstrated as a valuable source of self-worth and dignity for individuals. Moreover, this budget repeals the Medicaid expansions in the President's health care law.

For the Supplemental Nutrition Assistance Program, this budget also calls for converting the current program into a flexible allotment tailored to meet each State's needs.

Additionally, in keeping with a recommendation from the National Commission on Fiscal Responsibility and Reform, this budget

calls for Federal employees—including Members of Congress and their staffs—to make greater contributions toward their own retirement.

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

Improving the Accuracy of Budget Estimates

In addition, the CBO should constantly strive to improve and update its estimating practices with respect to both fiscal and economic effects. This requires a willingness by the agency to advance its methodologies—as it has done in the past. For instance, in February of 2014, CBO estimated a significantly larger negative employment impact from the Affordable Care Act than it had previously done. It did so in part because of the work of University of Chicago Economist Casey B. Mulligan, who has done extensive work in the area.[253] Another example is the treatment of this budget resolution, which does reflect the positive impact of its overall deficit-reducing fiscal policy, though it is still based on CBO's independent analysis.

Inaccuracies in cost estimates for direct spending legislation are to some degree unavoidable. This is due, in part, to the nature of the process. CBO must provide estimates in a short period of time for legislation that is sometimes very complex. Moreover, the estimates often depend on a wide array of difficult-to-predict variables such as individuals' behavioral responses to changes in program benefits. Though CBO routinely uses probability-based scoring techniques to estimate the cost of major legislation, accurate cost estimates for direct spending legislation remain elusive. CBO endeavors to communicate to the Congress the uncertainty of the agency's estimates. The agency also monitors the budgetary effects of enacted legislation to help improve projections of spending and receipts under current law, as well as to improve cost estimates for new legislative proposals.

Members of Congress have an important role to play as well. The Budget Committees in the House and Senate have oversight responsibilities over CBO. The committees should make greater use of this responsibility, conducting regular review of CBO's estimating accuracy of previous and future direct spending legislation, as Representative Foxx (R–NC) has proposed. The committees should work with CBO to provide the Congress with periodic analyses of such inaccuracies in CBO cost estimates and subsequent adjustments going forward.

---

[253] See Congressional Budget Office, *The Budget and Economic Outlook: 2014 to 2024,* February 2014, Appendix C.

TABLE 9.—HISTORICAL MEANS–TESTED AND NON–MEANS–TESTED DIRECT SPENDING

[Outlays by fiscal year, billions of dollars]

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Estimated 2016	Average annual growth 2006–2015
Means-Tested Programs:												
Health Care Programs:												
Medicaid	181	191	201	251	273	275	251	265	301	350	381	7.7
Medicare Part D Low-Income Subsidies	11	17	17	19	21	24	20	22	22	24	28	9.6
Health insurance subsidies [a,b]	0	0	0	0	0	0	0	0	13	27	39	n.a.
Children's Health Insurance Program	5	6	7	8	8	9	9	9	9	9	13	8.7
Subtotal	197	213	225	277	302	308	279	297	346	411	460	8.8
Income Security:												
Earned income and child tax credits [b]	52	54	75	67	77	78	77	79	82	81	83	4.8
SNAP	35	35	39	56	70	77	80	83	76	76	75	8.1
Supplemental Security Income	37	36	41	45	47	53	47	53	54	55	59	4.8
Family support and foster care [c]	30	31	32	33	35	33	30	32	31	31	31	0.3
Child nutrition	14	14	15	16	17	18	19	20	20	22	23	5.1
Subtotal	168	170	202	217	247	260	254	266	263	264	271	4.9
Veterans' Pensions	4	3	4	4	4	5	5	5	6	5	6	5.5
Pell Grants [d]	0	0	1	2	4	14	12	16	8	10	7	n.a.
Subtotal, Means-Tested Programs	369	386	431	501	557	587	550	584	623	690	744	7.3
Non-Means-Tested Programs [e]	1,188	1,242	1,349	1,787	1,553	1,648	1,710	1,752	1,753	1,865	1,959	5.1
Total Mandatory Outlays [f]	1,556	1,628	1,780	2,288	2,110	2,236	2,260	2,336	2,376	2,555	2,703	5.7
Memorandum:												
Pell Grants (Discretionary)	13	13	15	13	20	21	21	17	23	20	23	5.8
Means-Tested Programs:												
Adjusted for Timing Shifts	368	389	431	501	557	581	556	584	623	690	737	7.2
Non-Means-Tested Programs:												
Adjusted for Timing Shifts	1,202	1,241	1,349	1,787	1,553	1,627	1,731	1,752	1,753	1,865	1,927	4.8

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

The average annual growth rate over the 2007–2016 period encompasses growth in outlays from the amount recorded in 2006 through the amount projected for 2016.

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

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

a. Differs from the amounts reported in Table 3-2 in The Budget and Economic Outlook: Fiscal Years 2016 to 2026 in that it does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees) and reinsurance (amounts paid to plans that enroll people with high health care costs). Spending for grants to States to establish exchanges is also excluded.

b. Does not include amounts that reduce tax receipts.

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

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

e. Does not include offsetting receipts.

f. Does not include outlays associated with Federal interest payments.

TABLE 10.—PROJECTED MEANS–TESTED AND NON–MEANS–TESTED DIRECT SPENDING

[Outlays by fiscal year, billions of dollars]

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Average annual growth (percent) 2017–2026
Means-Tested Programs:												
Health Care Programs:												
Medicaid	381	401	420	439	460	484	509	536	564	593	642	5.4
Medicare Part D Low-Income Subsidies	28	28	27	32	34	37	44	44	45	53	57	7.4
Health insurance subsidies [a,b]	39	57	67	70	71	74	79	82	86	89	93	9.1
Children's Health Insurance Program	13	13	11	6	6	6	6	6	6	6	6	−7.6
Subtotal	460	499	525	546	571	601	637	668	700	740	798	5.7
Income Security:												
Earned income and child tax credits [b,c]	83	82	82	84	86	88	91	93	95	97	99	1.8
SNAP	75	74	73	73	72	72	72	72	72	73	74	−0.1
Supplemental Security Income	59	56	53	60	61	63	70	67	64	71	74	2.2
Family support and foster care [d]	31	32	32	33	33	33	34	34	34	35	35	1.1
Child nutrition	23	24	25	26	27	28	29	30	32	33	34	4.2
Subtotal	271	267	265	274	280	285	296	296	297	309	317	1.6
Veterans' pensions	6	6	6	7	7	7	8	7	7	8	8	2.9
Pell Grants [e]	7	6	8	8	8	8	8	8	8	8	8	2.3
Subtotal, Means-Tested Programs	744	778	804	835	865	901	948	979	1,012	1,065	1,130	4.3
Non-Means-Tested Programs [f]	1,959	2,018	2,076	2,238	2,377	2,519	2,720	2,829	2,933	3,156	3,362	5.5
Total Mandatory Outlays [g]	2,703	2,796	2,880	3,073	3,243	3,419	3,669	3,808	3,944	4,221	4,492	5.2

TABLE 10.—PROJECTED MEANS–TESTED AND NON–MEANS–TESTED DIRECT SPENDING—Continued

[Outlays by fiscal year, billions of dollars]

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Average annual growth (percent) 2017–2026
Memorandum:												
Pell Grants (Discretionary) [h]	23	25	28	23	24	24	25	25	26	26	27	1.8
Means-Tested Programs:												
Adjusted for Timing Shifts	737	778	811	835	865	901	939	979	1,021	1,065	1,130	4.4
Non-Means-Tested Programs:												
Adjusted for Timing Shifts	1,927	2,015	2,111	2,238	2,377	2,519	2,669	2,825	2,988	3,156	3,362	5.7

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

The projections shown here are the same as those reported in Congressional Budget Office, The Budget and Economic Outlook: Fiscal Years 2016 to 2026 (January 2016).

The average annual growth rate over the 2017–2026 period encompasses growth in outlays from the amount projected for 2016 through the amount projected for 2026.

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

SNAP = Supplemental Nutrition Assistance Program.

Because October 1 will fall on a weekend in 2016, 2017, 2022, and 2023, certain Federal payments that are due on those dates will instead be made at the end of the preceding September and thus be shifted into the previous fiscal year. Those shifts primarily affect outlays for Supplemental Security Income, veterans' compensation benefits and pensions, and Medicare.

a. Differs from the amounts reported in Table 3-2 in The Budget and Economic Outlook: Fiscal Years 2016 to 2026 in that it does not include payments to health insurance plans for risk adjustment (amounts paid to plans that attract less healthy enrollees) and reinsurance (amounts paid to plans that enroll people with high health care costs). Spending for grants to States to establish exchanges is also excluded.

b. Does not include amounts that reduce tax receipts.

c. Differs from the amounts reported in Table 3-2 in The Budget and Economic Outlook: Fiscal Years 2016 to 2026 in that it does not include other tax credits that were included in that table.

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

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

f. Does not include offsetting receipts.

g. Does not include outlays associated with Federal interest payments.

h. The discretionary baseline does not represent a projection of expected costs for the discretionary portion of the Federal Pell Grant Program. As with all other discretionary programs, the budget authority is calculated by inflating the budget authority appropriated for fiscal year 2016. Outlays for future years are based on those amounts of budget authority and also reflect a temporary surplus of budget authority provided in 2016.

THE LONG–TERM BUDGET OUTLOOK

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

This budget would turn the tide. If the policies incorporated in the budget were enacted, they would yield $6.5 trillion in spending reductions over the next 10 years. It reforms government spending programs responsibly. It protects key priorities while eliminating waste. It avoids sudden and arbitrary cuts to current services, such as those the country would experience in a debt crisis.

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

Under current policy, the Federal Government will spend $50.6 trillion over the next 10 years. Under this proposal, it will spend roughly $44.1 trillion. This budget does not make sudden cuts. Instead, it increases spending at a more manageable rate. For instance, on the current path, spending will rise by an annual average of 4.8 percent. Under this budget, it will rise by only 2.7 percent.

Washington cannot keep spending money it does not have. So this budget achieves balance in 2026 by bringing spending down relative to the size of economy, to 18.3 percent of GDP in 2026. To achieve this outcome, it puts in place fundamental reforms to protect and strengthen Medicare by gradually transitioning the program to a premium support model. Along with Medicaid and other spending reforms, these changes are critical to putting the Nation on sound financial footing.

The spending path assumed in this budget will result in a balanced budget in 10 years and, according to CBO, a growing surplus that will lead to a sharp reduction in the national debt. CBO says a small budget surplus in 2026 will eventually grow to 1.8 percent of GDP by 2040. At the same time, debt held by the public will decline from more than 74 percent of GDP today to 57 percent of GDP in 2026 and to just 22 percent of GDP by 2040—a glide path to fully paying off the national debt.

Over the long term, the budget assumes revenue generally follows CBO's extended baseline and is allowed to grow from 18.1 percent of GDP in 2026 to 19.0 percent of GDP by 2035. After that, the budget holds revenue at 19.0 percent of GDP.

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

BUDGET PROCESS REFORM

There is no doubt congressional budget procedures are failing. Before last year, Congress had gone 5 straight years without passing a budget resolution, the key instrument for setting fiscal policy (although the House did pass its own budgets for fiscal years 2012 through 2015).

Yet the lack of budget resolutions is only one symptom of congressional failure. As the practice eroded, budget deadlines were routinely missed (sometimes deliberately), spending limits were breached, oversight was ignored, and separate spending bills were typically combined into massive, omnibus measures that Members had too little time to study before they must vote on them. Although the House and Senate last year did pass a reconciliation bill pursuant to the budget resolution—the measure repealed the Affordable Care Act—the budget's discretionary spending levels were supplanted by a bipartisan spending agreement.

Budgeting is inherently difficult, but current budget procedures contribute to the failures cited above. The process is complex, immensely time-consuming, frustrating, and difficult to understand—and far too often it fails to produce the results intended. As a result, over the past several years, legislators and policy experts have proposed a variety of specific, incremental changes to the process that they believe will make it more efficient and effective. Among the ideas proposed have been a joint budget resolution—which would call for the President's signature or veto—automatic continuing resolutions, 2-year budgets and appropriations, and reform of budget baselines. What is needed, however, is a thorough overhaul of the congressional budget process: "[T]he time for incremental reforms in the budget process is over. The Congress should blow it up and start over from first principles."[254]

The following are some key principles for guiding a reevaluation of congressional budgeting procedures.

Exercising Constitutional Government

Although America's Founders had little sense of formalized budget practices, they knew control over spending and taxation was one of the most powerful instruments of government—one that should rest with the legislature. "This power of the purse," Madison wrote, "may, in fact, be regarded as the most complete and effectual weapon with which any constitution can arm the immediate representa-

[254] Alice M. Rivlin, first director of the Congressional Budget Office, testimony to the Committee on the Budget, U.S. House of Representatives, 21 September 2011.

tives of the people, for obtaining a redress of every grievance, and for carrying into effect every just and salutary measure."[255]

With today's budgets at nearly $4 trillion a year—more than one-fifth of the Nation's total economic output—budget matters affect nearly every aspect of government. "The importance of conflicts over the size and distribution of the budget—failure to pass a budget on time or at all has become a sign of inability to govern—testifies to the overwhelming importance of budgeting. Nowadays the State of the Union and the state of the budget have become essentially equivalent."[256]

Most process reform proposals focus on practical matters, aiming to establish a process that is more effective, efficient, and enforceable. This is perfectly understandable and appropriate. A budget process, however skillfully designed, is pointless if Congress cannot or will not use it, or if it fails to improve management of fiscal policy.

Still, reformers should view these characteristics in a broader context that recognizes the role of budgeting as a principal exercise of governing. The process should reinforce the American constitutional framework, treating it not as an impediment to efficient budgeting but as the fundamental platform for public policy.

LIMITING GOVERNMENT

If the Constitution is intended to provide a framework for a limited government, a practice of budgeting aimed at limiting spending is one of the best ways to achieve it.

Spending is how government does what it does, the reason government taxes and borrows. Hence, spending is the root cause of every other fiscal consequence. Total spending also is one of the best measures of the size and scope of government and its burden on the economy.[257] As longtime budget expert Allen Schick has put it: "In a fundamental sense, the Federal Government is what it spends."[258]

Controlling spending is therefore a principal means of limiting government and should be a focus of the budget process. Therefore, measures such as spending caps are important, especially if applied to both automatic and discretionary spending. They should help control spending and force frequent review of automatic spending programs. The main point is to recognize that spending is a fundamental expression of the size, scope, and nature of government. To limit spending is to limit government itself and to validate the principle that "budgeting is governing."

ENHANCING CONGRESS'S POLICYMAKING ROLE

Budgeting should be viewed as more than merely a mechanical process. It should reinforce Congress's constitutional role as the policymaking institution of the Federal Government. Therefore, the

---

[255] *The Federalist,* No. 58.

[256] Aaron B. Wildavsky, *The New Politics of the Budgetary Process* – Third Edition (New York: Addison-Wesley Educational Publishers Inc., 1997) p. xxiii.

[257] See Douglas J. Holtz-Eakin, testimony in hearing, *Economic Effects of Long-Term Federal Obligations,* Committee on the Budget, U.S. House of Representatives, 108th Cong., 1st Sess., July 24, 2003, http://www.gpo.gov/fdsys/pkg/CHRG–108hhrg88592/html/CHRG–108hhrg88592.htm.

[258] Schick, *The Federal Budget,* p. 2.

budget resolution—the only legislative vehicle that views the government comprehensively—should define the priorities guiding its allocation of resources. It should reflect the delegation of powers between the Federal and State governments as envisioned in the Constitution. Embracing these principles gives meaning to the budget resolution as an instrument for governing, and provides coherence to the spending and tax bills that follow. The budget process also should promote the practice of budgeting itself. It should compel Congress to exercise this fundamental governing responsibility. The best incentive, of course, is simply a firm commitment by lawmakers to fulfill their legislative obligations, but the process should support that conviction to the greatest extent possible.

REINFORCING THE BALANCE OF POWERS

The role of budget procedures in maintaining the constitutional order was clearly stated in 1918, as policy advocates were promoting the establishment of an executive budget process (which came to pass in 1921).[259] "When you have decided upon your budget procedure you have decided on the form of government you will have as a *matter of fact.* Make the executive the dominating and controlling factor in budget-making and you have, irrespective of what label you put on it, an autocratic actual government. If . . . you give the dominating and controlling influence to the representatives of the people elected to the legislature, you have, irrespective of what label you put on it, a democratic or a representative actual government."[260]

The Congressional Budget Act of 1974 made the budget a *concurrent* resolution, not requiring the President's signature, for a reason. The President still prepares his budget—an expression of his own agenda, his own priorities and policy proposals—independently of Congress. The President also has the important role of either signing or vetoing the spending and tax bills that implement the congressional budget. Through veto messages, he can encourage—but not compel—changes in those measures.

When Congress fails to conduct its own regular budget procedures, it cedes to the administration more control over budgetary decisions through its execution of spending and tax policies. This is especially true with automatic spending programs and their effectively permanent authorizations. Because they are not subject to regular congressional review, this major part of the budget is arguably controlled by the administration and its regulatory apparatus.

The congressional budget should assertively define the allocation of resources in a way that aligns with Congress's vision of national priorities. Congress also should periodically review all spending programs, especially those funded with automatic spending.

It is worth noting, too, that before 1974, only the President had a comprehensive fiscal plan for the government. Congress acted on spending and tax bills separately, and they were made part of the President's plan, sometimes with modifications. With the creation

[259] The Budget and Accounting Act of 1921 created the Federal Government's first formal budget process based in the Executive Branch. The act also created the Bureau of the Budget, now the Office of Management and Budget.

[260] Edward Augustus Fitzpatrick, *Budget Making in a Democracy* (New York: The Macmillan Company, 1918).

of the budget resolution under the Congressional Budget Act of 1974, Congress had its own comprehensive fiscal plan, and the President's actions in signing spending and tax bills became piecemeal. This represented a significant shift in governing authority.

CONTROLLING THE ADMINISTRATIVE STATE

A huge expansion of the Executive Branch bureaucracy has accompanied the growth of the Federal Government's role in American society during the 20th century. The Progressive impulses that promoted this trend relied largely on policy "experts" shielded from political influence. In their regulatory capacities, these bureaucrats have come to assume authorities of all three branches of government: legislative, executive, and judicial. Thus, America's constitutional government has increasingly become an administrative state largely run by unelected career government employees. Indeed, most of the laws passed by Congress simply authorize bureaucrats to devise regulations that will control Americans' lives.[261]

Whether the regulatory agencies are 'executive agencies,' 'executive departments,' 'Federal departments,' or 'independent regulatory commissions' is irrelevant. In whatever form they may take, the myriad agencies and departments that make up this administrative state operate as a 'fourth branch' of government that typically combines the powers of the other three and makes policy with little regard for the rights and opinions of citizens.[262]

In addition to taking firmer control of the regulatory process itself,[263] Congress could address this problem through budgeting. "Congress funds the administrative state, providing financial support that the bureaucracy values highly. As a result of Congress's substantial powers, agencies and departments listen carefully when Congress speaks to them."[264]

Promoting and Sustaining Fiscal Responsibility

Budgets exist because resources are finite and needs are not. Both individuals and governments go to great lengths through budgeting to understand what resources are available and how best to allocate them among competing needs. A good budget should lead to sustainability, in which resources match needs over long periods of time even if temporary imbalances occur.

There also must be honesty in recognizing the true difference between "investments"—that is, legitimate cases in which needs temporarily exceed resources, but produce long-term returns—and chronic deficits where over-consumption eventually leads to financial ruin. A good budget must also recognize the willingness of participants to provide resources—to be taxed—and force reconciliation with spending when chronic imbalances occur. The Federal budget is failing to provide either sustainability or a rational process that aligns spending with taxes.

---

[261] Jonathan Turley, "The Rise of the Fourth Branch," *The Washington Post,* 26 May 2013: http://articles.washingtonpost.com/2013–05–24/opinions/39495251_1_federal-agencies-federal-government-fourth-branch.

[262] Joseph Postell, "From Administrative State to Constitutional Government," Heritage Foundation *Special Report* No. 116, 7 December 2012. p. 5: http://www.heritage.org/research/reports/2012/12/from-administrative-state-to-constitutional-government.

[263] Ibid., pp. 25–26.

[264] Ibid., p. 25.

Targets for budget sustainability have become a hotly debated, partisan topic. The most straight-forward model—one that prevailed as a governing standard for most of the Nation's history until the 1970s—is a balanced budget, a rapidly declining ratio of debt to gross domestic product [GDP], and eventual liquidation of the national debt. On the other side, sustainability is defined as maintaining the current debt-to-GDP ratio. Similarly, there is no agreement on the level of spending vs. the willingness to be taxed. Spending has averaged 20.5 percent of GDP over the past 40 years, while revenue has averaged 17.4 percent—meaning a chronic deficit of about 3 percent of total economic output has persisted.

The current budget process contains no formal rules or default targets concerning either sustainability or levels of spending and taxation when the two parties cannot agree on levels. In theory, budget alignment could be brought about at any time by the Congress and President, but in practice it will be achieved only when one political party controls both Houses of Congress and the Presidency, and even then it is uncertain. The absence of default targets for debt, taxes, and spending reinforces the status quo, supporting biases in favor of higher spending, leading to spending levels that far exceed taxes, an ever growing level of debt, and ultimately an unsustainable budget outlook.

A strong argument can be made that the current budget system is fatally flawed because it cannot self-correct an unsustainable outlook. Many developed countries facing similar problems have adopted fiscal rules to deal with this problem. Similarly, 49 of the 50 States of the U.S. have adopted some type of balanced budget requirement. A critical element of these requirements is that they apply regardless of the party in power, which guarantees a sensible fiscal outcome even if the specific policies in question are hotly debated.

Given the real risk of an approaching Federal debt crisis and the inability of the current political environment to prevent it, now is the time to examine whether formal fiscal rules that guarantee sustainability and match spending with the taxes can be adopted within the Federal budget process.

Restoring Congressional Control of Spending and Taxation

For most of the Nation's history, Congress exercised its "power of the purse" through a process in which periodic votes on spending was the norm, fixed allotments of funds were appropriated, and programs were authorized for finite periods of time. With the dramatic growth of automatic spending programs as a share of total outlays, Congress has gradually lost control of spending, and—perhaps unintentionally—has ceded much of its fiscal authority to the Executive Branch.

The Federal Government's major health, retirement, and economic security programs—including Social Security, Medicare, and Medicaid—operate on the mechanism of automatic spending (formally "direct" or "mandatory" spending).[265] Typically, once such a

[265] Although "mandatory spending" is the more common term, it is direct spending that has an actual definition in the Balanced Budget and Emergency Deficit Control Act of 1985 (Public

Continued

program is authorized, the payments flow automatically to eligible recipients and continue indefinitely, with no limit on total outlays and without regular congressional oversight. These automatic spending programs, coupled with net interest (a mandatory payment in the truest sense of the term) now constitute roughly two-thirds of total Federal spending, compared with about one-third in 1965, at the dawn of President Johnson's Great Society programs. The share of direct spending (including interest) is projected to continue increasing relentlessly, reaching 78 percent of the budget in just 10 years. This spending threatens to consume all Federal tax revenue in the near future if no reforms are made.

Conversely, annually appropriated, or "discretionary" spending, has plunged from two-thirds of total spending in 1965 to one-third now, and is projected to continue shrinking (Figure 2). These discretionary accounts—which finance activities such as national defense, Washington's support for K–12 education, veterans' hospitals, homeland security, and the operations of government agencies, along with many others—are the only form of spending in which Congress directly controls the allocation of resources and the total amounts.

Automatic spending programs, in contrast, are designed to evade any semblance of budget discipline: they have an unlimited source of funds, most are permanently authorized, and they do not require regular votes by Congress to continue operating. These features ironically flip the power of the purse on its head: money is taken from citizens and spent by the government, even without consent from the current Congress. Congress can change these programs by changing the underlying authorizing legislation, but the changes can take effect only if the President agrees and signs the legislation. As a result, Congress has lost control over the majority of the budget.

Many argue that direct spending as currently structured explains chronic budget deficits and the growth in national debt. Indeed, the budget has been balanced only five times in the past 50 years, while at the same time automatic spending surged. Clearly, Congress needs to re-establish control over automatic spending if it intends to avoid deficits and dangerous levels of debt in the future. The specific details of how to reform these programs remain vexing, but basic principles such as fixed amounts of budgetary resources, finite authorizations, and regular votes to continue authorized programs should be adopted.

Emphasizing Regular Oversight and Review of all Federal Spending

To gain control of fiscal policy, the budget process should encourage regular review of all Federal spending. This is especially true with the budget dominated by direct, or mandatory, spending. Authorizing committees, who have jurisdiction over direct spending programs, hold many hearings on programs under their jurisdiction, but it is not clear that oversight and review of the effective-

Law 99–177), which describes it as budget authority provided in law other than appropriations acts; entitlement authority; and the Supplemental Nutrition Assistance Program (formerly food stamps).

ness of direct spending is an ongoing priority. This may be partly due to how direct spending programs are treated under the budget process. Over the next decade, Social Security and the major health programs—Medicare, Medicaid, the Affordable Care Act, and the State Children's Health Insurance Program—will spend roughly $28.2 trillion, representing nearly 90 percent of all expected mandatory spending over this period.[266]

While the authorizing committees with jurisdiction over these programs could make changes—for example, in a budget reconciliation bill pursuant to a budget resolution—such permanently authorized direct spending programs tend to reduce the incentive for oversight and review of spending. The Social Security Program is permanently authorized and is also off budget. Consequently, Congress cannot consider changes to Social Security under the regular budget or reconciliation process.

Most of the remaining 20 percent of expected direct spending is accounted for by programs that are authorized for finite periods. The Congress must reauthorize such programs when they face expiration if it wishes for them to continue. In such cases, there is more incentive for oversight activity by the relevant authorizing committees. Nevertheless, the budget baselines generated by the Congressional Budget Office assume that most direct spending programs will continue, even if their authorizations are set to expire.[267] As a result, when the programs are reauthorized, the estimates show little or no increase in spending. This situation tends to reinforce the status quo and lessens the incentive to review direct spending.

The budget process could be changed by enacting explicit long-term targets and an annual review for Medicare, Medicaid, and Social Security as well as other direct spending programs.[268] Statutory spending caps are currently established only for discretionary spending. Establishing statutory limits for direct spending programs would tend to encourage more regular oversight and review of all Federal spending. It could also encourage legislators to reach conclusions in a timely manner.

Another problem is that even if Congress identifies wasteful or obsolete programs, it is difficult to get estimates of the savings that could result from eliminating them. This diminishes the incentive to pursue such oversight.

Reflecting the True Costs of Programs

One of the successes of the Congressional Budget Act of 1974 was the Congressional Budget Office [CBO], created to provide Congress with independent fiscal and economic analysis. Prior to 1974, Congress had to rely on the administration for such information.

Some of CBO's estimates fail to reflect the true costs of government programs or legislative proposals, or misrepresent likely fis-

[266] Congressional Budget Office, The Budget and Economic Outlook: 2016 to 2026, January 2016, Table 3–2, pp. 68–69.

[267] This is pursuant to section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985.

[268] This idea extends Recommendation 2 as discussed on pages 13–14 of the Bipartisan Policy Center's June 2015 report, "Proposal for Improving the Congressional Budget Process" to all direct spending programs.

cal outcomes. In many cases, this is due to estimating conventions that have been approved by Congress—some of which contribute toward biases in favor of higher spending. Many of these conventions were created by a commission convened nearly a half century ago—in 1967, under President Johnson—yet they remain in use today.[269]

One example is the use of budget baselines. Although baselines are an important means of estimating the direction of Federal spending and revenue, they tend to assume all spending will continue to grow, maintaining its relative share of the Nation's economic resources. Consequently, the baseline builds in assumptions of ever-increasing spending.

A second example lies in estimates of Federal credit programs. Current methodologies understate the costs of Federal loans and loan guaranties, because they do not account for credit risks arising from these programs. This technique leads estimators to conclude the government's direct student loan program will result in savings for the government when in fact, if default risks were suitably included—by using fair value accounting—they would likely show costs to the government.

A third example is the treatment of user fees and other government collections outside of taxes. Many of these fees are counted not as additional revenue to the government, but as "negative outlays," or reductions in spending. This practice gives the impression that increasing a fee decreases spending, when in fact it does just the opposite: it uses the fees to support an *increase* in spending that is masked by a misleading estimating convention.

Some of these practices also encourage the exploitation of estimating conventions to make legislative proposals appear less expensive than they are. The gimmicks include timing shifts—moving costs into subsequent fiscal years or outside the 10-year budget estimating window—or temporary or illusory spending offsets.

In addition, some government-backed entities—such as the Federal National Mortgage Association [Fannie Mae] and the Federal Home Loan Mortgage Corporation [Freddie Mac] are not included in the regular budget accounts, even though they represent enormous exposures to taxpayers.

One other failing in the budget is a lack of accounting for regulation. Regulations clearly impose costs, both in direct costs for implementation, and also the burden of economic costs. The latter are difficult to quantify, but even if it were possible, there is no place in the budget to reflect them. (This subject is further addressed in the next section of this report.)

Conclusion

Considering the great importance of restoring an effective and vigorous practice of congressional budgeting—one built on the principles described above—the Committee plans to undertake a thorough rewrite of the Congressional Budget Act of 1974, with the hope of enacting a new process early in 2017.

[269] See the *Report of the President's Commission on Budget Concepts,* 10 October 1967.

REGULATORY BUDGETING

The restoration of sound budgeting for how the Federal Government spends taxpayer dollars is critical to the promotion of economic growth, debt reduction, federalism, and ordered liberty. So too is the introduction of budgeting for how the Federal Government directs others to spend: regulatory budgeting.

Excessive and unnecessary regulation is a hidden tax on Americans. It regressively taxes the poor, leaves displaced workers unemployed or in lower-paying jobs, and often inflicts concrete pain in search of illusory benefits. It is one of the biggest reasons America's growth rate has failed to yield a sufficient recovery during the Obama years.

Growing research shows that the cumulative burden of Federal regulation—and high regulatory uncertainty about what regulation may come next—drains America's economy of the growth it needs to reduce and eliminate Federal debt. Precious manpower and financial resources that productive sectors could otherwise spend on innovating, hiring new workers, and rolling out new products and services is wasted every day on compliance with extensive amounts of new regulation—and the enormous numbers of regulations already on the books.

All too often, this serves only the administrative state, not families in search of a living, the poor in search of opportunity, and workers in need of a job. Washington's regulatory bureaucracy rarely knows both the monetized costs and the monetized benefits of even new major regulations that it issues. Frequently, the benefits claimed for new regulation are not the direct benefits Congress directly sought when it passed the relevant regulatory statutes. Instead, they are purported "co-benefits"—side effects—that the bureaucracy argues serve some other end.

None of this can be afforded by an America that must rely on private sector growth to help pay down almost $20 trillion in Federal Government debt. None of it should be countenanced by a Nation founded on the principles of limited government and personal liberty.

None of this, moreover, has to continue. When regulation is needed, it can be done in more cost-effective ways. Before it is imposed, Congress can budget for how much new regulation, if any, can sustainably be imposed on America's economy year by year. The undue brake on economic growth that Federal regulation sets must be controlled. It makes eminent sense to do that using the kinds of budgeting tools Congress applies to put the brakes on runaway Federal spending. To date, Congress has not adopted regulatory budgeting tools to manage the Federal regulatory footprint in the way that it manages the Federal spending footprint. Neither has it imposed robust statutory controls against Federal regulators'

abilities to burden America's workers and economy with excessively expensive and insufficiently effective Federal regulations. The time has come that it should do both.

SECTION–BY–SECTION DESCRIPTION

The concurrent resolution on the budget for fiscal year 2017 establishes an overall budgetary framework. As required under the Congressional Budget Act of 1974 [the Budget Act], the framework includes aggregate levels of new budget authority, outlays, revenues, the amount by which revenues should be changed, the surplus or deficit, new budget authority and outlays for each major functional category, debt held by the public, and debt subject to the statutory limit. This resolution also sets forth appropriate budgetary levels for fiscal years 2018 through 2026.

This resolution provides reconciliation instructions to authorizing committees to achieve specified deficit reduction targets. It includes rulemaking provisions necessary to enforce the resolution, procedures for adjusting the budget resolution, provisions to accommodate legislation not assumed in the budget resolution, and specifies certain policy assumptions underlying the budget resolution.

Section 1. Concurrent Resolution on the Budget for Fiscal Year 2017.

Subsection (a) establishes the budgetary levels for fiscal year 2017 and each of the nine ensuing fiscal years, 2018 through 2026. Section 301(a) of the Budget Act stipulates that the budget resolution establish budgetary levels for the fiscal year for which such resolution is adopted and at least for each of the four ensuing fiscal years.

In addition to the levels set forth in the fiscal year 2017 budget resolution, this report provides allocations of budget authority and outlays, as required under section 302 of the Budget Act, to the Committee on Appropriations. The Committee on Appropriations, in turn, suballocates this among its twelve subcommittees for spending on the various programs, projects, and activities within the jurisdiction of the subcommittees.

This report provides allocations to each of the authorizing committees, with jurisdiction over entitlements and other forms of mandatory spending. In addition to an allocation for fiscal year 2017, the authorizing committees receive an allocation of spending authority over the 10-year period provided for by this budget resolution and may not spend more than the allocation for the budget year or over the 10-year period.

Subsection (b) sets out the table of contents of the resolution.

TITLE I—RECOMMENDED LEVELS AND AMOUNTS

Section 101. Recommended Levels and Amounts.

Section 101, as required by section 301 of the Budget Act, establishes the recommended levels for revenue, the amount revenue

should be changed, total new budget authority, total budget outlays, surpluses or deficits, debt subject to the statutory limit, and debt held by the public.

The revenue level operates as a floor against which all revenue bills are measured pursuant to section 311 of the Budget Act. Similarly, the recommended levels of new budget authority and budget outlays serve as a ceiling for spending legislation. The surplus or deficit levels include only on-budget outlays and revenue and do not include most outlays and receipts related to the Social Security Program and United States Postal Service operations.

Debt subject to the statutory limit aggregates generally refers to the portion of gross Federal debt issued by the Treasury to the public or another government fund or account, whereas debt held by the public is the amount of debt issued and held by entities or individuals other than the U.S. Government.

Section 102. Major Functional Categories.

Section 102, as required by section 301(a) of the Budget Act, establishes the budgetary levels for each major functional category for fiscal year 2017 and establishes these levels for each of fiscal years 2018 through 2026.

These major functional categories are the following:

050 National Defense
150 International Affairs
250 General Science, Space, and Technology
270 Energy
300 Natural Resources and Environment
350 Agriculture
370 Commerce and Housing Credit
400 Transportation
450 Community and Regional Development
500 Education, Training, Employment, and Social Services
550 Health
570 Medicare
600 Income Security
650 Social Security
700 Veterans Benefits and Services
750 Administration of Justice
800 General Government
900 Net Interest
920 Allowances
930 Government-Wide Savings
950 Undistributed Offsetting Receipts
970 Overseas Contingency Operations/Global War on Terrorism

TITLE II—RECONCILIATION AND OTHER MATTERS

Section 201. Fiscal Year 2017 Budgetary Agenda.

Section 201 sets forth, in a policy statement, the budgetary agenda for the House for the second session of the 114th Congress. Under this framework, the House intends to consider legislation achieving savings in mandatory spending both through and outside

of the reconciliation process, controls on new mandatory spending, and other reforms to the Federal budget process.

