

# United States Senate

WASHINGTON, DC 20510-4704

Dear Colleagues,

The budget plans being prepared in the House and Senate represent vastly different approaches to confronting our country's many challenges. As each chamber moves into the final phases of drafting our respective resolutions, I thought it would be helpful for us in the Senate to consider some of the boxes House Republicans have put themselves in, and what that could mean for the House Republican budget we could see in a conference committee.

Democrats on the Senate Budget Committee are preparing a budget resolution that puts jobs and middle class families first, invests in long-term, broad-based economic growth, and tackles our debt and deficit using a responsible mix of spending cuts and new revenue from the wealthiest Americans and biggest corporations.

We Democrats care deeply about responsible deficit reduction. But we know our fiscal challenge is one of many challenges that require urgent attention. We care just as much about continuing to get Americans back to work and strengthening our economy for the long term, protecting our most vulnerable, and keeping our promises to families and seniors. And if we take a balanced approach, we can fulfill our commitment to each of these crucial priorities.

Unfortunately, the differences between our approach and that of the House Republicans could not be starker.

As you will see in this memo, **based on promises House Republican leaders have already clearly made, we will see another Republican budget plan that is extreme, economically irresponsible, and at odds with the balanced and fair approach the American people expect and deserve.**

As this memo explains, House Republican leaders have put forward a series of specific and consequential commitments on budget issues. They have:

- Refused to raise taxes on the wealthiest Americans and biggest corporations by even a penny more,
- Committed to protecting defense from cuts,
- Promised those 55 and older that they won't see any fundamental changes to Medicare and Social Security,
- Pledged to balance the budget in ten years,
- And said they would pursue policies that create jobs and help the economy.

The memo will show that, unless they resort to gimmicks, **it would be impossible for House Republicans to produce a budget that keeps these promises without placing the burden of deficit reduction on families and communities, and without decimating crucial investments that will help us stay competitive.**

Democrats are committed to leaving a strong nation to the next generation. That's why we are developing a responsible, balanced plan that focuses on continuing our economic recovery and laying a foundation for broad-based growth while getting our debt and deficits under control. And that's why we can't afford an approach that would weaken us by abandoning families, our economy, and our future to protect the wealthiest Americans and biggest corporations from paying a penny more in taxes.

We won't be able to impact the budget House Republicans are preparing. But as we work on our own, and hope to find a path to a bipartisan budget agreement, the House Republicans' extreme approach makes the need for a responsible alternative that puts middle class families first all the more clear.

I look forward to working with you all in the weeks and months ahead.



Senator Patty Murray  
Chairman, Senate Budget Committee

## Memorandum

To: Senate Colleagues

From: Senator Patty Murray (D-WA) and Senate Budget Committee majority staff

Re: The House Republicans' narrow budget path and its implications for jobs, the economy, and middle class families

Date: March 1, 2013

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### **Unless House Republicans go back on their promises or resort to gimmicks, their budget will have to use a fundamentally unbalanced and extreme approach.**

#### *House Republicans have made a lot of promises about their upcoming budget*

House Budget Committee Chairman Paul Ryan and his colleagues have spent the last few years making a series of very specific promises to the American people. It would be difficult to explain going back on these promises now, but it would also be very difficult to keep them without slashing investments in the middle class and our future. House Republican leaders have committed to:

- Include no new revenue for deficit reduction. Even though federal revenue is well below the levels it has been at when our budget has been in balance,<sup>1</sup> and Chairman Ryan has admitted there is waste in the tax code,<sup>2</sup> House Republicans have repeatedly insisted that new revenue is off the table.<sup>3</sup> This is despite the fact that millionaires and billionaires benefit disproportionately from tax loopholes and giveaways,<sup>4</sup> and that bipartisan groups who examined this issue recommended reducing the deficit using new revenue, including from those who can afford it most.<sup>5</sup>
- Include no further defense cuts.<sup>6</sup> House Republican leaders increased defense spending in their FY2013 budget,<sup>7</sup> have campaigned vigorously against defense cuts from sequestration,<sup>8</sup> and put forward plans to avoid defense cuts from sequestration through cuts to other programs.<sup>9</sup>
- Make no fundamental changes to Medicare or Social Security for those 55 and older. Democrats are committed to strengthening Medicare and Social Security for current and future generations. House Republicans put forward plans that would end Medicare as we know it, but in defending their plans before and during the 2012 election cycle, they repeatedly promised that their extreme Medicare changes would not impact anyone in or nearing retirement. Specifically, Chairman Ryan committed to ensuring that changes would not affect anyone currently 55 or older.<sup>10</sup> While it is no great solace to 54-year-olds across the country, this promise does mean that House Republicans can't use the costs they shift from the federal government to seniors in the ten-year budget window.

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<sup>1</sup> Office of Management and Budget Historical Data, Table 1.2, accessed [2/12/13](#).

<sup>2</sup> House Budget Committee Website, accessed [2/22/13](#).

<sup>3</sup> E.g. Bloomberg, [1/28/13](#).

