

2012 Budget

U.S. House of Representatives

Washington, DC 20515

The People's Budget

Budget of the Congressional Progressive Caucus

Fiscal Year 2012

<http://www.thepeoplesbudget.org>

Executive Summary

Budgets are more than collections of numbers; they are a statement of our values. The Congressional Progressive Caucus Budget is a reflection of the values and priorities of working families in this country. The "People's Budget" charts a path that keeps America exceptional in the 21st century, while addressing the most pressing problems facing the nation today. Our Budget eliminates the deficit and stabilizes the debt, puts Americans back to work, and restores our economic competitiveness.

The CPC Budget addresses these problems by listening to the American people. In poll after poll, they are telling us, their representatives in the American government, that they want to preserve Social Security, Medicare, and Medicaid, to make higher education more affordable, to expand job training programs, to cut taxes burdening the middle class, to subsidize affordable housing, and to provide financial assistance for those struggling to prevent foreclosures.

The majority of America thinks cuts to Social Security, Medicare and Medicaid, K-12 education, heating assistance to low-income families, student loans, unemployment insurance, and scientific and medical research are completely unacceptable. In contrast, Americans find a progressive tax policy very acceptable. The overwhelming majority of America supports additional taxes on millionaires and billionaires, eliminating unnecessary weapons systems, eliminating tax credits for the oil and gas industries, phasing out Bush tax cuts, and eliminating subsidies for new nuclear power plants. Poll after poll give voice to what Americans are asking of us.

Our Budget, in response, listens to what the American people are telling us. It does all of the above in a fiscally responsible way that dramatically reduces our borrowing from banks and foreign governments

and ensures our long-term economic competitiveness. It does all of the above recognizing that in order to compete, we need every American to be productive, and in order to be productive, we need to raise the skill level of every American and meet the basic needs of every working family. It does all of the above while remaining rooted in fairness, recognizing that America works only when everyone has an opportunity to make it in America.

Our Budget Eliminates the Deficit by 2021

The CPC budget eliminates the deficit in a way that does not devastate what Americans want preserved, specifically, Medicare, Medicaid, and Social Security. Instead of eroding America's hard earned retirement plan social safety net, our budget targets the true drivers of deficits in the next decade: the Bush Tax Cuts, the wars overseas, and the causes and effects of the recent recession. By implementing a fair tax code, by building a resilient American economy, and by bringing our troops home, we achieve a budget surplus of over \$30 billion by 2021 and we end up with a debt that is less than 65% of our GDP. This is what sustainability looks like.

Our Budget Puts America Back to Work & Restores America's Competitiveness

The CPC budget rebuilds America and makes it competitive again. We put America back to work. We rebuild our roads and bridges, ensuring that those who use it help pay for it. We rebuild our dams and waterways with seed money for shipping systems that can compete with the rest of the world. We rebuild our education system by training more and better teachers, restoring schools, helping each student graduate, and supporting community colleges. This is what competitiveness looks like.

Our Budget Creates a Fair Tax System

The CPC budget implements a fair tax system based on the American notion that fairness and equality are integral to our society. Our budget restores fairness to a system that unfairly benefitted the richest few while hurting the majority of America. Our budget heeds America's call to end the Bush Tax Cuts and the estate tax and create fair tax brackets for millionaires and billionaires while maintaining credits for the middle class and students. It ensures that the banks that wrecked our economy pay a modest financial responsibility fee and that exotic trading by Wall Street traders who ambled away America's savings is levied a tax. It guarantees that hedge fund managers (and those who use them) do not get special treatment by taxing capital gains and dividends as ordinary income.

It eliminates charity to oil companies making record profits from prices paid at the pump by the American people, given that it is unfair that the American people must also give these oil companies millions of dollars in handouts. Finally, our budget taxes US corporate income as it is earned, in much the same way Americans are taxed. This is what

fairness looks like.

Our Budget Brings Our Troops Home

The CPC budget responsibly ends our wars that are currently paid for by American taxpayer dollars we do not have. We end these wars not simply to save massive amounts of money or because the majority of America is polling in favor to do so, but because these wars are making America less safe, are reducing America's standing in the world, and are doing nothing to reduce America's burgeoning energy security crisis. The CPC budget offers a real solution to these fiscal, diplomatic and energy crises, leaving America more secure, both here and abroad. The CPC budget also ensures that our country's defense spending does not continue to contribute significantly to our current fiscal burden - a trend we reverse by ending the wars and realigning conventional and strategic forces, resulting in \$2.3 trillion worth of savings. This is what security looks like.

Our Budget's Bottom Line

- * Deficit reduction of \$5.6 trillion
- * Primary spending cuts of \$869 billion
- * Net interest savings of \$856 billion
- * Total spending cuts of \$1.7 trillion
- * Revenue increase of \$3.9 trillion
- * Public investment of \$1.7 trillion
- * Budget surplus of \$30.7 billion in 2021, debt at 64.1% of GDP.

Read the entire Progressive Caucus budget proposal here:

Remarks of President Barack Obama - As Prepared for Delivery

The Country We Believe In

The George Washington University

Washington, DC

April 13, 2011

As Prepared for Delivery-

Good afternoon. It's great to be back at GW. I want you to know that one of the reasons I kept the government open was so I could be here today with all of you. I wanted to make sure you had one more excuse to skip class. You're welcome.

Of course, what we've been debating here in Washington for the last few weeks will affect your lives in ways that are potentially profound. This debate over budgets and deficits is about more than just numbers on a page, more than just cutting and spending. It's about the kind of future we want. It's about the kind of country we believe in. And that's what I want to talk about today.