Paragraph (1) states that the House will consider reconciliation legislation as the first step in balancing the Federal budget by fiscal year 2026. Paragraph (2) states that the House will consider a bill outside of reconciliation to achieve $30 billion in savings in fiscal year 2017 and 2018. Paragraph (3) states that the House will similarly consider a measure to control mandatory spending. Under paragraph (4), the appropriate committees will consider each of three budget process reforms specified in section 205.

Section 202. Reconciliation in the House of Representatives.

Subsection (a) specifies a deadline of 90 calendar days after the adoption of the budget resolution for the authorizing committees to submit reconciliation legislation to the Committee on the Budget. These instructions are optional procedures permitted under section 301(b) of the Budget Act.

Subsection (b) sets forth reconciliation instructions to 12 authorizing committees, pursuant to section 310 of the Budget Act, to achieve specified amounts of deficit reduction. The instructed committees have jurisdiction over direct spending programs for which savings are assumed in the budget resolution. The instructed committees and the amount of savings are:

Committee on Agriculture	$1,000,000,000
Committee on Armed Services	$100,000,000
Committee on Education and the Workforce	$1,000,000,000
Committee on Energy and Commerce	$1,000,000,000
Committee on Financial Services	$1,000,000,000
Committee on Homeland Security	$15,000,000
Committee on the Judiciary	$1,000,000,000
Committee on Natural Resources	$100,000,000
Committee on Oversight and Government Reform	$1,000,000,000
Committee on Transportation and Infrastructure	$100,000,000
Committee on Veterans' Affairs	$1,000,000,000
Committee on Ways and Means	$1,000,000,000

This budget resolution follows the convention of not reconciling Senate committees and assumes that the Senate budget resolution will include such instructions and be carried in the conference agreement nor does it include any instruction increasing the debt limit.

The committees are instructed to achieve specified deficit reduction targets rather than changes in budget authority, outlays, or revenue. While this instruction provides flexibility as to how the savings may be scored, the budget resolution assumes savings will be achieved through reductions in direct spending. The reconciled amounts are intended to serve as a floor on required savings, not a ceiling. The targets are for the total of the ten-year period of fiscal years 2017 through 2026. These targets will provide the committees maximum flexibility in the construction of savings while ensuring the budget is balanced within the 10-year window.

The reconciled committees are required to markup legislation that meets their reconciliation target and submit legislation to the

Committee on the Budget instead of reporting it directly to the House. Other than submitting their legislation to the Committee on the Budget, committees are expected to follow regular order in complying with House and Committee rules related to markup procedures and reporting requirements.

The Committee on the Budget will then combine the submissions and report the bill to the House. Under section 310(b) of the Budget Act, the Committee on the Budget must report the submissions without substantive revision. The committees determine their own policies as long as they meet the reconciliation targets.

Subsection (c) authorizes the Chair of the Committee on the Budget to revise the appropriate allocations, aggregates, and functional levels of this budget resolution upon the consideration of a reconciliation measure under section 310 of the Budget Act or amendment thereto or the submission of a conference report to the House, if such measure is in compliance with its reconciliation instructions by virtue of section 310(c) of the Budget Act.

Section 203. Policy Statement on Mandatory Savings Outside of the Reconciliation Process.

Section 203(a) establishes a second option for achieving mandatory savings in this budget resolution in the form of a policy statement. It states that the House will consider early in this session legislation that would achieve not less than $30 billion in savings over fiscal years 2017 and 2018 and $140 billion over the 10-year period of fiscal years 2017 through 2026.

This process will begin immediately, with several committees reporting the week of 14 March 2016 and other committees to follow in subsequent weeks.

Subsection (b) lists the five committees that will participate in moving this legislation. The committees are:

Committee on Agriculture
Committee on Energy and Commerce
Committee on Financial Services
Committee on the Judiciary
Committee on Ways and Means

Subsection (c) lists three potential policies that are expected to be part of the package of savings assembled under this section:

Recovering improper Obamacare subsidy payments.
Eliminating enhanced Medicaid payments for prisoners.
Ending Medicaid payments for lottery winners.

This mandatory savings legislative package in this resolution is a high priority and the Committee's goal is to ensure that the House advances this legislation through the Congress. To that end, subsection (d) sets forth a procedure for consideration of this mandatory savings package that starts with a stand-alone measure that the House would pass. The Senate frequently does not act on House legislation. To avoid the outcome where this stand-alone bill languishes in the Senate, this subsection calls on the House to add the savings to one or more other measures with a fiscal impact. For the purposes this section, a measure with a fiscal impact is a bill that the Joint Committee on Taxation estimates would have a revenue impact, a bill that the Congressional Budget Office [CBO] es-

timates would have a budget impact under section 402 of the Congressional Budget Act, or an appropriations bill.

Subsection (e) clarifies that if the House considers an omnibus measure containing mandatory savings, the proceeds from those savings will be credited to the appropriate committees of jurisdiction.

Section 204. Policy Statement on New Mandatory Spending Controls.

Section 204 provides a third option for controlling mandatory spending assumed in this budget resolution. Again in the context of a policy statement, it allows the House to consider procedural reforms in connection with new mandatory spending programs.

This section mentions five specific measures that the appropriate committee will consider as it seeks to provide the tools necessary to control spending not subject to annual appropriations. The first is a limitation on the reauthorization of new mandatory spending programs. Such a control could take the form of a rule prohibiting the authorization of new entitlement programs or retooling obsolete rules from the Budget Act.

A second measure that could be considered is a requirement that mandatory programs be periodically reviewed or even reauthorized. Much of the Federal budget is consumed by programs that have permanent indefinite appropriations or where the authorizations are permanent and the appropriations are only nominally provided through the annual appropriations process.

A third measure that may be considered by the Committee on the Budget would be a modification of the existing Pay-As-You-Go [PAYGO] requirements set forth in section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985. It would modify PAYGO from a rule mandating that the sum of legislation increasing direct or mandatory spending or reducing revenue must be deficit-neutral or an automatic sequester is triggered across a narrow base of mandatory spending programs.

A fourth measure meriting consideration would modify the reconciliation process set forth in section 310 of the Budget Act to permit the inclusion of legislation submitted by the Committee on the Budget to impose controls over different facets of the Federal budget, including statutory limits on discretionary spending, Pay-As-You-Go requirements for legislation that would increase mandatory spending and limitations on measures to authorize new mandatory programs.

A fifth measure that will be considered would be a limitation on the ability to reclassify historically discretionary spending programs into mandatory spending programs as a means of circumventing the discretionary spending limits.

Section 205. Policy Statement on Other Budget Process Reforms.

Section 205 provides a fourth option for increasing scrutiny of and control over the budget. It states that is the policy of the House that during the second session of the 114th Congress the appropriate committees of jurisdiction and the Congress consider the following reforms of the budget process: an amendment to the United States Constitution requiring a balanced budget, a baseline budgeting measure, requirements relating to unauthorized appro-

priations, and other reforms that may be recommended by the appropriate committees of jurisdiction.

These individual measures represent only incremental steps to reform the Federal budget process. The Chair of the Committee on the Budget has already announced his intention to consider a comprehensive overhaul of the Federal budget process during the 115th Congress and the Committee on the Budget has already held a number of hearings to that end in the 114th Congress.

TITLE III—BUDGET ENFORCEMENT

SUBTITLE A—BUDGET ENFORCEMENT IN THE HOUSE OF REPRESENTATIVES

Section 301. Limitation on Long-Term Spending.

Subsection (a) requires the Congressional Budget Office, to the extent practicable, to prepare an estimate of whether a measure would cause a net increase in direct spending in excess of $5 billion over the long-term. The applicable periods for this section are any of the 4 consecutive 10-fiscal-year periods beginning in fiscal year 2026.

Subsection (b) establishes a point of order against the consideration of any measure other than an appropriation measures (or amendment thereto or conference report thereon) that increases direct spending by $5 billion over the long-term. The applicable periods for this section are any of the 4 consecutive 10-fiscal-year periods beginning in fiscal year 2026.

Subsection (c) states that application of this section in the House shall not apply to any measure for which the Chair of the Committee on the Budget adjusts the appropriate levels of this budget resolution pursuant to section 402 or 410 of this resolution. In other words, the adjusted levels "snap back" after the measure is considered. This would prevent the creation of headroom under which the spending legislation could be considered. The adjustment only becomes permanent once the measure is enacted.

Subsection (d) stipulates that for purposes of this section, the levels of net increases in direct spending shall be determined on the basis of estimates provided by the Chair of the Committee on the Budget.

Section 302. Allocation for Overseas Contingency Operations/Global War on Terrorism.

Subsection (a) provides the Committee on Appropriations with a separate allocation for the purposes of Overseas Contingency Operations/Global War on Terrorism [OCO/GWOT] under section 302(a) of the Budget Act, which is included in the allocation tables in this report.

Subsection (b) stipulates that this separate allocation is the exclusive allocation for OCO/GWOT under section 302(b) of the Budget Act and permits the Committee on Appropriations to suballocate such separate allocation pursuant to section 302(b) of the Budget Act.

Subsection (c) stipulates that, for purposes of enforcing the point of order under section 302(f) of the Budget Act, the "first fiscal year" and the "total of fiscal years" refers to fiscal year 2017 only.

This separate allocation is the exclusive allocation for OCO/GWOT under section 302(a) of the Budget Act. It also stipulates that section 302(c) of the Budget Act does not apply to this separate allocation.

Subsection (d) provides that only appropriations designated in an appropriations bill for OCO/GWOT and that are subject to the statutory spending limits will be counted against the OCO/GWOT allocation.

Subsection (e) ensures that the budget resolution levels are not inadvertently adjusted for any OCO/GWOT appropriations because these appropriations are already accommodated in the separate 302(a) allocation for OCO/GWOT. It specifically provides that no adjustment will be made under section 314(a) of the Budget Act if an adjustment would be made under section 251(b)(2)(A)(ii) of the Deficit Control Act.

Subsection (f) authorizes the Chair of the Committee on the Budget to adjust the appropriate budgetary levels related to OCO/GWOT in this budget resolution or the Committee on Appropriations' 302(a) allocation set forth in this report to account for new information.

Section 303. Limitation on Changes in Certain Mandatory Programs.

Subsection (a) defines the term "change in mandatory programs" as a provision that: (1) would have been estimated as affecting direct spending or receipts under section 252 of the Deficit Control Act (as in effect prior to 30 September 2002) if such provision was included in legislation other than appropriation Acts; and (2) results in a net decrease in budget authority in the budget year, but does not result in a net decrease in outlays over the period of the total of the current year, budget year, and all fiscal years covered under the most recently agreed to budget resolution.

Subsection (b) establishes a point of order against any provision in a bill or joint resolution or amendment thereto or conference report thereon making appropriations for a full fiscal year that proposes a change in mandatory programs that, if enacted, would cause the absolute value of all such change in mandatory programs enacted in relation to a full fiscal year to be more than the amount specified under this section. The amounts under this subsection are as follows:

Fiscal Year 2017: $19,100,000,000;
Fiscal Year 2018: $17,000,000,000; and
Fiscal Year 2019: $15,000,000,000.

Subsection (c) stipulates that, for purposes of this section, budgetary levels shall be determined on the basis of estimates provided by the Chair of the Committee on the Budget.

Section 304. GAO Report.

Subsection (a) requires the Comptroller General, in consultation with the Chair of the Committee on the Budget, the Director of the Congressional Budget Office, and the Director of the Office of Management and Budget, to submit a comprehensive list of all current direct spending programs at a date to be specified by the Chair of the Committee on the Budget.

Subsection (b) requires the Chair of the Committee on the Budget to publish this comprehensive list of direct spending programs in the Congressional Record and on the Committee's website in a searchable, sortable, and downloadable format.

There is not a commonly accepted definition of a "program" in budget and appropriations law. Consequently, individual programs, projects and activities are classified by each agency according to a variety of standards.

A comprehensive list of such programs will prove useful in developing new procedures governing legislation that establishes new mandatory programs, enforcing rules relating to earmarks, and in interpreting exemptions to the rules governing extension of expiring programs in section 257 of The Deficit Control Act.

A list of accounts will not be received by the Committee on the Budget as a fulfillment of this requirement. The Committee understands that Executive agencies may have failed to fulfill similar requirements in other laws, but views that as immaterial to this requirement.

As part of this project, the Committee on the Budget will work closely with the Comptroller General to develop a workable definition of a "program" and to establish criteria for determining what constitutes a "new program."

Section 305. Estimates of Debt Service Costs.

Section 305 authorizes the Chair of the Committee on the Budget to direct the Congressional Budget Office to include an estimate of debt service costs (if any) resulting from carrying out legislation in any estimate prepared pursuant to section 402 of the Budget Act. Estimated debt service costs will be advisory and will not be used for determining whether a measure complies with the limits established in the budget resolution or other budget rules. This requirement is not intended to apply to authorizations of discretionary programs or appropriation bills. However, it is intended to apply to changes in the authorization level of appropriated entitlements.

The Chair will only request such estimates with large bills that could have a noticeable effect on debt service costs.

Section 306. Fair-Value Credit Estimates.

This section was revised for clarity but the section operates in an identical manner to section 3105 of the conference report accompanying S. Con. Res. 11, the Fiscal Year 2016 Concurrent Resolution on the Budget.

Subsection (a) requires the Congressional Budget Office to include a supplemental fair-value estimate, to the extent practicable, in its estimate of any legislation that establishes or modifies a program providing loans or loan guarantees if requested by the Chair of the Committee on the Budget.

Subsection (b) requires the Congressional Budget Office to provide a similar supplemental fair-value estimate of any legislation providing loans or loan guarantees for student financial assistance or housing (including residential mortgage).

Subsection (c) requires the Congressional Budget Office, to the extent practicable, to include in its *Budget and Economic Outlook: 2018 to 2027,* a comparison baseline projection for student financial

assistance, housing (including residential mortgage) and other such credit programs on a fair value and credit reform basis.

Section 307. Estimates of Major Direct Spending Legislation.

Section 307 requires the Congressional Budget Office, to the extent practicable, to estimate outlay changes during the second and third decades of enactment for any direct spending legislative provision that either: (1) proposes a change or changes to law that the Congressional Budget Office determines has an outlay impact exceeding 0.25 percent of the GDP of the United States during the first decade or in the tenth year or (2) upon the request of the Chair of the Committee on the Budget.

Section 308. Estimates of Macroeconomic Effects of Major Legislation.

This rule is essentially identical to section 3112 of the conference report accompanying S. Con. Res. 11, the Fiscal Year 2016 Concurrent Resolution on the Budget), which effectively superseded an earlier version of the rule set forth in clause 8 of House rule XIII.

Subsection (a) directs the Congressional Budget Office and Joint Committee on Taxation, as applicable, to incorporate in the cost estimates for major legislation, to the extent practicable, the macroeconomic effects of such legislation during the 114th and 115th Congresses.

Subsection (b) stipulates that these macroeconomic estimates are to include, to the extent practicable, a qualitative assessment of the budgetary effects of major legislation in the 20-fiscal year period beginning after the last fiscal year of the most recently agreed to budget resolution and an identification of the assumptions and source data underlying the estimate.

Subsection (c) defines major legislation as legislation that causes a gross budgetary effect (before incorporating macroeconomic effects) and not including timing shifts in any fiscal year covered by the budget resolution equal to or greater than 0.25 percent of the current projected gross domestic product of the United States for that fiscal year. Under this subsection, the Chair of the Committee on the Budget of the House or Senate, as applicable for direct spending legislation, and the Chair or Vice Chair of the Joint Committee on Taxation, as applicable for revenue legislation, may designate major legislation for which estimates must incorporate macroeconomic effects.

The term "budgetary effects" is defined as changes in revenues, direct spending outlays, and deficits. Subsection (c) defines "timing shifts" as provisions that either: (1) cause a delay of the date in which outlays flowing from direct spending would otherwise occur from one fiscal year to the next fiscal year; or (2) cause an acceleration of the date on which revenues would otherwise occur from one fiscal year to the prior fiscal year.

Section 309. Adjustments for Improved Control of Budgetary Resources.

Section 309, a long-time feature of budget resolutions, is intended to remove a disincentive to subjecting existing mandatory programs to annual appropriations. It would effectively hold the

Appropriations Committee harmless for any such conversion and prevent the responsible authorizing committee from reaping a windfall that it could otherwise use to offset other increases in mandatory spending.

Under subsection (a), if an authorizing committee reports a bill that subjects a mandatory program to annual appropriations, the Chair of the Budget Committee can increase the 302(a) allocation to the Appropriations Committee by the amount of mandatory spending that was previously provided for that program. At the same time, the Chair would reduce 302(a) allocation of the authorizing committee that reported the bill by the same amount. These adjustments would be made upon enactment of the legislation.

Subsection (b) authorizes the Chair to both make the adjustments under (a) and affirm the Chair's authority to determine the cost estimates used to execute this section.

Section 310. Limitation on Advance Appropriations.

Section 310 provides a limit on appropriations that first become effective in fiscal year 2018.

Subsection (a) prohibits the consideration of any general or continuing appropriations measure from making advance appropriations unless the appropriation is included in a list of exceptions in the joint statement of managers accompanying this report.

Subsection (b) specifies the list of excluded accounts that are eligible for advance appropriations, are referred to in this report or joint explanatory statement, as applicable, in the section designated as "Accounts Identified for Advance Appropriations."

Subsection (c) sets an overall limit for allowable advance appropriations. It permits advance appropriations of up to $66,385,032,000 for the veterans accounts referenced in subsection (b) and referred to in this report. This amount is equal to the President's advanced appropriations request for fiscal year 2018. It also allows up to $28,852,000,000 in advance appropriations for other accounts referenced in subsection (b) and referred to in this report.

Subsection (d) defines an "advance appropriation" as any new discretionary budget authority provided in a bill, joint resolution, amendment, or conference report making general or continuing appropriations for a fiscal year following fiscal year 2017.

Section 311. Scoring Rule for Energy Savings Performance Contracts.

This section would estimate in today's dollars the net cash flows, both savings and costs, associated with Energy Performance Contracts and Utility Service Contracts [ESPC] over the period of the contract. This scoring rule would have the effect of capturing any long-term energy and budgetary savings resulting from these contracts, which cash-based accounting does not since most of these savings occur outside of the ten-year window of cash-based estimates. The scoring rule clarifies that these contracts are to be scored as direct spending and that no budgetary savings resulting from an ESPC contract may be used as an offset for budget enforcement. This scoring rule is designed to be policy neutral regarding future ESPCs.

At the same time, this rule preserves the important budgetary principle that these costs are mandatory if imposed by an authorization bill and if there is a net cost associated with these contracts the costs are attributed to the authorizing committee reporting the legislation and with it the obligation to cover the cost of the contracts. The rule does not change the fact that actual payments made by Federal agencies are made through discretionary appropriations.

Subsection (a) requires the Director of the Congressional Budget Office to estimate the net present value basis of any legislation that expands the Federal Government's authority to enter into ESPCs.

Subsection (b) stipulates that the net present value is calculated as follows: (1) the discount rate must reflect market risk; (2) cash flows must include, whether mandatory or discretionary spending, payments to contractors under the terms of their contracts, payments to contractors for other services, and direct savings in energy and energy-related costs; and (3) the stream of payments must cover the period of the contracts but not to exceed 25 years.

Subsection (c) defines "covered energy savings contract" as either: (1) an energy savings performance contract authorized under section 801 of the National Energy Conservation Policy Act or (2) a utility energy service contract as described in the Office of Management and Budget Memoranda on Federal use of energy savings performance contracting (M–98–13) or Federal use of energy saving performance contracts and utility energy service contracts (M–12–21) or any successor to either memorandum.

Subsection (d) prohibits the use of any savings calculated as a net present value calculation under this section as an offset for purposes of budget enforcement in the House.

Subsection (e) requires that, for purposes of budget enforcement, the estimated net present value of the budget authority provided by the legislation and outlays flowing therefrom to be classified as direct spending.

Subsection (f) expresses the sense of the House that the Director of the Office of Management and Budget, in consultation with the Director of the Congressional Budget Office, should separately identify the cash flows under subsection (b)(2) and include such information in the President's annual budget submission to Congress. It further specifies that this model should not be extended to other areas.

Section 312. Estimates of Land Conveyances.

Section 312 provides for greater transparency in the Congressional Budget Office's estimates for land conveyances. The Congressional Budget Office is required to estimate the budgetary impact of reported legislation as well as conference reports under section 308 of the Budget Act. These estimates are used by the Committees on the Budget to enforce the spending and revenue limits in the budget resolution during the consideration of spending and tax legislation.

Section 312 specifically requires the Director of the Congressional Budget Office to include in the cost estimate for any measure conveying Federal land to a non-Federal entity the following:

(1) the methodology used to calculate the estimate; (2) a detailed justification of its estimate of any change in revenue, offsetting receipts, or offsetting collections resulting from such a conveyance; (3) any information, provided by the applicable Federal agency that supports the estimate of the Congressional Budget Office must document the source of the information and to the extent practicable, the date it was compiled by the agency; (4) a description of any efforts to independently verify the agency estimate; and (5) a statement of assumptions underlying the estimate of budgetary effects that would be generated by the transfer of a parcel of land in the Congressional Budget Office's baseline projections as of the most recent publication or update.

The Committee intends that the term "conveyance" is to be interpreted broadly to include, but not limited to, transfers, sales, directed sales, and donations.

Section 313. Limitation on Transfers from the General Fund of the Treasury to the Highway Trust Fund.

Section 313 stipulates that, for purposes of budget enforcement, transfers of funds from the general fund of the Treasury to the Highway Trust Fund will count as new budget authority and outlays equal to the amount of the transfer in the fiscal year in which the transfer occurs.

Section 314. Prohibition on the Use of Guarantee Fees as an Offset.

Section 314 provides that legislation increasing guarantee fees will not be counted in the determination of whether such legislation complies with the limits established in the budget resolution and the accompanying report. The Congressional Budget Office's estimates will continue to display the fees, but these fees could not be used to offset other provisions. It is the intent of the Committee that the savings would also not be included in the Current Level reports required by the Budget Act, which means that the savings cannot be used to offset spending in measures that might be considered after the enactment the bill increasing the fees.

Section 315. Prohibition on the use of Federal Reserve Surpluses as an Offset.

Similar to section 314, section 315 directs the Committee on the Budget to not take into consideration the proceeds from transfers of surpluses held by the Federal Reserve to the Department of the Treasury. Notwithstanding the Congressional Budget Office's estimates of these transactions, the Committee views the transfer of the Federal Reserves' surpluses as essentially a timing shift. It is the intent of the Committee that the savings would also not be included in the Current Level reports required by the Budget Act, which means that the savings cannot be used to offset spending in measures that might be considered after the enactment the bill transferring the surpluses.

SUBTITLE B—OTHER PROVISIONS

Section 321. Budgetary Treatment of Administrative Expenses.

Subsection (a) provides that the administrative expenses of the Social Security Administration and the United States Postal Service are reflected in the allocation to the Committee on Appropriations even though both are technically off-budget. This language is necessary to ensure the Committee on Appropriations retains control over administrative expenses for the agencies through the annual appropriations process. This budgetary treatment of administrative expenses for these entities is based on the long-term practice of the House and Senate Budget Committees.

Subsection (b) requires administrative expenses to be included in the cost estimates for the relevant appropriations measure, which are used to determine if a measure exceeds the spending limits in the budget resolution.

Section 322. Application and Effect of Changes in Allocations and Aggregates.

Subsection (a) specifies the procedure for making adjustments to the levels established by the budget resolution under various reserve funds and other special procedures in this resolution. It provides that the adjustments apply while the legislation is under consideration and take effect upon enactment of the legislation. These adjustments must be printed in the Congressional Record.

Subsection (b) requires, for purposes of budget enforcement, that the aggregate and allocation levels resulting from adjustments made according to the terms of this resolution to have the same effect as if adopted in the originally adopted aggregates and allocations.

Subsection (c) provides that, for purposes of this resolution, the appropriate budgetary levels for a fiscal year or period of fiscal years shall be determined on the basis of estimates made by the Chair of the Committee on the Budget.

Subsection (d) effectively permits the Chair of the Committee on the Budget to exempt legislative measures for which adjustments are made under the reserve funds in title IV of this budget resolution from the Cut-As-You-Go point of order (clause 10 of rule XXI of the Rules of the House of Representatives) or section 301 of this resolution.

Section 323. Adjustments to Reflect Changes in Concepts and Definitions.

Section 323 authorizes the Chair of the Committee on the Budget to adjust the appropriate aggregates, allocations, and other budgetary levels of this resolution to for any change in budgetary concepts and definitions in accordance with section 251(b)(1) of the Deficit Control Act of 1985. This does not include authority to adjust allocations for any *statutory* change in the discretionary spending limits.

Section 324. Adjustments to Reflect Updated Budgetary Estimates.

Section 324 authorizes the Chair of the Committee on the Budget to revise the appropriate aggregates, allocations, and other budg-

etary levels of this resolution to reflect any adjustments to the baseline made by the Congressional Budget Office in March 2016.

Section 325. Adjustment for Certain Emergency Designations.

Section 325 clarifies that the Chair of the Committee on the Budget has authority to make adjustments to the appropriate levels in the budget resolution that are designated as an emergency and therefore exempt from the Statutory Pay-As-You-Go Act of 2010. It is rare, though not unprecedented, that a legitimate emergency requires changes in tax law or direct spending programs. A similar process already exists in the Budget Act for exempting emergency designated appropriations from the budget resolution.

Section 326. Rulemaking Powers.

Section 326 affirms that the adoption of this budget resolution as an exercise of the House's rulemaking power and that the House has the constitutional right to change these rules.

TITLE IV—RESERVE FUNDS

Title IV establishes 10 reserve funds for health, tax reform, trade, education, retirement, and transportation legislation. Reserve funds are special procedures that provide the committee reporting specific legislation flexibility as to the timing and composition of offsets in the measure. The mechanism for achieving the flexibility is through adjustments the Chair of the Committee on the Budget makes to the appropriate levels in the budget resolution to accommodate the legislation. Usually, certain conditions must be met to qualify for the adjustment—the most frequent being that the measure must be for a specified purpose and must be offset over a period of 10 years (fiscal years 2017 through 2026). The adjustments are usually made to the 302(a) allocations of the appropriate committee, the overall ceiling on spending (both new budget authority and outlays) and the floor on revenue.

Section 401. Deficit-Neutral Reserve Fund to Reduce Poverty and Increase Opportunity and Upward Mobility for Struggling Americans.

Section 401 permits the Chair to adjust the levels in the budget resolution for legislation that reduces poverty, and increases opportunity and upward mobility. Adjustments may be made for bills, joint resolutions, conference reports and amendments. The amount of the adjustment would be equal to the amount the measure increases budget authority and outlays or reduces revenue. To qualify for the adjustment, the measure may not increase the deficit over the ten-year period or adversely impact job creation.

Section 402. Reserve Fund for the Repeal of the President's Health Care Law.

Section 402 permits the Chair to adjust the levels in the budget resolution for legislation that repeals the Patient Protection and Affordable Care Act (Public Law 111–148) and the healthcare-related provisions of the Health Care and Education Reconciliation Act of 2010 (Public Law 111–152). Adjustments may be made for bills, joint resolutions, conference reports and amendments. The

amount of the adjustment is equal to the amount the measure increases budget authority and outlays or reduces revenue. A legislative measure need not be deficit neutral to qualify for an adjustment under this section.

Section 403. Deficit-Neutral Reserve Fund for Promoting Real Health Care Reform.

Section 403 permits the Chair to adjust the levels in the budget resolution for legislation that promotes real health care reform. Adjustments may be made for bills, joint resolutions, conference reports and amendments. The amount of the adjustment is equal to the amount the measure increases budget authority and outlays or reduces revenue. To qualify for the adjustment, the measure may not increase the deficit over the ten-year period.

Section 404. Deficit-Neutral Reserve Fund for Graduate Medical Education.

Section 404 permits the Chair to adjust the levels in the budget resolution for legislation that reforms, expands, access to, and improves, as determined by such Chair. Adjustments may be made for bills, joint resolutions, conference reports and amendments. The amount of the adjustment is equal to the amount the measure increases budget authority and outlays or reduces revenue. To qualify for the adjustment, the measure may not increase the deficit over the ten-year period.

Section 405. Deficit-Neutral Reserve Fund for Trade Agreements.

Section 405 permits the Chair to adjust the levels in the budget resolution for legislation that such Chair determines is necessary to implement a trade agreement. Adjustments may be made for bills, joint resolutions, conference reports and amendments. The amount of the adjustment is equal to the amount the measure increases budget authority and outlays or reduces revenue. To qualify for the adjustment, the measure may not increase the deficit over the ten-year period.

Section 406. Deficit-Neutral Reserve Fund for Reforming the Tax Code.

Section 406 permits the Chair to adjust the levels in the budget resolution for legislation that reforms the Internal Revenue Code of 1986. Adjustments may be made for bills, joint resolutions conference reports and amendments. The amount of the adjustment is equal to the amount the measure increases budget authority and outlays or reduces revenue. To qualify for the adjustment, the measure may not increase the deficit over the ten-year period.

Section 407. Deficit-Neutral Reserve Fund for Revenue Measures.

Section 407 permits the Chair to adjust the levels in the budget resolution for legislation that reduces revenue. Adjustments may be made for bills, joint resolutions, conference reports and amendments. The amount of the adjustment is equal to the amount the measure increases budget authority and outlays or reduces revenue. To qualify for the adjustment, the measure may not increase the deficit over the ten-year period.

Section 408. Deficit-Neutral Reserve Fund for Federal Retirement Reform.

Section 408 permits the Chair to adjust the levels in the budget resolution for legislation that reforms, improves and updates the Federal retirement system. To qualify for the adjustment, the measure may not increase the deficit over the ten-year period.

Section 409. Deficit-Neutral Reserve Fund for Coal Miner Pension and Health Care Funds.

Section 409 permits the Chair to adjust the levels in the budget resolution for legislation that addresses the immediate funding shortfall in coal miner pension and health care funds. Adjustments may be made for bills, joint resolutions, conference reports and amendments. The amount of the adjustment is equal to the amount the measure increases budget authority and outlays or reduces revenue. To qualify for the adjustment, the measure may not increase the deficit over the ten-year period.

Section 410. Reserve Fund for Commercialization of Air Traffic Control.

Section 410 removes scoring impediments that may otherwise preclude the consideration of legislation that commercializes the operations of the air traffic control system and decreases the discretionary spending limits under section 251(c) of the Deficit Control Act of 1985 by the amount appropriated to the Federal Aviation Administration for air traffic control. This reserve fund is necessary because it is anticipated that the Congressional Budget Office will score the legislation as if it remains a function of the Federal Government.

Section 410 permits the Chair to adjust the levels in the budget resolution for legislation that commercializes the operations of the air traffic control system and decreases the discretionary spending limits under section 251(c) of the Deficit Control Act of 1985 by the amount appropriated to the Federal Aviation Administration for air traffic control. Adjustments may be made for bills, joint resolutions conference reports and amendments. The amount of the adjustment is equal to the amount the measure increases budget authority and outlays or reduces revenue. Adjustments may be made under this section even if the measure is estimated by the Congressional Budget Office to increase the deficit.

TITLE V—ESTIMATES OF DIRECT SPENDING

Title V is required under section 3(h) of the Separate Orders of H. Res. 5 (114th Congress), which implements the Rules of the House of Representatives, and is a requirement for the consideration of a concurrent resolution on the budget in the 114th Congress. See the section designated "Direct Spending Trends and Reforms" within this report for more information on Title V.

Section 501. Direct Spending.

Subsection (a) provides the average and estimated average rate of growth in means-tested direct spending for the 10-year periods

before and after fiscal year 2017, respectively. It also proposes reforms to the means-tested category of direct spending.

Subsection (b) provides the average and estimated average rate of growth in non-means-tested direct spending for the 10-year periods before and after fiscal year 2017, respectively. It also proposes reforms to the non-means-tested category of direct spending.

TITLE VI—POLICY STATEMENTS

Section 601. Policy Statement on Developing a Bold Agenda

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that, in the 115th Congress, the appropriate committees of jurisdiction in the House should consider recommendations developed by the Speaker's task forces on health care reform; reducing regulatory burdens; poverty, opportunity, and upward mobility; national security; tax reform; and restoring constitutional authority.

Section 602. Policy Statement on a Balanced Budget Amendment.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that Congress should propose a balanced budget amendment for ratification by the States.

Section 603. Policy Statement on Reforming the Congressional Budget Process.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that Congress should restructure its procedures for making budgetary decisions and reassert its role as the government's spending authority by promoting prudent spending control, efficient action and greater transparency.

Subsection (c) states that the Committee on the Budget intends to draft legislation during the 115th Congress that rewrites the Congressional Budget and Impoundment Control Act of 1974.

Section 604. Policy Statement on Economic Growth and Job Creation.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution to promote economic growth and job creation through tax reform and reducing regulatory burdens.

Section 605. Policy Statement on Federal Regulatory Budgeting and Reform.

Subsection (a) sets out findings.

Subsection (b) states that the policy of this concurrent resolution on Federal regulatory budgeting and reform is to promote economic growth, cut red tape, protect the poor and working class, and strengthen transparency of regulations.

Section 606. Policy Statement on Tax Reform.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that Congress should enact comprehensive tax reform that promotes economic growth, creates American jobs, increases wages, and benefits American consumers, investors, and workers.

Section 607. Policy Statement on Trade.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution to pursue international trade, global commerce, a modern and competitive tax system in order to promote job creation in the United States; continued pursuit of economic opportunities for American workers and businesses through trade agreements that satisfy negotiating objectives; and that any trade agreement entered into on behalf of the United States should reflect the negotiating objective and improved consultation with Congress.

Section 608. Policy Statement on Social Security.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy on Social Security assumed by this concurrent resolution to ensure sustainable solvency of the fund.

Subsection (c) states that it is the policy of this resolution to reform disability insurance and work to address its looming insolvency before in occurs in 2022.

Subsection (d) states that any legislation that improves the solvency of the Disability Insurance Trust Fund must also improve the long-term solvency of the combined Old Age and Survivors Disability Trust Fund.

Section 609. Policy Statement on Replacing the President's Health Care Law and Promoting Real Health Care Reform.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that the President's health care law should be fully repealed and Congress should pursue real health care reforms that put patients, families and doctors in charge rather than Washington, DC and encourage increased competition and transparency while protecting the ability of all Americans to afford health coverage.

Section 610. Policy Statement on Medicare.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution to preserve the program for those in or near retirement and strengthen the program for future beneficiaries.

Subsection (c) sets forth the assumptions of this concurrent resolution for an improved Medicare program.

Section 611. Policy Statement on Medical Discovery, Development, Delivery and Innovation.

Subsection (a) sets out findings on medical discovery, development, delivery and innovation.

Subsection (b) states that it is the policy of this concurrent resolution to support the work of medical innovators through continued strong funding for the agencies that engage in life saving research

and development and for Washington to unleash the power of innovation by removing obstacles that impede the adoption of medical technologies.

Section 612. Policy Statement on Public Health Preparedness.

Subsection (a) sets out findings on public health preparedness.

Subsection (b) states that it is the policy of this concurrent resolution that the House should, within available budgetary resources, provide continued support for research, prevention, and public health preparedness programs to ensure the Nation efficiently and effectively responds to potential public health threats.

Section 613. Policy Statement on Addressing the Opioid Abuse Epidemic.

Subsection (a) sets out findings on the opioid abuse epidemic.

Subsection (b) states that it is the policy of this concurrent resolution that Congress should support, using available budgetary resources, essential activities, including rehabilitation, to reduce and prevent substance abuse.

Section 614. Policy Statement on Higher Education and Workforce Development Opportunity.

Subsection (a) sets out findings on higher education.

Subsection (b) states that it is the policy on higher education affordability assumed by this concurrent resolution targets Federal financial aid, streamlines aid programs, stabilizes Pell Grants and removes regulatory barriers.