<sup>4</sup> Tax Policy Center, [2/3/12](#).

<sup>5</sup> Moment of Truth Project, [6/29/11](#) and Senate Gang of Six.

<sup>6</sup> Enactment of a series of continuing resolutions in 2011 and the Budget Control Act of 2011 reduced discretionary funding levels by a \$1.5 trillion over the FY 2013-2022 period relative to CBO's August 2010 baseline. Defense reductions account for approximately 39 percent of this reduction.

<sup>7</sup> FY2013 House Budget Resolution, [2012](#).

<sup>8</sup> E.g. ABC News, [8/17/12](#); CNN Political Ticker, [11/4/12](#).

<sup>9</sup> Center on Budget and Policy Priorities, [5/8/12](#); The Hill, [12/20/12](#).

<sup>10</sup> E.g. Interview With Chairman Ryan, PBS, [4/5/11](#); Remarks by Chairman Ryan at The Villages, Florida [8/18/12](#). The House Republican budget included \$122 billion in Medicare savings, compared to the Congressional Budget Office baseline, from several provisions.

In addition to these commitments, House Republicans pledged that their plan will:

- Eliminate the deficit in ten years. Speaker Boehner and Chairman Ryan committed to producing a plan that would balance the federal budget in ten years. This would require roughly \$4.6 trillion in deficit reduction,<sup>11</sup> on top of \$1.2 trillion in cuts from sequestration and in addition to the \$2.4 trillion in deficit reduction already achieved in the last two years.
- Grow the economy and create jobs. Chairman Ryan and House Republicans have discussed the need to promote job-creating policies and grow the economy. While there is much more that needs to be done to get Americans back to work, it's unclear how the House Republicans' approach—which would have to slash pro-growth investments—would achieve this goal.

What will it take to keep House Republicans' promises? Deep cuts in virtually all areas of the budget excluding defense...

We don't yet know the details of House Republicans' updated budget plan, but assuming they keep their promises, we have a good idea about what to expect. Because they have boxed off so much of the federal budget, House Republicans will have to resort to gimmicks or make deep, extreme cuts to programs that impact families, seniors and our long-term economic strength.

Balancing the budget by 2023 would require at least \$4.6 trillion in deficit reduction over the next decade. Of that total, \$4 trillion would come from spending cuts or revenue increases, with the remaining \$600 billion in lower interest payments on the debt. The \$4.6 trillion in deficit reduction is on top of the \$2.4 trillion in savings Congress and the Administration worked together to enact since 2011<sup>12</sup> and in addition to the \$1.2 trillion in cuts from sequestration currently going into effect. In other words, House Republicans' approach would result in over \$8 trillion in savings, or twice as much as the amount originally recommended by the Simpson-Bowles Commission.<sup>13</sup>

Assuming no new revenue, the total spending cuts necessary to reach this target average close to 10 percent of projected spending over the next ten years. If no fundamental changes to Medicare and Social Security are included in the first ten years as promised, the remaining pieces of the budget would have to take a 17 percent across-the-board cut.<sup>14</sup> Excluding defense, as House Republicans have done in the past, the across-the-board cut for remaining programs would climb to more than 23 percent. Those numbers represent averages over the decade, but since they would have to be phased in, the cut in the last year is much deeper – 36 percent for all programs excluding Medicare, Social Security and defense.<sup>15</sup>

These cuts would require changing the structure of crucial safety net programs or cutting annual non-defense discretionary spending—which includes everything from education to road repairs to medical research—so deeply that

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<sup>11</sup> In the February 2013 report, "Macroeconomic Effects of Alternative Budgetary Paths," CBO included a stylized deficit reduction path of \$4.6 trillion (including debt service) that came close to eliminating the deficit in 2023.

<sup>12</sup> The \$2.4 trillion in deficit reduction includes spending cuts of \$1.5 trillion, additional revenue of \$600 billion, and interest savings of \$300 billion.

<sup>13</sup> Note that the Simpson-Bowles Commission covered a different time period. Originally, it covered the years 2012-20. The successor entity to the Simpson-Bowles Commission, the Moment of Truth Project, released revised, updated numbers for the Commission plan in June 2011. Those estimates covered the years 2012-21 and again showed savings of just over \$4 trillion (including interest). The \$8 trillion in savings cited above covers a different time period. Even so, it shows how radical and out of the mainstream the House Republican approach is. The Moment of Truth Project, "Updated Estimates of the Fiscal Commission Proposal," 6/29/11.

<sup>14</sup> The House Republican budget included \$122 billion in Medicare savings, compared to the Congressional Budget Office baseline, from several provisions.