From our first days as a nation, we have put our faith in free markets and free enterprise as the engine of America's wealth and prosperity. More than citizens of any other country, we are rugged individualists, a self-reliant people with a healthy skepticism of too much government.

But there has always been another thread running throughout our history - a belief that we are all connected; and that there are some things we can only do together, as a nation. We believe, in the words of our first Republican president, Abraham Lincoln, that through government, we should do together what we cannot do as well for ourselves. And so we've built a strong military to keep us secure, and public schools and universities to educate our citizens. We've laid down railroads and highways to facilitate travel and commerce. We've supported the work of scientists and researchers whose discoveries have saved lives, unleashed repeated technological revolutions, and led to countless new jobs and entire industries. Each of us has benefitted from these investments, and we are a more prosperous country as a result.

Part of this American belief that we are all connected also expresses itself in a conviction that each one of us deserves some basic measure of security. We recognize that no matter how responsibly we live our lives, hard times or bad luck, a crippling illness or a layoff, may strike any one of us. "There but for the grace of God go I," we say to ourselves, and so we contribute to programs like Medicare and Social Security, which guarantee us health care and a measure of basic income after a lifetime of hard work; unemployment insurance, which protects us against unexpected job loss; and Medicaid, which provides care for millions of seniors in nursing homes, poor children, and those with disabilities. We are a better country because of these commitments. I'll go further - we would not be a great country without those commitments.

For much of the last century, our nation found a way to afford these investments and priorities with the taxes paid by its citizens. As a country that values fairness, wealthier individuals have traditionally born a greater share of this burden than the middle class or those less fortunate. This is not because we begrudge those who've done well - we rightly celebrate their success. Rather, it is a basic reflection of our belief that those who have benefitted most from our way of life can afford to give a bit more back. Moreover, this belief has not hindered the success of those at the top of the income scale, who continue to do better and better with each passing year.

Now, at certain times - particularly during periods of war or recession - our nation has had to borrow money to pay for some of our priorities. And as most families understand, a little credit card debt isn't going to hurt if it's temporary.

But as far back as the 1980s, America started amassing debt at more alarming levels, and our leaders began to realize that a larger challenge was on the horizon. They knew that eventually, the Baby Boom generation would retire, which meant a much bigger portion of our citizens would be relying on programs like Medicare, Social Security, and possibly Medicaid. Like parents with young children who know they have to start saving for the college years, America had to start borrowing less and saving more to prepare for the retirement of an entire generation.

To meet this challenge, our leaders came together three times during the 1990s to reduce our nation's deficit. They forged historic agreements that required tough decisions made by the first President Bush and President Clinton; by Democratic Congresses and a Republican Congress. All three agreements asked for shared responsibility and shared sacrifice, but they largely protected the middle class, our commitments to seniors, and key investments in our future.

As a result of these bipartisan efforts, America's finances were in great shape by the year 2000. We went from deficit to surplus. America was actually on track to becoming completely debt-free, and we were prepared for the retirement of the Baby Boomers.

But after Democrats and Republicans committed to fiscal discipline during the 1990s, we lost our way in the decade that followed. We increased spending dramatically for two wars and an expensive prescription drug program - but we didn't pay for any of this new spending. Instead, we made the problem worse with trillions of dollars in unpaid-for tax cuts - tax cuts that went to every millionaire and billionaire in the country; tax cuts that will force us to borrow an average of \$500 billion every year over the next decade.

To give you an idea of how much damage this caused to our national checkbook, consider this: in the last decade, if we had simply found a way to pay for the tax cuts and the prescription drug benefit, our deficit would currently be at low historical levels in the coming years.

Of course, that's not what happened. And so, by the time I took office, we once again found ourselves deeply in debt and unprepared for a Baby Boom retirement that is now starting to take place. When I took office, our projected deficit was more than \$1 trillion. On top of that, we faced a terrible financial crisis and a recession that, like most recessions, led us to temporarily borrow even more. In this case, we took a series of emergency steps that saved millions of jobs, kept credit flowing, and provided working families extra money in their pockets. It was the right thing to do, but these steps were expensive, and added to our deficits in the short term.

So that's how our fiscal challenge was created. This is how we got here. And now that our economic recovery is gaining strength, Democrats and Republicans must come together and restore the fiscal responsibility that served us so well in the 1990s. We have to live within our means, reduce our deficit, and get back on a path that will allow us to pay down our debt. And we have to do it in a way that protects the recovery, and protects the investments we need to grow, create jobs, and win the future.

Now, before I get into how we can achieve this goal, some of you might be wondering, "Why is this so important? Why does this matter to me?"

Here's why. Even after our economy recovers, our government will still be on track to spend more money than it takes in throughout this decade and beyond. That means we'll have to keep borrowing more from countries like China. And that means more of your tax dollars will go toward paying off the interest on all the loans we keep taking out. By the end of

this decade, the interest we owe on our debt could rise to nearly \$1 trillion. Just the interest payments.

Then, as the Baby Boomers start to retire and health care costs continue to rise, the situation will get even worse. By 2025, the amount of taxes we currently pay will only be enough to finance our health care programs, Social Security, and the interest we owe on our debt. That's it. Every other national priority - education, transportation, even national security - will have to be paid for with borrowed money.

Ultimately, all this rising debt will cost us jobs and damage our economy. It will prevent us from making the investments we need to win the future. We won't be able to afford good schools, new research, or the repair of roads and bridges - all the things that will create new jobs and businesses here in America. Businesses will be less likely to invest and open up shop in a country that seems unwilling or unable to balance its books. And if our creditors start worrying that we may be unable to pay back our debts, it could drive up interest rates for everyone who borrows money - making it harder for businesses to expand and hire, or families to take out a mortgage.