Subsection (c) sets out findings on workforce development.

Subsection (d) states that it is the policy on workforce development assumed by this concurrent resolution builds upon the Workforce Innovation and Opportunity Act by streamlining job-training programs and allowing States to tailor programs to their constituencies.

Section 615. Policy Statement on the Department of Veterans' Affairs.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that the House Committee on Veterans' Affairs should continue its oversight efforts and that the Committees on Veterans' Affairs and the Budget should continue to monitor the Department of Veterans' Affairs progress to ensure its resources are sufficient and efficiently provided to veterans.

Section 616. Policy Statement on Federal Accounting.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy on Federal accounting in this concurrent resolution is to reform current budget and accounting practices to allow for greater transparency through the use of fair-value accounting for credit programs.

Section 617. Policy Statement on Reducing Unnecessary and Wasteful Spending.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that each authorizing committee should, as part of its annual Views and Estimates letter to the Committee on the Budget, identify duplicate programs and submit recommendations for programs that should be reduced or eliminated, review all programs with unauthorized appropriations and reauthorize those that should continue receiving funding.

Section 618. Policy Statement on Deficit Reduction Through the Cancellation of Unobligated Balances.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that the House adopt the following principles: greater Congressional oversight to review and identify potential savings from cancelling unobligated balances of funds that are no longer needed; the appropriate committees of the House should identify and review accounts with unobligated balances and rescind such balances that would not impede or disrupt the fulfillment of important Federal commitments; the House should, with the assistance of the Government Accountability Office, the Inspectors General, and appropriate agencies, continue to review unobligated balances and identify savings for deficit reduction; and unobligated balances in dormant accounts should not be used to finance increases in spending.

Section 619. Policy Statement on Responsible Stewardship of Taxpayer Dollars.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that the House should be a model for the responsible stewardship of taxpayer dollars and identify any savings that can be achieved through greater productivity and efficiency gains in the operation and maintenance of House services and resources.

Section 620. Policy Statement on Expenditures from Agency Fees and Spending.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution for Congress to reassert its constitutional prerogative to control spending and conduct oversight.

Section 621. Policy Statement on Border Security.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution that Congress should enact legislation to improve border security by utilizing technology along the southern and northern borders, constructing fencing along southern border, and maintaining or increasing border personnel.

Section 622. Policy Statement on Preventing the Closure of the Guantanamo Bay Detention Facility.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of this concurrent resolution for Congress to support policies that prevent the closure of

the Guantanamo Bay detention facility and prevent the transfer or release of detainees.

Section 623. Policy Statement on Refugees from Conflict Zones.

Subsection (a) sets out findings.

Subsection (b) states that it is policy of this concurrent resolution that the United States should suspend admission of refugees from high-risk areas such as Syria and Iraq until it can ensure that terrorists cannot exploit its refugee resettlement programs and vetting processes. While the United States should continue its proud tradition of refugee resettlement, it should make protecting Americans its highest priority before resettling additional refugees.

Section 624. Policy Statement on Moving the United States Postal Service on Budget.

Subsection (a) sets out findings.

Subsection (b) states it is policy of this concurrent resolution that all receipts and disbursements of the USPS should be included in the congressional budget and the budget of the Government.

Section 625. Policy Statement on Budget Enforcement.

Section 625 states that it is the policy of this concurrent resolution that the House should strictly enforce this budget resolution by adopting the budget resolution before considering any spending or tax legislation, enforcing rules preventing the authorization of new direct spending programs, complying with the discretionary spending limits of the Balanced Budget and Emergency Deficit Control Act of 1985, modifying scoring to encourage the commercialization of government activities that can best be provided by the private sector, and discouraging the use of savings identified in the budget resolution as offsets for spending or tax legislation.

Section 626. Policy Statement on Unauthorized Appropriations.

Subsection (a) sets out findings.

Subsection (b) states that it is the policy of the concurrent resolution that unauthorized appropriations should be reviewed and reformed to ensure that unauthorized programs are reauthorized, reformed, or terminated.

THE CONGRESSIONAL BUDGET PROCESS

The spending and revenue levels established in the budget resolution are implemented through two parallel, but separate, mechanisms: allocations to the authorizing and appropriations committees and, when necessary, reconciliation directives to the authorizing committees.

As required under section 302(a) of the Congressional Budget Act of 1974, the direct spending levels in the budget resolution are allocated to each of the authorizing committees in each House of Congress with direct spending authority. The resolution's discretionary spending levels are allocated to the Committee on Appropriations. These allocations are included in the report (or joint statement of managers for a conference report) accompanying the concurrent resolution on the budget and are enforced through points of order (see the section of this report titled: "Enforcing the Budget Resolution").

Amounts provided under "current law" encompass programs that affect direct spending—for example, health, retirement, and other programs that have spending authority or offsetting receipts. Amounts subject to discretionary action refer to programs that require subsequent legislation to provide the necessary spending authority. Amounts provided under "reauthorizations" reflect amounts assumed to be provided in subsequent legislation reauthorizing expiring direct spending programs.

Section 302 of the Congressional Budget Act of 1974, as modified by the Balanced Budget Act of 1997, requires that allocations of budget authority be provided in the report accompanying a budget resolution for the fiscal year for which it is adopted and at least the 4 ensuing fiscal years (except for the Committee on Appropriations, which receives an allocation for only the budget year). This budget resolution provides allocations of budget authority and outlays for fiscal year 2017 and each of the 9 ensuing fiscal years, fiscal years 2018 through 2026.

Authorizing Committees—302(a) Allocations

The report accompanying the concurrent resolution on the budget, or the joint statement of managers for a conference report, allocates to the authorizing committees an amount of new budget authority along with the attendant outlays required to fund the direct spending within each authorizing committee's jurisdiction. If increases in spending are required within a committee's jurisdiction, then the committee may be allocated additional budget authority. This occurs when the budget resolution assumes a new or expanded direct spending program. Such spending authority must be

provided through subsequent legislation and is not controlled through the annual appropriations process.

Because the spending authority for authorizing committees is multi-year or permanent, the allocations established in the budget resolution are for the fiscal year for which it is adopted and the 9 ensuing fiscal years. As noted, this budget resolution provides allocations for authorizing committees for fiscal year 2017, commencing on 1 October 2016, and fiscal years 2018 through 2026.

Unlike the Committee on Appropriations, each authorizing committee is provided a single allocation of new budget authority (divided between current law and expected policy action) not provided through annual appropriations. These committees are not required to file 302(b) allocations. Bills first effective in fiscal year 2017 are measured against the level for that year included in the fiscal year 2017 budget resolution and also the 10-year period of fiscal years 2017 through 2026.

Committee on Appropriations

Unlike authorizing committees, the Committee on Appropriations receives a lump sum of discretionary budget authority and corresponding outlays in the report accompanying a concurrent resolution on the budget, or joint statement of managers for a conference report, for the fiscal year for which it is adopted. This allocation provides the Committee on Appropriations with the amount of discretionary spending for appropriations measures for that fiscal year. Once a 302(a) allocation is provided to the Committee on Appropriations, the Committee is then required, in full Committee, to divide this allocation among its 12 subcommittees into 302(b) suballocations.

302(a) ALLOCATIONS

This budget resolution provides allocations to the Committee on Appropriations for fiscal year 2017, commencing on 1 October 2016.

302(b) ALLOCATIONS

Once a 302(a) allocation is provided to the Committee on Appropriations by the budget resolution for the fiscal year for which it is adopted, the Committee on Appropriations, in full Committee, is required to divide this allocation among its 12 subcommittees. The amount each subcommittee receives constitutes its suballocation, pursuant to section 302(b) of the Congressional Budget Act of 1974. Each subcommittee's regular appropriations bill is capped at the level of the reporting subcommittee's 302(b) suballocation and the bill would be subject to a point of order if it exceeds this amount.

Under this system, while it may seem obvious that the sum of the 12 302(b) suballocations must equal the Committee on Appropriations' 302(a) allocation, this has not always been the case. Under section 314 of the Congressional Budget Act, the chair of the Committee on the Budget may adjust the budget resolution levels for appropriations measures for continuing disability reviews, for combatting health care fraud, and for natural disasters. The Committee on Appropriations, however, does not always make corresponding adjustments to the appropriate 302(b) suballocations. The House is then left with unenforceable 302(b) suballocations be-

cause these suballcoations do not equal the 302(a) allocation of the Committee on Appropriations and do not reflect the House's actions on the applicable appropriations bills. Without these adjustments to the 302(b) suballocations, the House can only enforce the overall 302(a) allocation, rendering the entire enforcement scheme useless because, even if 11 of the appropriations bills are over budget, the 302(a) allocation would only be breached by the last bill enacted.

The Committee on the Budget believes that the Committee on Appropriations should be granted greater flexibility in how to adjust its 302(b) suballocations. Recognizing that it may sometimes be impracticable for the full Appropriations Committee to convene and report out revisions to the 302(b) suballocations, the Budget Committee believes the applicable rules should be modified to give the Committee on Appropriations maximum flexibility in making these adjustments. One approach would be to grant the Committee on Appropriations the authority to choose among the following options: acting as a full committee on each adjustment; empowering the Chair of the Committee on Appropriations to unilaterally make the adjustment (as the Budget Committee does); or making the adjustment automatic based on the actual amount of appropriations provided in each bill.

Under section 302(c) of the Congressional Budget Act of 1974, appropriations acts may not be considered on the floor of the House before these 302(b) suballocations are made.

In general, unless enacted, bills and conference reports cease to exist at the end of each Congress (in the House of Representatives). Concurrent resolutions that have been enacted also cease to exist at the end of each Congress, but when a new Congress convenes, concurrent resolutions are extended through the organizing resolution of the new Congress. In this way, the budget resolution is extended into the new Congress. Hence the budget year may change, but for purposes of enforcement, the first fiscal year for the budget resolution remains the same.

TABLE 11.—ALLOCATION OF SPENDING AUTHORITY TO HOUSE COMMITTEE ON APPROPRIATIONS

[In millions of dollars]

	2017
Base Discretionary Action:	
BA	1,069,599
OT	1,164,425
Global War on Terrorism:	
BA	73,693
OT	38,485
Current Law Mandatory:	
BA	1,009,960
OT	998,819

TABLE 12.—RESOLUTION BY AUTHORIZING COMMITTEE

[On-budget amounts in millions of dollars]

	2017	2017–2026
Agriculture:		
Current Law:		
BA	17,630	719,257
OT	16,465	712,700
Resolution Change:		
BA	−4,522	−242,646
OT	−2,514	−237,902
Total:		
BA	13,108	476,611
OT	13,951	474,798
Armed Services:		
Current Law:		
BA	160,810	1,855,353
OT	160,641	1,849,185
Resolution Change:		
BA	−527	−12,892
OT	−509	−12,796
Total:		
BA	160,283	1,842,461
OT	160,132	1,836,389
Financial Services:		
Current Law:		
BA	13,643	99,110
OT	−300	−58,804
Resolution Change:		
BA	−4,475	−46,706
OT	−4,287	−46,286
Total:		
BA	9,168	52,404
OT	−4,587	−105,090
Education & Workforce:		
Current Law:		
BA	−777	22,323
OT	−6,072	−4,811
Resolution Change:		
BA	−16,113	−297,126
OT	−8,474	−273,605
Total:		
BA	−16,890	−274,803
OT	−14,546	−278,416
Energy & Commerce:		
Current Law:		
BA	451,015	6,026,510
OT	445,796	6,032,709
Resolution Change:		
BA	−76,515	−2,289,673
OT	−71,883	−2,281,392
Total:		
BA	374,500	3,736,837
OT	373,913	3,751,317
Foreign Affairs:		
Current Law:		
BA	36,173	310,022
OT	30,652	296,267
Resolution Change:		
BA	0	0
OT	0	0
Total:		
BA	36,173	310,022
OT	30,652	296,267

TABLE 12.—RESOLUTION BY AUTHORIZING COMMITTEE—Continued

[On-budget amounts in millions of dollars]

	2017	2017–2026
Oversight & Government Reform:		
Current Law:		
BA	118,281	1,361,661
OT	116,567	1,327,423
Resolution Change:		
BA	−14,298	−216,846
OT	−14,297	−216,788
Total:		
BA	103,983	1,144,815
OT	102,270	1,110,635
Homeland Security:		
Current Law:		
BA	2,570	26,861
OT	2,351	27,731
Resolution Change:		
BA	−270	−21,020
OT	−270	−21,020
Total:		
BA	2,300	5,841
OT	2,081	6,711
House Administration:		
Current Law:		
BA	41	341
OT	12	106
Resolution Change:		
BA	0	0
OT	0	0
Total:		
BA	41	341
OT	12	106
Natural Resources:		
Current Law:		
BA	5,371	57,898
OT	5,706	60,073
Resolution Change:		
BA	−797	−13,901
OT	−581	−12,694
Total:		
BA	4,574	43,997
OT	5,125	47,379
Judiciary:		
Current Law:		
BA	30,073	136,477
OT	13,950	143,827
Resolution Change:		
BA	−12,737	−62,654
OT	−1,495	−62,655
Total:		
BA	17,336	73,823
OT	12,455	81,172
Transportation & Infrastructure:		
Current Law:		
BA	74,688	735,056
OT	16,662	178,415
Resolution Change:		
BA	−98	−114,318
OT	−59	−1,109
Total:		
BA	74,590	620,738
OT	16,603	177,306

TABLE 12.—RESOLUTION BY AUTHORIZING COMMITTEE—Continued

[On-budget amounts in millions of dollars]

	2017	2017–2026
Science, Space & Technology:		
Current Law:		
BA	108	1,017
OT	106	1,017
Resolution Change:		
BA	0	0
OT	0	0
Total:		
BA	108	1,017
OT	106	1,017
Small Business:		
Current Law:		
BA	0	0
OT	0	0
Resolution Change:		
BA	0	0
OT	0	0
Total:		
BA	0	0
OT	0	0
Veterans Affairs:		
Current Law:		
BA	1,314	112,141
OT	7,790	120,113
Resolution Change:		
BA	−3,113	−48,802
OT	−1,911	−46,288
Total:		
BA	−1,799	63,339
OT	5,879	73,825
Ways & Means:		
Current Law:		
BA	1,065,279	15,185,324
OT	1,063,848	15,179,732
Resolution Change:		
BA	−67,917	−1,648,434
OT	−67,578	−1,647,819
Total:		
BA	997,362	13,536,890
OT	996,270	13,531,913

RECONCILIATION

Section 310 of the Congressional Budget Act of 1974 (2 U.S.C. 641) sets out a special procedure that allows a concurrent resolution on the budget to direct one or more authorizing committees to produce legislation that changes direct spending, revenue, or the debt limit, to bring these levels into compliance with assumed changes in direct spending and revenue in the budget resolution. Reconciliation directives must be included in a concurrent resolution on the budget adopted by both Houses to be valid.

In general, reconciliation directives include the amount of budgetary change to be achieved; the time period over which such budgetary change should be measured; and a deadline by which the authorizing committees must report legislation. When more than one authorizing committee receives reconciliation directives, each committee considers legislation to comply with these directives as it would any other bill, but the legislative text and other materials are submitted to the Committee on the Budget instead of being reported to the House. The Committee on the Budget then incorporates all submissions together, without any substantive revision, into a single measure and reports it to the House. If the reconciliation directives instruct only a single authorizing committee, then that committee's bill is reported directly to the House and is not submitted to the Committee on the Budget.

In the House, the Committee on Rules reports a special rule governing the consideration of a reconciliation bill. Typically, the rule will allow for 2 or 3 hours of general debate equally divided between majority and minority. The Committee on the Budget determines whether an authorizing committee is in compliance with its reconciliation directives and relies solely on the Congressional Budget Office's estimates when determining compliance. Under section 310 of the Congressional Budget Act of 1974, authorizing committees must comply with reconciliation directives. If an authorizing committee does not comply with its directives, the Committee on Rules may make in order amendments that achieve the required budgetary changes pursuant to section 311(d)(5) of the Congressional Budget Act of 1974.

A reconciliation bill is a privileged measure in the Senate. Distinct from most Senate bills, debate is limited to 20 hours and only requires a simple majority to pass (51 votes) rather than the 60 votes otherwise required for cloture.

In the Senate, the "Byrd Rule" (section 313 of the Congressional Budget Act of 1974) limits the content of a reconciliation bill. Under the Byrd Rule, provisions that are considered "extraneous" can be stricken from the bill unless 60 Senators vote to waive it. If a provision is found to violate the Byrd Rule, it is removed from

the bill or conference report unless 60 Senators vote to waive the rule.

This Concurrent Resolution on the Budget for Fiscal Year 2017, as reported by the Committee on the Budget, provides for such reconciliation legislation. It instructs 12 authorizing committees to submit changes in law necessary to achieve specified amounts of deficit reduction. Each authorizing committee must submit legislative text and associated material to the Committee on the Budget no later than 90 calendar days after the adoption of this concurrent resolution.

For a detailed description of the reconciliation directives included in this concurrent resolution on the budget, see Title II of the Section-by-Section Description.

STATUTORY CONTROLS OVER THE BUDGET

Since 1985, a series of statutory budget controls have been superimposed over the congressional budget process through the enactment of, and subsequent amendments to, the Balanced Budget and Emergency Deficit Control Act of 1985 [Deficit Control Act]. This law has been amended several times and generally serves as the primary vehicle for statutory controls over the budget.

The Balanced Budget and Emergency Deficit Control Act of 1985

The Balanced Budget and Emergency Deficit Control Act of 1985 [Deficit Control Act] initially was intended to reduce deficits by establishing annual maximum deficit limits. These limits were enforced through 'sequestration,' which involved automatic, across-the-board spending reductions required by Presidential order if the deficit targets were exceeded. Under the Deficit Control Act, a Presidential sequestration order must occur within 15 days after the end of a session of Congress. Sequestration remained in force for laws enacted through the end of fiscal year 2002.

The Budget Enforcement Act of 1990

The Budget Enforcement Act [BEA] of 1990 replaced the maximum spending limits originally in the Deficit Control Act with annual limits on discretionary spending and controls over increases in the deficit, calculated by adding together, for each fiscal year, increases in direct spending and decreases in revenues, termed "pay-as-you-go." The BEA established separate limits for discretionary appropriations, separated into three separate categories: domestic, defense, and international affairs. These discretionary categories were applied through fiscal year 1993, and then combined into a single limit on all appropriations for fiscal years 1994 and 1995.

Under pay-as-you-go, if the cumulative effect of legislation enacted through the end of a session of Congress increased the deficit, the amount of that deficit increase for the fiscal year following that session would cause a sequestration of direct spending by that amount. As with the Maximum Deficit Amounts before it, most spending defined as 'direct' was exempt from any reductions. Other spending programs had limitations on the reductions. For example, spending decreases in the Medicare program, under pay-as-you-go, were limited to 4 percent of the program costs.

The Omnibus Budget Reconciliation Act of 1993

The Omnibus Budget Reconciliation Act [OBRA] of 1993 extended a single limit on discretionary spending through fiscal year

1998. Any breach of the limit would cause a sequestration (again, an across-the-board cut in all nonexempt discretionary programs). Programs under these spending limits were held harmless for changes in inflation, emergencies, estimating differences, and changes in concepts and definitions. OBRA 1993 also extended the pay-as-you-go enforcement procedures for legislation enacted through fiscal year 1998.

The Balanced Budget Act of 1997

The Balanced Budget Act of 1997 [BBA 1997] again revised and extended the levels of the discretionary spending limits. As amended by OBRA 1993, these limits would have expired at the end of fiscal year 1998. BBA 1997 modified the discretionary spending limits for fiscal year 1998 and extended them through fiscal year 2002. Similarly, the pay-as-you-go requirements were extended for legislation enacted through the end of fiscal year 2002. The sequestration enforcement mechanism lasted through the end of fiscal year 2006 for such legislation, but it was turned off by Public Law 107–312, enacted 2 December 2002.

BBA 1997 also made numerous technical changes in both the congressional budget process and sequestration procedures that enforce the discretionary spending limits and pay-as-you-go requirements.

BBA 1997 established separate limits on defense and non-defense discretionary spending for fiscal years 1998 and 1999. These limits were combined into a single limit on discretionary spending in fiscal years 2000, 2001, and 2002. Separate discretionary spending limits were designed to prevent Congress and the President from using savings in one category to offset an increase in another category.

BBA 1997 repealed automatic adjustments in the spending limits for changes in inflation and estimating differences between the Office of Management and Budget and the Congressional Budget Office on budget outlays. It retained adjustments for emergencies, estimating differences in budget authority, continuing disability reviews and added adjustments for the International Monetary Fund, international arrearages, and an Earned Income Tax Credit compliance initiative. The adjustments are made in the President's final sequestration report issued 15 days after the end of a session of Congress. Subsequently, additional spending categories for certain transportation and conservation spending were added and provided for specific spending amounts for these programs. While the transportation spending limit was ostensibly a limit on funding, it also served the purpose of calculating the levels of spending that flowed from the Highway Trust Fund.

The Statutory Pay-As-You-Go Act of 2010

No further legislation was enacted to reestablish statutory controls on spending and revenue until 2010, when on 10 February of that year, the Statutory Pay-As-You-Go Act of 2010 was signed as part of Public Law 111–139, which raised the statutory limit on the public debt. The measure amended sections of the Deficit Control

Act, including the sequester base, but it did not establish new discretionary spending limits.

The Budget Control Act Of 2011

Enacted on 2 August 2011, the Budget Control Act [BCA] of 2011 set statutory controls on spending, primarily making the Deficit Control Act permanent in its entirety, and it reestablished discretionary spending limits for fiscal years 2012 through 2021. These discretionary spending limits for fiscal years 2012 and 2013 were divided into 'security' and 'non-security' categories.[270] The remaining years were set as a single discretionary general category. The BCA also authorized an increase in the public debt limit.

The BCA also included additional procedures that had the effect of altering the discretionary spending limits under section 251(c) of the Deficit Control Act, in particular, by extending the security/non-security categories through the end of the period.

The Congressional Budget Office estimated that the discretionary spending limits under the BCA would reduce the deficit, including savings from debt service, by $917 billion over the 10-fiscal-year period covering 2012 through 2021.

The BCA also established a Joint Select Committee on Deficit Reduction tasked with reporting legislation to reduce the Federal deficit by an additional $1.5 trillion over a 10-year period ending in fiscal year 2021, which would have been considered under procedures limiting amendment and debate. Under the BCA, if legislation reported by the Joint Committee reducing the deficit by at least $1.2 trillion was not enacted, then a sequestration would be ordered, adjusting the discretionary spending limits downward and calculating an amount of reductions in direct spending necessary to achieve this amount (or a portion thereof if legislation from the Joint Committee achieving some deficit reduction was enacted). The Joint Committee failed to report any proposals reducing the deficit by any amount, and no legislation to that purpose was enacted by the required 15 January 2012 deadline. As a result, the Joint Committee ceased to exist and the automatic spending reduction process was triggered.

This process established new discretionary spending limits and definitions of security and nonsecurity (now effectively defense and nondefense, though the previous terms are still used) and replaced the statutory discretionary spending limits. These categories have replaced the discretionary general category through 2021.

This process had two components: sequestration and reducing the discretionary spending limits. To achieve the $1.2 trillion in deficit reduction, spending reductions, calculated by the Office of Management and Budget, were scheduled to occur absent a change in law.

Because the Joint Committee did not achieve any deficit reduction, the calculation begins with a spending reduction of the full

[270] Section 102 of the act defines the "security" category as comprising discretionary appropriations for the Department of Defense, the Department of Homeland Security, the Department of Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account, and all budget accounts in Function 150, International Affairs. All other discretionary appropriations were grouped together in the non-security category. These were replaced with "revised" security and nonsecurity limits on spending for programs which fall inside Function 050, Defense, and outside that function.

$1.2 trillion from fiscal year 2013 through fiscal year 2021. According to the BCA formula, this number is then reduced by 18 percent to account for the reduced cost of debt service attributable to the lower level of spending. The remaining amount is then divided by nine to account for each of fiscal years 2013 through 2021. This amount is then divided by two to evenly distribute reductions between defense and nondefense accounts.

The spending reductions are then 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 sequestration order affected both discretionary and mandatory spending for fiscal year 2013. As a result, discretionary amounts appropriated for fiscal year 2013 were sequestered by the calculated amount without regard for the amount appropriated—i.e., it was not sequestered as a function of the discretionary spending limit for that fiscal year. In addition, for fiscal years 2013 through 2021, a direct spending sequester of nonexempt accounts is ordered.

This is distinct from the spending reductions for the discretionary spending limits for fiscal years 2014 through 2021: these reductions occur through revising the spending limits downward for each of those fiscal years.

The American Taxpayer Relief Act of 2012

As part of an agreement to make permanent most tax policies first enacted in 2001 and 2003 but scheduled to expire at the end of 2012,[271] the American Taxpayer Relief Act [ATRA] of 2012 included certain budget process provisions. ATRA reduced the BCA fiscal year 2013 sequester by $24 billion—from $109.33 billion to $85.33 billion for that fiscal year.

It postponed the BCA sequester (under section 251A of the Deficit Control Act) by two months, from 2 January 2013 to 1 March 2013. It also postponed the Deficit Control Act sequester (a separate sequestration under section 251(a), which normally occurs 15 days after the end of a session of Congress) until 17 March 2013. This Deficit Control Act sequester enforces the spending limit categories rather than requiring a sequester of a nominal amount for fiscal year 2013 as under the BCA—and applied regardless of where spending is relative to the spending limits. It also reset discretionary spending limit categories for fiscal years 2013 and 2014, lowering the total by $4 billion and $8 billion, respectively.

The President ordered the fiscal year 2013 BCA sequester, as required by law, on 1 March 2013.

[271] These tax policies were temporary because they were enacted under the budget reconciliation process. Section 313 of the Congressional Budget Act—known as the "Byrd Rule"—prohibits spending and tax legislation enacted through reconciliation from increasing the projected deficit outside the 10-year budget window compared to what it would have been without those tax policies. Consequently, those tax relief policies were required to expire.

The Bipartisan Budget Act of 2013

As a result of the budget conference negotiations between House Chairman Ryan and Senate Chairman Murray, the Bipartisan Budget Act [BBA] of 2013 increased the discretionary spending limits for fiscal years 2014 and 2015 by amending section 251 of the Deficit Control Act. The BBA 2013 agreement provided $63 billion in sequester relief over 2 years, split evenly between defense and non-defense programs. BBA 2013 set defense discretionary spending at $520.5 billion and non-defense discretionary spending at $491.8 billion for fiscal year 2014. For fiscal year 2015, defense discretionary spending was set at $521.3 billion, and non-defense discretionary spending was set at $492.4 billion.

The sequester relief was fully offset by reductions in direct spending elsewhere in the budget. BBA 2013 included dozens of specific deficit-reduction provisions with mandatory savings and non-tax revenue totaling approximately $85 billion. This included $28 billion in reductions stemming from a provision requiring the President to sequester the same percentage of mandatory budgetary resources in 2022 and 2023 as will be sequestered in 2021 under current law.

The Bipartisan Budget Act of 2015

The Bipartisan Budget Act [BBA] of 2015 amended section 251 of the Deficit Control Act to increase the fiscal year 2016 and 2017 discretionary spending limits by $50 billion and $30 billion, respectively, equally divided between defense and non-defense spending each year. These increases in the spending categories were offset through reforms reducing direct spending spread over a decade elsewhere in the budget. These reforms included the following: establishing an overall rate of return for insurance providers under the Standard Reinsurance Agreement; authorizing the sale of 58 million barrels of oil from the Strategic Petroleum Reserve; raising premium rates for single employer pension plans; accelerating the due date for pension premiums; maintaining the 2016 Medicare Part B premium; and rescinding and permanently cancelling $746 million from the Department of Justice's Asset Forfeiture Fund among other provisions. Additionally, BBA 2015 increased program integrity adjustments for Social Security continuing disability reviews by $484 million through fiscal year 2021. In the Senate only, it provided for allocations, aggregates and other spending levels to have the force and effect as the fiscal year 2017 concurrent resolution on the budget for purposes of the Congressional Budget Act of 1974. BBA 2015 also temporarily suspended the debt limit through 15 March 2017.

ENFORCING BUDGETARY LEVELS

The Concurrent Resolution on the Budget

The concurrent resolution on the budget establishes allocations of spending authority and aggregate levels of both spending authority and revenues that are binding on Congress when it considers subsequent spending and tax legislation. Any legislation that would breach the levels set forth in the budget resolution is subject to points of order on the floor of the House of Representatives. The concurrent resolution on the budget is established pursuant to the Congressional Budget Act of 1974, which includes various requirements as to its content and enforcement. While a budget resolution sets levels of spending, revenue, deficits and debt, it may also include special procedures in order to enforce Congressional budgetary decisions.

The levels established in the budget resolution are not self-enforcing. Members of the House must raise points of order against legislation that breaches the allocations and aggregate spending levels established in the budget resolution. If a point of order is sustained, the House is precluded from further consideration of the measure. It has been the practice of the House to waive all points of order in the resolution that provides for House consideration of a bill.

Provisions of the Congressional Budget Act

SECTION 302(f)

Section 302(f) of the Congressional Budget Act of 1974 prohibits the consideration of legislation that exceeds a committee's allocation of budget authority. For authorizing committees, this section applies to the fiscal year for which a concurrent resolution on the budget is agreed to and the period of fiscal years covered by the budget resolution in force. For appropriations bills, however, the test measures the budget effects in the first fiscal year.

SECTION 303

Section 303 of the Congressional Budget Act prohibits the consideration of spending and revenue legislation before the House has passed a concurrent resolution on the budget for a fiscal year. Legislation that changes revenue or increases budget authority in a fiscal year for which a budget resolution has not been agreed to violates section 303(a). Section 303(a) does not apply to budget authority and revenue provisions first effective in a year following the first fiscal year to which a budget resolution would apply, or to appropriation bills after 15 May.

SECTION 311

Under this section, the House is prohibited from considering legislation that would exceed the aggregate spending limits of budget authority and outlays, or cause revenue levels to fall below the revenue floor, established by the concurrent resolution on the budget. If a measure would cause budget authority or outlays to be greater than the ceiling established for the first fiscal year of a budget resolution, a section 311 violation occurs.

Additionally, if a measure would cause revenue to be lower than the revenue floor in the first fiscal year or the period of years covered by the budget resolution, a section 311 violation occurs. Section 311 does not apply to measures that provide budget authority but do not exceed a committee's 302(a) allocations.

SECTION 314(f)

Section 314(f) of the Congressional Budget Act prohibits the consideration of any bill, joint resolution, amendment, or conference report that would cause the statutory spending category limits established in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 (as adjusted by procedures set out in section 251A of that Act) to be exceeded.

SECTION 401(a)

Section 401(a) of the Congressional Budget Act prohibits the consideration of any bill, joint resolution, amendment, or conference report that provides: (1) new authority that the Government is obligated to make outlays; (2) new authority to incur indebtedness; or (3) new credit authority unless such measure is subject to the availability of appropriations. It is a strict rule because, similar to the House Cut-As-You-Go Rule and statutory Pay-As-You-Go, a bill would violate the rule even if the budget resolution specifically assumed the increase in mandatory spending.

SECTION 401(b)

Section 401(b)(1) of the Congressional Budget Act prohibits the consideration of any bill, joint resolution, amendment, or conference report that provides new entitlement authority first effective in the current fiscal year. This point of order prevented Congress from prematurely increasing new entitlement authority before the Congress agreed to a budget resolution for the forthcoming fiscal year.

Section 401(b)(2) requires the referral to the Committee on Appropriations of any reported authorization bill that increases entitlement spending in the forthcoming fiscal year if it exceeds the reporting Committee's 302(a) allocation. Under this section, the Committee on Appropriations is empowered to limit the total amount of new entitlement authority provided by that bill.

The well-intentioned rules under section 401 of the Congressional Budget Act have proven ineffective. Congress has passed numerous bills that have increased one or more of the categories of direct or mandatory spending specified in section 401. These increases in mandatory spending have included entirely new programs, programmatic expansions in existing programs, and increases in existing programs that occur under current law.

Section 401(b) was effectively discarded in the 110th Congress, when it was last waived by H. Res. 1218. Section 401(b)(2) was never fully implemented. The referral authority under this section has not been used since 1991, during the 102nd Congress. In its 42-year history, approximately 10 to 15 bills were referred to the Committee on Appropriations and not once did the Committee on Appropriations actually report the bill with a spending limitation, as the rule envisioned. The Balanced Budget Act of 1997 amended section 401(b) of the Congressional Budget Act to make this referral authority to the Committee on Appropriations permissive rather than mandatory. Since that time, no referrals have been made to the Committee on Appropriations under this authority.

These rules and procedures have failed to control direct spending and were effectively sidelined for several reasons. First, the rules were so strict that Congress was unwilling to enforce them and waived them repeatedly over the years; the rule prohibited the creation of certain types of new entitlement programs even if the spending was within the permissible limits established by the budget resolution and was for a preexisting program. Second, the focus on separate categories of mandatory spending became obsolete with the enactment of the Budget Enforcement Act of 1990 [BEA]. The BEA effectively replaced these separate categories of mandatory spending with the concept of *direct* spending, which refers to all forms of spending not subject to annual appropriations. Finally, the failure of these rules to prevent increases in mandatory spending may be attributed to how they are enforced. In the House, these rules are waived as part of a resolution that provides for the consideration of a bill. The vote on a rule is seen as a test of the majority party's discipline and, as a result, the rule usually passes on a party line vote.

The referral process under section 401(b)(2) has also proven ineffective in combatting increases in entitlement programs. It is not entirely clear why the Committee on Appropriations has neither sought referrals of mandatory spending bills nor reported the few that have been referred to it. The Committee on Appropriations has a disincentive to mark up these bills because it would have to stretch limited spending authority across more programs or face the enmity of proponents of those programs.

A more mundane reason bills have not been referred to the Committee on Appropriations is that it would impose untenable timing delays. The Leadership sometimes schedules bills for consideration on the House floor shortly after they are reported by a Committee. A 15-day referral to the Committee on Appropriations would obviously slow the legislative process and the Leadership would have to build these time delays into the House's legislative schedule.

The Committee on the Budget believes that the regimen for handling new entitlement authority needs to be reevaluated. It will begin by reassessing the appropriate level at which the rule under section 401 of the Congressional Budget Act should apply. One option would be to apply the existing rules at the programmatic level. This would preclude entirely new programs but allow existing programs to be expanded or reformed if they are within the limits established by the budget resolution or are offset by reductions in entitlement spending. One obstacle to enforcing the rule at the pro-

grammatic level, however, is that there is no clear definition of what constitutes a "program": There is no commonly accepted definition of the term "program" in budget or appropriations law. As a result, agencies aggregate program, projects, and activities under different standards.

At a minimum, these rules and procedures need to be updated to encompass all mandatory spending programs rather than just the four obsolete categories for borrowing authority, contract authority, credit authority, and new entitlement authority. The Committee on the Budget will undertake this update with budget process reform.

Budget-Related Provisions in the House

In addition to budget enforcement controls in the Congressional Budget Act of 1974, as applied through the concurrent resolution on the budget, additional budget enforcement rules may be found in the Rules of the House of Representatives and in the Separate Orders of the House.

CLAUSE 8 OF RULE XIII

This clause requires the Congressional Budget Office and Joint Committee on Taxation to incorporate the macroeconomic effects of major legislation into official cost estimates used for budget enforcement and other rules of the House. The operation of this rule has been superseded by section 308 of this resolution.

CLAUSE 7 OF RULE XXI

This clause prohibits the consideration of a concurrent resolution on the budget containing reconciliation directives (under section 310 of the Congressional Budget Act of 1974) that would cause a net increase in direct spending.