<sup>15</sup> Calculations of the percent cut are based on the stylized deficit reduction path included in Congressional Budget Office's report, "Macroeconomic Effects of Alternative Budgetary Paths," and Congressional Budget Office's baseline projections from February 2013. Congressional Budget Office, "Macroeconomic Effects of Alternative Budgetary Paths," 2/5/13; Congressional Budget and Economic Outlook: Fiscal Years 2013 to 2023, 2/5/13.

many important investments would be eliminated completely. The Congressional Budget Office projects non-defense discretionary spending will total approximately \$6 trillion between 2014 and 2023;<sup>16</sup> the \$4 trillion in deficit reduction necessary to reach balance represents about two-thirds of this total. Protecting programs such as Medicaid, SNAP and other mandatory spending in the budget, therefore, would require massive cuts to non-defense discretionary programs. Either way, the House Republican budget would place the burden of cuts on middle class families, children, and the most vulnerable—while protecting the wealthiest Americans from paying a penny more in taxes.

...which means we are likely headed toward another House Republican budget that balances on the backs of the middle class and most vulnerable, and cuts investments that we need to ensure long-term economic competitiveness

Looking back at what House Republicans tried to pass in the budget the American people rejected last year makes it clear how devastating the impact of the cuts would be.

The House Republican budget for fiscal year 2013 forced the largest cuts on programs for those facing hardship. The Center on Budget and Policy Priorities calculated that 62 percent of the savings in the House Republican 2013 budget impacted families and communities most in need. That includes more than \$800 billion from block-granting and cutting Medicaid, at least \$290 billion from programs that support job training and other critical programs, and \$134 billion from SNAP nutrition support for struggling families.<sup>17</sup> In addition, by repealing the Affordable Care Act, the House Republican budget would have increased the number of Americans without health insurance by nearly 30 million.<sup>18</sup>

As any business person would tell you, it doesn't make sense to try to solve your budget problems by slashing the very investments that will help you grow and succeed in the long run. In fact, such ideas have long held bipartisan support. But the House Republican plan for fiscal year 2013 slashed investments in education, infrastructure, and innovation—the kinds of investments our nation must make to stay competitive in the 21<sup>st</sup> century. Some highlights of the most damaging proposals include:

- Cutting Pell grants that benefit more than 9 million low-income students each year—so deeply that Pell grants could be eliminated for one million students,<sup>19</sup>
- A 34 percent cut to funding for nation's roads, bridges, rail lines, transit systems, and airports—even though our infrastructure is in desperate need of repair;<sup>20</sup> and
- Severe reductions in energy research and development funding, costing thousands of jobs and keeping us dependent on foreign energy imports.<sup>21</sup>

What if House Republicans can't keep their promises? They may simply hope they can appear to do the impossible – spur job creation by cutting job creating investments

The next House Republican budget could have such negative effects on families and seniors that even some Republicans have said it is too extreme. As Representative Mike Simpson (R-ID) said, "There could be a significant number of Republicans that say, 'I'm not going there because it would be too dramatic.'"<sup>22</sup>

To conceal the severe impact their policies would have, House Republicans could simply assume them away. They've done this before.<sup>23</sup> Republican presidential candidate Governor Mitt Romney's tax plan called for significantly lower

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<sup>16</sup> Congressional Budget Office, [2/5/13](#).

<sup>17</sup> Center on Budget and Policy Priorities, "Chairman Ryan Gets 62 Percent of His Huge Budget Cuts from Programs for Lower-Income Americans," [3/23/12](#).

<sup>18</sup> Congressional Budget Office, [2/2013](#).

<sup>19</sup> Center for American Progress, [8/28/12](#).

<sup>20</sup> The House Republican budget included \$57.139 billion in budget authority for function 400 in fiscal year 2013 compared to the fiscal year 2012 level of \$86.951 billion (adjusted to remove \$1.662 billion in emergency budget authority). House Budget Committee, [3/22/12](#) and Congressional Budget Office March 2012 baseline.

<sup>21</sup> House Committee on Energy and Commerce, [8/13/12](#)

<sup>22</sup> Politico, [2/15/13](#).

<sup>23</sup> See also: National Journal, [2/7/13](#); Washington Post Plum Line Blog, [1/23/13](#); New York Magazine, [1/23/13](#).

marginal rates, while preserving high-income tax breaks. On the campaign trail both Governor Romney and Chairman Ryan claimed such reforms were possible without increasing middle class taxes. The nonpartisan Tax Policy Center said the plan was “not mathematically possible.”<sup>24</sup>

**To achieve the fair, comprehensive budget deal the American people expect and deserve, we need a balanced approach that puts jobs and the middle class first.**

Given where House Republicans seem to be headed with their budget, we can expect another extreme ideological approach that protects the wealthiest Americans and biggest corporations from contributing any more to deficit reduction, while slashing programs that families and communities depend on as well as investments in our future.

We Democrats have seen this approach before. We know it just won't work for the American people. And that is why, as we develop our budget resolution and hope to come to a bipartisan budget agreement, it is so important that we stay focused on what will work: putting American families and our economy first, responsibly reducing our deficit, and laying the foundation for a thriving middle class in generations to come.

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<sup>24</sup> “On The Distributional Effects Of Base-Broadening Income Tax Reform,” Tax Policy Center, [8/1/12](#).