The good news is, this doesn't have to be our future. This doesn't have to be the country we leave to our children. We can solve this problem. We came together as Democrats and Republicans to meet this challenge before, and we can do it again.

But that starts by being honest about what's causing our deficit. You see, most Americans tend to dislike government spending in the abstract, but they like the stuff it buys. Most of us, regardless of party affiliation, believe that we should have a strong military and a strong defense. Most Americans believe we should invest in education and medical research. Most Americans think we should protect commitments like Social Security and Medicare. And without even looking at a poll, my finely honed political skills tell me that almost no one believes they should be paying higher taxes.

Because all this spending is popular with both Republicans and Democrats alike, and because nobody wants to pay higher taxes, politicians are often eager to feed the impression that solving the problem is just a matter of eliminating waste and abuse - that tackling the deficit issue won't require tough choices. Or they suggest that we can somehow close our entire deficit by eliminating things like foreign aid, even though foreign aid makes up about 1% of our entire budget.

So here's the truth. Around two-thirds of our budget is spent on Medicare, Medicaid, Social Security, and national security. Programs like unemployment insurance, student loans, veterans' benefits, and tax credits for working families take up another 20%. What's left, after interest on the debt, is just 12 percent for everything else. That's 12 percent for all of our other national priorities like education and clean energy; medical research and transportation; food safety and keeping our air and water clean.

Up until now, the cuts proposed by a lot of folks in Washington have focused almost exclusively on that 12%. But cuts to that 12% alone won't solve the problem. So any serious plan to tackle our deficit will require us to put everything on the table, and take on excess spending wherever it exists in the budget. A serious plan doesn't require us to balance our budget overnight - in fact, economists think that with the economy just starting to grow again, we will need a phased-in approach - but it does require tough decisions and support from leaders in both parties. And above all, it will require us to choose a vision of the America we want to see five and ten and twenty years down the road.

One vision has been championed by Republicans in the House of Representatives and embraced by several of their party's presidential candidates. It's a plan that aims to reduce our deficit by \$4 trillion over the next ten years, and one that addresses the challenge of Medicare and Medicaid in the years after that.

Those are both worthy goals for us to achieve. But the way this plan achieves those goals would lead to a fundamentally

different America than the one we've known throughout most of our history.

A 70% cut to clean energy. A 25% cut in education. A 30% cut in transportation. Cuts in college Pell Grants that will grow to more than \$1,000 per year. That's what they're proposing. These aren't the kind of cuts you make when you're trying to get rid of some waste or find extra savings in the budget. These aren't the kind of cuts that Republicans and Democrats on the Fiscal Commission proposed. These are the kind of cuts that tell us we can't afford the America we believe in. And they paint a vision of our future that's deeply pessimistic.

It's a vision that says if our roads crumble and our bridges collapse, we can't afford to fix them. If there are bright young Americans who have the drive and the will but not the money to go to college, we can't afford to send them. Go to China and you'll see businesses opening research labs and solar facilities. South Korean children are outpacing our kids in math and science. Brazil is investing billions in new infrastructure and can run half their cars not on high-priced gasoline, but biofuels. And yet, we are presented with a vision that says the United States of America - the greatest nation on Earth - can't afford any of this.

It's a vision that says America can't afford to keep the promise we've made to care for our seniors. It says that ten years from now, if you're a 65 year old who's eligible for Medicare, you should have to pay nearly \$6,400 more than you would today. It says instead of guaranteed health care, you will get a voucher. And if that voucher isn't worth enough to buy insurance, tough luck - you're on your own. Put simply, it ends Medicare as we know it.

This is a vision that says up to 50 million Americans have to lose their health insurance in order for us to reduce the deficit. And who are those 50 million Americans? Many are someone's grandparents who wouldn't be able afford nursing home care without Medicaid. Many are poor children. Some are middle-class families who have children with autism or Down's syndrome. Some are kids with disabilities so severe that they require 24-hour care. These are the Americans we'd be telling to fend for themselves.

Worst of all, this is a vision that says even though America can't afford to invest in education or clean energy; even though we can't afford to care for seniors and poor children, we can somehow afford more than \$1 trillion in new tax breaks for the wealthy. Think about it. In the last decade, the average income of the bottom 90% of all working Americans actually declined. The top 1% saw their income rise by an average of more than a quarter of a million dollars each. And that's who needs to pay less taxes? They want to give people like me a two hundred thousand dollar tax cut that's paid for by asking thirty three seniors to each pay six thousand dollars more in health costs? That's not right, and it's not going to happen as long as I'm President.

The fact is, their vision is less about reducing the deficit than it is about changing the basic social compact in America. As Ronald Reagan's own budget director said, there's nothing "serious" or "courageous" about this plan. There's nothing serious about a plan that claims to reduce the deficit by spending a trillion dollars on tax cuts for millionaires and billionaires. There's nothing courageous about asking for sacrifice from those who can least afford it and don't have any clout on Capitol Hill. And this is not a vision of the America I know.

The America I know is generous and compassionate; a land of opportunity and optimism. We take responsibility for ourselves and each other; for the country we want and the future we share. We are the nation that built a railroad across a continent and brought light to communities shrouded in darkness. We sent a generation to college on the GI bill and saved millions of seniors from poverty with Social Security and Medicare. We have led the world in scientific research and technological breakthroughs that have transformed millions of lives.