CLAUSE 10 OF RULE XXI

This clause prohibits the consideration of legislation that increases direct spending over a 6-year period or an 11-year period. If such spending is increased in either of these time periods, then it must be offset by corresponding decreases in direct spending. If an amendment is offered to a measure that decreases direct spending in either of these periods, then the amendment must also decrease net direct spending by at least the same amount. This rule is commonly referred to as Cut-As-You-Go.

CLAUSE 4 OF RULE XXIX

This clause specifies that the Chair of the Committee on the Budget is responsible for providing authoritative guidance concerning the impact of a legislative proposition related to the levels of new budget authority, outlays, direct spending, and new entitlement authority.

SECTION 3 OF THE SEPARATE ORDERS OF HOUSE RESOLUTION 5 OF THE 114TH CONGRESS

House Resolution 5 adopted the rules from the 113th Congress and incorporated additional provisions related to the budget process.

Section 3(d) maintains the requirement, from the 112th and 113th Congresses, that each general appropriations bill include a "spending reduction" account. This "spending reduction account" provides a recitation of the amount by which, through the amendment process, the House has reduced spending in other portions of the bill and indicates that those savings be counted toward spending reduction. It also provides that any amendment increasing spending relative to the underlying bill must include an offset of an equal or greater amount.

Section 3(h) maintains the requirement from the 113th Congress that a concurrent resolution on the budget include a section related to "Means-Tested and Non-Means-Tested Direct Spending" programs. Additionally, the Chair of the Committee on the Budget must submit for printing in the *Congressional Record* a statement defining these terms prior to the consideration of such concurrent resolution. This requirement also applies to any amendments to or conference reports on a concurrent resolution on the budget.

Section 3(q) prohibits the consideration of any legislation that reduces the actuarial balance of the Federal Old-Age and Survivors Insurance Trust Fund unless such legislation improves the overall financial health of the combined Social Security Trust Funds.

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS

Accounts Identified for Advance Appropriations for Fiscal Year 2018

(SUBJECT TO A GENERAL LIMIT OF $28,852,000,000)

Labor, Health and Human Services, and Education

Employment and Training Administration
Education for the Disadvantaged
School Improvement
Career, Technical, and Adult Education
Special Education

Transportation, Housing and Urban Development

Tenant-based Rental Assistance
Project-based Rental Assistance

Veterans Discretionary Accounts Identified for Advance Appropriations for Fiscal Year 2018

(SUBJECT TO A SEPARATE LIMIT OF $66,385,032,000)

Military Construction, Veterans Affairs

Veterans Medical Services
Veterans Medical Support and Compliance
Veterans Medical Facilities
Veterans Medical Community Care

VOTES OF THE COMMITTEE

Clause 3(b) of House Rule XIII requires each committee report to accompany any bill or resolution of a public character, ordered to include the total number of votes cast for and against on each rollcall 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 rollcall votes taken in the Committee on the Budget on the Concurrent Resolution on the Budget for Fiscal Year 2017.

On March 16, 2016 the Committee met in open session, a quorum being present.

Mr. Rokita asked unanimous consent that the Chair 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 Price asked unanimous consent to dispense with the first reading of the budget aggregates, function levels and other appropriate matter; that the aggregates, function totals and other appropriate matter be open for amendment; and that amendments be considered as read.

There was no objection to the unanimous consent request.

The committee adopted and ordered reported the Concurrent Resolution on the Budget for Fiscal Year 2017. The Committee on the Budget took the following votes:

1. An amendment offered by Representatives Van Hollen, Yarmuth, Pascrell, Castor, McDermott, Lee, Pocan, Lujan Grisham, Dingell, Norcross and Moulton to insert a policy statement on women's health care.

The amendment was not agreed to by a rollcall vote of 10 ayes and 22 noes.

Representatives Ryan and Pascrell asked unanimous consent, after the closing of the vote, that the record reflect they would have voted aye on rollcall vote no. 1.

There was no objection to the unanimous consent requests.

ROLLCALL VOTE NO. 1

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)			
DIAZ–BALART (FL)		X		RYAN (OH)			

ROLLCALL VOTE NO. 1—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)			
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)			
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

2. An amendment offered by Chairman Price making technical changes to the Chairman's mark.

The amendment was agreed to by voice vote.

3. An amendment offered by Representatives Dingell, Van Hollen, Yarmuth, Moore, Castor, McDermott, Lee, Pocan, Lujan Grisham and Moulton to provide assistance for residents of Flint, Michigan. The amendment would also permit Michigan and any other State with an emergency declaration because of contaminants contained in public drinking water to use its 2016 Drinking Water State Revolving Fund allotment to offset any outstanding debt on loans incurred before this fiscal year, as well as lift the 20 percent limit on the amount of such allotment that may be used to offset any principal.

The amendment would increase outlays for Functions 300, 450, 500 and 550. Outlays for Function 300 would increase by the following amounts: $89.967 million for fiscal year 2017, $51.609 million for fiscal year 2018, $15.821 million for fiscal year 2019, $5.050 million for fiscal year 2020 and $4.244 million for fiscal year 2021.

Outlays for Function 450 would increase by the following amounts: $11.907 million for fiscal year 2017, $6.831 million for fiscal year 2018, $2.094 million for fiscal year 2019, $0.668 million for fiscal year 2020 and $0.562 million for fiscal year 2021.

Outlays for Function 500 would increase by the following amounts: $119.074 million for fiscal year 2017, $68.306 million for fiscal year 2018, $20.940 million for fiscal year 2019, $6.684 million for fiscal year 2020 and $5.617 million for fiscal year 2021.

Outlays for Function 550 would increase by the following amounts: $21.169 million for fiscal year 2017, $12.143 million for fiscal year 2018, $3.723 million for fiscal year 2019, $1.188 million for fiscal year 2020 and $0.999 million for fiscal year 2021.

The amendment was not agreed to by a rollcall vote of 14 ayes and 21 noes.

ROLLCALL VOTE NO. 2

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)				DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

4. An amendment offered by Representatives Yarmuth, Van Hollen, Pascrell, Castor, McDermott, Lee, Pocan, Lujan Grisham, Dingell and Moulton to adjust revenue and Function 920 levels to reflect the adoption of the Border Security, Economic Opportunity

and Immigration Modernization Act, which was proposed in the 113th Congress.

The amendment would increase aggregate levels of revenue by the following amounts: $2.1 billion for fiscal year 2017, $11.5 billion for fiscal year 2018, $28.0 billion for fiscal year 2019, $39.1 billion for fiscal year 2020, $45.0 billion for fiscal year 2021, $47.7 billion for fiscal year 2022, $55.3 billion for fiscal year 2023, $65.0 billion for fiscal year 2024, $77.7 billion for fiscal year 2025 and $87.6 billion for fiscal year 2026.

The amendment would also increase budget authority and outlays for Function 920 each by the following amounts: $4.6 billion for fiscal year 2017, $6.8 billion for fiscal year 2018, $14.0 billion for fiscal year 2019, $19.8 billion for fiscal year 2020, $24.6 billion for fiscal year 2021, $26.6 billion for fiscal year 2022, $32.2 billion for fiscal year 2023, $37.4 billion for fiscal year 2024, $44.4 billion for fiscal year 2025 and $51.4 billion for fiscal year 2026.

The amendment would also insert a policy statement on immigration reform.

The amendment was not agreed to by a rollcall vote of 15 ayes and 19 noes.

ROLLCALL VOTE NO. 3

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)				PASCRELL (NJ)	X		
DIAZ–BALART (FL)	X			RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)							
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					

ROLLCALL VOTE NO. 3—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

5. An amendment offered by Representatives Pascrell, Van Hollen, Yarmuth, McDermott, Lee, Pocan, Lujan Grisham, Dingell and Moore to increase mandatory budget authority and outlays in Function 550 relating to Medicaid.

The amendment would increase mandatory budget authority and outlays for Function 550 each by the following amounts: $7.0 billion for fiscal year 2017, $67.0 billion for fiscal year 2018, $82.0 billion for fiscal year 2019, $88.0 billion for fiscal year 2020, $97.0 billion for fiscal year 2021, $109.0 billion for fiscal year 2022, $121.0 billion for fiscal year 2023, $135.0 billion for fiscal year 2024, $151.0 billion for fiscal year 2025 and $169.0 billion for fiscal year 2026.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 14 ayes and 20 noes.

ROLLCALL VOTE NO. 4

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)				LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		

ROLLCALL VOTE NO. 4—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)							
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

6. An amendment offered by Representatives McDermott, Van Hollen, Yarmuth, Pascrell, Lee, Pocan, Lujan Grisham, Dingell and Norcross to strike section 610 of the Chairman's mark and insert a policy statement on Medicare.

The amendment was not agreed to by a rollcall vote of 13 ayes and 21 noes.

ROLLCALL VOTE NO. 5

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)				MOULTON (MA)			
BLUM (IA)		X					

ROLLCALL VOTE NO. 5—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

7. An amendment offered by Representatives Moore, Van Hollen, Yarmuth, McDermott, Lee, Pocan and Dingell to strike Title II of the Chairman's mark.

The amendment was not agreed to by a rollcall vote of 11 ayes and 21 noes.

ROLLCALL VOTE NO. 6

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)			
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)			
BRAT (VA)				MOULTON (MA)			
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					

ROLLCALL VOTE NO. 6—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

8. An amendment offered by Representatives Lee, Van Hollen, Yarmuth, Pascrell, Moore, McDermott, Pocan and Dingell to insert a policy statement relating to poverty and increased opportunity.

The amendment was not agreed to by a rollcall vote of 13 ayes and 22 noes.

ROLLCALL VOTE NO. 7

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

9. An amendment offered by Representatives Lujan Grisham, Van Hollen, Yarmuth, Castor, McDermott, Lee, Pocan and Dingell to insert a policy statement relating to prescription drug costs.

The amendment was not agreed to by a rollcall vote of 13 ayes and 21 noes.

ROLLCALL VOTE NO. 8

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)				PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

10. An amendment offered by Representatives Castor, Van Hollen, Yarmuth, Pascrell, McDermott, Lee, Pocan, Dingell, Norcross and Moulton to increase mandatory budget authority and outlays in Function 550 for scientific jobs and biomedical research.

The amendment would increase mandatory budget authority in Function 550 by $0.720 billion in fiscal year 2017.

Outlays in Function 550 would increase by the following amounts: $0.381 billion for fiscal year 2017, $0.219 billion for fiscal year 2018, $0.067 billion for fiscal year 2019, $0.021 billion for fiscal year 2020 and $0.018 billion for fiscal year 2021.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 12 ayes and 21 noes.

ROLLCALL VOTE NO. 9

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)				LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)			
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

11. An amendment offered by Representatives Pocan, Van Hollen, Yarmuth, Pascrell, Ryan, Castor, McDermott, Lee, Dingell, Norcross and Moulton to insert a policy statement relating to higher education.

The amendment was not agreed to by a rollcall vote of 12 ayes and 21 noes.

ROLLCALL VOTE NO. 10

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)				LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)			
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

12. An amendment offered by Representatives Lieu, Van Hollen, Yarmuth, Pascrell, Ryan, McDermott, Lee, Pocan, Lujan Grisham, Dingell and Norcross to increase mandatory budget authority and outlays for Function 300 and Function 550 relating to safe drinking water and the prevention of childhood lead exposure.

The amendment would increase mandatory budget authority for Function 300 by $3.13 billion in fiscal year 2017. Outlays for Function 300 would increase by the following amounts: $1.656 billion for fiscal year 2017, $0.950 billion for fiscal year 2018, $0.291 billion for fiscal year 2019, $0.093 billion for fiscal year 2020 and $0.078 billion for fiscal year 2021.

The amendment would increase mandatory budget authority for Function 550 by $19.8 billion in fiscal year 2017. Outlays for Function 550 would increase by the following amounts: $10.478 billion for fiscal year 2017, $6.011 billion for fiscal year 2018, $1.843 bil-

lion for fiscal year 2019, $0.588 billion for fiscal year 2020 and $0.494 billion for fiscal year 2021.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 13 ayes and 20 noes.

ROLLCALL VOTE NO. 11

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)				LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)							
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

13. An amendment offered by Representatives Ryan, Van Hollen, Yarmuth, Pascrell, McDermott, Lee, Pocan, Lujan Grisham, Dingell, Norcross and Moulton to increase mandatory budget authority

and outlays in Function 550 relating to prescription opioid and heroin abuse.

The amendment would increase mandatory budget authority for Function 550 by $0.500 billion for fiscal year 2017 and $0.500 billion for fiscal year 2018. Outlays for Function 550 would change by the following amounts: $0.265 billion for fiscal year 2017, $0.416 billion for fiscal year 2018, $0.198 billion for fiscal year 2019, $0.061 billion for fiscal year 2020, $0.027 billion for fiscal year 2021 and $0.012 billion for fiscal year 2022.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 12 ayes and 18 noes.

ROLLCALL VOTE NO. 12

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)			
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)				McDERMOTT (WA)			
WOODALL (GA)				LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)							
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					

ROLLCALL VOTE NO. 12—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RENACCI (OH)							
JOHNSON (OH)		X					

14. An amendment offered by Representatives Moulton, Van Hollen, Yarmuth, Pascrell, McDermott, Lee, Pocan, Lujan Grisham, Dingell, Norcross and Moore to increase mandatory budget authority and outlays for Function 700 relating to veterans programs.

The amendment would increase mandatory budget authority for Function 700 by $0.643 billion for fiscal year 2017 and $1.792 billion for fiscal year 2018. Outlays for Function 700 would increase by the following amounts: $0.340 billion for fiscal year 2017, $1.144 billion for fiscal year 2018, $0.604 billion for fiscal year 2019, $0.186 billion for fiscal year 2020, $0.069 billion for fiscal year 2021 and $0.045 billion for fiscal year 2022.

The amendment would also make all discretionary programs at the Department of Veterans Affairs subject to advance appropriations.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 11 ayes and 19 noes.

ROLLCALL VOTE NO. 13

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)			
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)			
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)				LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		

ROLLCALL VOTE NO. 13—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)							
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

15. An amendment offered by Representatives Norcross, Van Hollen, Yarmuth, Pascrell, Castor, McDermott, Lee, Pocan, Lujan Grisham and Dingell to increase mandatory budget authority and outlays for Function 500 to reflect the enactment of the Paycheck Fairness Act.

The amendment would increase mandatory budget authority for Function 500 by $0.050 billion for fiscal year 2017. Outlays for Function 500 would increase by the following amounts: $0.028 billion for fiscal year 2017, $0.013 billion for fiscal year 2018, $0.004 billion for fiscal year 2019, $0.002 billion for fiscal year 2020 and $0.001 billion for fiscal year 2021.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for U.S. businesses with international operations and closing loopholes in the international corporate tax system.

The amendment would also insert a policy statement calling for the passage of the Paycheck Fairness Act.

The amendment was not agreed to by a rollcall vote of 13 ayes and 20 noes.

ROLLCALL VOTE NO. 14

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		

ROLLCALL VOTE NO. 14—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)				LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

16. An amendment offered by Representatives Yarmuth, Van Hollen, Pascrell, Castor, McDermott, Lee, Pocan, Dingell and Moulton to insert a policy statement relating to the minimum wage.

The amendment was not agreed to by a rollcall vote of 12 ayes and 17 noes.

ROLLCALL VOTE NO. 15

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)			
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)				MOORE (WI)	X		
McCLINTOCK (CA)				CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)				LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		

ROLLCALL VOTE NO. 15—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)							
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

17. An amendment offered by Representatives Moore, Van Hollen, Yarmuth, Pascrell, Ryan, Castor, McDermott, Lee, Pocan, Lujan Grisham and Dingell to increase budget authority and outlays for Function 600 relating to nutrition assistance.

The amendment would increase budget authority and outlays for Function 600 each by the following amounts: $5.3 billion for fiscal year 2017, $9.2 billion for fiscal year 2018, $9.3 billion for fiscal year 2019, $9.5 billion for fiscal year 2020, $20.3 billion for fiscal year 2021, $21.1 billion for fiscal year 2022, $22.0 billion for fiscal year 2023, $23.0 billion for fiscal year 2024, $24.2 billion for fiscal year 2025 and $25.4 billion for fiscal year 2026.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 12 ayes and 20 noes.

ROLLCALL VOTE NO. 16

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		

ROLLCALL VOTE NO. 16—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)				MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)			
WOODALL (GA)		X		LEE (CA)			
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

18. An amendment offered by Representatives Pascrell, Van Hollen, Yarmuth, Moore, McDermott, Lee, Pocan and Dingell to insert a policy statement relating to Social Security.

The amendment was not agreed to by a rollcall vote of 12 ayes and 20 noes.

ROLLCALL VOTE NO. 17

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)				MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)			

ROLLCALL VOTE NO. 17—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
WOODALL (GA)		X		LEE (CA)			
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

19. An amendment offered by Representatives Van Hollen, Yarmuth, Moore, McDermott, Lee, Pocan, Lujan Grisham, Dingell and Norcross to insert a policy statement relating to Social Security benefits.

The amendment was not agreed to by a rollcall vote of 11 ayes and 17 noes.

ROLLCALL VOTE NO. 18

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)			
DIAZ–BALART (FL)				RYAN (OH)	X		
COLE (OK)				MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)				McDERMOTT (WA)			
WOODALL (GA)		X		LEE (CA)			
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		

ROLLCALL VOTE NO. 18—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)							
JOHNSON (OH)		X					

20. An amendment offered by Representatives Pocan, Van Hollen, Yarmuth, Pascrell, Moore, Castor, McDermott, Lee, Lujan Grisham, Dingell, Norcross and Moulton to increase mandatory budget authority and outlays for Function 500 relating to student loans.

The amendment would increase mandatory budget authority and outlays in Function 500. Mandatory budget authority would increase by the following amounts: $15.524 billion for fiscal year 2017, $19.550 billion for fiscal year 2018, $20.805 billion for fiscal year 2019, $21.402 billion for fiscal year 2020, $21.955 billion for fiscal year 2021, $22.926 billion for fiscal year 2022, $19.960 billion for fiscal year 2023, $20.675 billion for fiscal year 2024, $21.359 billion for fiscal year 2025 and $22.006 billion for fiscal year 2026.

Outlays for Function 500 would increase by the following amounts: $7.500 billion for fiscal year 2017, $17.085 billion for fiscal year 2018, $19.112 billion for fiscal year 2019, $20.070 billion for fiscal year 2020, $20.693 billion for fiscal year 2021, $21.225 billion for fiscal year 2022, $20.186 billion for fiscal year 2023, $19.153 billion for fiscal year 2024, $19.558 billion for fiscal year 2025 and $20.143 billion for fiscal year 2026.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment would also insert a deficit-neutral reserve fund and policy statement relating to refinancing student loans.

The amendment was not agreed to by a rollcall vote of 12 ayes and 19 noes.

ROLLCALL VOTE NO. 19

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)			
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)				MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)			
HARTZLER (MO)				POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

21. An amendment offered by Representatives Castor, Van Hollen, Yarmuth, Pascrell, Ryan, McDermott, Lee, Pocan, Lujan Grisham, Dingell, Norcross and Moulton to increase budget authority and outlays for Function 400 relating to transportation infrastructure.

The amendment would increase budget authority by the following amounts: $22.684 billion for fiscal year 2017, $32.254 billion for fiscal year 2018, $34.061 billion for fiscal year 2019, $41.966 billion for fiscal year 2020, $38.570 billion for fiscal year 2021, $33.223 billion for fiscal year 2022, $27.672 billion for fiscal year 2023, $20.022 billion for fiscal year 2024, $11.317 billion for fiscal year 2025 and $10.010 billion for fiscal year 2026.

Outlays for Function 400 would increase by the following amounts: $5.392 billion for fiscal year 2017, $14.616 billion for fiscal year 2018, $22.470 billion for fiscal year 2019, $30.463 billion for fiscal year 2020, $35.485 billion for fiscal year 2021, $35.877 bil-

lion for fiscal year 2022, $33.848 billion for fiscal year 2023, $29.479 billion for fiscal year 2024, $22.730 billion in fiscal year 2025 and $16.669 billion for fiscal year 2026.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 12 ayes and 21 noes.

ROLLCALL VOTE NO. 20

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)			
GARRETT (NJ)		X		PASCRELL (NJ)			
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)				MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

22. An amendment offered by Representatives McDermott, Van Hollen, Yarmuth, Pascrell, Castor, Lee, Pocan and Dingell to in-

crease mandatory budget authority and outlays in Function 550 to keep health care coverage affordable.

The amendment would increase mandatory budget authority and outlays for Function 550 each by the following amounts: $46.0 billion for fiscal year 2017, $54.0 billion for fiscal year 2018, $56.0 billion for fiscal year 2019, $58.0 billion for fiscal year 2020, $60.0 billion for fiscal year 2021, $65.0 billion for fiscal year 2022, $67.0 billion for fiscal year 2023, $70.0 billion for fiscal year 2024, $73.0 billion for fiscal year 2025 and $76.0 billion for fiscal year 2026.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 13 ayes to 21 noes.

ROLLCALL VOTE NO. 21

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)			
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)				MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					

ROLLCALL VOTE NO. 21—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RENACCI (OH)		X					
JOHNSON (OH)		X					

23. An amendment offered by Representatives Lee, Van Hollen, Yarmuth, McDermott, Pocan and Moulton relating to the Overseas Contingency Operations designation.

The amendment was not agreed to by a rollcall vote of 15 ayes and 21 noes.

ROLLCALL VOTE NO. 22

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)	X			LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

24. An amendment offered by Representatives Ryan, Van Hollen, Pascrell, McDermott, Lee, Pocan, Lujan Grisham, Dingell, Norcross

and Moulton to increase mandatory budget authority and outlays in Function 370 for manufacturing programs in the United States.

The amendment would increase budget authority for Function 370 by $3.140 billion in fiscal year 2017. Outlays for Function 370 would change by the following amounts: $0.255 billion for fiscal year 2018, $0.565 billion for fiscal year 2019, $0.665 billion for fiscal year 2020, $0.715 billion for fiscal year 2021, $0.350 billion for fiscal year 2022, $0.300 billion for fiscal year 2023, $0.200 billion for fiscal year 2024 and $0.090 billion for fiscal year 2025.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 14 ayes and 22 noes.

ROLLCALL VOTE NO. 23

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					

ROLLCALL VOTE NO. 23—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
RENACCI (OH)		X					
JOHNSON (OH)		X					

25. An amendment offered by Representatives Lujan Grisham, Van Hollen, Yarmuth, Pascrell, Castor, McDermott, Lee, Pocan and Dingell to insert a deficit-neutral reserve fund to support initiatives aimed at improving the economy and creating jobs.

The amendment was not agreed to by a rollcall vote of 14 ayes and 21 noes.

ROLLCALL VOTE NO. 24

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

26. An amendment offered by Representatives Dingell, Van Hollen, Yarmuth, Pascrell, Castor, McDermott, Lee and Pocan to in-

sert a deficit-neutral reserve fund for long term care services and supports.

The amendment was not agreed to by a rollcall vote of 14 ayes and 20 noes.

ROLLCALL VOTE NO. 25

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)							
MOONEY (WV)							
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

27. An amendment offered by Representatives Lieu, Van Hollen, Yarmuth, McDermott, Lee, Pocan, Norcross and Moulton to prevent cyber-attacks by establishing the Information Technology Modernization Fund.

The amendment would increase mandatory budget authority for Function 800 by $3.0 billion for fiscal year 2017.

Outlays for Function 800 would increase by the following amounts: $1.5 billion for fiscal year 2017, $0.60 billion for fiscal year 2018 and $0.750 billion for fiscal year 2019.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by elimi-

nating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment was not agreed to by a rollcall vote of 14 ayes and 22 noes.

ROLLCALL VOTE NO. 26

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

28. An amendment offered by Representative Norcross, Van Hollen, Yarmuth, Pascrell, Moore, McDermott, Lee, Pocan, Lujan Grisham and Moulton to prevent gun violence and provide mental health services to victims.

The amendment would increase mandatory budget authority for Function 750 by $0.035 billion for fiscal year 2017. Outlays for Function 750 would increase by the following amounts: $0.019 billion for fiscal year 2017, $0.011 billion for fiscal year 2018, $0.003

billion for fiscal year 2019, $0.001 billion for fiscal year 2020 and $0.001 billion for fiscal year 2021.

The amendment would also increase mandatory budget authority for Function 550 by $0.250 billion for fiscal year 2017 and $0.250 billion for fiscal year 2018. Outlays for Function 550 would increase by the following amounts: $0.132 billion for fiscal year 2017, $0.208 billion for fiscal year 2018, $0.099 billion for fiscal year 2019, $0.031 billion for fiscal year 2020, $0.014 billion for fiscal year 2021 and $0.006 billion for fiscal year 2022.

The amendment would adjust the aggregate levels of revenue by amounts equal to the aforementioned changes in outlays by eliminating tax deductions for oil production and U.S. businesses with international operations, changing the depreciation schedules for certain equipment, closing loopholes in the international corporate tax system, raising taxes on high-income individuals and reforming the tax code by repealing certain business expense deductions.

The amendment would also insert a policy statement urging the passage of the Denying Firearms and Explosives to Dangerous Terrorists Act of 2015.

The amendment was not agreed to by a rollcall vote of 14 ayes and 22 noes.

ROLLCALL VOTE NO. 27

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					

ROLLCALL VOTE NO. 27—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					
JOHNSON (OH)		X					

29. An amendment offered by Representatives Moulton, Van Hollen, Yarmuth, Moore, McDermott, Lee and Pocan to insert a deficit-neutral reserve fund relating to the Corporation for National and Community Service.

The amendment was not agreed to by a rollcall vote of 14 ayes and 22 noes.

ROLLCALL VOTE NO. 28

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)		X		VAN HOLLEN (MD) (Ranking)	X		
ROKITA (IN)		X		YARMUTH (KY)	X		
GARRETT (NJ)		X		PASCRELL (NJ)	X		
DIAZ–BALART (FL)		X		RYAN (OH)	X		
COLE (OK)		X		MOORE (WI)	X		
McCLINTOCK (CA)		X		CASTOR (FL)	X		
BLACK (TN)		X		McDERMOTT (WA)	X		
WOODALL (GA)		X		LEE (CA)	X		
HARTZLER (MO)		X		POCAN (WI)	X		
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)	X		
GUINTA (NH)		X		DINGELL (MI)	X		
SANFORD (SC)		X		LIEU (CA)	X		
WOMACK (AR)		X		NORCROSS (NJ)	X		
BRAT (VA)		X		MOULTON (MA)	X		
BLUM (IA)		X					
MOONEY (WV)		X					
GROTHMAN (WI)		X					
PALMER (AL)		X					
MOOLENAAR (MI)		X					
WESTERMAN (AR)		X					
RENACCI (OH)		X					

ROLLCALL VOTE NO. 28—Continued

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
JOHNSON (OH)		X					

30. An amendment offered by Representative Garrett to specify the procedures for considering mandatory savings outside of reconciliation, which may include a stand-alone measure or in conjunction with another measure or measures with a fiscal impact.

The amendment was agreed to by a rollcall vote of 22 ayes and 14 noes.

ROLLCALL VOTE NO. 29

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)	X			VAN HOLLEN (MD) (Ranking)		X	
ROKITA (IN)	X			YARMUTH (KY)		X	
GARRETT (NJ)	X			PASCRELL (NJ)		X	
DIAZ–BALART (FL)	X			RYAN (OH)		X	
COLE (OK)	X			MOORE (WI)		X	
McCLINTOCK (CA)	X			CASTOR (FL)		X	
BLACK (TN)	X			McDERMOTT (WA)		X	
WOODALL (GA)	X			LEE (CA)		X	
HARTZLER (MO)	X			POCAN (WI)		X	
STUTZMAN (IN)	X			LUJAN GRISHAM (NM)		X	
GUINTA (NH)	X			DINGELL (MI)		X	
SANFORD (SC)	X			LIEU (CA)		X	
WOMACK (AR)	X			NORCROSS (NJ)		X	
BRAT (VA)	X			MOULTON (MA)		X	
BLUM (IA)	X						
MOONEY (WV)	X						
GROTHMAN (WI)	X						
PALMER (AL)	X						
MOOLENAAR (MI)	X						
WESTERMAN (AR)	X						
RENACCI (OH)	X						
JOHNSON (OH)	X						

31. Representative Rokita made a motion that the Committee adopt the aggregates, functional categories and other appropriate matter, with any amendments.

The motion offered by Representative Rokita was agreed to by voice vote.

Chairman Price called up the Concurrent Resolution on the Budget for Fiscal Year 2017 incorporating the aggregates, function totals and other appropriate matter as previously agreed.

32. Representative Rokita made a motion that the Committee order the Concurrent Resolution reported with a favorable recommendation and that the Concurrent Resolution do pass.

The motion offered by Representative Rokita was agreed to by a rollcall vote of 20 ayes to 16 noes.

ROLLCALL VOTE NO. 30

Name & State	Aye	No	Answer Present	Name & State	Aye	No	Answer Present
PRICE (GA) (Chairman)	X			VAN HOLLEN (MD) (Ranking)		X	
ROKITA (IN)	X			YARMUTH (KY)		X	
GARRETT (NJ)	X			PASCRELL (NJ)		X	
DIAZ–BALART (FL)	X			RYAN (OH)		X	
COLE (OK)	X			MOORE (WI)		X	
McCLINTOCK (CA)	X			CASTOR (FL)		X	
BLACK (TN)	X			McDERMOTT (WA)		X	
WOODALL (GA)	X			LEE (CA)		X	
HARTZLER (MO)	X			POCAN (WI)		X	
STUTZMAN (IN)		X		LUJAN GRISHAM (NM)		X	
GUINTA (NH)	X			DINGELL (MI)		X	
SANFORD (SC)	X			LIEU (CA)		X	
WOMACK (AR)	X			NORCROSS (NJ)		X	
BRAT (VA)		X		MOULTON (MA)		X	
BLUM (IA)	X						
MOONEY (WV)	X						
GROTHMAN (WI)	X						
PALMER (AL)	X						
MOOLENAAR (MI)	X						
WESTERMAN (AR)	X						
RENACCI (OH)	X						
JOHNSON (OH)	X						

Representative Rokita asked for unanimous consent that the Chairman be authorized to make a motion to go to conference pursuant to clause 1 of House Rule XXII, the staff be authorized to make any necessary technical and conforming corrections in the resolution and any committee amendments and calculate any re-

maining elements required in the resolution, prior to filing the resolution.

There was no objection to the unanimous consent requests.

JOHN A. YARMUTH
MEMBER OF CONGRESS
3RD DISTRICT, KENTUCKY

COMMITTEE ON THE BUDGET

COMMITTEE ON
ENERGY AND COMMERCE

Congress of the United States
House of Representatives
Washington, DC 20515–1703

403 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-5401
FAX (202) 225-5776

ROMANO MAZZOLI FEDERAL BUILDING
601 MARTIN LUTHER KING, JR. PLACE, SUITE 216
LOUISVILLE, KY 40202
(502) 582-5129
FAX (502) 582-5697

SOUTHWEST GOVERNMENT CENTER
7219 DIXIE HIGHWAY
LOUISVILLE, KY 40258
(502) 933-5663
FAX (502) 935-6934

March 18, 2016

The Honorable Tom Price, M.D.
Chairman
House Committee on the Budget
207 Cannon House Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
House Committee on the Budget
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Price and Ranking Member Van Hollen:

Please include the following explanation in the Committee Report on the Concurrent Resolution on the Budget for Fiscal Year 2017:

> *I was unable to vote on one amendment during the markup of the Concurrent Resolution on the Budget for Fiscal Year 2017. Had I been present, I would have voted "Aye" on Democratic Amendment 21, offered by Representative Castor, related to the importance of investing in America's transportation infrastructure.*

Thank you for your attention to this request.

Sincerely,

John Yarmuth
Member of Congress

BILL PASCRELL, JR.
9TH DISTRICT, NEW JERSEY

2370 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-5751
(202) 225-5782 FAX

ROBERT A. ROE FEDERAL BUILDING
200 FEDERAL PLAZA, SUITE 500
PATERSON, NJ 07505
(973) 523-5152
(973) 523-0637 FAX

http://pascrell.house.gov
bill.pascrell@mail.house.gov

Congress of the United States
House of Representatives

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HEALTH
SUBCOMMITTEE ON TRADE

COMMITTEE ON THE BUDGET

March 18, 2016

The Honorable Tom Price, M.D.
Chairman
House Committee on the Budget
207 Cannon House Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
House Committee on the Budget
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Price and Ranking Member Van Hollen:

Please include the following explanation in the Committee Report on the Concurrent Resolution on the Budget for Fiscal Year 2017:

I was unable to vote on 8 amendments during the markup of the Concurrent Resolution on the Budget for Fiscal Year 2017. Had I been present, I would have voted "Aye" on Democratic Amendments 1, 6, 14, 15, 17, 19, 20, and 21.

Sincerely,

Bill Pascrell Jr

Bill Pascrell, Jr.
Member of Congress

1421 LONGWORTH BUILDING
WASHINGTON, DC 20515
202-225-5261
202-225-3719 FAX

TIM RYAN
CONGRESS OF THE UNITED STATES
13TH DISTRICT, OHIO

COMMITTEE ON APPROPRIATIONS
DEFENSE SUBCOMMITTEE
TRANSPORTATION, HOUSING, AND URBAN DEVELOPMENT SUBCOMMITTEE

COMMITTEE ON THE BUDGET

March 18, 2016

The Honorable Tom Price, M.D.
Chairman
House Committee on the Budget
207 Cannon House Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
House Committee on the Budget
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Price and Ranking Member Van Hollen:

Please include the following explanation in the Committee Report on the Concurrent Resolution on the Budget for Fiscal Year 2017:

I was unable to vote on two amendments during the markup of the Concurrent Resolution on the Budget for Fiscal Year 2017. Had I been present, I would have voted "Aye" on Democratic Amendments 1 and 12.

Sincerely,

Tim Ryan

Tim Ryan
Member of Congress

BARBARA LEE
13TH DISTRICT, CALIFORNIA
DEMOCRATIC STEERING AND POLICY COMMITTEE

COMMITTEE ON APPROPRIATIONS
Member, Subcommittee on
Labor, Health and Human Services, Education,
and Related Agencies
Member, Subcommittee on
State, Foreign Operations, and Related Programs

COMMITTEE ON THE BUDGET

Congress of the United States
House of Representatives
Washington, D.C. 20515-0509

REPLY TO OFFICE CHECKED

☐ **WASHINGTON OFFICE**
2267 Rayburn House Office Building
Washington, D.C. 20515
Phone: (202) 225-2661
Fax: (202) 225-9817

☐ **DISTRICT OFFICE**
1301 Clay Street, Suite 1000N
Oakland, CA 94612
Phone: (510) 763-0370
Fax: (510) 763-6538

website: lee.house.gov

March 21st, 2016

The Honorable Tom price, M.D.
Chairman
House Committee on the Budget
207 Cannon House Building
Washington, D.C. 20515

The Honorable Chris Van Hollen
Ranking Member
House Committee on the Budget
134 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Price and Ranking Member Van Hollen:

Please include the following explanation in the Committee Report on the Concurrent Resolution on the Budget for Fiscal Year 2017:

I was unable to vote on amendments number 1, 16, 17, 18, and 20, during the markup of the Concurrent Resolution on the Budget for Fiscal Year 2017. Had I been present, I would have voted "Aye" on Democratic Amendments to Protect Women's Health, Social Security 2100, Protect Social Security Benefits from Cuts, Protect Nutrition Assistance, and Lower Student Debt by Refinancing Student Loans and Protecting College Aid.

Sincerely,

Barbara Lee

BARBARA LEE
Member of Congress

DEBBIE DINGELL
12TH DISTRICT, MICHIGAN

116 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-4071

HOUSE COMMITTEE ON
NATURAL RESOURCES
RANKING MEMBER
SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATION

HOUSE COMMITTEE
ON THE BUDGET

Congress of the United States
House of Representatives
Washington, DC 20515

DISTRICT OFFICES:

19855 WEST OUTER DRIVE
SUITE 103-E
DEARBORN, MI 48124
(313) 278-2936

301 WEST MICHIGAN AVENUE
SUITE 400
YPSILANTI, MI 48197
(734) 481-1100

WEBSITE: DEBBIEDINGELL.HOUSE.GOV

March 21, 2016

The Honorable Tom Price, M.D.
Chairman
House Committee on the Budget
207 Cannon House Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
House Committee on the Budget
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Price and Ranking Member Van Hollen:

Please include the following explanation in the Committee Report on the Concurrent Resolution on the Budget for Fiscal Year 2017:

I was unable to vote on 2 amendments during the markup of the Concurrent Resolution on the Budget for Fiscal Year 2017. Had I been present, I would have voted "Aye" on Democratic Amendments 9 and 10.

Sincerely,

Debbie Dingell

Debbie Dingell
Member of Congress

TED LIEU
33RD DISTRICT, CALIFORNIA

415 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-3976

Congress of the United States
House of Representatives
Washington, DC 20515–0533

March 21, 2016

The Honorable Tom Price, M.D.
Chairman
House Committee on the Budget
207 Cannon House Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
House Committee on the Budget
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Price and Ranking Member Van Hollen:

Please include the following explanation in the Committee Report on the Concurrent Resolution on the Budget for Fiscal Year 2017:

I was unable to vote on one amendment during the markup of the Concurrent Resolution on the Budget for Fiscal Year 2017. Had I been present, I would have voted "Aye" on Democratic Amendment 1.

Organizations like Planned Parenthood play a crucial role under the Affordable Care Act in providing critical health care services for women. Reducing access to reproductive healthcare to over three million women per year by defunding Planned Parenthood and imposing an unconstitutional violation of the right to privacy and civil rights are not acceptable, nor is taking affordable health care coverage away from millions of Americans by repealing the Affordable Care Act.

Sincerely,

Ted W. Lieu
Member of Congress

DONALD NORCROSS
FIRST DISTRICT NEW JERSEY

website:
www.house.gov/norcross

Congress of the United States
House of Representatives
Washington, DC 20515-3001

PLEASE REPLY TO:

☐ 1531 LONGWORTH BUILDING
WASHINGTON, DC 20515
(202) 225-6501

☐ 10 MELROSE AVE
SUITE 210
CHERRY HILL, NJ 08003
(856) 427-7000

March 18, 2016

The Honorable Tom Price
Chairman
Budget Committee
United State House of Representatives
Washington, DC 20515

Dear Chairman Price,

In the FY2017 budget markup held on March 16, 2017, I was unable to vote for Amendment 6, Eliminate Fast Track for Slashing Safety Net, as I was attending an Armed Services Committee hearing. Had I been present, I would have voted YEA. Please include this information in the votes section of the Committee Report.

Sincerely,

Donald Norcross
Member of Congress

SETH MOULTON
SIXTH DISTRICT, MASSACHUSETTS

COMMITTEE ON ARMED SERVICES
COMMITTEE ON THE BUDGET
COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON HEALTH AND TECHNOLOGY
RANKING MEMBER

UNITED STATES
HOUSE OF REPRESENTATIVES

1408 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
202.225.8020

21 FRONT STREET
SALEM, MA 01970
978.531.1669

moulton.house.gov
@TeamMoulton

March 18, 2016

The Honorable Tom Price, M.D.
Chairman
House Committee on the Budget
207 Cannon House Building
Washington, DC 20515

The Honorable Chris Van Hollen
Ranking Member
House Committee on the Budget
134 Cannon House Office Building
Washington, DC 20515

Dear Chairman Price and Ranking Member Van Hollen:

Please include the following explanation in the Committee Report on the Concurrent Resolution on the Budget for Fiscal Year 2017:

I was unable to vote on two amendments during the markup of the Concurrent Resolution on the Budget for Fiscal Year 2017. Had I been present, I would have voted "Aye" on Democratic Amendments 5 and 6.

Sincerely,

SETH MOULTON
Member of Congress

OTHER MATTERS UNDER THE RULES OF THE HOUSE

Committee on the Budget Oversight Findings and Recommendations

Clause 3(c)(1) of rule XIII of the Rules of the House of Representatives requires each committee report to contain oversight findings and recommendations pursuant to clause 2(b)(1) of rule X. The Committee on the Budget has no findings to report at the present time.

New Budget Authority, Entitlement Authority, and Tax Expenditures

Clause 3(c)(2) of rule XIII of the Rules of the House of Representatives provides that committee reports must contain the statement required by Section 308(a) of the Congressional Budget Act of 1974. This report does not contain such a statement because as a concurrent resolution setting forth a blueprint for the Congressional budget, the budget resolution does not provide new budget authority, new entitlement authority, or change revenues.

General Performance Goals and Objectives

Clause 3(c)(4) of rule XIII of the Rules of the House of Representatives requires each committee report to contain a statement of general performance goals and objectives, including outcome-related goals and objectives, for which the measure authorizes funding. The Committee on the Budget has no such goals and objectives to report at this time.

Views of Committee Members

Clause 2(l) of rule XI of the Rules of the House of Representatives requires each committee to afford a two-day opportunity for members of the committee to file minority, additional, dissenting, or supplemental views and to include the views in its report. The following views were submitted:

MINORITY VIEWS

2017 Republican Budget Divides Americans, Disinvests in America, Rewards the Wealthy, and Punishes Everyone Else

This 2017 Republican budget is a budget that divides Americans. It divides Americans because it continues to provide great benefits to those who are already doing very well in America, but for everyone else—a struggling working family, a senior on Medicare, a student trying to go to college and come out debt-free—this budget hits you squarely between the eyes. This is another Republican budget that helps those who are doing just fine at the expense of everyone else in America.

The Republican budget once again is based on a continued failed theory of trickle-down economics. The idea is that as long as people at the top get tax breaks, that will somehow lift everybody else up. What we've seen—and the record is pretty clear—is that it has not lifted all boats. It has lifted only the yachts.

This budget also fails to reflect the "healthy and functioning budget process" that the majority claimed to want. This year marks the first time in 40 years of bipartisan budget process that this Committee has refused to hear from the President's representative. That had been a bipartisan tradition, whether you had a Democratic President or a Republican President, a Democratically controlled House of Representatives or Republican-controlled House of Representatives. This Committee has to be ashamed that this year, for the first time, we broke with that long-standing bipartisan tradition.

It is also troubling that this budget exists only because of the deal that was made for the Tea Party caucus to use the other committees to make significant reductions in important investments in this country. For example, the Ways and Means Committee is eliminating the Social Services Block Grant—half of which helps vulnerable kids, and half supports vulnerable adults. It funds services such as the Meals on Wheels program. It supports things like child protective services. The great irony is that when former Budget Committee Chairman and now Speaker Ryan talked about trying to help people who are struggling and poor families, he talked about programs that provide local flexibility. That is exactly what the Social Services Block Grant does—it's a block grant that provides flexibility.

Democrats have always worried that once you block-grant programs, Republicans will then eliminate them. That's exactly what Republicans have done with the Social Services Block Grant. Republican proposals currently in the Ways and Means Committee are going to hit child tax credits for three million kids from work-

ing families. That was the price that was paid in the Republican caucus to even consider a budget resolution this year.

And it is a bad Republican budget. It does not close a single tax break to reduce the deficit. If you're a hedge fund manager, you continue to get a better tax rate than school bus drivers and people who are working out there every day. It does not touch the tax break for corporate jets. It does not stop the problem of American corporations that are moving their address overseas to escape their responsibilities here at home.

Instead of stopping those tax breaks, the Republican budget cuts Medicaid by $1 trillion. Two thirds of Medicaid goes to seniors and people with disabilities.

It cuts Medicare by $487 billion. Seniors will have to go back to paying co-pays for preventive services. It reopens the prescription drug donut hole.

On the discretionary side starting in 2018, the Republican budget dramatically disinvests in America. It doubles the size of the non-defense discretionary sequester cuts in 2018. The Chairman of the Republican House Appropriations Committee rightly has said that current levels are unsustainable, and yet this doubles the sequester cuts next year. By 10 years out, it cuts nondefense funding by almost five times the size of the sequester cuts. This is disinvesting in innovation and science and research. It is also disinvesting in early education, college student assistance and disinvesting in programs for transportation when we need to be modernizing our infrastructure to compete globally.

Even after all that, once again, this Republican budget does not balance. It is based on gimmicks that would make the Enron accountants blush. Republicans continue to keep all of the revenues from the Affordable Care Act in this budget while they claim that they are repealing the Affordable Care Act. That just does not square.

In summary, this is another budget that is great for people at the very top of the income ladder, but at the expense of everybody else in America and of our competitiveness. It does not close a single tax break for special interests to help reduce the deficit but everybody else in the country pays the price for a budget that only rhetorically balances.

CHRIS VAN HOLLEN.
JOHN YARMUTH.
BILL PASCRELL.
TIM RYAN.
GWEN MOORE.
KATHY CASTOR.
JIM MCDERMOTT
BARBARA LEE.
MARK POCAN.
MICHELLE LUJAN GRISHAM.
DEBBIE DINGELL.
TED LIEU.
DONALD NORCROSS.
SETH MOULTON.

114TH CONGRESS
2D SESSION

H. CON. RES. _____

Establishing the congressional budget for the United States Government for fiscal year 2017 and setting forth the appropriate budgetary levels for fiscal years 2018 through 2026.

CONCURRENT RESOLUTION

Resolved by the House of Representatives (the Senate concurring),

SECTION 1. CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2017.

(a) DECLARATION.—The Congress determines and declares that this concurrent resolution establishes the budget for fiscal year 2017 and sets forth appropriate budgetary levels for fiscal years 2018 through 2026.

(b) TABLE OF CONTENTS.—The table of contents for this concurrent resolution is as follows:

Sec. 1. Concurrent resolution on the budget for fiscal year 2017.

TITLE I—RECOMMENDED LEVELS AND AMOUNTS

Sec. 101. Recommended levels and amounts.
Sec. 102. Major functional categories.

TITLE II—RECONCILIATION AND RELATED MATTERS

Sec. 201. Fiscal year 2017 budgetary agenda.
Sec. 202. Reconciliation in the House of Representatives.
Sec. 203. Policy statement on mandatory savings outside of the reconciliation process.
Sec. 204. Policy statement on new mandatory spending controls.
Sec. 205. Policy statement on other budget process reforms.

TITLE III—BUDGET ENFORCEMENT

Subtitle A—Budget Enforcement in the House of Representatives

Sec. 301. Point of order against increasing long-term direct spending.
Sec. 302. Allocation for Overseas Contingency Operations/Global War on Terrorism.
Sec. 303. Limitation on changes in certain mandatory programs.
Sec. 304. GAO report.
Sec. 305. Estimates of debt service costs.
Sec. 306. Fair-value credit estimates.
Sec. 307. Estimates of major direct spending legislation.
Sec. 308. Estimates of macroeconomic effects of major legislation.
Sec. 309. Adjustments for improved control of budgetary resources.
Sec. 310. Limitation on advance appropriations.
Sec. 311. Scoring rule for Energy Savings Performance Contracts.
Sec. 312. Estimates of land conveyances.
Sec. 313. Limitation on transfers from the general fund of the Treasury to the Highway Trust Fund.
Sec. 314. Prohibition on the use of guarantee fees as an offset.
Sec. 315. Prohibition on use of Federal Reserve surpluses as an offset.

Subtitle B—Other Provisions

Sec. 321. Budgetary treatment of administrative expenses.
Sec. 322. Application and effect of changes in allocations and aggregates.
Sec. 323. Adjustments to reflect changes in concepts and definitions.
Sec. 324. Adjustments to reflect updated budgetary estimates.
Sec. 325. Adjustment for certain emergency designations.
Sec. 326. Exercise of rulemaking powers.

TITLE IV—RESERVE FUNDS IN THE HOUSE OF REPRESENTATIVES

Sec. 401. Deficit-neutral reserve fund to reduce poverty and increase opportunity and upward mobility for struggling Americans.
Sec. 402. Reserve fund for the repeal of the President's health care law.
Sec. 403. Deficit-neutral reserve fund for promoting health care reform.
Sec. 404. Deficit-neutral reserve fund for graduate medical education.

Sec. 405. Deficit-neutral reserve fund for trade agreements.
Sec. 406. Deficit-neutral reserve fund for reforming the tax code.
Sec. 407. Deficit-neutral reserve fund for revenue measures.
Sec. 408. Deficit-neutral reserve fund for Federal retirement reform.
Sec. 409. Deficit-neutral reserve fund for coal miner pension and health care funds.
Sec. 410. Reserve fund for commercialization of Air Traffic Control.

TITLE V—ESTIMATES OF DIRECT SPENDING IN THE HOUSE OF REPRESENTATIVES

Sec. 501. Direct spending.

TITLE VI—POLICY STATEMENTS IN THE HOUSE OF REPRESENTATIVES

Sec. 601. Policy statement on developing a bold agenda.
Sec. 602. Policy statement on a balanced budget amendment.
Sec. 603. Policy statement on reforming the congressional budget process.
Sec. 604. Policy statement on economic growth and job creation.
Sec. 605. Policy statement on Federal regulatory budgeting and reform.
Sec. 606. Policy statement on tax reform.
Sec. 607. Policy statement on trade.
Sec. 608. Policy statement on Social Security.
Sec. 609. Policy statement on repealing the President's health care law and promoting real health care reform.
Sec. 610. Policy statement on Medicare.
Sec. 611. Policy statement on medical discovery, development, delivery, and innovation.
Sec. 612. Policy statement on public health preparedness.
Sec. 613. Policy statement on addressing the opioid abuse epidemic.
Sec. 614. Policy statement on higher education and workforce development opportunity.
Sec. 615. Policy statement on the Department of Veterans Affairs.
Sec. 616. Policy statement on Federal accounting.
Sec. 617. Policy statement on reducing unnecessary and wasteful spending.
Sec. 618. Policy statement on deficit reduction through the cancellation of unobligated balances.
Sec. 619. Policy statement on responsible stewardship of taxpayer dollars.
Sec. 620. Policy statement on expenditures from agency fees and spending.
Sec. 621. Policy statement on border security.
Sec. 622. Policy statement on preventing the closure of the Guantanamo Bay detention facility.
Sec. 623. Policy statement on refugees from conflict zones.
Sec. 624. Policy statement on moving the United States Postal Service on budget.
Sec. 625. Policy statement on budget enforcement.
Sec. 626. Policy statement on unauthorized appropriations.

TITLE I—RECOMMENDED LEVELS AND AMOUNTS

SEC. 101. RECOMMENDED LEVELS AND AMOUNTS.

The following budgetary levels are appropriate for each of fiscal years 2017 through 2026:

(1) FEDERAL REVENUES.—For purposes of the enforcement of this concurrent resolution:

(A) The recommended levels of Federal revenues are as follows:

Fiscal year 2017: $2,692,937,000,000.
Fiscal year 2018: $2,799,875,000,000.
Fiscal year 2019: $2,902,418,000,000.
Fiscal year 2020: $3,040,763,000,000.
Fiscal year 2021: $3,168,226,000,000.
Fiscal year 2022: $3,301,656,000,000.
Fiscal year 2023: $3,443,940,000,000.
Fiscal year 2024: $3,595,338,000,000.
Fiscal year 2025: $3,762,041,000,000.
Fiscal year 2026: $3,936,429,000,000.

(B) The amounts by which the aggregate levels of Federal revenues should be changed are as follows:

Fiscal year 2017: $10,700,000,000.
Fiscal year 2018: $26,000,000,000.
Fiscal year 2019: $43,000,000,000.
Fiscal year 2020: $41,400,000,000.
Fiscal year 2021: $42,000,000,000.
Fiscal year 2022: $41,900,000,000.
Fiscal year 2023: $43,400,000,000.
Fiscal year 2024: $43,400,000,000.
Fiscal year 2025: $42,200,000,000.
Fiscal year 2026: $41,000,000,000.

(2) NEW BUDGET AUTHORITY.—For purposes of the enforcement of this concurrent resolution, the appropriate levels of total new budget authority are as follows:
Fiscal year 2017: $3,086,332,000,000.
Fiscal year 2018: $2,984,016,000,000.
Fiscal year 2019: $3,084,551,000,000.
Fiscal year 2020: $3,192,964,000,000.
Fiscal year 2021: $3,254,411,000,000.
Fiscal year 2022: $3,319,284,000,000.
Fiscal year 2023: $3,443,779,000,000.
Fiscal year 2024: $3,551,204,000,000.
Fiscal year 2025: $3,624,651,000,000.
Fiscal year 2026: $3,704,462,000,000.

(3) BUDGET OUTLAYS.—For purposes of the enforcement of this concurrent resolution, the appropriate levels of total budget outlays are as follows:
Fiscal year 2017: $3,072,428,000,000.
Fiscal year 2018: $2,990,509,000,000.
Fiscal year 2019: $3,071,424,000,000.
Fiscal year 2020: $3,182,999,000,000
Fiscal year 2021: $3,252,237,000,000.
Fiscal year 2022: $3,321,899,000,000.
Fiscal year 2023: $3,420,907,000,000.
Fiscal year 2024: $3,509,889,000,000.
Fiscal year 2025: $3,578,931,000,000.
Fiscal year 2026: $3,675,084,000,000.

(4) DEFICITS (ON-BUDGET).—For purposes of the enforcement of this concurrent resolution, the amounts of the deficits (on-budget) are as follows:
Fiscal year 2017: -$379,491,000,000.
Fiscal year 2018: -$190,634,000,000.
Fiscal year 2019: -$169,006,000,000.
Fiscal year 2020: -$142,236,000,000.
Fiscal year 2021: -$84,011,000,000.
Fiscal year 2022: -$20,243,000,000.
Fiscal year 2023: $23,033,000,000.
Fiscal year 2024: $85,449,000,000.
Fiscal year 2025: $183,110,000,000.
Fiscal year 2026: $261,345,000,000.

(5) DEBT SUBJECT TO LIMIT.—The appropriate levels of debt subject to limit are as follows:
Fiscal year 2017: $19,848,354,000,000.
Fiscal year 2018: $20,314,389,000,000.
Fiscal year 2019: $20,647,523,000,000.
Fiscal year 2020: $20,904,600,000,000.
Fiscal year 2021: $21,161,285,000,000.
Fiscal year 2022: $21,296,902,000,000.
Fiscal year 2023: $21,510,772,000,000.
Fiscal year 2024: $21,598,523,000,000.
Fiscal year 2025: $21,373,459,000,000.
Fiscal year 2026: $21,412,056,000,000.

(6) DEBT HELD BY THE PUBLIC.—The appropriate levels of debt held by the public are as follows:
Fiscal year 2017: $14,400,000,000,000.
Fiscal year 2018: $14,726,000,000,000.
Fiscal year 2019: $14,976,000,000,000.
Fiscal year 2020: $15,190,000,000,000.
Fiscal year 2021: $15,436,000,000,000.
Fiscal year 2022: $15,576,000,000,000.
Fiscal year 2023: $15,808,000,000,000.

Fiscal year 2024: $15,934,000,000,000.
Fiscal year 2025: $15,812,000,000,000.
Fiscal year 2026: $15,960,000,000,000.

SEC. 102. MAJOR FUNCTIONAL CATEGORIES.

The Congress determines and declares that the appropriate levels of new budget authority and outlays for fiscal years 2017 through 2026 for each major functional category are:

(1) National Defense (050):
Fiscal year 2017:
(A) New budget authority, $559,254,000,000.
(B) Outlays, $566,461,000,000.
Fiscal year 2018:
(A) New budget authority, $593,759,000,000.
(B) Outlays, $574,049,000,000.
Fiscal year 2019:
(A) New budget authority, $607,553,000,000.
(B) Outlays, $592,442,000,000.
Fiscal year 2020:
(A) New budget authority, $619,761,000,000.
(B) Outlays, $605,138,000,000.
Fiscal year 2021:
(A) New budget authority, $631,991,000,000.
(B) Outlays, $617,088,000,000.
Fiscal year 2022:
(A) New budget authority, $644,193,000,000.
(B) Outlays, $634,044,000,000.
Fiscal year 2023:
(A) New budget authority, $657,101,000,000.
(B) Outlays, $641,635,000,000.
Fiscal year 2024:
(A) New budget authority, $670,425,000,000.
(B) Outlays, $649,501,000,000.
Fiscal year 2025:
(A) New budget authority, $683,163,000,000.
(B) Outlays, $667,016,000,000.
Fiscal year 2026:
(A) New budget authority, $698,114,000,000.
(B) Outlays, $681,216,000,000.

(2) International Affairs (150):
Fiscal year 2017:
(A) New budget authority, $39,780,000,000.
(B) Outlays, $43,705,000,000.
Fiscal year 2018:
(A) New budget authority, $39,778,000,000.
(B) Outlays, $40,260,000,000.
Fiscal year 2019:
(A) New budget authority, $39,777,000,000.
(B) Outlays, $39,273,000,000.
Fiscal year 2020:
(A) New budget authority, $38,852,000,000.
(B) Outlays, $38,830,000,000.
Fiscal year 2021:
(A) New budget authority, $38,726,000,000.
(B) Outlays, $38,404,000,000.
Fiscal year 2022:
(A) New budget authority, $39,784,000,000.
(B) Outlays, $38,893,000,000.
Fiscal year 2023:
(A) New budget authority, $40,805,000,000.
(B) Outlays, $39,506,000,000.
Fiscal year 2024:
(A) New budget authority, $41,694,000,000.
(B) Outlays, $40,102,000,000.
Fiscal year 2025:
(A) New budget authority, $42,622,000,000.
(B) Outlays, $40,735,000,000.
Fiscal year 2026:

(A) New budget authority, $43,596,000,000.
(B) Outlays, $41,473,000,000.

(3) General Science, Space, and Technology (250):
Fiscal year 2017:
(A) New budget authority, $30,215,000,000.
(B) Outlays, $30,451,000,000.
Fiscal year 2018:
(A) New budget authority, $30,855,000,000.
(B) Outlays, $30,654,000,000.
Fiscal year 2019:
(A) New budget authority, $31,500,000,000.
(B) Outlays, $31,174,000,000.
Fiscal year 2020:
(A) New budget authority, $32,174,000,000.
(B) Outlays, $31,732,000,000.
Fiscal year 2021:
(A) New budget authority, $32,879,000,000.
(B) Outlays, $32,297,000,000.
Fiscal year 2022:
(A) New budget authority, $33,585,000,000.
(B) Outlays, $32,957,000,000.
Fiscal year 2023:
(A) New budget authority, $34,326,000,000.
(B) Outlays, $33,678,000,000.
Fiscal year 2024:
(A) New budget authority, $35,070,000,000.
(B) Outlays, $34,390,000,000.
Fiscal year 2025:
(A) New budget authority, $35,845,000,000.
(B) Outlays, $35,148,000,000.
Fiscal year 2026:
(A) New budget authority, $36,658,000,000.
(B) Outlays, $35,933,000,000.

(4) Energy (270):
Fiscal year 2017:
(A) New budget authority, -$2,914,000,000.
(B) Outlays, $1,442,000,000.
Fiscal year 2018:
(A) New budget authority, $1,601,000,000.
(B) Outlays, $1,119,000,000.
Fiscal year 2019:
(A) New budget authority, $1,675,000,000.
(B) Outlays, $1,239,000,000.
Fiscal year 2020:
(A) New budget authority, $1,683,000,000.
(B) Outlays, $1,155,000,000.
Fiscal year 2021:
(A) New budget authority, $1,747,000,000.
(B) Outlays, $1,164,000,000.
Fiscal year 2022:
(A) New budget authority, $1,816,000,000.
(B) Outlays, $1,186,000,000.
Fiscal year 2023:
(A) New budget authority, $1,888,000,000.
(B) Outlays, $1,218,000,000.
Fiscal year 2024:
(A) New budget authority, $1,959,000,000.
(B) Outlays, $1,243,000,000.
Fiscal year 2025:
(A) New budget authority, $2,029,000,000.
(B) Outlays, $1,263,000,000.
Fiscal year 2026:
(A) New budget authority, -$189,000,000.
(B) Outlays, -$927,000,000.

(5) Natural Resources and Environment (300):
Fiscal year 2017:
(A) New budget authority, $38,641,000,000.
(B) Outlays, $41,170,000,000.

Fiscal year 2018:
(A) New budget authority, $39,185,000,000.
(B) Outlays, $41,109,000,000.
Fiscal year 2019:
(A) New budget authority, $39,720,000,000.
(B) Outlays, $40,846,000,000.
Fiscal year 2020:
(A) New budget authority, $40,862,000,000.
(B) Outlays, $42,022,000,000.
Fiscal year 2021:
(A) New budget authority, $40,712,000,000.
(B) Outlays, $41,151,000,000.
Fiscal year 2022:
(A) New budget authority, $41,518,000,000.
(B) Outlays, $41,802,000,000.
Fiscal year 2023:
(A) New budget authority, $42,878,000,000.
(B) Outlays, $43,057,000,000.
Fiscal year 2024:
(A) New budget authority, $43,874,000,000.
(B) Outlays, $43,489,000,000.
Fiscal year 2025:
(A) New budget authority, $44,845,000,000.
(B) Outlays, $44,369,000,000.
Fiscal year 2026:
(A) New budget authority, $44,026,000,000.
(B) Outlays, $43,059,000,000.

(6) Agriculture (350):
Fiscal year 2017:
(A) New budget authority, $23,809,000,000.
(B) Outlays, $24,912,000,000.
Fiscal year 2018:
(A) New budget authority, $23,344,000,000.
(B) Outlays, $22,883,000,000.
Fiscal year 2019:
(A) New budget authority, $21,067,000,000.
(B) Outlays, $20,267,000,000.
Fiscal year 2020:
(A) New budget authority, $20,012,000,000.
(B) Outlays, $19,399,000,000.
Fiscal year 2021:
(A) New budget authority, $19,674,000,000.
(B) Outlays, $19,097,000,000.
Fiscal year 2022:
(A) New budget authority, $19,600,000,000.
(B) Outlays, $19,021,000,000.
Fiscal year 2023:
(A) New budget authority, $19,934,000,000.
(B) Outlays, $19,502,000,000.
Fiscal year 2024:
(A) New budget authority, $19,961,000,000.
(B) Outlays, $19,463,000,000.
Fiscal year 2025:
(A) New budget authority, $20,283,000,000.
(B) Outlays, $19,760,000,000.
Fiscal year 2026:
(A) New budget authority, $20,724,000,000.
(B) Outlays, $20,195,000,000.

(7) Commerce and Housing Credit (370):
Fiscal year 2017:
(A) New budget authority, -$3,096,000,000.
(B) Outlays, -$17,777,000,000.
Fiscal year 2018:
(A) New budget authority, -$4,977,000,000.
(B) Outlays, -$22,531,000,000.
Fiscal year 2019:
(A) New budget authority, -$7,162,000,000.
(B) Outlays, -$21,735,000,000.

Fiscal year 2020:
(A) New budget authority, -$9,990,000,000.
(B) Outlays, -$23,337,000,000.
Fiscal year 2021:
(A) New budget authority, -$11,207,000,000.
(B) Outlays, -$25,448,000,000.
Fiscal year 2022:
(A) New budget authority, -$11,154,000,000.
(B) Outlays, -$26,187,000,000.
Fiscal year 2023:
(A) New budget authority, -$11,122,000,000.
(B) Outlays, -$28,281,000,000.
Fiscal year 2024:
(A) New budget authority, -$11,361,000,000.
(B) Outlays, -$29,993,000,000.
Fiscal year 2025:
(A) New budget authority, -$10,905,000,000.
(B) Outlays, -$30,126,000,000.
Fiscal year 2026:
(A) New budget authority, -$11,363,000,000.
(B) Outlays, -$30,184,000,000.

(8) Transportation (400):
Fiscal year 2017:
(A) New budget authority, $87,879,000,000.
(B) Outlays, $90,628,000,000.
Fiscal year 2018:
(A) New budget authority, $89,099,000,000.
(B) Outlays, $89,793,000,000.
Fiscal year 2019:
(A) New budget authority, $90,727,000,000.
(B) Outlays, $91,114,000,000.
Fiscal year 2020:
(A) New budget authority, $84,831,000,000.
(B) Outlays, $92,137,000,000.
Fiscal year 2021:
(A) New budget authority, $64,777,000,000.
(B) Outlays, $86,962,000,000.
Fiscal year 2022:
(A) New budget authority, $65,727,000,000.
(B) Outlays, $77,691,000,000.
Fiscal year 2023:
(A) New budget authority, $66,762,000,000.
(B) Outlays, $73,991,000,000.
Fiscal year 2024:
(A) New budget authority, $67,794,000,000.
(B) Outlays, $73,041,000,000.
Fiscal year 2025:
(A) New budget authority, $68,887,000,000.
(B) Outlays, $72,534,000,000.
Fiscal year 2026:
(A) New budget authority, $70,000,000,000.
(B) Outlays, $72,380,000,000.

(9) Community and Regional Development (450):
Fiscal year 2017:
(A) New budget authority, $7,561,000,000.
(B) Outlays, $20,693,000,000.
Fiscal year 2018:
(A) New budget authority, $6,381,000,000.
(B) Outlays, $17,774,000,000.
Fiscal year 2019:
(A) New budget authority, $5,721,000,000.
(B) Outlays, $15,678,000,000.
Fiscal year 2020:
(A) New budget authority, $5,749,000,000.
(B) Outlays, $13,538,000,000.
Fiscal year 2021:
(A) New budget authority, $5,815,000,000.
(B) Outlays, $11,435,000,000.

Fiscal year 2022:
(A) New budget authority, $6,021,000,000.
(B) Outlays, $8,929,000,000.
Fiscal year 2023:
(A) New budget authority, $6,250,000,000.
(B) Outlays, $8,113,000,000.
Fiscal year 2024:
(A) New budget authority, $6,683,000,000.
(B) Outlays, $6,908,000,000.
Fiscal year 2025:
(A) New budget authority, $8,183,000,000.
(B) Outlays, $8,278,000,000.
Fiscal year 2026:
(A) New budget authority, $8,374,000,000.
(B) Outlays, $8,442,000,000.
(10) Education, Training, Employment, and Social Services (500):
Fiscal year 2017:
(A) New budget authority, $78,795,000,000.
(B) Outlays, $91,997,000,000.
Fiscal year 2018:
(A) New budget authority, $84,083,000,000.
(B) Outlays, $85,833,000,000.
Fiscal year 2019:
(A) New budget authority, $85,451,000,000.
(B) Outlays, $86,078,000,000.
Fiscal year 2020:
(A) New budget authority, $86,862,000,000.
(B) Outlays, $87,440,000,000.
Fiscal year 2021:
(A) New budget authority, $88,102,000,000.
(B) Outlays, $88,757,000,000.
Fiscal year 2022:
(A) New budget authority, $88,818,000,000.
(B) Outlays, $89,802,000,000.
Fiscal year 2023:
(A) New budget authority, $93,490,000,000.
(B) Outlays, $92,500,000,000.
Fiscal year 2024:
(A) New budget authority, $94,414,000,000.
(B) Outlays, $95,172,000,000.
Fiscal year 2025:
(A) New budget authority, $95,476,000,000.
(B) Outlays, $96,493,000,000.
Fiscal year 2026:
(A) New budget authority, $96,049,000,000.
(B) Outlays, $97,506,000,000.
(11) Health (550):
Fiscal year 2017:
(A) New budget authority, $465,184,000,000.
(B) Outlays, $458,633,000,000.
Fiscal year 2018:
(A) New budget authority, $366,670,000,000.
(B) Outlays, $375,603,000,000.
Fiscal year 2019:
(A) New budget authority, $369,978,000,000.
(B) Outlays, $370,695,000,000.
Fiscal year 2020:
(A) New budget authority, $381,404,000,000.
(B) Outlays, $380,274,000,000.
Fiscal year 2021:
(A) New budget authority, $390,584,000,000.
(B) Outlays, $388,437,000,000.
Fiscal year 2022:
(A) New budget authority, $398,225,000,000.
(B) Outlays, $395,694,000,000.
Fiscal year 2023:
(A) New budget authority, $407,107,000,000.
(B) Outlays, $404,121,000,000.

Fiscal year 2024:
(A) New budget authority, $416,534,000,000.
(B) Outlays, $413,211,000,000.
Fiscal year 2025:
(A) New budget authority, $426,598,000,000.
(B) Outlays, $422,901,000,000.
Fiscal year 2026:
(A) New budget authority, $454,051,000,000.
(B) Outlays, $449,930,000,000.
(12) Medicare (570):
Fiscal year 2017:
(A) New budget authority, $590,086,000,000.
(B) Outlays, $590,068,000,000.
Fiscal year 2018:
(A) New budget authority, $583,750,000,000.
(B) Outlays, $583,690,000,000.
Fiscal year 2019:
(A) New budget authority, $643,371,000,000.
(B) Outlays, $643,267,000,000.
Fiscal year 2020:
(A) New budget authority, $684,911,000,000.
(B) Outlays, $684,816,000,000.
Fiscal year 2021:
(A) New budget authority, $731,321,000,000.
(B) Outlays, $731,237,000,000.
Fiscal year 2022:
(A) New budget authority, $817,737,000,000.
(B) Outlays, $817,648,000,000.
Fiscal year 2023:
(A) New budget authority, $834,731,000,000.
(B) Outlays, $834,638,000,000.
Fiscal year 2024:
(A) New budget authority, $839,165,000,000.
(B) Outlays, $839,021,000,000.
Fiscal year 2025:
(A) New budget authority, $914,301,000,000.
(B) Outlays, $914,164,000,000.
Fiscal year 2026:
(A) New budget authority, $973,544,000,000.
(B) Outlays, $973,401,000,000.
(13) Income Security (600):
Fiscal year 2017:
(A) New budget authority, $497,523,000,000.
(B) Outlays, $491,960,000,000.
Fiscal year 2018:
(A) New budget authority, $471,709,000,000.
(B) Outlays, $461,357,000,000.
Fiscal year 2019:
(A) New budget authority, $480,783,000,000.
(B) Outlays, $473,392,000,000.
Fiscal year 2020:
(A) New budget authority, $491,841,000,000.
(B) Outlays, $483,961,000,000.
Fiscal year 2021:
(A) New budget authority, $479,718,000,000.
(B) Outlays, $472,117,000,000.
Fiscal year 2022:
(A) New budget authority, $488,273,000,000.
(B) Outlays, $486,470,000,000.
Fiscal year 2023:
(A) New budget authority, $497,873,000,000.
(B) Outlays, $491,557,000,000.
Fiscal year 2024:
(A) New budget authority, $507,892,000,000.
(B) Outlays, $495,442,000,000.
Fiscal year 2025:
(A) New budget authority, $518,397,000,000.
(B) Outlays, $507,575,000,000.

Fiscal year 2026:
(A) New budget authority, $529,675,000,000.
(B) Outlays, $525,323,000,000.