This is who we are. This is the America I know. We don't have to choose between a future of spiraling debt and one where we forfeit investments in our people and our country. To meet our fiscal challenge, we will need to make reforms. We will all need to make sacrifices. But we do not have to sacrifice the America we believe in. And as long as I'm President, we won't.

Today, I'm proposing a more balanced approach to achieve \$4 trillion in deficit reduction over twelve years. It's an approach that borrows from the recommendations of the bipartisan Fiscal Commission I appointed last year, and builds on the roughly \$1 trillion in deficit reduction I already proposed in my 2012 budget. It's an approach that puts every kind of spending on the table, but one that protects the middle-class, our promise to seniors, and our investments in the future.

The first step in our approach is to keep annual domestic spending low by building on the savings that both parties agreed to last week - a step that will save us about \$750 billion over twelve years. We will make the tough cuts necessary to achieve these savings, including in programs I care about, but I will not sacrifice the core investments we need to grow and create jobs. We'll invest in medical research and clean energy technology. We'll invest in new roads and airports and broadband access. We will invest in education and job training. We will do what we need to compete and we will win the future.

The second step in our approach is to find additional savings in our defense budget. As Commander-in-Chief, I have no greater responsibility than protecting our national security, and I will never accept cuts that compromise our ability to defend our homeland or America's interests around the world. But as the Chairman of the Joint Chiefs, Admiral Mullen, has said, the greatest long-term threat to America's national security is America's debt.

Just as we must find more savings in domestic programs, we must do the same in defense. Over the last two years, Secretary Gates has courageously taken on wasteful spending, saving \$400 billion in current and future spending. I believe we can do that again. We need to not only eliminate waste and improve efficiency and effectiveness, but conduct a fundamental review of America's missions, capabilities, and our role in a changing world. I intend to work with Secretary Gates and the Joint Chiefs on this review, and I will make specific decisions about spending after it's complete.

The third step in our approach is to further reduce health care spending in our budget. Here, the difference with the House Republican plan could not be clearer: their plan lowers the government's health care bills by asking seniors and poor families to pay them instead. Our approach lowers the government's health care bills by reducing the cost of health care itself.

Already, the reforms we passed in the health care law will reduce our deficit by \$1 trillion. My approach would build on these reforms. We will reduce wasteful subsidies and erroneous payments. We will cut spending on prescription drugs by using Medicare's purchasing power to drive greater efficiency and speed generic brands of medicine onto the market. We will work with governors of both parties to demand more efficiency and accountability from Medicaid. We will change the way we pay for health care - not by procedure or the number of days spent in a hospital, but with new incentives for doctors and hospitals to prevent injuries and improve results. And we will slow the growth of Medicare costs by strengthening an independent commission of doctors, nurses, medical experts and consumers who will look at all the evidence and recommend the best ways to reduce unnecessary spending while protecting access to the services seniors need.

Now, we believe the reforms we've proposed to strengthen Medicare and Medicaid will enable us to keep these commitments to our citizens while saving us \$500 billion by 2023, and an additional one trillion dollars in the decade after that. And if we're wrong, and Medicare costs rise faster than we expect, this approach will give the independent commission the authority to make additional savings by further improving Medicare.

But let me be absolutely clear: I will preserve these health care programs as a promise we make to each other in this society. I will not allow Medicare to become a voucher program that leaves seniors at the mercy of the insurance industry, with a shrinking benefit to pay for rising costs. I will not tell families with children who have disabilities that they have to fend for themselves. We will reform these programs, but we will not abandon the fundamental commitment this country has kept for generations.

That includes, by the way, our commitment to Social Security. While Social Security is not the cause of our deficit, it faces real long-term challenges in a country that is growing older. As I said in the State of the Union, both parties should work together now to strengthen Social Security for future generations. But we must do it without putting at risk current retirees, the most vulnerable, or people with disabilities; without slashing benefits for future generations; and without subjecting Americans' guaranteed retirement income to the whims of the stock market.

The fourth step in our approach is to reduce spending in the tax code. In December, I agreed to extend the tax cuts for the wealthiest Americans because it was the only way I could prevent a tax hike on middle-class Americans. But we cannot afford \$1 trillion worth of tax cuts for every millionaire and billionaire in our society. And I refuse to renew them again.

Beyond that, the tax code is also loaded up with spending on things like itemized deductions. And while I agree with the goals of many of these deductions, like homeownership or charitable giving, we cannot ignore the fact that they provide millionaires an average tax break of \$75,000 while doing nothing for the typical middle-class family that doesn't itemize.

My budget calls for limiting itemized deductions for the wealthiest 2% of Americans - a reform that would reduce the deficit by \$320 billion over ten years. But to reduce the deficit, I believe we should go further. That's why I'm calling on Congress to reform our individual tax code so that it is fair and simple - so that the amount of taxes you pay isn't determined by what kind of accountant you can afford. I believe reform should protect the middle class, promote economic growth, and build on the Fiscal Commission's model of reducing tax expenditures so that there is enough savings to both lower rates and lower the deficit. And as I called for in the State of the Union, we should reform our corporate tax code as well, to make our businesses and our economy more competitive.

This is my approach to reduce the deficit by \$4 trillion over the next twelve years. It's an approach that achieves about \$2 trillion in spending cuts across the budget. It will lower our interest payments on the debt by \$1 trillion. It calls for tax reform to cut about \$1 trillion in spending from the tax code. And it achieves these goals while protecting the middle class, our commitment to seniors, and our investments in the future.

In the coming years, if the recovery speeds up and our economy grows faster than our current projections, we can make even greater progress than I have pledged here. But just to hold Washington - and me - accountable and make sure that the debt burden continues to decline, my plan includes a debt failsafe. If, by 2014, our debt is not projected to fall as a share of the economy - or if Congress has failed to act - my plan will require us to come together and make up the additional savings with more spending cuts and more spending reductions in the tax code. That should be an incentive for us to act boldly now, instead of kicking our problems further down the road.

So this is our vision for America - a vision where we live within our means while still investing in our future; where everyone makes sacrifices but no one bears all the burden; where we provide a basic measure of security for our citizens and rising opportunity for our children.

Of course, there will be those who disagree with my approach. Some will argue we shouldn't even consider raising taxes, even if only on the wealthiest Americans. It's just an article of faith for them. I say that at a time when the tax burden on the wealthy is at its lowest level in half a century, the most fortunate among us can afford to pay a little more. I don't need

another tax cut. Warren Buffett doesn't need another tax cut. Not if we have to pay for it by making seniors pay more for Medicare. Or by cutting kids from Head Start. Or by taking away college scholarships that I wouldn't be here without. That some of you wouldn't be here without. And I believe that most wealthy Americans would agree with me. They want to give back to the country that's done so much for them. Washington just hasn't asked them to.

Others will say that we shouldn't even talk about cutting spending until the economy is fully recovered. I'm sympathetic to this view, which is one of the reasons I supported the payroll tax cuts we passed in December. It's also why we have to use a scalpel and not a machete to reduce the deficit - so that we can keep making the investments that create jobs. But doing nothing on the deficit is just not an option. Our debt has grown so large that we could do real damage to the economy if we don't begin a process now to get our fiscal house in order.

Finally, there are those who believe we shouldn't make any reforms to Medicare, Medicaid, or Social Security out of a fear that any talk of change to these programs will usher in the sort of radical steps that House Republicans have proposed. I understand these fears. But I guarantee that if we don't make any changes at all, we won't be able to keep our commitments to a retiring generation that will live longer and face higher health care costs than those who came before.

Indeed, to those in my own party, I say that if we truly believe in a progressive vision of our society, we have the obligation to prove that we can afford our commitments. If we believe that government can make a difference in people's lives, we have the obligation to prove that it works - by making government smarter, leaner and more effective.

Of course, there are those who will simply say that there's no way we can come together and agree on a solution to this challenge. They'll say the politics of this city are just too broken; that the choices are just too hard; that the parties are just too far apart. And after a few years in this job, I certainly have some sympathy for this view.

But I also know that we've come together and met big challenges before. Ronald Reagan and Tip O'Neill came together to save Social Security for future generations. The first President Bush and a Democratic Congress came together to reduce the deficit. President Clinton and a Republican Congress battled each other ferociously and still found a way to balance the budget. In the last few months, both parties have come together to pass historic tax relief and spending cuts. And I know there are Republicans and Democrats in Congress who want to see a balanced approach to deficit reduction.

I believe we can and must come together again. This morning, I met with Democratic and Republican leaders in Congress to discuss the approach I laid out today. And in early May, the Vice President will begin regular meetings with leaders in both parties with the aim of reaching a final agreement on a plan to reduce the deficit by the end of June.

I don't expect the details in any final agreement to look exactly like the approach I laid out today. I'm eager to hear other ideas from all ends of the political spectrum. And though I'm sure the criticism of what I've said here today will be fierce in some quarters, and my critique of the House Republican approach has been strong, Americans deserve and will demand that we all bridge our differences, and find common ground.

This larger debate we're having, about the size and role of government, has been with us since our founding days. And during moments of great challenge and change, like the one we're living through now, the debate gets sharper and more vigorous. That's a good thing. As a country that prizes both our individual freedom and our obligations to one another, this is one of the most important debates we can have.

But no matter what we argue or where we stand, we've always held certain beliefs as Americans. We believe that in order to preserve our own freedoms and pursue our own happiness, we can't just think about ourselves. We have to

think about the country that made those liberties possible. We have to think about our fellow citizens with whom we share a community. And we have to think about what's required to preserve the American Dream for future generations.

This sense of responsibility - to each other and to our country - this isn't a partisan feeling. It isn't a Democratic or Republican idea. It's patriotism.

The other day I received a letter from a man in Florida. He started off by telling me he didn't vote for me and he hasn't always agreed with me. But even though he's worried about our economy and the state of our politics, he said,

"I still believe. I believe in that great country that my grandfather told me about. I believe that somewhere lost in this quagmire of petty bickering on every news station, the `American Dream' is still alive.

We need to use our dollars here rebuilding, refurbishing and restoring all that our ancestors struggled to create and maintain. We as a people must do this together, no matter the color of the state one comes from or the side of the aisle one might sit on."

I still believe as well. And I know that if we can come together, and uphold our responsibilities to one another and to this larger enterprise that is America, we will keep the dream of our founding alive in our time, and pass on to our children the country we believe in. Thank you, God bless you, and may God bless the United States of America.

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CBO Confirms: GOP Budget Dismantles Medicare, Dramatically Increases Costs for Seniors

(by House Ways and Means Democrats)

WASHINGTON, DC - Results from a new Congressional Budget Office (CBO) analysis released yesterday confirm that the House Republican budget would dismantle the Medicare program and wreak havoc on the health and retirement security of America's seniors and future retirees. The Republican budget destroys Medicare for everyone under age 55, ending Medicare's historic entitlement to benefits and converting the program into a defined contribution that would offer individuals an under-funded voucher to purchase coverage in a new undefined marketplace where there is no guarantee that insurance companies will even participate.