(14) Social Security (650):
Fiscal year 2017:
(A) New budget authority, $37,199,000,000.
(B) Outlays, $37,227,000,000.
Fiscal year 2018:
(A) New budget authority, $40,124,000,000.
(B) Outlays, $40,141,000,000.
Fiscal year 2019:
(A) New budget authority, $43,373,000,000.
(B) Outlays, $43,373,000,000.
Fiscal year 2020:
(A) New budget authority, $46,627,000,000.
(B) Outlays, $46,627,000,000.
Fiscal year 2021:
(A) New budget authority, $50,035,000,000.
(B) Outlays, $50,035,000,000.
Fiscal year 2022:
(A) New budget authority, $53,677,000,000.
(B) Outlays, $53,677,000,000.
Fiscal year 2023:
(A) New budget authority, $57,540,000,000.
(B) Outlays, $57,540,000,000.
Fiscal year 2024:
(A) New budget authority, $61,645,000,000.
(B) Outlays, $61,645,000,000.
Fiscal year 2025:
(A) New budget authority, $66,076,000,000.
(B) Outlays, $66,076,000,000.
Fiscal year 2026:
(A) New budget authority, $70,376,000,000.
(B) Outlays, $70,376,000,000.

(15) Veterans Benefits and Services (700):
Fiscal year 2017:
(A) New budget authority, $174,766,000,000.
(B) Outlays, $182,047,000,000.
Fiscal year 2018:
(A) New budget authority, $173,539,000,000.
(B) Outlays, $174,275,000,000.
Fiscal year 2019:
(A) New budget authority, $187,777,000,000.
(B) Outlays, $187,312,000,000.
Fiscal year 2020:
(A) New budget authority, $194,202,000,000.
(B) Outlays, $193,407,000,000.
Fiscal year 2021:
(A) New budget authority, $200,763,000,000.
(B) Outlays, $199,856,000,000.
Fiscal year 2022:
(A) New budget authority, $217,151,000,000.
(B) Outlays, $216,047,000,000.
Fiscal year 2023:
(A) New budget authority, $214,690,000,000.
(B) Outlays, $213,505,000,000.
Fiscal year 2024:
(A) New budget authority, $211,449,000,000.
(B) Outlays, $210,297,000,000.
Fiscal year 2025:
(A) New budget authority, $229,055,000,000.
(B) Outlays, $227,790,000,000.
Fiscal year 2026:
(A) New budget authority, $236,447,000,000.
(B) Outlays, $235,210,000,000.

(16) Administration of Justice (750):
Fiscal year 2017:
(A) New budget authority, $64,515,000,000.

(B) Outlays, $58,672,000,000.
Fiscal year 2018:
(A) New budget authority, $59,085,000,000.
(B) Outlays, $59,739,000,000.
Fiscal year 2019:
(A) New budget authority, $60,630,000,000.
(B) Outlays, $62,389,000,000.
Fiscal year 2020:
(A) New budget authority, $62,172,000,000.
(B) Outlays, $64,685,000,000.
Fiscal year 2021:
(A) New budget authority, $63,250,000,000.
(B) Outlays, $64,691,000,000.
Fiscal year 2022:
(A) New budget authority, $64,866,000,000.
(B) Outlays, $65,051,000,000.
Fiscal year 2023:
(A) New budget authority, $66,560,000,000.
(B) Outlays, $66,555,000,000.
Fiscal year 2024:
(A) New budget authority, $68,275,000,000.
(B) Outlays, $68,059,000,000.
Fiscal year 2025:
(A) New budget authority, $70,357,000,000.
(B) Outlays, $69,986,000,000.
Fiscal year 2026:
(A) New budget authority, $73,432,000,000.
(B) Outlays, $73,381,000,000.
(17) General Government (800):
Fiscal year 2017:
(A) New budget authority, $23,367,000,000.
(B) Outlays, $22,749,000,000.
Fiscal year 2018:
(A) New budget authority, $22,293,000,000.
(B) Outlays, $21,650,000,000.
Fiscal year 2019:
(A) New budget authority, $22,087,000,000.
(B) Outlays, $21,516,000,000.
Fiscal year 2020:
(A) New budget authority, $21,924,000,000.
(B) Outlays, $21,629,000,000.
Fiscal year 2021:
(A) New budget authority, $21,758,000,000.
(B) Outlays, $21,565,000,000.
Fiscal year 2022:
(A) New budget authority, $23,680,000,000.
(B) Outlays, $23,221,000,000.
Fiscal year 2023:
(A) New budget authority, $23,932,000,000.
(B) Outlays, $23,647,000,000.
Fiscal year 2024:
(A) New budget authority, $24,183,000,000.
(B) Outlays, $23,924,000,000.
Fiscal year 2025:
(A) New budget authority, $24,426,000,000.
(B) Outlays, $24,177,000,000.
Fiscal year 2026:
(A) New budget authority, $24,620,000,000.
(B) Outlays, $24,391,000,000.
(18) Net Interest (900):
Fiscal year 2017:
(A) New budget authority, $393,678,000,000.
(B) Outlays, $393,678,000,000.
Fiscal year 2018:
(A) New budget authority, $446,615,000,000.
(B) Outlays, $446,615,000,000.
Fiscal year 2019:
(A) New budget authority, $499,334,000,000.

(B) Outlays, $499,334,000,000.
Fiscal year 2020:
(A) New budget authority, $540,201,000,000.
(B) Outlays, $540,201,000,000.
Fiscal year 2021:
(A) New budget authority, $569,849,000,000.
(B) Outlays, $569,849,000,000.
Fiscal year 2022:
(A) New budget authority, $594,309,000,000.
(B) Outlays, $594,309,000,000.
Fiscal year 2023:
(A) New budget authority, $620,683,000,000.
(B) Outlays, $620,683,000,000.
Fiscal year 2024:
(A) New budget authority, $638,813,000,000.
(B) Outlays, $638,813,000,000.
Fiscal year 2025:
(A) New budget authority, $648,404,000,000.
(B) Outlays, $648,404,000,000.
Fiscal year 2026:
(A) New budget authority, $655,665,000,000.
(B) Outlays, $655,665,000,000.
(19) Allowances (920):
Fiscal year 2017:
(A) New budget authority, -$39,520,000,000.
(B) Outlays, -$20,821,000,000.
Fiscal year 2018:
(A) New budget authority, -$52,890,000,000.
(B) Outlays, -$38,653,000,000.
Fiscal year 2019:
(A) New budget authority, -$54,216,000,000.
(B) Outlays, -$48,261,000,000.
Fiscal year 2020:
(A) New budget authority, -$57,006,000,000.
(B) Outlays, -$52,626,000,000.
Fiscal year 2021:
(A) New budget authority, -$59,733,000,000.
(B) Outlays, -$56,411,000,000.
Fiscal year 2022:
(A) New budget authority, -$61,661,000,000.
(B) Outlays, -$59,168,000,000.
Fiscal year 2023:
(A) New budget authority, -$63,814,000,000.
(B) Outlays, -$61,148,000,000.
Fiscal year 2024:
(A) New budget authority, -$65,767,000,000.
(B) Outlays, -$63,141,000,000.
Fiscal year 2025:
(A) New budget authority, -$67,933,000,000.
(B) Outlays, -$65,208,000,000.
Fiscal year 2026:
(A) New budget authority, -$65,057,000,000.
(B) Outlays, -$64,663,000,000.
(20) Government-wide savings and adjustments (930):
Fiscal year 2017:
(A) New budget authority, $34,478,000,000.
(B) Outlays, $14,610,000,000.
Fiscal year 2018:
(A) New budget authority, $32,662,000,000.
(B) Outlays, $46,700,000,000.
Fiscal year 2019:
(A) New budget authority, -$29,983,000,000.
(B) Outlays, -$22,263,000,000.
Fiscal year 2020:
(A) New budget authority, -$37,042,000,000.
(B) Outlays, -$29,889,000,000.
Fiscal year 2021:
(A) New budget authority, -$45,175,000,000.

(B) Outlays, -$37,802,000,000.
Fiscal year 2022:
(A) New budget authority, -$115,840,000,000.
(B) Outlays, -$107,032,000,000.
Fiscal year 2023:
(A) New budget authority, -$68,634,000,000.
(B) Outlays, -$59,149,000,000.
Fiscal year 2024:
(A) New budget authority, -$13,285,000,000.
(B) Outlays, -$3,260,000,000.
Fiscal year 2025:
(A) New budget authority, -$81,290,000,000.
(B) Outlays, -$74,838,000,000.
Fiscal year 2026:
(A) New budget authority, -$131,037,000,000.
(B) Outlays, -$113,780,000,000.
(21) Undistributed Offsetting Receipts (950):
Fiscal year 2017:
(A) New budget authority, -$88,561,000,000.
(B) Outlays, -$88,561,000,000.
Fiscal year 2018:
(A) New budget authority, -$89,314,000,000.
(B) Outlays, -$89,314,000,000.
Fiscal year 2019:
(A) New budget authority, -$81,278,000,000.
(B) Outlays, -$81,278,000,000.
Fiscal year 2020:
(A) New budget authority, -$83,732,000,000.
(B) Outlays, -$83,732,000,000.
Fiscal year 2021:
(A) New budget authority, -$87,842,000,000.
(B) Outlays, -$87,842,000,000.
Fiscal year 2022:
(A) New budget authority, -$91,041,000,000.
(B) Outlays, -$91,041,000,000.
Fiscal year 2023:
(A) New budget authority, -$99,201,000,000.
(B) Outlays, -$99,201,000,000.
Fiscal year 2024:
(A) New budget authority, -$108,213,000,000.
(B) Outlays, -$108,213,000,000.
Fiscal year 2025:
(A) New budget authority, -$114,167,000,000.
(B) Outlays, -$117,567,000,000.
Fiscal year 2026:
(A) New budget authority, -$123,243,000,000.
(B) Outlays, -$123,243,000,000.
(22) Overseas Contingency Operations/Global War on Terrorism (970):
Fiscal year 2017:
(A) New budget authority, $73,693,000,000.
(B) Outlays, $38,485,000,000.
Fiscal year 2018:
(A) New budget authority, $26,666,000,000.
(B) Outlays, $27,762,000,000.
Fiscal year 2019:
(A) New budget authority, $26,666,000,000.
(B) Outlays, $25,573,000,000.
Fiscal year 2020:
(A) New budget authority, $26,666,000,000.
(B) Outlays, $25,592,000,000.
Fiscal year 2021:
(A) New budget authority, $26,666,000,000.
(B) Outlays, $25,598,000,000.
Fiscal year 2022:
(A) New budget authority, $0.
(B) Outlays, $8,884,000,000.
Fiscal year 2023:
(A) New budget authority, $0.

(B) Outlays, $3,240,000,000.
Fiscal year 2024:
(A) New budget authority, $0.
(B) Outlays, $776,000,000.
Fiscal year 2025:
(A) New budget authority, $0.
(B) Outlays, $0.
Fiscal year 2026:
(A) New budget authority, $0.
(B) Outlays, $0.

TITLE II—RECONCILIATION AND RELATED MATTERS

SEC. 201. FISCAL YEAR 2017 BUDGETARY AGENDA.

It is the policy of this concurrent resolution that during the second session of the 114th Congress, the appropriate committees of jurisdiction and the House of Representatives will consider the following:

(1) RECONCILIATION SAVINGS.—Legislation considered pursuant to section 202 to achieve significant mandatory savings as a down payment on the deficit reduction necessary to achieve a balanced budget by fiscal year 2026.

(2) MANDATORY SAVINGS OUTSIDE OF RECONCILIATION.—Legislation pursuant to section 203, that achieves mandatory savings of not less than $30 billion outside of the reconciliation process.

(3) CONTROLS ON NEW MANDATORY SPENDING.—A measure to control new mandatory spending, as described in section 204.

(4) REFORM OF THE FEDERAL BUDGET PROCESS.—Each measure to reform the Federal budget process listed under paragraphs (1) through (4) of section 205.

SEC. 202. RECONCILIATION IN THE HOUSE OF REPRESENTATIVES.

(a) SUBMISSION PROVIDING FOR DEFICIT REDUCTION.—In order to carry out section 201(1), not later than 90 days after the adoption of this resolution, the committees named in subsection (b) shall submit their recommendations on changes in laws within their jurisdictions to the Committee on the Budget that would achieve the specified reduction in the deficit for the period of fiscal years 2017 through 2026.

(b) INSTRUCTIONS.—

(1) COMMITTEE ON AGRICULTURE.—The Committee on Agriculture shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2017 through 2026.

(2) COMMITTEE ON ARMED SERVICES.—The Committee on Armed Services shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $100,000,000 for the period of fiscal years 2017 through 2026.

(3) COMMITTEE ON EDUCATION AND THE WORKFORCE.—The Committee on Education and the Workforce shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2017 through 2026.

(4) COMMITTEE ON ENERGY AND COMMERCE.—The Committee on Energy and Commerce shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2017 through 2026.

(5) COMMITTEE ON FINANCIAL SERVICES.—The Committee on Financial Services shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2017 through 2026.

(6) COMMITTEE ON HOMELAND SECURITY.—The Committee on Homeland Security shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $15,000,000 for the period of fiscal years 2017 through 2026.

(7) COMMITTEE ON THE JUDICIARY.—The Committee on the Judiciary shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2017 through 2026.

(8) COMMITTEE ON NATURAL RESOURCES.—The Committee on Natural Resources shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $100,000,000 for the period of fiscal years 2017 through 2026.

(9) COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM.—The Committee on Oversight and Government Reform shall submit changes in laws within its

jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2017 through 2026.

(10) COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE.—The Committee on Transportation and Infrastructure shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $100,000,000 for the period of fiscal years 2017 through 2026.

(11) COMMITTEE ON VETERANS' AFFAIRS.—The Committee on Veterans' Affairs shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2017 through 2026.

(12) COMMITTEE ON WAYS AND MEANS.—The Committee on Ways and Means shall submit changes in laws within its jurisdiction sufficient to reduce the deficit by $1,000,000,000 for the period of fiscal years 2017 through 2026.

(c) REVISION OF BUDGETARY LEVELS.—

(1) IN GENERAL.—In the House of Representatives, the chair of the Committee on the Budget may file appropriately revised allocations, aggregates, and functional levels upon the consideration of a reconciliation measure under section 310 of the Congressional Budget Act of 1974 or amendment thereto, or the submission of a conference report to the House of Representatives pursuant to this section, if it is in compliance with the reconciliation directives by virtue of section 310(c) of the Congressional Budget Act of 1974.

(2) REVISION.—Allocations and aggregates revised pursuant to this subsection shall be considered to be the allocations and aggregates established by this concurrent resolution on the budget pursuant to section 301 of the Congressional Budget Act of 1974.

SEC. 203. POLICY STATEMENT ON MANDATORY SAVINGS OUTSIDE OF THE RECONCILIATION PROCESS.

(a) POLICY STATEMENT.—In order to carry out section 201(2), it is the policy of this concurrent resolution that early in the second session of the 114th Congress the House will consider legislation that achieves mandatory savings of not less than $30,000,000,000 for the period of fiscal years 2017 and 2018 and not less than $140,000,000,000 for the period of fiscal years 2017 through 2026 outside of the reconciliation process.

(b) SAVINGS TO BE ACHIEVED BY AUTHORIZING COMMITTEES.—The following committees will consider legislation to achieve the savings set forth in subsection (a):

(1) The Committee on Agriculture.
(2) The Committee on Energy and Commerce.
(3) The Committee on Financial Services.
(4) The Committee on the Judiciary.
(5) The Committee on Ways and Means.

(c) MAJOR REFORMS.—The major reforms to implement this section may include, but are not limited to, the following policies:

(1) Recovering improper Obamacare subsidy payments.
(2) Eliminating enhanced Medicaid payments for prisoners.
(3) Ending Medicaid payments for lottery winners.

(d) PROCEDURES.—Consideration in the House of Representatives of a measure described in subsection (a) will be pursuant to such procedures as the House may prescribe, including—

(1) as a stand-alone measure; and
(2) in conjunction with another measure or measures with a fiscal impact.

(e) SCORING.—In the House of Representatives, for purposes of budget enforcement of legislation introduced under this section, any changes in direct spending and outlays resulting from the measure shall be counted against the appropriate authorizing committee's allocation under section 302(a) of the Congressional Budget Act of 1974.

SEC. 204. POLICY STATEMENT ON NEW MANDATORY SPENDING CONTROLS.

In order to carry out section 201(3), it is the policy of this concurrent resolution that during the 114th Congress the appropriate committees of the House of Representatives will consider a measure to control new mandatory spending. The measure may include the following:

(1) Limitations on the authorization of new mandatory spending programs, except for programs authorized to replace or restructure existing programs as part of welfare reform and health care reform and other structural reforms of existing programs.

(2) A requirement that mandatory spending programs are periodically reviewed or reauthorized.

(3) Focusing statutory pay-as-you-go procedures on legislation increasing mandatory spending.

(4) Permitting reconciliation bills to include provisions to control mandatory spending.

(5) Strict limitations on the ability to reclassify historically discretionary spending programs into mandatory spending programs as a means of circumventing discretionary spending limits.

SEC. 205. POLICY STATEMENT ON OTHER BUDGET PROCESS REFORMS.

In order to carry out section 201(4), it is the policy of this concurrent resolution that during the 114th Congress, the appropriate committees of the House of Representatives will consider the following Federal budget process reforms:

(1) An amendment to the Constitution providing for a balanced budget.

(2) A baseline budgeting measure.

(3) Requirements relating to unauthorized programs.

(4) Such other proposals and reforms addressing budget process reform as may be recommended by the appropriate committees of jurisdiction.

TITLE III—BUDGET ENFORCEMENT

Subtitle A—Budget Enforcement in the House of Representatives

SEC. 301. POINT OF ORDER AGAINST INCREASING LONG-TERM DIRECT SPENDING.

(a) CONGRESSIONAL BUDGET OFFICE ANALYSIS OF PROPOSALS.—The Director of the Congressional Budget Office shall, to the extent practicable, prepare an estimate of whether a measure would cause a net increase in direct spending in the House of Representatives, in excess of $5,000,000,000 in any of the 4 consecutive 10-fiscal year periods beginning with the first fiscal year that is 10 fiscal years after the budget year provided for in the most recently agreed to concurrent resolution on the budget in the House of Representatives, for each bill or joint resolution other than an appropriation measure and any amendment thereto or conference report thereon.

(b) POINT OF ORDER.—It shall not be in order in the House of Representatives to consider any bill or joint resolution, or amendment thereto or conference report thereon, that would cause a net increase in direct spending in excess of $5,000,000,000 in any of the 4 consecutive 10-fiscal year periods described in subsection (a).

(c) LIMITATION.—In the House of Representatives, the provisions of this section shall not apply to any bills or joint resolutions, or amendments thereto or conference reports thereon, for which the chair of the Committee on the Budget has made adjustments to the allocations, levels, or limits contained in this concurrent resolution pursuant to section 402 or 410.

(d) DETERMINATIONS OF BUDGET LEVELS.—For purposes of this section, the levels of net increases in direct spending shall be determined on the basis of estimates provided by the chair of the Committee on the Budget of the House of Representatives.

SEC. 302. ALLOCATION FOR OVERSEAS CONTINGENCY OPERATIONS/GLOBAL WAR ON TERRORISM.

(a) SEPARATE ALLOCATION FOR OVERSEAS CONTINGENCY OPERATIONS/GLOBAL WAR ON TERRORISM.—In the House of Representatives, there shall be a separate allocation of new budget authority and outlays provided to the Committee on Appropriations for the purposes of Overseas Contingency Operations/Global War on Terrorism, which shall be deemed to be an allocation under section 302(a) of the Congressional Budget Act of 1974. Section 302(a)(3) of such Act shall not apply to such separate allocation.

(b) 302 ALLOCATIONS.—The separate allocation referred to in subsection (a) shall be the exclusive allocation for Overseas Contingency Operations/Global War on Terrorism under section 302(b) of the Congressional Budget Act of 1974. The Committee on Appropriations of the House of Representatives may provide suballocations of such separate allocation under such section 302(b).

(c) APPLICATION.—For purposes of enforcing the separate allocation referred to in subsection (a) under section 302(f) of the Congressional Budget Act of 1974, the "first fiscal year" and the "total of fiscal years" shall be deemed to refer to fiscal year 2017. Section 302(c) of such Act shall not apply to such separate allocation.

(d) DESIGNATIONS.—New budget authority or outlays shall only be counted toward the allocation referred to in subsection (a) if designated pursuant to section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(e) ADJUSTMENTS.—For purposes of subsection (a) for fiscal year 2017, no adjustment shall be made under section 314(a) of the Congressional Budget Act of 1974 if any adjustment would be made under section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985.

(f) ADJUSTMENTS TO FUND OVERSEAS CONTINGENCY OPERATIONS/GLOBAL WAR ON TERRORISM.—In the House of Representatives, the chair of the Committee on the Budget may adjust the allocations, aggregates, and other appropriate budgetary levels related to Overseas Contingency Operations/Global War on Terrorism or the allocation under section 302(a) of the Congressional Budget Act of 1974 to the Committee on Appropriations set forth in the report or joint explanatory statement of managers, as applicable, accompanying this concurrent resolution to account for new information.

SEC. 303. LIMITATION ON CHANGES IN CERTAIN MANDATORY PROGRAMS.

(a) DEFINITION.—In this section, the term "change in mandatory programs" means a provision that—

(1) would have been estimated as affecting direct spending or receipts under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (as in effect prior to September 30, 2002) if the provision was included in legislation other than appropriation Acts; and

(2) results in a net decrease in budget authority in the budget year, but does not result in a net decrease in outlays over the period of the total of the current year, the budget year, and all fiscal years covered under the most recently agreed to concurrent resolution on the budget.

(b) POINT OF ORDER IN THE HOUSE OF REPRESENTATIVES.—

(1) IN GENERAL.—A provision in a bill or joint resolution making appropriations for a full fiscal year that proposes a change in mandatory programs that, if enacted, would cause the absolute value of the total budget authority of all such change in mandatory programs enacted in relation to a full fiscal year to be more than the amount specified in paragraph (3), shall not be in order in the House of Representatives.

(2) AMENDMENTS AND CONFERENCE REPORTS.—It shall not be in order in the House of Representatives to consider an amendment to, or a conference report on, a bill or joint resolution making appropriations for a full fiscal year if such amendment thereto or conference report thereon proposes a change in mandatory programs that, if enacted, would cause the absolute value of the total budget authority of all such change in mandatory programs enacted in relation to a full fiscal year to be more than the amount specified in paragraph (3).

(3) AMOUNT.—The amount specified in this paragraph is—

(A) for fiscal year 2017, $19,100,000,000;

(B) for fiscal year 2018, $17,000,000,000; and

(C) for fiscal year 2019, $15,000,000,000.

(c) DETERMINATION.—For purposes of this section, budgetary levels shall be determined on the basis of estimates provided by the chair of the Committee on the Budget.

SEC. 304. GAO REPORT.

(a) GAO SUBMISSION.—At a date specified by the chair of the Committee on the Budget of the House of Representatives, the Comptroller General, in consultation with the chair, the Director of the Congressional Budget Office, and the Director of the Office of Management and Budget, shall submit to the chair a comprehensive list of all current direct spending programs of the Government.

(b) PUBLICATION.—The chair of the Committee on the Budget shall cause to be printed in the Congressional Record the list submitted under subsection (a). The chair shall publish such list on the Committee's public Web site. Such publication shall be searchable, sortable, and downloadable.

SEC. 305. ESTIMATES OF DEBT SERVICE COSTS.

In the House of Representatives, the chair of the Committee on the Budget may direct the Congressional Budget Office to include in any estimate prepared under section 402 of the Congressional Budget Act of 1974 with respect to any bill or joint resolution, or an estimate of an amendment thereto or conference report thereon, an estimate of any change in debt service costs (if any) resulting from carrying out such bill or resolution. Any estimate of debt servicing costs provided under this section shall be advisory and shall not be used for purposes of enforcement of such Act, the Rules of the House of Representatives, or this concurrent resolution. This sec-

tion shall not apply to authorizations of discretionary programs or to appropriation measures, but shall apply to changes in the authorization level of appropriated entitlements.

SEC. 306. FAIR-VALUE CREDIT ESTIMATES.

(a) ALL CREDIT PROGRAMS.—Whenever the Director of the Congressional Budget Office provides an estimate of any measure that establishes or modifies any program providing loans or loan guarantees, the Director shall, to the extent practicable, provide a supplemental fair-value estimate of any loan or loan guarantee program if requested by the chair of the Committee on the Budget.

(b) STUDENT FINANCIAL ASSISTANCE AND HOUSING PROGRAMS.—The Director of the Congressional Budget Office shall provide a supplemental fair-value estimate as part of any estimate for any measure establishing or modifying a program providing loans or loan guarantees for student financial assistance or housing (including residential mortgage).

(c) BASELINE ESTIMATES.—The Congressional Budget Office shall include estimates, on a fair-value and credit reform basis, of loan and loan guarantee programs for student financial assistance, housing (including residential mortgage), and such other major loan and loan guarantee programs, as practicable, in its *Budget and Economic Outlook: 2018 to 2027.*

SEC. 307. ESTIMATES OF MAJOR DIRECT SPENDING LEGISLATION.

The Congressional Budget Office shall prepare, to the extent practicable, an estimate of the outlay changes during the second and third decade of enactment for any direct spending legislative provision—

(1) that proposes a change or changes to law that the Congressional Budget Office determines has an outlay impact in excess of 0.25 percent of the gross domestic product of the United States during the first decade or in the tenth year; or

(2) for which the chair of the Committee on the Budget of the House of Representatives requests such an estimate.

SEC. 308. ESTIMATES OF MACROECONOMIC EFFECTS OF MAJOR LEGISLATION.

(a) CBO AND JCT ESTIMATES.—During the 114th and 115th Congresses, any estimate provided by the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974 or by the Joint Committee on Taxation to the Congressional Budget Office under section 201(f) of such Act for major legislation considered in the House of Representatives shall, to the extent practicable, incorporate the budgetary effects of changes in economic output, employment, capital stock, and other macroeconomic variables resulting from such major legislation.

(b) CONTENTS.—Any estimate referred to in subsection (a) shall, to the extent practicable, include—

(1) a qualitative assessment of the budgetary effects (including macroeconomic variables described in subsection (a)) of major legislation in the 20-fiscal year period beginning after the last fiscal year of the most recently agreed to concurrent resolution on the budget that sets forth budgetary levels required under section 301 of the Congressional Budget Act of 1974; and

(2) an identification of the critical assumptions and the source of data underlying that estimate.

(c) DEFINITIONS.—In this section:

(1) MAJOR LEGISLATION.—The term "major legislation" means a bill or joint resolution, or amendment thereto or conference report thereon—

(A) for which an estimate is required to be prepared pursuant to section 402 of the Congressional Budget Act of 1974 and that causes a gross budgetary effect (before incorporating macroeconomic effects and not including timing shifts) in a fiscal year in the period of years of the most recently agreed to concurrent resolution on the budget equal to or greater than 0.25 percent of the current projected gross domestic product of the United States for that fiscal year; or

(B) designated as such by—

(i) the chair of the Committee on the Budget of the House of Representatives for all direct spending and revenue legislation; or

(ii) the Member who is Chairman or Vice Chairman of the Joint Committee on Taxation for revenue legislation.

(2) BUDGETARY EFFECTS.—The term "budgetary effects" means changes in revenues, direct spending outlays, and deficits.

(3) TIMING SHIFTS.—The term "timing shifts" means—

(A) provisions that cause a delay of the date on which outlays flowing from direct spending would otherwise occur from one fiscal year to the next fiscal year; or

(B) provisions that cause an acceleration of the date on which revenues would otherwise occur from one fiscal year to the prior fiscal year.

SEC. 309. ADJUSTMENTS FOR IMPROVED CONTROL OF BUDGETARY RESOURCES.

(a) ADJUSTMENTS OF DISCRETIONARY AND DIRECT SPENDING LEVELS.—In the House of Representatives, if a committee (other than the Committee on Appropriations) reports a bill or joint resolution, or any amendment thereto is offered or any conference report thereon is submitted, providing for a decrease in direct spending (budget authority and outlays flowing therefrom) for any fiscal year and also provides for an authorization of appropriations for the same purpose, upon the enactment of such measure, the chair of the Committee on the Budget may decrease the allocation to such committee and increase the allocation of discretionary spending (budget authority and outlays flowing therefrom) to the Committee on Appropriations for fiscal year 2017 by an amount equal to the new budget authority (and outlays flowing therefrom) provided for in a bill or joint resolution making appropriations for the same purpose.

(b) DETERMINATIONS.—In the House of Representatives, for purposes of enforcing this concurrent resolution, the allocations and aggregate levels of new budget authority, outlays, direct spending, revenues, deficits, and surpluses for fiscal year 2017 and the period of fiscal years 2017 through 2026 shall be determined on the basis of estimates made by the chair of the Committee on the Budget and such chair may adjust the applicable levels in this concurrent resolution.

SEC. 310. LIMITATION ON ADVANCE APPROPRIATIONS.

(a) IN GENERAL.—In the House of Representatives, except as provided for in subsection (b), any bill or joint resolution, or amendment thereto or conference report thereon, making a general appropriation or continuing appropriation may not provide advance appropriations.

(b) EXCEPTIONS.—An advance appropriation may be provided for programs, projects, activities, or accounts identified in the report or the joint explanatory statement of managers, as applicable, accompanying this concurrent resolution under the heading—

(1) GENERAL.—"Accounts Identified for Advance Appropriations".

(2) VETERANS.—"Veterans Accounts Identified for Advance Appropriations".

(c) LIMITATIONS.—The aggregate level of advance appropriations shall not exceed—

(1) GENERAL.—$28,852,000,000 in new budget authority for all programs identified pursuant to subsection (b)(1).

(2) VETERANS.—$66,385,032,000 in new budget authority for programs in the Department of Veterans Affairs identified pursuant to subsection (b)(2).

(d) DEFINITION.—The term "advance appropriation" means any new discretionary budget authority provided in a bill or joint resolution, or any amendment thereto or conference report thereon, making general appropriations or continuing appropriations, for the fiscal year following fiscal year 2017.

SEC. 311. SCORING RULE FOR ENERGY SAVINGS PERFORMANCE CONTRACTS.

(a) IN GENERAL.—The Director of the Congressional Budget Office shall estimate provisions of any bill or joint resolution, or amendment thereto or conference report thereon that affects the use of any covered energy savings contract on a net present value basis.

(b) NPV CALCULATIONS.—The net present value of any covered energy savings contract shall be calculated as follows:

(1) The discount rate shall reflect market risk.

(2) The cash flows shall include, whether classified as mandatory or discretionary, payments to contractors under the terms of their contracts, payments to contractors for other services, and direct savings in energy and energy-related costs.

(3) The stream of payments shall cover the period covered by the contracts but not to exceed 25 years.

(c) DEFINITION.—As used in this section, the term "covered energy savings contract" means—

(1) an energy savings performance contract authorized under section 801 of the National Energy Conservation Policy Act; or

(2) a utility energy service contract, as described in the Office of Management and Budget Memorandum on Federal use of energy savings performance contracting, dated July 25, 1998 (M–98–13), and the Office of Management and

Budget Memorandum on the Federal use of energy saving performance contracts and utility energy service contracts, dated September 28, 2012 (M–12–21), or any successor to either memorandum.

(d) ENFORCEMENT IN THE HOUSE OF REPRESENTATIVES.—In the House of Representatives, if any present value calculated under subsection (b) results in a net savings, then such savings may not be used as an offset for purposes of budget enforcement.

(e) CLASSIFICATION OF SPENDING.—For purposes of budget enforcement, the estimated net present value of the budget authority provided by the measure, and outlays flowing therefrom, shall be classified as direct spending.

(f) SENSE OF THE HOUSE OF REPRESENTATIVES.—It is the sense of the House of Representatives that—

(1) the Director of the Office of Management and Budget, in consultation with the Director of the Congressional Budget Office, should separately identify the cash flows under subsection (b)(2) and include such information in the President's annual budget submission under section 1105(a) of title 31, United States Code; and

(2) the scoring method used in this section should not be used to score any contracts other than covered energy savings contracts.

SEC. 312. ESTIMATES OF LAND CONVEYANCES.

In the House of Representatives, the Director of the Congressional Budget Office shall include in any estimate prepared under section 402 of the Congressional Budget Act of 1974 with respect to any measure that conveys Federal land to any non-Federal entity—

(1) the methodology used to calculate such estimate;

(2) a detailed justification of its estimate of any change in revenue, offsetting receipts, or offsetting collections resulting from such conveyance;

(3) if requested by the chair of the Committee on the Budget, any information provided by the Bureau of Land Management or other applicable Federal agency, including the source and date of such information, that supports the estimate of any change in revenue, offsetting receipts, or offsetting collections;

(4) a description of any efforts to independently verify such agency estimate; and

(5) a statement of the assumptions underlying the estimate of the budgetary effects that would be generated by such parcel in CBO's baseline projections as of the most recent publication or update.

SEC. 313. LIMITATION ON TRANSFERS FROM THE GENERAL FUND OF THE TREASURY TO THE HIGHWAY TRUST FUND.

In the House of Representatives, for purposes of the Congressional Budget Act of 1974, the Balanced Budget and Emergency Deficit Control Act of 1985, and the rules or orders of the House of Representatives, a bill or joint resolution, or an amendment thereto or conference report thereon, that transfers funds from the general fund of the Treasury to the Highway Trust Fund shall be counted as new budget authority and outlays equal to the amount of the transfer in the fiscal year the transfer occurs.

SEC. 314. PROHIBITION ON THE USE OF GUARANTEE FEES AS AN OFFSET.

In the House of Representatives, any provision of a bill or joint resolution, or amendment thereto or conference report thereon, that increases, or extends the increase of, any guarantee fees of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation shall not be counted for purposes of enforcing the Congressional Budget Act of 1974, this concurrent resolution, or clause 10 of rule XXI of the Rules of the House of Representatives.

SEC. 315. PROHIBITION ON USE OF FEDERAL RESERVE SURPLUSES AS AN OFFSET.

In the House of Representatives, any provision of a bill or joint resolution, or amendment thereto or conference report thereon, that transfers any portion of the net surplus of the Federal Reserve System to the general fund of the Treasury shall not be counted for purposes of enforcing the Congressional Budget Act of 1974, this concurrent resolution, or clause 10 of rule XXI of the Rules of the House of Representatives.

Subtitle B—Other Provisions

SEC. 321. BUDGETARY TREATMENT OF ADMINISTRATIVE EXPENSES.

(a) IN GENERAL.—In the House of Representatives, notwithstanding section 302(a)(1) of the Congressional Budget Act of 1974, section 13301 of the Budget Enforcement Act of 1990, and section 2009a of title 39, United States Code, the report or the joint explanatory statement, as applicable, accompanying this concurrent resolution shall include in its allocation under section 302(a) of the Congressional Budget Act of 1974 to the Committee on Appropriations amounts for the discretionary administrative expenses of the Social Security Administration and the United States Postal Service.

(b) SPECIAL RULE.—In the House of Representatives, for purposes of enforcing section 302(f) of the Congressional Budget Act of 1974, estimates of the level of total new budget authority and total outlays provided by a measure shall include any discretionary amounts described in subsection (a).

SEC. 322. APPLICATION AND EFFECT OF CHANGES IN ALLOCATIONS AND AGGREGATES.

(a) APPLICATION.—In the House of Representatives, any adjustments of allocations and aggregates made pursuant to this concurrent resolution shall—

(1) apply while that measure is under consideration;

(2) take effect upon the enactment of that measure; and

(3) be published in the Congressional Record as soon as practicable.

(b) EFFECT OF CHANGED ALLOCATIONS AND AGGREGATES.—Revised allocations and aggregates resulting from these adjustments shall be considered for the purposes of the Congressional Budget Act of 1974 as the allocations and aggregates contained in this concurrent resolution.

(c) BUDGET COMMITTEE DETERMINATIONS.—For purposes of this concurrent resolution, the budgetary levels for a fiscal year or period of fiscal years shall be determined on the basis of estimates made by the chair of the Committee on the Budget of the House of Representatives.