The end result is a dramatic increase in the financial burden of health costs, with future retirees paying up to nearly three times as much for their health care than they would if current law continued.

According to the non-partisan CBO: "A typical beneficiary would spend more for health care under the proposal than under CBO's long-term scenarios for several reasons. First, private plans would cost more than traditional Medicare because of the net effect of differences in payment rates for providers, administrative costs, and utilization of health care services...Second, the government's contribution would grow more slowly than health care costs, leaving more for beneficiaries to pay." (p.23)

The Republican budget would.

Destroy Medicare for Future Retirees and Replace it with an Under-Funded Voucher:

"People who become eligible for Medicare in 2022 and subsequent years would receive a payment that was larger than \$8,000 by an amount that reflected the increase in the consumer price index for all urban consumers (CPI-U) and the age of the enrollee." (p. 8)

CPI-U fails to take into account full inflation for medical costs and is well below average per capita growth in Medicare spending. It is unrealistic to expect the growth in health costs to slow that dramatically or for the need for medical care to change that much, which can only mean major cost shifts to beneficiaries. After all, this is a deficit-driven exercise, not an effort to reform the program or protect beneficiaries. The whole point of converting the program to a defined contribution and setting an arbitrarily low growth rate is to save money. It has to be deliberately under-funded or it won't generate savings.

Increase Medicare Beneficiary Costs By Nearly Three-Fold:

"Under the proposal, most beneficiaries who receive premium support payments would pay more for their health care than if they participated in traditional Medicare under either of CBO's long-term scenarios. CBO estimated that, in 2030, a typical 65-year-old would pay 68 percent of the benchmark under the proposal, compared with 25 percent under the extended-baseline scenario and 30 percent under the alternative fiscal scenario." (p. 21)

This is not "reform," but simply a massive middle-class cost-shift to individuals and their families. Thus, under the Republican budget proposal, beneficiaries would be forced to pay more than twice and up to nearly three times the amount than they would pay if current law were extended under two different scenarios (e.g., main difference in health world between "extended baseline" and "alternative fiscal scenario" is whether a Medicare Physician Payment Fix (doc fix) is assumed or not and what the doc fix is).

Move Medicare Beneficiaries Into Private Plans that Are Less Efficient and More Costly than Medicare:

"A private health insurance plan covering the standardized benefit would, CBO estimates, be more expensive currently than traditional Medicare. Both administrative costs (including profits) and payment rates to providers are higher for private plans than for Medicare...for a typical 65 year old in 2011, CBO estimate that average spending in traditional Medicare would be [11 percent lower] than the spending that would occur if the same package was purchased from a private insurer" (p. 21)

Historically, private plans have increased, not decreased, Medicare spending.

Drive Medicare Beneficiaries Out of Medicare by Increasing Beneficiary Costs and Discouraging Participation:

"Costs to individuals (beyond those covered by the premium support payment) would be higher under the proposal than under traditional Medicare, and some individuals would therefore choose not to purchase insurance." (p. 12)

While CBO has not quantified how many people will opt out, CBO clearly states that the total effect of the Republican budget will be to force some people out of the program. Depending on who leaves, this could raise the number of uninsured, raise costs for those who remain behind (e.g., if a disproportionate share are healthy and wealthy), etc.

Shift Costs to Medicare Beneficiaries and Lead to Rationing of Care By Making it Unaffordable:

"Under the proposal, the gradually increasing number of Medicare beneficiaries participating in the new premium support program would bear a much larger share of their health care costs than they would under the traditional program. That greater burden would require them to reduce their use of health care services, spend less on other goods and services, or save more in advance of retirement than they would under current law. At the same time, the proposal analyzed by CBO would leave in place provisions restraining payments to many providers under the traditional Medicare program." (p. 19)

While the Affordable Care Act included aggressive payment reforms that increased efficiency and quality while protecting and even improving Medicare benefits, many Republicans campaigned aggressively against these policies during the 2010 election. Ironically, the Republican budget now leaves in place all of the Medicare savings from the Affordable Care Act, eliminates a key improvement (filling the donut hole, which is addressed in another quote below), and goes much, much further by ending Medicare's entitlement and turning it into a defined contribution plan. With the voucher, CBO says people will need to seek less care, spend less on food/shelter/heating and other services, or save more to pay for the new extra costs.

Increase the Rate of Growth in Medicare Beneficiary Costs:

"Moreover, CBO projects that total health care spending for a typical beneficiary covered by the standardized benefit under the proposal would grow faster than such spending for the same beneficiary in traditional Medicare under either of CBO's long-term scenarios." (p. 21)

Again, relying on private plans to deliver benefits increases the cost of care. So under-funding the voucher and forcing people to more purchase more expensive coverage in the private market results in a double-whammy for an older, sicker population.

Remove Medicaid Protections for Vulnerable Seniors Who are Dually Eligible for Medicare and Medicaid:

"Beginning in 2022, the federal government would establish a medical savings account (MSA) for certain beneficiaries with low income. (An MSA is an account that holds deposits that can be used for medical expenses.) Eligibility for MSA payments would be determined annually by the federal government on the basis of income relative to the federal poverty thresholds. The amount of the contribution in 2022 would be \$7,800, and the annual amounts in subsequent years would grow with the CPI-U." (p. 9)

A low-income senior can completely exhaust these funds with one episode of illness. For instance, a senior suffering a stroke who enters the hospital in January and then requires a skilled nursing stay of less than two months would face cost-sharing exceeding this amount. Under this scenario, their assistance would run out before the end of February. They would be on their own to cover any additional health costs incurred for the rest of the year.