(d) AGGREGATES, ALLOCATIONS AND APPLICATION.—In the House of Representatives, for purposes of this concurrent resolution and budget enforcement, the consideration of any bill or joint resolution, or amendment thereto or conference report thereon, for which the chair of the Committee on the Budget makes adjustments or revisions in the allocations, aggregates, and other budgetary levels of this concurrent resolution shall not be subject to the points of order set forth in clause 10 of rule XXI of the Rules of the House of Representatives or section 301 of this concurrent resolution.

SEC. 323. ADJUSTMENTS TO REFLECT CHANGES IN CONCEPTS AND DEFINITIONS.

In the House of Representatives, the chair of the Committee on the Budget may adjust the appropriate aggregates, allocations, and other budgetary levels in this concurrent resolution for any change in budgetary concepts and definitions in accordance with section 251(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 324. ADJUSTMENTS TO REFLECT UPDATED BUDGETARY ESTIMATES.

In the House of Representatives, the chair of the Committee on the Budget may revise the appropriate aggregates, allocations, and other budgetary levels in this concurrent resolution to reflect any adjustments to the baseline made by the Congressional Budget Office in March 2016.

SEC. 325. ADJUSTMENT FOR CERTAIN EMERGENCY DESIGNATIONS.

In the House of Representatives, the chair of the Committee on the Budget may adjust the appropriate aggregates, allocations, and other budgetary levels for any bill or joint resolution, or amendment thereto or conference report thereon, that designates an emergency under section 4(g)(2) of the Statutory Pay-As-You-Go Act of 2010.

SEC. 326. EXERCISE OF RULEMAKING POWERS.

The House of Representatives adopts the provisions of this title and title II—

(1) as an exercise of the rulemaking power of the House of Representatives, and as such they shall be considered as part of the rules of the House of Representatives, and such rules shall supersede other rules only to the extent that they are inconsistent with such other rules; and

(2) with full recognition of the constitutional right of the House of Representatives to change those rules at any time, in the same manner, and to the same extent as is the case of any other rule of the House of Representatives.

TITLE IV—RESERVE FUNDS IN THE HOUSE OF REPRESENTATIVES

SEC. 401. DEFICIT-NEUTRAL RESERVE FUND TO REDUCE POVERTY AND INCREASE OPPORTUNITY AND UPWARD MOBILITY FOR STRUGGLING AMERICANS.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for any bill or joint resolution, or amendment thereto or conference report thereon, that reduces poverty and increases opportunity and upward mobility for struggling Americans on the road to personal and financial independence by the amounts provided in such legislation for those purposes, if such legislation would neither adversely impact job creation nor increase the deficit over the period of fiscal years 2017 through 2026.

SEC. 402. RESERVE FUND FOR THE REPEAL OF THE PRESIDENT'S HEALTH CARE LAW.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for the budgetary effects of any bill or joint resolution, or amendment thereto or conference report thereon, that repeals the Affordable Care Act and the health care related provisions of the Health Care and Education Reconciliation Act of 2010.

SEC. 403. DEFICIT-NEUTRAL RESERVE FUND FOR PROMOTING HEALTH CARE REFORM.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for the budgetary effects of any bill or joint resolution, or amendment thereto or conference report thereon, that promotes health care reform if such measure would not increase the deficit over the period of fiscal years 2017 through 2026.

SEC. 404. DEFICIT-NEUTRAL RESERVE FUND FOR GRADUATE MEDICAL EDUCATION.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for any bill or joint resolution, or amendment thereto or conference report thereon, if such measure reforms, expands access to, and improves graduate medical education programs if such measure would not increase the deficit over the period of fiscal years 2017 through 2026.

SEC. 405. DEFICIT-NEUTRAL RESERVE FUND FOR TRADE AGREEMENTS.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for the budgetary effects of any bill or joint resolution reported by the Committee on Ways and Means, or amendment thereto or conference report thereon, that such chair determines are necessary to implement a trade agreement, and the budgetary levels for any companion measure that offsets such trade measure, if the combined cost of each measure would not increase the deficit over the period of fiscal years 2017 through 2026.

SEC. 406. DEFICIT-NEUTRAL RESERVE FUND FOR REFORMING THE TAX CODE.

In the House of Representatives, if the Committee on Ways and Means reports a bill or joint resolution that reforms the Internal Revenue Code of 1986, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for the budgetary effects of any such bill or joint resolution, or amendment thereto or conference report thereon, if such measure would not increase the deficit over the period of fiscal years 2017 through 2026.

SEC. 407. DEFICIT-NEUTRAL RESERVE FUND FOR REVENUE MEASURES.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for the budgetary effects of any bill or joint resolution reported by the Committee on Ways and Means, or amendment thereto or conference report thereon, that decreases revenue if such measure would not increase the deficit over the period of fiscal years 2017 through 2026.

SEC. 408. DEFICIT-NEUTRAL RESERVE FUND FOR FEDERAL RETIREMENT REFORM.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for any bill or joint resolution, or amendment thereto or con-

ference report thereon, if such measure reforms, improves, and updates the Federal retirement system and would not increase the deficit over the period of fiscal years 2017 through 2026.

SEC. 409. DEFICIT-NEUTRAL RESERVE FUND FOR COAL MINER PENSION AND HEALTH CARE FUNDS.

In the House of Representatives, the chair of the Committee on the Budget may revise the allocations, aggregates, and other appropriate budgetary levels in this concurrent resolution for any bill or joint resolution, or amendment thereto or conference report thereon, to address the immediate funding shortfall in coal miner pension and health care funds if such measure would not increase the deficit over the period of fiscal years 2017 through 2026.

SEC. 410. RESERVE FUND FOR COMMERCIALIZATION OF AIR TRAFFIC CONTROL.

(a) IN GENERAL.—In the House of Representatives, the chair of the Committee on the Budget may make the adjustments under subsection (b) for a bill or joint resolution, or amendment thereto or conference report thereon, that commercializes the operations of the air traffic control system if such measure reduces the discretionary spending limits in section 251(c) of the Balanced and Emergency Deficit Control Act of 1985 by the amount that was appropriated to the Federal Aviation Administration for air traffic control.

(b) ADJUSTMENTS.—For the measure described in subsection (a), the chair of the Committee on the Budget may adjust the section 302(a) allocations of the appropriate committees of jurisdiction by the amount of new budget authority provided by such measure and outlays flowing therefrom, make corresponding changes to the aggregate levels of new budget authority and outlays in this concurrent resolution, and reduce the revenue aggregate in such resolution by the amount of the reduction in revenue resulting from such measure.

TITLE V—ESTIMATES OF DIRECT SPENDING IN THE HOUSE OF REPRESENTATIVES

SEC. 501. DIRECT SPENDING.

(a) MEANS-TESTED DIRECT SPENDING.—

(1) FINDINGS.—The House of Representatives finds the following:

(A) For means-tested direct spending, the average rate of growth in the total level of outlays during the 10-year period preceding fiscal year 2017 is 7.3 percent.

(B) For means-tested direct spending, the estimated average rate of growth in the total level of outlays during the 10-year period beginning with fiscal year 2017 is 4.3 percent under current law.

(2) PROPOSED REFORMS.—The following reforms are proposed under this concurrent resolution by the House of Representatives for means-tested direct spending:

(A) In 1996, a Republican Congress and a Democratic President reformed welfare by limiting the duration of benefits, giving States more control over the program, and helping recipients find work. In the 5 years following passage, child-poverty rates fell, welfare caseloads fell, and workers' wages increased. This concurrent resolution assumes the enactment of proposals to reduce poverty and increase opportunity and upward mobility for struggling Americans on the road to personal and financial independence. Based on the successful welfare reforms of the 1990s, these proposals would improve work requirements and provide flexible funding for States to help those most in need find gainful employment, escape poverty, and move up the economic ladder.

(B) For Medicaid, this concurrent resolution is predicated on a framework proposed by the chairs of the committees of jurisdiction of the House of Representatives, to modernize and improve the program while increasing State flexibility and protecting the most vulnerable populations. This concurrent resolution also assumes the repeal of the Medicaid expansions in the President's health care law.

(b) NONMEANS-TESTED DIRECT SPENDING.—

(1) FINDINGS.—The House of Representatives finds the following:

(A) For nonmeans-tested direct spending, the average rate of growth in the total level of outlays during the 10-year period preceding fiscal year 2017 is 5.1 percent.

(B) For nonmeans-tested direct spending, the estimated average rate of growth in the total level of outlays during the 10-year period beginning with fiscal year 2017 is 5.5 percent under current law.

(2) PROPOSED REFORMS.—For Medicare, this concurrent resolution advances policies to put seniors, not the Federal Government, in control of their health care decisions. Putting seniors in charge of how their health care dollars are spent will encourage providers to compete against each other on price and quality. Improvements to Medicare are necessary to extend the life of the Federal Hospital Insurance Trust Fund and protect the program for future generations.

TITLE VI—POLICY STATEMENTS IN THE HOUSE OF REPRESENTATIVES

SEC. 601. POLICY STATEMENT ON DEVELOPING A BOLD AGENDA.

(a) FINDINGS.—The House finds the following:

(1) Representative Paul D. Ryan of Wisconsin, the Speaker of the House of Representatives, has called for a bold, pro-growth agenda to reestablish a confident America.

(2) Today's challenges require solutions based on the principles that have served as the cornerstone of American strength, free enterprise, compassion, and exceptionalism.

(3) On February 4, 2016, the Speaker announced the formation of 6 task forces. Each task force will submit recommendations in the following areas:

(A) NATIONAL SECURITY.—This task force is responsible for developing an overarching strategy and the required military capabilities to confront 21st century national security threats.

(B) TAX REFORM.—This task force will seek to create jobs, grow the economy, and raise wages by reducing tax rates, removing special interest exceptions, and making the tax code simpler and fairer.

(C) REDUCING REGULATORY BURDENS.—This task force is charged with reducing bureaucracy in the regulatory system, facilitating investment and productivity, constructing infrastructure, and removing regulatory obstacles on small businesses and employers. These goals will be achieved while retaining protections for the environment, public safety, and consumer interests.

(D) HEALTH CARE REFORM.—This task force will review appropriate methods to repeal and replace Obamacare with a patient-centered system giving patients more choice and control, increasing quality, and reducing costs.

(E) POVERTY, OPPORTUNITY, AND UPWARD MOBILITY.—This task force will identify ways to strengthen the safety net and reform educational programs to make them more effective and accountable, help people move from welfare to work, and empower productive lives.

(F) RESTORING CONSTITUTIONAL AUTHORITY.—This task force will strive to reclaim power ceded to the executive branch by reforming the rulemaking process, checking agency authority, exercising the power of the purse, and enhancing congressional oversight.

(4) This concurrent resolution promotes and advances an agenda to address the Nation's challenges.

(b) POLICY ON DEVELOPING A BOLD AGENDA.—It is the policy of this concurrent resolution that the appropriate committees of jurisdiction in the House should consider in the 115th Congress recommendations developed by the Speaker's task forces on health care reform; reducing regulatory burdens; poverty, opportunity, and upward mobility; national security; tax reform; and restoring constitutional authority.

SEC. 602. POLICY STATEMENT ON A BALANCED BUDGET AMENDMENT.

(a) FINDINGS.—The House finds the following:

(1) The Government will collect approximately $3.4 trillion in taxes, but spend more than $3.9 trillion to maintain its operations, borrowing 14 cents of every Federal dollar spent.

(2) At the end of 2015, the national debt of the United States was more than $18.9 trillion.

(3) A majority of States have petitioned the Government to hold a constitutional convention to adopt a balanced budget amendment to the Constitution.

(4) Forty nine States have fiscal limitations in their State constitutions, including the requirement to annually balance the budget.

(5) Numerous balanced budget amendment proposals have been introduced on a bipartisan basis in the House. Currently in the 114th Congress, 17 joint resolutions proposing a balanced budget amendment have been introduced, including a resolution offered by Representative Dave Brat of Virginia and a resolution offered by Representative Tom McClintock of California.

(6) In the 111th Congress, the House considered H. J. Res. 2, sponsored by Representative Robert W. Goodlatte of Virginia, although it received 262 aye votes, it did not receive the two-thirds required for passage.

(7) In 1995, a balanced budget amendment to the Constitution passed the House with bipartisan support, but failed to pass by one vote in the United States Senate.

(8) Four States, including Georgia, Alaska, Mississippi, and North Dakota, have agreed to the Compact for a Balanced Budget, which is seeking to amend the Constitution to require a balanced budget through an Article V convention by April 12, 2021.

(b) POLICY ON A BALANCED BUDGET CONSTITUTIONAL AMENDMENT.—It is the policy of this concurrent resolution that Congress should propose a balanced budget constitutional amendment for ratification by the States.

SEC. 603. POLICY STATEMENT ON REFORMING THE CONGRESSIONAL BUDGET PROCESS.

(a) FINDINGS.—The House finds the following:

(1) Enactment of the Congressional Budget and Impoundment Control Act of 1974 was the first step toward restoring constitutionally endowed legislative responsibility over fundamental budget decision making.

(2) The Congressional Budget Act of 1974 specifically set forth its purposes in section 2. It was designed to—

(A) establish congressional control over the budget process;

(B) provide for annual congressional determination of a level of taxes and spending;

(C) set important national budget priorities; and

(D) find methods to facilitate the access of Members of Congress to the most accurate, objective, and high-quality information available to assist them in discharging their duties.

(3) However, the congressional budget process has neither constrained spending nor inhibited the expansion of Government. The growth of the Government, primarily through a multiplicity of mandatory programs and other forms of direct spending, has largely been financed through borrowing and high tax rates.

(4) The enforcement of the current budget process, including congressional points of order and statutory spending limits, have been too often waived or circumvented. This contributes to a lack of accountability, which has led to broad agreement that reforming the system is a high necessity.

(b) POLICY ON REFORMING THE CONGRESSIONAL BUDGET PROCESS.—It is the policy of this concurrent resolution that Congress should—

(1) restructure the fundamental procedures of budget decision making;

(2) reassert congressional power over spending and revenue, restore the balance of power between Congress and the President as the Congressional Budget Act of 1974 intended, and attain the maximum level of accountability for budget decisions through efficient and rigorous enforcement of budget rules;

(3) improve incentives for lawmakers to budget as intended by the Congressional Budget Act of 1974, especially by adopting an annual budget resolution;

(4) encourage more effective control over spending, especially currently uncontrolled direct spending;

(5) revise the methodology used in developing the baseline, which is intended to reflect an objective projection of the budgetary effects of current laws and policies for future fiscal years, by removing any tendency toward assuming higher spending levels;

(6) promote efficient and timely budget actions to ensure lawmakers complete their budget actions before the start of the new fiscal year;

(7) provide access to the best analysis of economic conditions available and increase awareness of how fiscal policy directly impacts economic growth and job creation;

(8) eliminate the complexity of the budget process and the biases that favor higher spending;

(9) include procedures that treat extensions of current tax laws on a comparable basis to the extension of mandatory programs; and

(10) require procedures that make the budgetary effects of Government policies on individual taxpayers more apparent, such as requiring the President's annual budget submission to Congress provide an estimate of the pro rated share of any projected debt for the current fiscal year to any individual who files an income tax return.

(c) LEGISLATION.—The Committee on the Budget of the House intends to draft legislation during the 114th Congress that rewrites the Congressional Budget and Impoundment Control Act of 1974 to fulfill the goals of making the congressional budget process more effective in ensuring taxpayers' dollars are spent wisely and efficiently. Such legislation shall—

(1) attain greater simplicity without sacrificing the rigor required to address—

(A) the complex issues of the domestic and world economy;

(B) national security responsibilities; and

(C) the appropriate roles of rulemaking and statutory enforcement mechanisms;

(2) establish a new structure that assures the congressional role in the budget process is applied consistently without reliance on reactive legislating;

(3) improve the elements of the current budget process that have fulfilled the original purposes of the Congressional Budget Act of 1974; and

(4) rebuild the foundation of the budget process to provide a solid basis from which additional reforms may be developed.

SEC. 604. POLICY STATEMENT ON ECONOMIC GROWTH AND JOB CREATION.

(a) FINDINGS.—The House finds the following:

(1) Although the United States economy technically emerged from recession nearly 7 years ago, the subsequent recovery has felt more like a malaise than a rebound. Real gross domestic product (GDP) growth since 2010 has averaged just over 2 percent annually, well below the 3 percent historical trend rate of growth in the United States. The Nation remains in the midst of the weakest economic recovery of the modern era. Sluggish economic growth has also contributed to the country's fiscal woes because revenue levels are lower than they would otherwise be while Government spending (including welfare and income-support programs) is higher. There is dire need for policies that will initiate higher rates of economic growth and greater, higher-quality job opportunities.

(2) Even more disturbing, estimates of future economic growth have been falling in recent years. In 2010, the Congressional Budget Office (CBO) expected real GDP to grow by a relatively brisk 3 percent annual average over the budget window. In its latest economic forecast, CBO expects growth to average just 2.1 percent over the next decade. This anemic growth rate is insufficient to increase job opportunities and incomes to acceptable levels.

(3) Although the overall trend of job gains has been solid of late, other aspects of the labor market remain relatively weak. For example—

(A) the labor force participation rate stands at just 62.9 percent, down roughly 3 percentage points since early 2009, and near its lowest level since 1978;

(B) long-term unemployment remains a problem, and of the 7.8 million people who are currently unemployed, slightly more than 2 million (28 percent) have been unemployed for more than 6 months; and

(C) long-term unemployment erodes an individual's job skills and detaches such individual from job opportunities, and undermines the long-term productive capacity of the economy.

(4) Wage gains and income growth have been subpar for middle-class Americans. Average hourly earnings of private-sector workers have increased by 2.4 percent over the past year. Prior to the recession, growth in average hourly earnings was tracking close to 4 percent. Similarly, average incomes have remained flat in recent years. Real median household income has declined by roughly $800 in 2014 to $53,657. This represents a sharp fall of 6.5 percent, or $3,700, since 2007.

(5) The unsustainable fiscal trajectory casts a shadow on the country's economic outlook. Investors and businesses make decisions on a prospective basis. They know that today's high debt levels are simply tomorrow's tax hikes, interest rate increases, or inflation—and they act accordingly. This debt overhang, and the uncertainty it generates, can weigh on growth, investment, and job creation.

(6) Nearly all economists, including those at CBO, conclude that reducing budget deficits (thereby bending the curve on debt levels) is a net positive for economic growth over time.

(7) In contrast, if the Government remains on the current fiscal path, future generations will face even-higher debt service costs, a decline in national savings, and a "crowding out" of private investment. This dynamic will eventually lead to a decline in economic output and a diminution in our country's standard of living.

(8) The key economic challenge is determining how to expand the economic pie, not how best to divide up and redistribute a shrinking pie.

(9) A stronger economy is vital to lowering deficit levels and eventually balancing the budget. According to CBO, if annual real GDP growth is just 0.1 percentage point higher over the budget window, deficits would be reduced by $327 billion.

(b) POLICY ON ECONOMIC GROWTH AND JOB CREATION.—It is the policy of this concurrent resolution to promote faster economic growth and job creation by embracing pro-growth policies, such as fundamental tax reform, that will help foster a stronger economy, greater opportunities, and more job creation. By putting the budget on a sustainable path, this concurrent resolution ends the debt-fueled uncertainty holding back job creators. Tax reform will put American businesses and workers in a better position to compete and thrive in the 21st century global economy. This concurrent resolution targets the regulatory red tape and cronyism that favor special interests. The reforms in this concurrent resolution serve as a means to the larger end of helping the economy grow and expanding opportunity for all Americans.

SEC. 605. POLICY STATEMENT ON FEDERAL REGULATORY BUDGETING AND REFORM.

(a) FINDINGS.—The House finds the following:

(1) Excessive Federal regulation—

(A) has hurt job creation, investment, wages, competition, and economic growth, slowing the Nation's recovery from the economic recession and harming American households;

(B) operates as a regressive tax on poor and lower-income households;

(C) displaces workers into long-term unemployment or lower-paying jobs;

(D) adversely affects small businesses, the primary source of new jobs; and

(E) impedes the economic growth necessary to provide sufficient funds to meet vital commitments and reduce the Federal debt.

(2) Federal agencies routinely fail to identify and eliminate, minimize, or mitigate excess regulatory costs through post-implementation assessments of their regulations.

(3) The estimated cost of Federal regulations are as high as $1.88 to $2.03 trillion per year.

(4) The estimated annual level of Federal regulatory costs—

(A) equals roughly $15,000 per United States household, or 30 percent of average household income;

(B) exceeds both individual and corporate Federal income rates; and

(C) exceeded 11 percent of United States gross domestic product in 2015.

(5) If regulatory costs represented an independent economy, the estimated annual level of these costs would qualify as one of the world's top 10 economies, ranking between India and Russia, roughly equaling one-half of Germany's economy and 40 percent of Japan's economy.

(6) Since President Obama's inauguration in 2009, the administration has issued more than 556,000 pages of regulations and accompanying documentation in the Federal Register, including 81,910 pages in 2015.

(7) Since 2009, the White House has imposed more than $728 billion in additional Federal regulatory costs, with over $100 billion in further costs proposed since the beginning of 2015.

(8) The United States Code of Federal Regulations now contains over 175,000 pages of regulations in 235 volumes.

(9) Notwithstanding the size and growth of Federal regulations, Congress lacks an effective mechanism to manage the level of new Federal regulatory costs imposed each year. Other nations, meanwhile, have successfully implemented the use of regulatory budgeting to control excess regulation and regulatory costs.

(10) Federal regulatory agencies routinely fail to analyze both the costs and benefits of new regulations.

(11) While the Obama administration has routinely failed to analyze both the costs and benefits of its new regulations, the United States has experienced zero real wage growth since 2007.

(12) While the Obama administration has sharply increased Federal regulatory costs, it has produced the weakest recovery from economic recession since World War II.

(13) If the Obama administration had produced even an average recovery, Americans would have six million more jobs. Instead, labor force participation is near historic lows and over 90 million Americans over the age of 16 are out of the workforce.

(14) Dodd-Frank (Public Law 111–203) alone has resulted in more than $39.3 billion in regulatory compliance costs and has imposed as much as 76.6 million hours of proposed and final regulatory compliance paperwork on job creators.

(15) Implementation of the Affordable Care Act has resulted in 177.9 million annual hours of regulatory compliance paperwork, $37.1 billion of regulatory compliance costs on the private sector, and $13 billion in regulatory compliance costs on the States.

(16) Agencies impose costly regulations without relying on sound science through the use of judicial consent decrees and settlement agreements and the abuse of interim compliance costs imposed on regulated entities that bring legal challenges against newly promulgated regulations.

(17) The highest regulatory costs come from rules issued by the Environmental Protection Agency (EPA). Among major new and proposed EPA regulations are those that would vastly expand EPA's control of land use through Clean Water Act permitting programs, commonly referred to as the Waters of the United States (WOTUS) rule; limit development in counties in nearly every State under Clean Air Act ozone regulations; and impose a de-facto ban on new United States coal-fired power plants.

(18) EPA's power plant rules exemplify the impact of excessive regulation.

(19) In June 2014, the EPA proposed a rule to cut carbon pollution from the Nation's power plants. The proposed standards are unachievable with current commercially available technology, resulting in a de-facto ban on new coal-fired power plants.

(20) Coal-fired power plants provide roughly 40 percent of the United States electricity at a low cost. Unfairly targeting the coal industry with costly and unachievable regulations will increase energy prices, disproportionately disadvantaging energy-intensive industries like manufacturing and construction. This will make life more difficult for millions of low-income and middle class families already struggling to pay their bills.

(21) Three hundred thirty coal units are proposed for retirement or conversion as a result of EPA regulations. Combined with the defacto prohibition on new plants, these retirements and conversions may further increase the cost of electricity.

(22) A recent study by Energy Ventures Analysis Inc., an energy market analysis group, estimates the average energy bill in West Virginia will rise $750 per household by 2020, due in part to EPA regulations. West Virginia receives 95 percent of its electricity from coal.

(23) The Heritage Foundation found that a phase out of coal would cost 600,000 jobs by the end of 2023, resulting in an aggregate gross domestic product decrease of $2.23 trillion over the entire period and reducing the income of a family of 4 by $1,200 per year. Of these jobs, 330,000 will come from the manufacturing sector, with California, Texas, Ohio, Illinois, Pennsylvania, Michigan, New York, Indiana, North Carolina, Wisconsin, and Georgia seeing the highest job losses.

(b) POLICY ON FEDERAL REGULATORY BUDGETING AND REFORM.—It is the policy of this concurrent resolution that the House should, in consultation with the public, consider legislation that—

(1) promotes—

(A) economic growth, job creation, higher wages, and increased investment by eliminating unnecessary red tape and streamlining, simplifying and lowering the costs of Federal regulations; and

(B) the adoption of least-cost regulatory alternatives to meet the objectives of Federal regulatory statutes;

(2) protects—

(A) the poor and lower-income households from the regressive effects of excessive regulation; and

(B) workers against the unnecessary elimination of jobs and loss or reduction of wages;

(3) requires—

(A) an annual, congressional regulatory budget that establishes annual costs of regulations and allocates these costs amongst Federal regulatory agencies;

(B) cost-benefit and regulatory impact analysis for new regulations proposed and promulgated by all Federal regulatory agencies;

(C) advance notice of proposed rulemaking and makes evidentiary hearings available for critical disputed issues in the development of new major regulations;

(D) congressional approval of all new major regulations before the regulations can become effective, ensuring that Congress can better prevent the imposition of unsound costly new regulations; and

(E) post-implementation cost-benefit analysis of all new major regulations on at least a decennial basis, to ensure that regulations operate as intended and impose no more costs than necessary;

(4) strengthens—

(A) requirements to assure the use and disclosure of sound science, including models, data, and other evidentiary information in the development of new regulations;

(B) transparency in regulatory development and improves opportunities for hearings on disputed issues in high-cost major rulemaking;

(C) requirements to avoid, minimize, and mitigate significant adverse impacts of new major regulations on small businesses, the primary source of new jobs;

(D) judicial review of legal, scientific, technical, and cost-benefit determinations made by Federal regulatory agencies to support the promulgation of new regulations;

(E) protections against unnecessary or abusive imposition of regulatory compliance costs during litigation challenging the promulgation of new, high-cost major regulation;

(F) protections against the abuse of regulatory consent decrees and settlement agreements to force the unfair imposition of new regulations; and

(G) protections against the abuse of interim rulemaking;

(5) reduces—

(A) regulatory barriers to entry into markets and other regulatory impediments to competition and innovation; and

(B) the imposition of new Federal regulation that duplicates, overlaps or conflicts with State, local, and Tribal regulation or that impose unfunded mandates on State, local, and Tribal governments; and

(6) eliminates the abuse of guidance to evade legal requirements applicable to the development and promulgation of new regulations.

SEC. 606. POLICY STATEMENT ON TAX REFORM.

(a) FINDINGS.—The House finds the following:

(1) A world-class tax system should be simple, fair, and promote (rather than impede) economic growth. The United States tax code fails on all 3 counts: it is complex, unfair, and inefficient. The tax code's complexity distorts decisions to work, save, and invest, which leads to slower economic growth, lower wages, and less job creation.

(2) Standard economic theory holds that high marginal tax rates lessen the incentives to work, save, and invest, which reduces economic output and job creation. Lower economic output, in turn, mutes the intended revenue gain from higher marginal tax rates.

(3) Roughly half of United States active business income and half of private sector employment are derived from business entities (such as partnerships, S corporations, and sole proprietorships) that are taxed on a "pass-through" basis, meaning the income is taxed at individual rates rather than corporate rates. Small businesses, in particular, tend to choose this form for Federal tax purposes, and the highest Federal rate on such small business income can reach nearly 45 percent. For these reasons, sound economic policy requires lowering marginal rates on these pass-through entities.

(4) The top United States corporate income tax rate (including Federal, State, and local taxes) is slightly more than 39 percent, the highest rate in the industrialized world. Tax rates this high suppress wages, discourage investment and job creation, distort business activity, and put American businesses at a competitive disadvantage with foreign competitors.

(5) By deterring potential investment, the United States corporate tax restrains economic growth and job creation. The United States tax rate differential fosters a variety of complicated multinational corporate practices intended to avoid the tax, which have the effect of moving the tax base offshore, destroying American jobs, and decreasing corporate revenue.

(6) Recent and coming developments in the global arena, specifically the Base Erosion and Profit Shifting (BEPS) project recommendations, heighten the importance of the need to reform and modernize our international tax system so that American businesses and workers are not disadvantaged.

(7) The "world-wide" structure of United States international taxation essentially taxes earnings of United States firms twice, putting them at a significant competitive disadvantage with competitors that have more competitive international tax systems.

(8) Reforming the tax code would boost the competitiveness of United States companies operating abroad and significantly reduce tax avoidance.

(9) The tax code imposes costs on American workers through lower wages, consumers in higher prices, and investors in diminished returns.

(10) Increasing taxes to raise revenue and meet out-of-control spending would sink the economy and Americans' ability to save for their children's education and retirement.

(11) Closing tax loopholes to finance higher spending does not constitute fundamental tax reform.

(12) Tax reform should curb or eliminate loopholes and use those savings to lower tax rates across the board, not to fund more wasteful Government spending. Washington has a spending problem, not a revenue problem.

(13) Many economists believe that fundamental tax reform, including a broader tax base and lower tax rates, would lead to greater labor supply and increased investment, which would have a positive impact on total national output.

(b) POLICY ON TAX REFORM.—It is the policy of this concurrent resolution that Congress should enact legislation to comprehensively reform the tax code to promote economic growth, create American jobs, increase wages, and benefit American consumers, investors, and workers that—

(1) 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;

(2) substantially lowers tax rates for individuals and consolidates the current seven individual income tax brackets into fewer brackets;

(3) repeals the Alternative Minimum Tax;

(4) reduces the corporate tax rate; and

(5) transitions the tax code to a more competitive system of international taxation.

SEC. 607. POLICY STATEMENT ON TRADE.

(a) FINDINGS.—The House finds the following:

(1) Opening foreign markets to American exports is vital to the United States economy and beneficial to American workers and consumers. The Commerce Department estimates that every $1 billion of United States exports support more than 5,000 jobs here at home.

(2) The United States can increase economic opportunities for American workers and businesses through the elimination of foreign trade barriers to United States goods and services.

(3) Trade agreements have saved the average American family of four more than $10,000 per year as a result of lower duties. Trade agreements also lower the cost of manufacturing inputs by removing duties.

(4) American businesses and workers have shown that, on a level playing field, they can excel and surpass international competition.

(5) When negotiating trade agreements, United States laws on Intellectual Property (IP) protection should be used as a benchmark for establishing global IP frameworks. Strong IP protections have significantly contributed to the United States' status as a world leader in innovation across sectors (including in the development of life-saving biologic medicines). The data protections afforded to biologics under Federal law, including 12 years of data protection, allow continued development of pioneering medicines to benefit patients both in the United States and abroad. To maintain the cycle of innovation and achieve 21st century trade agreements, it is vital that our negotiators insist on the highest standards for IP protections.

(b) POLICY ON TRADE.—It is the policy of this concurrent resolution—

(1) to pursue international trade, global commerce, and a modern and competitive tax system to promote domestic job creation;

(2) that the United States should continue to seek increased economic opportunities for American workers and businesses through high-standard trade agreements that satisfy negotiating objectives, including—

(A) the expansion of trade opportunities;

(B) adherence to trade agreements and rules by the United States and its trading partners, and

(C) the elimination of foreign trade barriers to United States goods and services by opening new markets and enforcing United States rights; and

(3) that any trade agreement entered into on behalf of the United States should reflect the negotiating objectives and adhere to the provisions requiring improved consultation with Congress.

SEC. 608. POLICY STATEMENT ON SOCIAL SECURITY.

(a) FINDINGS.—The House finds the following:

(1) More than 55 million retirees, individuals with disabilities, and survivors depend on Social Security. Since enactment, Social Security has served as a vital leg of the "three-legged stool" of retirement security, which includes employer provided pensions as well as personal savings.

(2) Lower-income Americans rely on Social Security for a larger proportion of their retirement income. Therefore, reforms should take into consideration the need to protect lower income Americans' retirement security.

(3) The Social Security Trustees Report has repeatedly recommended that Social Security's long-term financial challenges be addressed soon. The financial condition of Social Security and the threat to seniors and those receiving Social Security disability benefits becomes more pronounced each year without reform. For example—

(A) in 2022, the Disability Insurance Trust Fund will be exhausted and program revenues will be unable to pay scheduled benefits;

(B) in 2034, the combined Old-Age and Survivors and Disability Trust Funds will be exhausted, and program revenues will be unable to pay scheduled benefits; and

(C) with the exhaustion of the Trust Funds in 2034, benefits will be cut nearly 21 percent across the board, devastating those currently in or near retirement and those who rely on Social Security the most.

(4) The recession and continued low economic growth have exacerbated the looming fiscal crisis facing Social Security. The most recent Congressional Budget Office (CBO) projections find that Social Security will run cash deficits of more than $1.3 trillion over the next 10 years.

(5) The Disability Insurance program provides an essential income safety net for those with disabilities and their families. According to CBO, between 1970 and 2012 the number of disabled workers and their dependent family members receiving disability benefits has increased by more than 300 percent from 2.7 million to over 10.9 million. This increase is not due strictly to population growth or decreases in health. Scholars David Autor and Mark Duggan have found that the increase in individuals on disability does not reflect a decrease in self-reported health. CBO attributes program growth to changes in demographics and the composition of the labor force as well as Federal policies.

(6) In the past, Social Security has been reformed on a bipartisan basis, most notably by the "Greenspan Commission", which helped address Social Security shortfalls for more than a generation.

(7) Americans deserve action by the President and Congress to preserve and strengthen Social Security to ensure that Social Security remains a critical part of the safety net.

(b) POLICY ON SOCIAL SECURITY.—It is the policy of this concurrent resolution that the House should work on a bipartisan basis to make Social Security sustainably solvent. This concurrent resolution assumes, under a reform trigger, that—

(1) if in any year the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund annual Trustees Report determines that the 75-year actuarial balance of the Social Security Trust Funds is in deficit, and the annual balance of the Social Security Trust Funds in the 75th year is in deficit, the Board of Trustees should, no later than September 30 of the same calendar year, submit to the President recommendations for statutory reforms necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75th year, and any rec-

ommendations provided to the President must be agreed upon by both Public Trustees of the Board of Trustees;

(2) not later than December 1 of the same calendar year in which the Board of Trustees submit their recommendations, the President should promptly submit implementing legislation to both Houses of Congress including recommendations necessary to achieve a positive 75-year actuarial balance and a positive annual balance in the 75th year, and the majority leader of the Senate and the majority leader of the House should introduce the President's legislation upon receipt;

(3) within 60 days of the President submitting legislation, the committees of jurisdiction should report a bill, which should be considered by the House or Senate under expedited procedures; and

(4) legislation submitted by the President should—

(A) protect those in or near retirement;

(B) preserve the safety net for those who count on Social Security the most, including those with disabilities and survivors;

(C) improve fairness for participants;

(D) reduce the burden on and provide certainty for future generations; and

(E) secure the future of the Disability Insurance program while addressing the needs of those with disabilities today and improving the determination process.

(c) POLICY ON DISABILITY INSURANCE.—It is the policy of this concurrent resolution that Congress and the President should enact legislation on a bipartisan basis to reform the Disability Insurance program prior to its insolvency in 2022 and should not raid the Social Security retirement system without reforms to the Disability Insurance system. This concurrent resolution assumes reform that—

(1) ensures benefits continue to be paid to individuals with disabilities and their family members who rely on them;

(2) prevents an 11 percent across-the-board benefit cut;

(3) improves the Disability Insurance program; and

(4) promotes opportunity for those trying to return to work.