Provide No Funding for a Medicare Physician Payment Fix:

"On the basis of the specifications provided by Chairman Ryan's staff, CBO's analysis included no change in the sustainable growth rate (SGR) mechanism for payments to physicians under Medicare." (p. 7)

Republicans assert they want to fix the physician payment formula, but have never offered a solution and repeatedly voted against Democratic reform proposals in the last Congress. Once again, they have ignored the problem. Doing so not only raises questions about access in the future, but it jury-rigs the overall deficit and budget numbers by leaving hundreds of billions of dollars out of the equation.

Increase the Medicare Eligibility Age:

"Starting in 2022, the age of eligibility for Medicare would increase by two months per year until it reached 67 in 2033." (p. 7)

While CBO states they have not estimated these effects yet, this policy will lead to an increase in the uninsured for people caught in the gap and/or an increase in employer costs as older people need to stay on employer coverage for additional years, as well as other potential adverse financial and health effects.

Eliminate Health Reform's New Medicare Drug Coverage while Embracing Health Reform's Medicare Savings:

"The proposal would repeal the provisions that expanded subsidies for the "coverage gap" in Part D. Most of the other changes that PPACA and the Reconciliation Act made to the Medicare program would be retained." (p. 10)

Republicans, including Chairman Ryan, created the Part D prescription drug program in 2003. This program, which was estimated to cost more than \$400 billion at the time and is responsible for approximately \$7 trillion of the so-called "unfunded mandate" talked about by Republicans, was not paid for. One gimmick employed at that time was to eliminate coverage as needs rose, creating the so-called "donut hole." The Affordable Care Act filled this hole to guarantee senior citizens comprehensive drug coverage. The Republican budget repeals this critical benefit.

A copy of the CBO analysis can be found [here](#).

Analysis by the House Committee on Education and the Workforce Democrats on the Impact of Slashing Key Investments In the Areas of Education and Workforce Development

House Budget Committee Chair Paul Ryan (R-WI) today released the House Republican budget proposal for fiscal year 2012. While we must address our nation's long-term deficits, the Republican budget priorities will harm our nation's future and our fragile economic recovery.

Below is an analysis by the House Committee on Education and the Workforce Democrats on the impact of slashing key investments in the areas of education and workforce development contained in the Republican budget proposal. These assaults on worker and student programs are in addition to the budget proposal's dramatic assault on seniors and health care.

While protecting tax cuts for the wealthy and subsidies for oil companies, the proposal would return non-defense discretionary spending to 2008 funding levels and thereby have the following impacts in FY 2012. With funding frozen under the proposal, even as demand and needs rise, the impacts will only worsen over time.

Higher Education

- * Pell Grants would be cut for all 9.4 million students eligible next year.
- * For the neediest students, Pell Grants would be cut by at least \$819 and as much as \$3,960.
- * At least 180,000 and as many as 1 million students would be kicked out of the Pell Grant program altogether.

Head Start

- * 218,000 low-income children and families would be removed from Head Start.
- * 16,000 Head Start and Early Head Start classrooms would close.
- * 55,000 teachers and related staff would lose their jobs.
- * 170,000 families trying to find jobs or stay employed would lose childcare.

Education (K-12)

- * 2,400 schools serving nearly a million low-income students would lose funding.
- * Nearly 10,000 teachers and aides could lose their jobs.

Job Training

- * Job-training programs for those out of work or attaining new skills would be dramatically cut.
- * "Career scholarships" would be created, which is similar to a past Republican proposal that would have gutted training programs in favor of a \$2000-\$3000 training account. The actual average cost of these training programs is approximately \$12,000, with approximately \$7,500 covered by the Workforce Investment Act today.

Impact of Republican Plan on Medicaid

(Democratic Analysis)

* Republicans Plan to Gut Medicaid in the guise of a block-grant system.

-- Starting in 2013, the federal share of all Medicaid payments would be converted into block grants to be allocated to the states. The total dollar amount of the block grants would increase annually with population growth and with growth in the CPI-U.

-- Starting in 2022, Medicaid block grant payments would be reduced to exclude projected spending for acute care services or Medicare premiums and cost sharing paid by Medicaid.

* The Republican plan would lead to cuts in health care and long-term care services to seniors.

-- CBO finds that federal funding for Medicaid would fall 35 percent by 2022 - and 49 percent by 2030 - below the levels the federal government now is projected to provide for the program.

-- The CBO report makes clear that unless states made up the difference, states may have to cut already-low payment rates to health care providers, causing doctors, hospitals, and nursing homes to withdraw from Medicaid and thereby reduce beneficiaries' access to care.

* Cuts to Medicaid would hit seniors the hardest.

-- Seniors and people with disabilities now on Medicaid would likely be at the greatest risk from these cuts. Seniors constitute just under one-quarter of Medicaid beneficiaries but account for two-thirds of all Medicaid spending because of their greater health care needs and because Medicaid is the primary funder of long-term care services and supports, including nursing home care.

-- Any cuts in long-term care services would cause increasing harm over time as the nation ages and the need for these services continues to grow.

-- States would also have to institute substantial cuts in reimbursement rates for hospitals, physicians, nursing homes, pharmacies, managed care plans, and other providers that furnish care to Medicaid beneficiaries. Many of these providers would likely respond by withdrawing from the program, leaving nowhere to go for care for beneficiaries who remain on the program.

* Medicaid costs - per capita and administrative costs - are already lower than private coverage. The problem is not with

Medicaid but with overall health care costs.

General Facts On Medicaid

Biggest source of long-term care financing

* Medicaid is the primary payer for long-term care covering a range of services, including those needed by people to live independently in the community, as well as services provided in institutional settings.

* Medicaid accounts for 43 percent of total long-term care spending in the U.S.

* Aside from Medicaid beneficiaries, few people have long-term care insurance, as only 15 percent of adults have private insurance that covers this care. Yet, a majority of individuals will have at least \$25,000 in costs during their lifetime for these services.

Benefits

* Medicaid coverage of long-term care includes a range of services and supports that assist individuals with performing activities of daily living, from assistance with eating, dressing, and toileting, to assistance with managing a home and medication management.

* Spending on Medicaid home and community based services (HCBS) has been growing.

* In 2009, spending on HCBS accounted for 43 percent (\$52.8 billion) of total Medicaid long-term care services spending, up from 13 percent in 1990.

Background on beneficiaries

* Nearly 6 million seniors receive Medicaid long-term services, including 1.5 million nursing home residents.

* Nine million seniors qualify for Medicare and Medicaid because of their low incomes. Depending on their income level, low-income seniors get help from Medicaid to pay for Medicare's premium and cost-sharing requirements as well as for services not covered by Medicare.

* Over 3 million individuals, or 7 percent of the Medicaid population, rely on Medicaid long-term care services for a range of physical and mental health care needs.

Eligibility

* Medicaid is intended to assist low-income individuals and is not available to everyone who needs long-term services. Individuals must first meet financial qualifications for Medicaid coverage of long-term services and supports, in addition to meeting need criteria.

* Elderly and disabled individuals who qualify for Medicaid must have very few assets (\$2,000 for an individual and \$3,000 for a couple, in 30 states).

* Medicaid is also the safety net for long-term care services for those who become impoverished as a result of disabling illness or injury.

-- Because few people can afford the high cost of nursing home care, 38 states allow people needing nursing home care to qualify with income up to 300 percent of SSI (\$2,022 per month in 2010).

Impact of Republican Plan on Social Security

(Democratic analysis)

* Sets Forth an Unprecedented New Fast-Track Procedure to Ram through Social Security Benefit Cuts. The budget resolution lays out a fast-track process that Budget Chairman Paul Ryan describes as "forcing" action on Social Security legislation in the House and the Senate. (Section 502(b) of the Chairman's Mark)

-- Specifies that any time the Social Security Trustees Report shows a shortfall within 75 years, the committee of jurisdiction must report Social Security legislation which will fully close the shortfall by January 30th, and the House and Senate must take up the legislation under "expedited procedures." (Section 502(b)(3) of the Chairman's Mark)

-- The fast-track for Social Security changes is unprecedented in the history of budget resolutions - the only Social Security procedural provisions in past budget resolutions were to protect the trust fund, the exact opposite of what this fast-track is intended to do.

-- The Budget Act does not allow regular fast-tracking (called budget reconciliation) for Social Security, which is why

Chairman Ryan needed the special new process to trigger benefit cuts instead of just requiring the cuts directly. (Section 310(g) of the Congressional Budget Act of 1974)

* Praises Specific Benefit Cuts for Middle-Income Americans While Appearing to Rule Out Other Options.

-- The summary specifically praises two benefit cuts recommended by the co-chairs of the President's Fiscal Commission:

* Raising the retirement age, which affects all beneficiaries, and

* Cutting future Social Security benefits for everyone who currently earns more than \$27,000 a year (similar to the benefit cut proposed by President Bush in 2005 as part of his privatization plan).

-- In contrast, the summary describes raising the cap on taxable earnings to require wealthy Americans to pay their fair share of payroll taxes, generally the most popular Social Security reform in public opinion research, as a change that would cause "profound economic damage."

* Suggests that Congress Will Not Honor the Treasury Bonds in the Social Security Trust Fund. The summary says that the \$2.6 trillion in reserves generated by worker contributions to the Social Security Trust Fund "are derived from dubious government accounting," implying that the Republican Congress might not redeem the Treasury bonds in the Trust Fund when they are needed to pay benefits that are owed. (Budget Committee Summary, p. 48)

General Facts On Social Security

Demographics of Social Security beneficiaries

* 54 million people depend on Social Security:

-- 35 million retirees,

-- 8 million disabled beneficiaries,

-- 11 million children, widows, and others.

Essential Source of Retirement Income

* For more than half (55%) of elderly beneficiaries, Social Security provides the majority of their cash income. For one-quarter (26%), it provides nearly all (more than 90%) of their income.

* For 15% of elderly beneficiaries, Social Security is the sole source of retirement income.

* Without Social Security, nearly one out of every two seniors would be living in poverty.

Amount of Benefits

* Social Security benefits are not very generous. In 2010, the average benefit was \$14,000 a year.

Full Solvency until 2037

* Social Security is fully solvent until 2037 and even after 2037, could pay 75% of scheduled benefits out of its trust fund.

No effect on the deficit

* Social Security does not contribute to the deficit.

-- Social Security is a self-financed program. It is funded directly by payroll contributions that are used to purchase interest-earning government bonds.

-- Any income that is not needed immediately to pay benefits is held in a trust fund that can only be used to pay for Social Security benefits. Social Security cannot borrow funds from any other source.

Revenues and expenditures

* The Social Security Trust Fund has a current balance of \$2.6 trillion.

-- Since 1937, when it was created, Social Security has collected a total of \$14.6 trillion.

-- Over that same time period, Social Security has spent \$12 trillion.