(d) POLICY ON SOCIAL SECURITY SOLVENCY.—It is the policy of this concurrent resolution that any legislation Congress considers to improve the solvency of the Disability Insurance Trust Fund must also improve the long-term solvency of the combined Old Age and Survivors Disability Insurance (OASDI) Trust Fund.

SEC. 609. POLICY STATEMENT ON REPEALING THE PRESIDENT'S HEALTH CARE LAW AND PROMOTING REAL HEALTH CARE REFORM.

(a) FINDINGS.—The House finds the following:

(1) The President's health care law put Washington's priorities before those of patients'. The Affordable Care Act (ACA) has failed to reduce health care premiums as promised. Instead, the law mandated benefits and coverage levels, denying patients the opportunity to choose the type of coverage that best suits their health needs and driving up health coverage costs. A typical family's health care premiums were supposed to decline by $2,500; instead, average premiums have increased by $3,775. A recent study conducted by the nonpartisan Congressional Budget Office (CBO) estimates premiums to continue rising over the next decade, projecting an average increase of 8 percent per year between 2016 and 2018, and increasing by nearly 60 percent by 2026.

(2) The President pledged, "If you like your health care plan, you can keep your health care plan." Instead, CBO now estimates 7 million Americans will lose employment-based health coverage due to the President's health care law, further limiting patient choice.

(3) Then-Speaker of the House Pelosi stated that the President's health care law would create 4 million jobs over the life of the law and almost 400,000 jobs immediately. Instead, CBO estimates that by 2025 Obamacare will reduce the number of hours worked by approximately 2 million full-time equivalent workers, mostly lower wage workers, compared with what would have occurred in the absence of the law. Additionally, a study by the Mercatus Center at George Mason University estimates that Obamacare will reduce employment by up to 3 percent, or about 4 million full-time equivalent workers.

(4) The President has charged the Independent Payment Advisory Board, a panel of unelected bureaucrats, with cutting Medicare by an additional $36.4 billion over the next 10 years.

(5) Since the ACA was signed into law, the administration has repeatedly failed to implement it as written. The President's unilateral actions have resulted in 43 changes, delays, and exemptions. The President has signed into law

another 24 changes made by Congress. The Supreme Court struck down the forced expansion of Medicaid; ruled the individual "mandate" could only be characterized as a tax to remain constitutional; and rejected the requirement that closely held companies provide health insurance to their employees even if it violates the companies' religious beliefs. More than 5 years after enactment, the Supreme Court continues to evaluate the legality of how the President's administration has implemented the law. All of these changes prove the folly of the underlying law; health care in the United States cannot be run from a centralized bureaucracy.

(6) The President's health care law is unaffordable, intrusive, overreaching, destructive, and unworkable. Its complex structure of subsidies, mandates, and penalties perversely impact individuals, married couples, and families. Those who previously had insurance along with those who did not have been funneled into a new system that is providing less access to doctors and treatments. Millions of Americans have been added to a broken Medicaid system that is incapable of providing the care promised. Cuts made to Medicare to fund a new entitlement are undermining the health security of seniors. Taxes and mandates are distorting the insurance market and harming the broader economy, resulting in fewer jobs and less opportunity. By design, the President's law puts Washington at the center of our health care system, at the expense of patients, families, physicians, and businesses. The ACA should be fully repealed, allowing for real patient-centered health care reform that puts patients first, not Washington, DC.

(b) POLICY ON PROMOTING REAL HEALTH CARE REFORM.—It is the policy of this concurrent resolution that the President's health care law should be fully repealed and real health care reform should be enacted to enhance affordability, accessibility, quality, innovation, choices, and responsiveness in coverage for all Americans. Real health care reform should put patients, families, and doctors in charge, not Washington, DC, and encourage increased competition and transparency. Under the President's health care law, Government controls Americans' health care choices. Patient-centered reform should be enacted in accordance with the following principles:

(1) AFFORDABILITY.—Real reform should ensure that all Americans, no matter their age, income, or health status, can afford health care coverage. Currently, those who receive insurance through an employer receive assistance through the tax code, while those purchasing insurance on their own do not receive the same benefit. Individuals should not be priced out of the health insurance market due to pre-existing conditions. Policies should provide protections for patients with pre-existing conditions to guarantee affordable coverage, reward those who maintain health coverage, create more equity between benefits offered through employers to individuals and families purchasing coverage on their own, and give States, who are better equipped to respond to the needs of their communities, more control over insurance regulation. Individuals should also be allowed to voluntarily join together to pool risk through mechanisms such as Individual Health Pools and Small Employer Membership Associations to gain the purchasing power of thousands.

(2) ACCESSABILITY.—Instead of Washington dictating the ways Americans cannot use their health insurance, reforms should make health coverage more portable. Individuals should be able to own their insurance and have it follow them in and out of jobs throughout their career. Small business owners should be permitted to band together across State lines through their membership in bona fide trade or professional associations to purchase health coverage for their families and employees at a low cost. This will increase small businesses' bargaining power, volume discounts, and administrative efficiencies while giving them freedom from State-mandated benefit packages. Also, insurers licensed to sell policies in one State should be permitted to offer them to residents in any other State, and consumers should be permitted to shop for health insurance across State lines, as they are with other insurance products online, by mail, by phone, or in consultation with an insurance agent.

(3) QUALITY.—Incentives for providers to deliver high-quality, responsive, and coordinated care will promote better patient outcomes and drive down health care costs. Additionally, reforms that restore the patient-physician relationship by reducing administrative burdens will promote quality coverage for all Americans and allow physicians to do what they do best—care for patients. Reforms should also empower the patient by creating a marketplace for health care, allowing providers to compete on cost and quality for the patients' choice.

(4) CHOICES.—Individuals and families should be free to secure the health care coverage that best meets their needs, rather than instituting one-size-fits-

all directives from Federal bureaucracies such as the Internal Revenue Service, the Department of Health and Human Services, and the Independent Payment Advisory Board. Patient-centered health care should enhance, not diminish coverage options for individuals. Additionally, patients are often unable to compare costs for health care goods and services due to a lack of price transparency. The inability of consumers to compare costs distorts the health marketplace at the expense of patients by denying them the opportunity to make informed care decisions, further reducing competition and only serving select special interests.

(5) INNOVATION.—Instead of stifling health care innovation, a reformed health care system should encourage research, development, and innovation. New technologies provide patients and providers with instant connection and access to life saving diagnostic tools and treatments. Groundbreaking applications, software, and devices not only enhance the delivery of health care to be more effective and efficient, but also less costly. Federal regulations, however, too often slow and prevent widespread adoption of these medical advancements and hinder the transformation of America's health delivery system.

(6) RESPONSIVENESS.—Reform should return authority to States where possible to make the system more responsive to patients and their needs. Instead of tying States' hands with Federal requirements for Medicaid, the Government should return control over to the States. Not only does the current Medicaid program drive up Federal debt and threaten to bankrupt State budgets, but States are better positioned to provide quality and affordable care to those who are eligible for the program and to identify and eliminate waste, fraud and abuse. Beneficiary choices in the State Children's Health Insurance Program (SCHIP) and Medicaid should be improved. States should offer private insurance, Health Savings Accounts, and other competitive insurance options to their Medicaid and SCHIP beneficiaries, but should not require enrollment.

(7) REFORMS.—Reforms should prevent lawsuit abuse and curb the practice of defensive medicine, which significantly increase health care costs. The burden of proof in medical malpractice cases should be based on compliance with best practice guidelines, and States should be free to implement those policies to best suit their needs.

SEC. 610. POLICY STATEMENT ON MEDICARE.

(a) FINDINGS.—The House finds the following:

(1) More than 50 million Americans depend on Medicare for their health security.

(2) The Medicare Trustees Report has repeatedly recommended that Congress address Medicare's long-term financial challenges. Each year without reform, the financial condition of Medicare becomes more precarious and the threat to those in or near retirement more pronounced. According to the Medicare Trustees Report—

(A) the Hospital Insurance Trust Fund will be exhausted in 2030 and unable to pay the full scheduled benefits;

(B) Medicare enrollment is expected to increase more than 50 percent in the next two decades, as 10,000 baby boomers reach retirement age each day;

(C) due to extended life spans, enrollees remain in Medicare three times longer than at the outset of the program five decades ago;

(D) notwithstanding the program's Trust Fund arrangement, current workers' payroll tax contributions pay for current Medicare beneficiaries;

(E) the number of workers supporting each beneficiary continues to fall; in 1965, the ratio was 4.5 workers per beneficiary, and by 2030, when the baby boom generation will have fully aged into the program, the ratio will be only 2.3 workers per beneficiary;

(F) most Medicare beneficiaries receive about three dollars in Medicare benefits for every one dollar paid into the program;

(G) Medicare is growing faster than the economy at a projected rate of 6 percent per year over the next 10 years; and

(H) by 2026, Medicare spending will reach nearly $1.3 trillion, almost double the 2015 spending level of $634 billion.

(3) Failing to address Medicare's collapsing finances will leave millions of American seniors without adequate health security and younger generations burdened with having to pay for these unsustainable spending levels.

(b) POLICY ON MEDICARE REFORM.—It is the policy of this concurrent resolution to save Medicare for those in or near retirement and strengthen the program for future beneficiaries.

(c) ASSUMPTIONS.—This concurrent resolution assumes transition to an improved Medicare program that ensures—

(1) Medicare is preserved for current and future beneficiaries;

(2) future Medicare beneficiaries select, from competing guaranteed health coverage options, a plan that best suits their needs, with support from a defined contribution toward their premiums;

(3) traditional fee-for-service Medicare remains as a plan option;

(4) Medicare provides additional assistance for lower income beneficiaries and those with greater health risks; and

(5) Medicare spending is put on a sustainable path and becomes solvent over the long term.

SEC. 611. POLICY STATEMENT ON MEDICAL DISCOVERY, DEVELOPMENT, DELIVERY, AND INNOVATION.

(a) FINDINGS.—The House finds the following:

(1) For decades, the Nation's commitment to the discovery, development, and delivery of new treatments and cures has made the United States the biomedical innovation capital of the world, bringing life-saving drugs and devices to patients and well over a million high-paying jobs to local communities.

(2) Americans were responsible for the first of many scientific discoveries, including creating the first vaccine for polio and numerous other scientific and medical breakthroughs that have improved and prolonged human health and life for countless people in America and around the world.

(3) The United States has led the way in early discovery because of visionary and determined innovators throughout the private and public sectors, including industry, academic medical centers, and Federally funded activities, such as the National Institutes of Health (NIH). United States leadership is threatened, however, when other countries contribute more to basic research from both public and private sources.

(4) The Organisation for Economic Cooperation and Development predicts that China, for example, will outspend the United States in total research and development by the end of the decade.

(5) Federal policies should foster investment in health care innovation. America should maintain its world leadership in medical science by encouraging competition in the delivery of cures and therapies to patients.

(b) POLICY ON MEDICAL INNOVATION.—This concurrent resolution calls for—

(1) Congress to support the important work of medical innovators throughout the country through continued strong funding for the agencies that engage in life saving research and development; and

(2) Washington to unleash the power of innovation by removing obstacles that impede the adoption of medical technologies - the bureaucracy and red-tape in Washington too often hold back medical innovation, increasing rather than decreasing costs, and prevent new lifesaving treatments from reaching patients.

SEC. 612. POLICY STATEMENT ON PUBLIC HEALTH PREPAREDNESS.

(a) FINDINGS.—The House finds the following:

(1) The Nation's ability to respond quickly and effectively to emergent health care threats must be a top priority.

(2) Through international trade and travel, natural geographic barriers are removed, increasing the likelihood and speed of transmission for communicable diseases.

(3) While the health care infrastructure enables rapid response to domestic public health threats, the most effective and efficient way to protect American lives from threats that emerge overseas is to halt the spread of disease before it reaches America's borders.

(4) United States leadership in international public health preparedness and response is far reaching. Multiple agencies support activities to prevent, detect, prepare for, and respond to emerging threats, as follows:

(A) The Department of Health and Human Services coordinates with domestic agencies. For example—

(i) the Centers for Disease Control and Prevention serves as the first line of defense in global disease detection by providing domestic and international support through various activities, including coordinating technical assistance with partners worldwide in disease prevention and detection and providing a multitude of resources, including logistics, analytics, tracing of data and disease contacts, laboratory testing, health education, and more;

(ii) the National Institutes of Health conducts research activities for treatments and vaccines for infectious diseases; and

(iii) the Biomedical Advanced Research and Development Authority provides an integrated and systematic approach in developing and acquiring the necessary medical resources in a public health emergency.

(B) The United States Agency for International Development assists other nations in building infrastructure and health systems for surveillance, identifying, and responding to infectious diseases.

(C) The Department of Defense maintains a surveillance and response system, as well as a network of laboratories, domestically and abroad, that support surveillance and research and development.

(5) Emerging infectious diseases are unpredictable and pose a continuous threat. The United States must be vigilant and prepared to act at home and abroad. For example—

(A) in 2003, the Severe Acute Respiratory Syndrome was first identified, and before the disease was contained, it spread to more than two dozen countries in North and South America, Europe, and Asia;

(B) the H1N1 virus, a type of swine flu, caused a global flu pandemic in 2009, killing thousands;

(C) in 2012, an outbreak of measles resulted in approximately 122,000 deaths; a disease that was declared to be eliminated from the United States in 2010;

(D) Ebola was identified in West Africa in March of 2014; due to the highly infectious nature of the disease, at the peak of the outbreak transmission rates reached as high as a thousand new cases per week and resulted in approximately 28,000 cases and over 11,000 deaths; and

(E) on February 1, 2016, the World Health Organization declared a "Public Health Emergency of International Concern" due to potential health risks posed by the Zika virus.

(b) POLICY ON PUBLIC HEALTH PREPAREDNESS.—It is the policy of this concurrent resolution that the House should, within available budgetary resources, provide continued support for research, prevention, and public health preparedness programs to ensure the Nation's ability to respond efficiently and effectively to potential public health threats.

SEC. 613. POLICY STATEMENT ON ADDRESSING THE OPIOID ABUSE EPIDEMIC.

(a) FINDINGS.—The House finds the following:

(1) Sixty-one percent of all drug overdose deaths in the United States were related to opioids in 2014, primarily prescription pain relievers and heroin. Prescription opioid overdose deaths have quadrupled since 1999, with 44 deaths every day.

(2) The Centers for Disease Control and Prevention (CDC) has found that people in rural counties are almost twice as likely to overdose on prescription painkillers as those in large cities.

(3) One of the leading factors in the rise of opioid abuse is considered to be the ready availability of prescription painkillers:

(A) From 1999 to 2013, the sale of prescription painkillers in the United States quadrupled.

(B) In 2012, there were enough opioids prescribed for every adult in the United States to each have their own one month's supply.

(C) Nearly 2 million Americans reported opioid abuse or dependency in 2013.

(4) According to the CDC, every day nearly 7,000 people are treated in emergency departments for using opioids in a manner other than as directed.

(5) Prescription opioid abuse is also associated with a rise in heroin use and overdoses:

(A) From 2002 to 2013, heroin use in the United States nearly doubled, and heroin-related overdose deaths nearly quadrupled.

(B) According to the CDC, "past misuse of prescription opioids is the strongest risk factor for heroin initiation and use."

(b) POLICY ON OPIOID ABUSE.—It is the policy of this concurrent resolution that combating opioid abuse, using available budgetary resources, is a high priority to assist those who are suffering from this tragic epidemic. Congress, in a bipartisan manner, should examine the Federal response to the opioid abuse crisis and support essential activities, including rehabilitation, to reduce and prevent substance abuse.

SEC. 614. POLICY STATEMENT ON HIGHER EDUCATION AND WORKFORCE DEVELOPMENT OPPORTUNITY.

(a) FINDINGS ON HIGHER EDUCATION.—The House finds the following:

(1) A well-educated workforce is critical to economic, job, and wage growth.

(2) Roughly 20 million students are enrolled in American colleges and universities.

(3) Over the past decade, tuition and fees have been growing at an unsustainable rate. Between the 2005-2006 Academic Year and the 2015-2016 Academic Year, published tuition and fees at—

(A) public 4-year colleges and universities increased at an average rate of 3.4 percent per year above the rate of inflation;

(B) public 2-year colleges and universities increased at an average rate of 2.6 percent per year above the rate of inflation; and

(C) private nonprofit 4-year colleges and universities increased at an average rate of 2.4 percent per year above the rate of inflation.

(4) Federal financial aid for higher education has dramatically increased. The portion of the Federal student aid portfolio composed of Direct Loans, Federal Family Education Loans, and Perkins Loans with outstanding balances grew by 135 percent between fiscal year 2007 and fiscal year 2015. This increased spending has failed to make college more affordable.

(5) In his 2012 State of the Union Address, President Obama noted: "We can't just keep subsidizing skyrocketing tuition; we'll run out of money."

(6) American students are chasing ever-increasing tuition with ever-increasing debt. According to the Board of Governors of the Federal Reserve System, total student debt now stands at $1.3 trillion. This makes student loans the second largest balance of consumer debt, after mortgage debt.

(7) Students are carrying large debt loads. Too many students fail to complete college or end up defaulting on their loans due to high debt burdens and a weak economy and job market.

(8) The Pell Grant program is on an unsustainable funding path. The Congressional Budget Office projects that the program will experience a future multi-billion funding gap that is predicted to increase in subsequent years in the current budget window.

(9) Failure to address these problems will jeopardize young people's access to higher education because it will remain unaffordable.

(b) POLICY ON HIGHER EDUCATION AFFORDABILITY.—It is the policy of this concurrent resolution to address the root drivers of tuition inflation and promote college affordability by—

(1) targeting Federal financial aid to those most in need;

(2) streamlining aid programs to increase their effectiveness and make it easier for students and families to assess their options for financing postsecondary education;

(3) putting the Pell Grant program on a more stable path and maintaining the maximum Pell grant award level of $5,815 in each year of the budget window; and

(4) removing regulatory barriers in higher education that increase costs, limit access, and restrict innovative teaching, particularly non-traditional models such as online course work and competency-based learning.

(c) FINDINGS ON WORKFORCE DEVELOPMENT.—The House finds the following:

(1) 7.8 million Americans are currently unemployed.

(2) Despite billions of dollars in spending, those looking for work are stymied by a broken workforce development system that fails to connect workers with assistance and employers with trained personnel.

(3) The House Committee on Education and the Workforce successfully consolidated 15 job-training programs in the recently enacted Workforce Innovation and Opportunity Act.

(d) POLICY ON WORKFORCE DEVELOPMENT.—It is the policy of this concurrent resolution to build on the success of the Workforce Innovation and Opportunity Act by—

(1) further streamlining and consolidating Federal job-training programs; and

(2) empowering States with the flexibility to tailor funding and programs to the specific needs of their workforce.

SEC. 615. POLICY STATEMENT ON THE DEPARTMENT OF VETERANS AFFAIRS.

(a) FINDINGS.—The House finds the following:

(1) For years, there has been serious concern regarding the Department of Veterans Affairs (VA) bureaucratic mismanagement and continuous failure to provide veterans timely access to health care.

(2) In 2015, for the first time, VA health care was added to Government Accountability Office's (GAO) "high-risk" list, due to mismanagement and oversight failures, which have resulted in untimely and inefficient health care. Ac-

cording to GAO, "the absence of care and delays in providing care have harmed veterans.".

(3) The VA's failure to provide timely and accessible health care to our veterans is unacceptable. While Congress has done its part for more than a decade by providing sufficient funding for the VA, the administration has mismanaged these resources, resulting in proven adverse effects on veterans and their families.

(b) POLICY ON THE DEPARTMENT OF VETERANS AFFAIRS.—It is the policy of this concurrent resolution that—

(1) the House Committee on Veterans' Affairs continue its oversight efforts to ensure the VA reassesses its core mission, including—

(A) reducing the number of bureaucratic layers;

(B) reducing the number of senior and middle managers;

(C) streamlining the disciplinary process;

(D) improving performance measure metrics;

(E) strengthening the administration and oversight of contractors; and

(F) supporting opportunities for veterans to pursue other viable options for their health care needs; and

(2) the House Committee on Veterans' Affairs and the Committee on the Budget should continue to closely monitor the VA's progress to ensure VA resources are sufficient and efficiently provided to veterans.

SEC. 616. POLICY STATEMENT ON FEDERAL ACCOUNTING.

(a) FINDINGS.—The House finds the following:

(1) Current accounting methods fail to capture and present in a compelling manner the full scope of the Government and its fiscal situation.

(2) Most fiscal analyses produced by the Congressional Budget Office (CBO) are conducted over a 10-year time horizon. The use of generational accounting or a longer time horizon would provide a more complete picture of the Government's fiscal situation.

(3) The Federal budget currently accounts for most programs on a cash accounting basis, which records revenue and expenses when cash is actually paid or received. However, it accounts for loan and loan guarantee programs on an accrual basis, which records revenue when earned and expenses when incurred.

(4) The Government Accountability Office has advised that accrual accounting may provide a more accurate estimate of the Government's liabilities than cash accounting for some programs, specifically insurance programs.

(5) Accrual accounting under the Federal Credit Reform Act of 1990 (FCRA) understates the risk and thus the true cost of some Federal programs, including loans and loan guarantees.

(6) Fair value accounting better reflects the risk associated with Federal loan and loan guarantee programs by using a market based discount rate. CBO, for example, uses fair value accounting to measure the cost of Fannie Mae and Freddie Mac.

(7) In comparing fair value accounting to FCRA, CBO has concluded that "adopting a fair-value approach would provide a more comprehensive way to measure the costs of Federal credit programs and would permit more level comparisons between those costs and the costs of other forms of Federal assistance".

(8) The Treasury Department, when reporting the principal financial statements of the United States entitled *Balance Sheet and Statement of Operations and Changes in Net Position*, may omit some of the largest projected Government expenses, including social insurance programs. The projected expenses of these programs are reported by the Treasury Department in a statement of *Social Insurance and Statement of Changes in Social Insurance Amounts*.

(9) This concurrent resolution directs CBO to estimate the costs of credit programs on a fair value basis to fully capture the risk associated with Federal credit programs.

(b) POLICY ON FEDERAL ACCOUNTING METHODOLOGIES.—It is the policy of this concurrent resolution that the House should, in consultation with CBO and other appropriate stakeholders, reform government-wide budget and accounting practices so Members and the public can better understand the fiscal situation of the United States and the options best suited to improving it. Such reforms may include the following:

(1) Providing additional metrics to enhance our current analysis by considering the Nation's fiscal situation comprehensively, over an extended time horizon, and how it affects Americans of various age cohorts.

(2) Expanding the use of accrual accounting where appropriate.

(3) Accounting for certain Federal credit programs using fair value accounting to better capture market risk.

SEC. 617. POLICY STATEMENT ON REDUCING UNNECESSARY AND WASTEFUL SPENDING.

(a) FINDINGS ON REDUCING UNNECESSARY AND WASTEFUL SPENDING.—The House finds the following:

(1) The Government Accountability Office (GAO) has identified dozens of examples of waste, duplication, and overlap in Federal programs.

(2) In its report to Congress on Government Efficiency and Effectiveness, the Comptroller General has stated that addressing the identified waste, duplication, and overlap in Federal programs could "lead to tens of billions of dollars of additional savings".

(3) From 2011 through 2014, the GAO issued reports showing excessive duplication and redundancy in Federal programs including—

(A) 209 Science, Technology, Engineering, and Mathematics education programs in 13 different Federal agencies at a cost of $3 billion annually;

(B) 200 overlapping Department of Justice grant programs with an annual cost of $3.9 billion in 2010;

(C) 20 different Federal entities administer 160 housing programs and other forms of Federal assistance for housing with a total cost of $170 billion in 2010;

(D) 17 separate Homeland Security preparedness grant programs that spent $37 billion between fiscal years 2002 and 2011;

(E) 14 grant and loan programs and 3 tax benefits to reduce diesel emissions that obligated at least $1.4 billion between fiscal years 2007 and 2011;

(F) 94 separate initiatives run by 11 different agencies to encourage "green building" in the private sector;

(G) 23 agencies implemented approximately 670 renewable energy initiatives in fiscal year 2010 at a cost of nearly $15 billion; and

(H) 18 separate domestic food and nutrition assistance programs across 4 agencies at a cost of $90 billion in fiscal year 2010.

(4) The Government spends more than $80 billion each year for approximately 1,400 information technology investments. GAO has identified broad acquisition failures, waste, and unnecessary duplication in the Government's information technology infrastructure. Experts have estimated that eliminating these problems could reduce costs by 25 percent or $20 billion.

(5) GAO has identified strategic sourcing as a potential source of spending reductions. In 2011, GAO estimated that saving 10 percent of total Federal procurement could generate more than $50 billion in savings annually.

(6) Federal agencies reported an estimated $125 billion in improper payments in fiscal year 2014.

(7) Under clause 2 of rule XI of the Rules of the House of Representatives, each standing committee must hold at least one hearing during each 120-day period following its establishment on waste, fraud, abuse, or mismanagement in Government programs.

(b) POLICY ON REDUCING UNNECESSARY AND WASTEFUL SPENDING.—It is the policy of this concurrent resolution that—

(1) each authorizing committee of the House should identify duplicative programs and make recommendations as to which programs should be reduced or eliminated in its annual Views and Estimates submission to the Committee on the Budget;

(2) the Committee on the Budget should aggressively investigate reports of improper payments; and

(3) Federal agencies should be held accountable for their inability to reduce such inappropriate expenditures.

SEC. 618. POLICY STATEMENT ON DEFICIT REDUCTION THROUGH THE CANCELLATION OF UNOBLIGATED BALANCES.

(a) FINDINGS.—The House finds the following:

(1) According to the most recent estimate from the Office of Management and Budget, Federal agencies held $896 billion in unobligated balances at the end of fiscal year 2015.

(2) These funds comprise both discretionary appropriations and authorizations of mandatory spending that remain available for expenditure.

(3) In many cases, agencies are provided appropriations that remain indefinitely available for obligation.

(4) The Congressional Budget Act of 1974 requires the Office of Management and Budget to make funds available to agencies for obligation and pro-

hibits the administration from withholding or cancelling unobligated funds unless approved by an Act of Congress.

(b) POLICY ON DEFICIT REDUCTION THROUGH THE CANCELLATION OF UNOBLIGATED BALANCES.—It is the policy of this concurrent resolution that—

(1) greater congressional oversight is required to review and identify potential savings from canceling unobligated balances of funds that are no longer needed;

(2) the appropriate committees in the House should identify and review accounts with unobligated balances and rescind such balances that would not impede or disrupt the fulfillment of important Federal commitments;

(3) the House, with the assistance of the Government Accountability Office, the Inspectors General, and appropriate agencies, should continue to review unobligated balances and identify savings for deficit reduction; and

(4) unobligated balances in dormant accounts should not be used to finance increases in spending.

SEC. 619. POLICY STATEMENT ON RESPONSIBLE STEWARDSHIP OF TAXPAYER DOLLARS.

(a) FINDINGS.—The House finds the following:

(1) The budget of the House is $188 million less than it was when the Republicans last attained the majority in 2011.

(2) The House has achieved significant savings by consolidating operations and renegotiating contracts.

(b) POLICY ON RESPONSIBLE STEWARDSHIP OF TAXPAYER DOLLARS.—It is the policy of this concurrent resolution that—

(1) the House should be a model for the responsible stewardship of taxpayer resources, and identify any savings that can be achieved through greater productivity and efficiency gains in the operation and maintenance of House services and resources, including printing, conferences, utilities, telecommunications, furniture, grounds maintenance, postage, and rent;

(2) the House should review policies and procedures for the acquisition of goods and services to eliminate unnecessary spending;

(3) the Committee on House Administration should review the policies pertaining to services provided to Members and committees of the House, and identify ways to reduce any subsidies paid for the operation of the House gym, barbershop, salon, and the House dining room;

(4) no taxpayer funds should be used to purchase first class airfare or to lease corporate jets for Members of Congress; and

(5) retirement benefits for Members of Congress should not include free, taxpayer-funded health care for life.

SEC. 620. POLICY STATEMENT ON EXPENDITURES FROM AGENCY FEES AND SPENDING.

(a) FINDINGS.—The House finds the following:

(1) A number of Federal agencies and organizations have permanent authority to collect and spend fees and other offsetting collections.

(2) The Office of Management and Budget estimated the total amount of offsetting fees and offsetting collections to be $525 billion in fiscal year 2016.

(3) Agency budget justifications are, in some cases, not fully transparent about the amount of program activity funded through offsetting collections or fees. This lack of transparency prevents effective and accountable Government.

(b) POLICY ON AGENCY FEES AND SPENDING.—It is the policy of this concurrent resolution that Congress should reassert its constitutional prerogative to control spending and conduct oversight. Congress should subject all agency fees received from the public to annual appropriations or authorization legislation, except for such fees that are for business-like activities or necessary to fund current operations.

SEC. 621. POLICY STATEMENT ON BORDER SECURITY.

(a) FINDINGS ON BORDER SECURITY.—The House finds the following:

(1) In fiscal year 2015, the United States Customs and Border Protection apprehended 337,117 persons crossing our international borders illegally between the ports of entry. There is no statistical information to determine the number of persons who were not apprehended and entered the country illegally.

(2) The Government Accountability Office has reported that while the number of apprehensions provides a proxy for the flow of illegal migration, it is not a suitable measure of border security effectiveness.

(3) The Department of Homeland Security stopped reporting miles of the border under operational control in 2011, but has failed to replace that measure with an alternative, or other reliable indicators that measure border security effectiveness.

(b) POLICY ON BORDER SECURITY.—It is the policy of this concurrent resolution that Congress should pass legislation bolstering our border security by—

(1) installing technology along the southern and northern borders of the U.S., including tower-based surveillance, subterranean detection, radar surveillance, unmanned aerial vehicles, and other resources in order to gain a full understanding of the threat and vulnerabilities along the border;

(2) constructing new fencing and replace ineffective fencing and barriers, maintain or build vehicle access roads, and establish forward operating bases along the southern border; and

(3) increasing the current levels of U.S. Customs and Border Protection Officers and U.S. Border Patrol Agents.

SEC. 622. POLICY STATEMENT ON PREVENTING THE CLOSURE OF THE GUANTANAMO BAY DETENTION FACILITY.

(a) FINDINGS.—The House finds the following:

(1) The Guantanamo Bay detention facility is a critical tool in America's continuing fight against terrorism.

(2) Of the 653 Guantanamo Bay detainees that have left the facility, 117 (17.9 percent) are "confirmed" and 79 (12.1 percent) are "suspected of reengaging" in "terrorist or insurgent activities" according to the latest unclassified report issued in September 2015 by the Office of the Director of National Intelligence.

(3) President Obama's support of closing the Guantanamo Bay detention facility would significantly increase risk to our national security.

(b) POLICY ON PREVENTING THE CLOSURE OF THE GUANTANAMO BAY DETENTION FACILITY.—This concurrent resolution supports policies, consistent with the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92), that would prevent the—

(1) closure of the Guantanamo Bay detention facility;

(2) modifications of facilities in the United States to house Guantanamo Bay detainees; and

(3) transfer or release of detainees to certain countries.

SEC. 623. POLICY STATEMENT ON REFUGEES FROM CONFLICT ZONES.

(a) FINDINGS.—The House finds the following:

(1) Since the Syrian civil war broke out in March 2011, an estimated 4.6 million Syrians have fled the country, with approximately 500,000 attempting to seek asylum in Europe or elsewhere in the West, including the United States.

(2) According to the House Committee on Homeland Security report entitled *Syrian Refugee Flows: Security Risks and Counterterrorism Challenges*, "the administration proposal to resettle Syrian refugees in the United States will have limited impact on alleviating the refugee crisis; however, it could have serious ramifications for U.S. homeland security.".

(3) In response to a letter from chair Michael McCaul of the House Committee on Homeland Security, the National Counterterrorism Center stated that, "the refugee system, like all immigration programs, is vulnerable to exploitation from extremist groups seeking to send operatives to the West.".

(4) In 2011, the FBI arrested two Kentucky-based Iraqi refugees attempting to send weapons and explosives from Kentucky to Iraq and conspiring to commit terrorism while in Iraq. It was later discovered that a flaw in background screening of Iraqi refugees allowed these two Al Qaeda-linked terrorists to settle in Kentucky.

(5) On November 13, 2015, the Islamic State of Iraq and Syria (ISIS) launched a terrorist attack targeting civilians in Paris, killing at least 129 people, including one American. At least one of the attackers may have infiltrated France using the cover of the unprecedented Syrian refugee flow into Europe.

(b) POLICY ON REFUGEE SCREENING AND RESETTLEMENT.—It is the policy of this concurrent resolution that the United States should suspend admission of refugees from such high-risk areas as Syria and Iraq until it can ensure that terrorists cannot exploit its refugee resettlement programs and vetting processes. While the United States should continue its proud tradition of refugee resettlement, it should make protecting Americans its highest priority before resettling additional refugees.

SEC. 624. POLICY STATEMENT ON MOVING THE UNITED STATES POSTAL SERVICE ON BUDGET.

(a) FINDINGS.—The House finds the following:

(1) The President's Commission on Budget Concepts recommends that the budget should "as a general rule, be comprehensive of the full range of Federal activity".

(2) The Omnibus Reconciliation Act of 1989 (Public Law 101–239) moved the United States Postal Service (USPS) off budget and exempted it from sequestration.

(3) The USPS has a direct effect on the fiscal posture of the Government, through—

(A) the receipt of direct appropriations of $96 million in fiscal year 2016;

(B) congressional mandates such as requirements for mail delivery service schedules;

(C) incurring $15 billion in debt from the Treasury, the maximum permitted by law;

(D) continued operating deficits since 2007;

(E) defaulting on its statutory obligation to prefund health care benefits for future retirees; and

(F) carrying $125 billion in total unfunded liabilities with no foreseeable pathway of funding these liabilities under current law.

(b) POLICY ON MOVING THE USPS ON BUDGET.—It is the policy of this concurrent resolution that all receipts and disbursements of the USPS should be included in the congressional budget and the budget of the Government.

SEC. 625. POLICY STATEMENT ON BUDGET ENFORCEMENT.

It is the policy of this concurrent resolution that the House should—

(1) adopt an annual budget resolution before spending and tax legislation is considered in either House of Congress;

(2) assess measures for timely compliance with budget rules in the House;

(3) pass legislation to strengthen enforcement of the budget resolution;

(4) comply with the discretionary spending limits set forth in the Balanced Budget and Emergency Deficit Control Act of 1985;

(5) prevent the use of accounting gimmicks to offset higher spending;

(6) modify scoring conventions to encourage the commercialization of Government activities that can best be provided by the private sector; and

(7) discourage the use of savings identified in the budget resolution as offsets for spending or tax legislation.

SEC. 626. POLICY STATEMENT ON UNAUTHORIZED APPROPRIATIONS.

(a) FINDINGS.—The House finds the following:

(1) Article I of the Constitution vests all legislative power in the Congress.

(2) Central to the legislative powers of Congress is the authorization of appropriations necessary to execute the laws that establish agencies and programs and impose obligations.

(3) Clause 2 of rule XXI of the Rules of the House of Representatives prohibits the consideration of appropriations measures that provide appropriations for unauthorized programs.

(4) More than $310 billion has been appropriated for unauthorized programs in fiscal year 2016, spanning 256 separate laws.

(5) Agencies such as the Department of State have not been authorized for 14 years.

(b) POLICY ON UNAUTHORIZED APPROPRIATIONS.—In the House, it is the policy of this concurrent resolution that rules relating to unauthorized appropriations should be reviewed and reformed to ensure that unauthorized programs are either reauthorized, reformed, or terminated.

○